

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD MEETING
WEDNESDAY, APRIL 4, 2012 AT 9:00A.M.
ONE WEST STATE STREET, 1 WEST BOARD ROOM, TRENTON, NJ

AGENDA

1. Notice of Public Meeting

2. Roll Call

3. Approval of Meeting Minutes

- a. Board Open Session Meeting Minutes of March 7, 2012
- b. Board Executive Session Meeting Minutes of March 7, 2012

4. Authority Matters

- a. CEO Report
 - i. Emergent Program Update
 - ii. 2011 Annual Report
- b. Chairman's Report

5. Report and Recommendations of the Audit Committee (Chairman's Report)

- a. 2011 Financial Statements

6. Report and Recommendations of the School Review Committee (Chairman's Report)

- a. Change Orders/Amendments

1. COMPANY NAME: USA Environmental Inc. (USA)
DISTRICT: Camden
CONTRACT NO.: CA-0018-N01
PMF/CM: SDA Managed
SCHOOL NAME: Lanning Square Elementary School
CHANGE ORDER NO.: 4
REASON: De-obligation of unused Funds in the Contract
AMOUNT: (\$340,644.97)
CONTRACT STATUS: 86.7 % Paid to Date against the Current Contract Value
PROJECT SCHOOL
OCCUPANCY DATE: NA

2. COMPANY NAME: Ernest Bock & Sons, Inc.
DISTRICT: Elizabeth
CONTRACT No.: EL-0016-C03
PMF/CM: SDA Managed
SCHOOL NAME: Victor Mravlag Elementary School, No. 21
CHANGE ORDER No.: 103
REASON: Additional Work
AMOUNT: \$14,299
CONTRACT STATUS: 52% Paid to Date against the Current Contract Value
ANTICIPATED OCCUPANCY
DATE: January 2013

- b. Approval of Award
 - i. CA-0010-N01 – Morgan Village Middle School – Demolition, Remediation & Site Development
 - ii. ET-0068-C01 - Catrambone Elementary School – New Construction
- c. Rules Adoption
 - i. Final Adoption of New Rules for Delegation of Projects to Districts, 19:34B

7. Report and Recommendations of the Real Estate Committee (*Chairman's Report in Executive Session*)

8. Monthly Reports

- a. For Informational Purposes
 - i. Active Projects Report
 - ii. Project Close Out Status Report
 - iii. Emergent Reserve Balance Summary
 - iv. Project Status Reports
 - v. Contracts Executed Report/Amendments & Change Orders Executed Report
 - vi. Contract Terminations Report (*no activity*)
 - vii. Settlement Activities Report
 - viii. Contractor and Workforce Compliance Report
 - ix. Regular Operating District Grant Activity Report
 - x. Notification of Amendments to Goods and Services Contracts Not Exceeding \$250,000 (*no activity to report*)
 - xi. Communications Report
 - xii. Monthly Financial Report

9. Public Comment

10. Executive Session

- a. Litigation/Contract Matter(s) – OPMA Exemption N.J.S.A. 10:4-12b (7)

11. Adjournment

APPROVAL OF MEETING MINUTES

MARCH 7, 2012 OPEN SESSION MINUTES

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

WEDNESDAY, MARCH 7, 2012

A meeting of the Board of Directors of the New Jersey Schools Development Authority (“SDA”, “NJSDA” or “the Authority”) was held on Wednesday, March 7, 2012 at 9:00 A.M. at the offices of the Authority at One West State Street, Trenton, New Jersey.

Participating were:

Edward Walsh, Chairman
Maureen Hassett (NJEDA)
Kevin Luckie (NJDCA)
James Petrino (State Treasury)
Bernard Piaia (NJDOE)
Michael Capelli
Kevin Egan
Loren Lemelle
Michael Maloney
Joseph McNamara
Robert Nixon
Martin Perez

being a quorum of the Board. Mr. Capelli, Mr. Egan, Ms. Lemelle, Mr. Nixon, Mr. Petrino and Mr. Piaia participated in the meeting via telephone conference.

At the Chairman’s request, Marc Larkins, chief executive officer; Jason Ballard, chief of staff; Jane Kelly, vice president & assistant secretary; Andrew Yosha, vice president; Donald Guarriello, vice president and chief financial officer; Albert Barnes, senior counsel; Susan Pacuta, director; Gregory Voronov, director; Ritchard Sherman,

director; Thomas Schrum, director; Cecelia Haney, senior counsel; and Sean Murphy, director, of the SDA participated in the meeting.

The meeting was called to order by the Chairman, Mr. Walsh. Mr. Walsh 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 that a meeting notice had been duly posted on the Secretary of State's bulletin board at the State House in Trenton, New Jersey.

Approval of Meeting Minutes

Mr. Walsh then presented the minutes of the meetings of the Board held February 1, 2012 for consideration and approval. He noted that presented for Board consideration were the minutes of the Board's February 1, 2012 Open and Executive Session meetings. A copy of the minutes and resolutions for Board consideration and approval were provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Luckie, and seconded by Mr. McNamara, the February 1, 2012 Open and Executive Session meeting minutes were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibits 3a/3b*.

Authority Matters

CEO Report

Mr. Walsh asked Mr. Larkins to provide the report of the CEO. Mr. Larkins began by updating the Members on the status of the 2011 Capital Program ("Capital Program"), reminding the Board that the process for project selection and advancement was revamped in 2011. He reported that when the Board approved and announced the

Capital Program in 2011, the SDA had emphasized that the program would operate as a “rolling program”, which means that the SDA would make announcements as projects are ready and after due diligence is conducted. He said that staff developed a PowerPoint presentation that was previously distributed to the Members. Mr. Larkins said that the 2011 presentation was also recirculated to the Members in order to refresh everyone’s recollection of the parameters of the program. He said that the selection process this year was pretty consistent with the process utilized in 2011.

Mr. Larkins then referenced the PowerPoint presentation and reported that the presentation is broken up into three (3) specific categories. First, Mr. Larkins referenced Slide 3, which provided an update of the goals of the Capital Program. Mr. Larkins reported that the SDA’s first goal is to attempt to pursue some form of standardization across the program. He said that the SDA is attempting to follow programs across the country and develop standards. Mr. Larkins referenced New York and noted that they have a robust set of standards that they use for most of their projects. Mr. Larkins reminded the Members that the SDA had announced in the 2011 Capital Program a list of ten (10) projects for advancement. He said that those projects were selected not only because of need but that other factors were used to identify them as well. Mr. Larkins noted that the list of the ten (10) projects could be found on Slide 3. He then referenced Slide 4 and reported that this slide is a continuation of standardization efforts. Mr. Larkins said that for the first time in the Authority’s existence, materials and system standards have been developed. He said that these were published in September 2011 and can be found on SDA’s website. Mr. Larkins said that the materials and system standards

effort is ongoing, and as the SDA pursues other areas of standards, they will be released to the public. He noted that some of the standards are listed on Slide 4.

Next, Mr. Larkins reported that the SDA has also created an in-house design studio to develop a kit of parts (“KOP”) design which is a new application to the SDA’s school program. Mr. Larkins referenced Slide 5 and reported that it is a visual presentation of how KOP will be applied to the 2011 Capital Program. He reminded the Members that KOP consists of four (4) components and noted them as follows: 1) constructional component 2) core component, which is administrative space 3) large group component, such as gymnasiums and cafeterias, and 4) PK component. Mr. Larkins commended the SDA Design Group for their swiftness in producing the KOP designs. In continuing, Mr. Larkins referenced Slide 6, which lists an update of the project schedule for the ten (10) projects that were announced in 2011. He gave an update of the status of those projects as referenced on the slide. Mr. Larkins gave a more detailed update regarding the Bridgeton project for the Cherry Street Elementary School (“Cherry Street”). He informed the Members that the Bridgeton project ties in with the SDA’s site investigation program. Mr. Larkins said that, historically, the districts would identify their school needs and pass them through to DOE for approval. He said that if DOE approval is received, the project would be submitted to SDA for advancement. Mr. Larkins stated that in terms of due diligence and critical analysis the SDA determined to do more vetting of the projects prior to advancement to ensure the right thing is being done for the school district. Mr. Larkins said that, with regard to the Bridgeton district, SDA had discussions with the district and noted that the data from the analysis clearly supports the advancement of the Cherry Street project. He also stated that Bridgeton is

broken up into different areas and the reports of overcrowding district-wide would support the delivery of the Cherry Street project. Mr. Larkins noted that Bridgeton is close to delivery of additions to other existing elementary schools in order to address their overcrowding needs versus the building of a new school. He said that, for all of these projects, the site investigation vetting component of the program is really working out well in terms of identifying the right projects for the districts. Mr. Larkins went further down the list to the West New York Harry L. Bain PS 6 project ("Bain"). He informed the Members that the SDA has advertised for the demolition of the existing building. Mr. Larkins reported that the working group had discussions with the district and reached an agreement with the district for an alternative delivery to address the need.

After addressing the Bain project and the status of other projects on the status portfolio, Mr. Larkins moved on to the 2012 project portfolio. He announced that there are twenty (20) schools that the Members are being asked to approve for the 2012 advancement portfolio. Mr. Larkins noted that the portfolio is divided into three categories. He referenced Slide 8 and reported that the first category builds on the 2011 process. Mr. Larkins said that the SDA considered the educational priority need and scoring from 2011. He reminded the Members that they were given the 2011 package again and he encouraged them to review it in order to see how the various projects scored. He noted that the \$675 million represents the estimated cost and existing budget for the eight (8) capital addition/renovations projects, including the WNY project. Mr. Larkins explained that a significant savings was achieved by acquiring an existing Catholic high school for WNY and instead of building a new high school, an addition/renovation would be made to the Catholic high school, which will save the state

significant dollars that can be used to advance other projects. Mr. Larkins noted that the \$675 million would be inclusive of the old budgeted number for the WNY high school and not the new school. He said that the SDA is working to develop a new budget that will reflect the acquisition of the old Catholic high school for renovations as well as renovations to the existing Memorial High School. Mr. Larkins also addressed some of the other projects in this category and noted that Keansburg Caruso Elementary School (“Keansburg”) has demolition work ongoing for the new elementary school. Mr. Larkins informed the Members that part of the reason why Keansburg was not advanced last year is because the district was looking for two (2) buildings for a grade K-2 facility and a grade 3-5 facility. He said that the working group visited the district and concluded that it would be more advantageous for the district and the state to deliver one building, which was bigger and would encompass K-5. In continuing, Mr. Larkins reported that Newark South Street is another example of the work of the site investigation team, which had a similar issue to Keansburg. He said that Phillipsburg High School (“Phillipsburg”) was also a school that the site investigation team visited in order to ensure a delivery method that was right for the school and the state. He said that in Phillipsburg it was determined that a new school would be efficient and could be delivered on a quicker timetable.

Next, Mr. Larkins reported on the second category of the advancement portfolio. He informed the Members that seven (7) less defined projects were selected from the statewide prioritization list. Mr. Larkins said that each individual district poses different concerns and questions about the right project to address the need, but the SDA knows that something should be done in these districts. He noted that the proposal is for the Board to give the SDA authority to pursue a project in each of those districts. He gave

examples, noting that Elizabeth Elementary School (“Elizabeth”) has a laundry list of needs, with their major issue being overcrowding. Mr. Larkins said that when the working group spoke with the district as a part of the prioritization process, their main concern was Academic High School (“Academic”). He said that the working group vetted the data and the Long Range Facilities Plan (“LRFP”) and pulled projects from the Plan that would address some of the overcrowding needs in the district. Mr. Larkins said that a conversation still has to happen with the district to determine which project would be right for the district.

In continuing, Mr. Larkins informed the Members that the third category is a new category. He said that SDA staff visited numerous school districts and toured schools and information was derived from these emergent site visits. Mr. Larkins said that as part of the rollout of the emergent program, the working group conducted site visits at over one hundred fifty (150) schools throughout the districts to validate the reported conditions. He said that the prioritization scoring included a number of different factors, including building conditions. Mr. Larkins stated that, in terms of the weighted conditions, building conditions was not one of the primary factors in the 2011 state prioritization process. Mr. Larkins noted that the program that operated in the past was either all or nothing or a band aid because the SDA was either delivering replacement schools, performing significant renovations or performing emergent projects and that there was not much of an “in between”. He stated that this third category serves as a bit of an “in between”. Mr. Larkins said that if you look at the way some of the projects scored, they would never make their way into the Capital Program. He used TCHS and Camden High School (“Camden”) as examples, noting that each had received a score of

four (4), which is a score that would not make the prioritization list. He said that these projects would be simply emergent projects that need more attention. He said that the working group developed a list and the scoring was driven by building conditions, number of emergent requests, and information collected during site visits, which was compiled into a list. Mr. Larkins noted that the five (5) projects listed in Category 3 represent the highest scoring projects from that facilities needs review. He said that the SDA intends to perform work at the five (5) schools, but must work with the district to identify the right scope of project. He said that, upon working with the district, a cost benefit analysis would have to be performed to determine the right action to be taken at each individual school. Mr. Larkins reminded the Members that representatives from TCHS visited the Board with a list of emergents in excess of \$20 million. He said that the SDA would need to sit with representatives from TCHS and arrive at what the right scope of projects would be to bring the building up to standards.

Lastly, Mr. Larkins gave a brief update regarding the emergent program. He reported that while the SDA is attracting negative attention with regard to the emergent program, this program is one that operates on an “ad hoc” basis. He said that the issue of criticism regarding the emergent program is timing because a lot of the projects cannot happen while children are occupying the school. He said that the SDA has been working hard to vet the universe of emergent projects. Mr. Larkins said that some of the work will happen in the summer while other work will take place in the fall. After Mr. Larkins completed his presentation, he opened the floor for questions. Ms. Lemelle had a question regarding standardization and asked whether the standards the SDA has derived are benchmarked within the industry. She further inquired as to how the standards were

derived. Mr. Larkins replied that, in terms of benchmarking, the SDA vetted its work in terms of projects the SDA delivered in the past and put together a working group with representatives from various SDA districts to assist SDA staff in identifying things that worked or did not work for them. He said that the SDA compiled the information and looked at benchmarks from other programs such as the standards utilized by New York and other programs and, from there, developed SDA standards. Ms. Lemelle also asked if having the in-house design team has reduced costs for the SDA. Mr. Larkins said that, in terms of efficiency and effectiveness, the SDA has seen improvements in both. He noted that the SDA has a lot of qualified designers and design professionals who are very resourceful and that using in-house staff saves time given the practical reality that the SDA does not have to put together a procurement package for the design work. Mr. Larkins noted that the designs also serve as a road map for other design professionals as to what to design. He said that the Authority is also developing standards that will hopefully allow SDA to learn from ourselves — that is, as the KOP or standard models are built, the SDA will learn if there are errors and would then address them in the designs. In terms of cost, Mr. Larkins said that it would save the SDA some money, but that the Authority would ultimately require additional support for the design studio because the SDA was not originally prepared to do the bulk of that work in-house. Ms. Lemelle asked if the SDA used existing personnel or redefined what was needed or whether the SDA will hire additional staff. Mr. Larkins replied that the SDA would do a little bit of both and noted that the SDA is using existing personnel that have design training. He said that the SDA does have some personnel gaps and the way that this is being addressed is through temporary assistance from external parties. Ms. Lemelle

asked what the SDA's expectations are for implementation and completion of the twenty (20) projects. Mr. Larkins replied that each category would have to be viewed differently. He said that the SDA currently can apply more definition to Category 1 and is closer to putting together schedules for those projects. He said that with regard to Category 2, the SDA is looking at a schedule for 2013 because a conclusion has not been arrived at with regards to what projects will be delivered. Mr. Larkins said that Category 3 is closer than Category 2 in terms of scoping the right work for advancement to achieve a desired result. He said that the SDA is closer to schedules in Category 1, and not close to grouping schedules in Categories 2 and 3. Mr. Larkins commented that in terms of the in-house design studio, it is not expected that the design studio will take a design from start to completion. Rather, he said, the effort will be in the design/build context involving developing schematics, which is Phase 1 of design of a building. He said that those projects would then be handed off to an external party who would complete the design work. In terms of the emergent project program, design staff is actually doing the work from start to completion on some of those emergent projects. Ms. Hassett referenced the \$675 million and asked if Categories 2 and 3 are included in that amount. Mr. Larkins said that Categories 2 and 3 are not accounted for in the \$675 million. He said that the SDA has about \$1.78 billion left for the program which is its bonding authority. Mr. Larkins said that he does not believe that the addition of Categories 2 and 3 would anywhere approach the remaining money, but staff is monitoring it. Mr. McNamara asked if a procurement would be issued for site prep simultaneously with design/build. Mr. Larkins replied that it is currently under discussion and that each project would have to be approached differently. Mr. Walsh commended Mr. Larkins

and SDA staff for all of their hard work. He said that the SDA has to concentrate on the next phase of work and that he would like to talk in greater detail about how the SDA is finishing the 2011 planning at the next SRC meeting. Mr. Walsh requested some clarity regarding the SDA's planning efforts. Mr. Larkins noted that Ray Lindgren's group is in charge of planning and that they go out to meet with the districts to discuss the right scope of projects. He said that once the scope is identified, the design studio gets involved. Mr. Walsh noted that this is the right thing to do, but that it isn't very clear on the organizational charts and that the charts should be referenced as project charts. Mr. Walsh said that the Board wants to ensure that management has the right tools to succeed, and that management must inform the Board of what is needed so that such tools can be provided. After further discussion, Mr. Walsh suggested that there be further discussion in this regard after the next SRC meeting.

A resolution pertaining to the approval of the 2012 Capital Program and Advancement Portfolio had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Luckie, the 2012 Capital Program and Advancement Portfolio was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 4ai*.

Audit Committee Report

Mr. Walsh then asked for the report of the Audit Committee. Mr. Nixon advised the Board that the Audit Committee met on February 21, 2012. He said that the January 2012 New Funding Allocation and Capital Program update presented to the Audit Committee had reported a \$100,000 increase in the Unforeseen Events Reserve, no change in the Planning Reserve and a \$100,000 increase in the Emergent Projects

Reserve. He informed the Members that the reserve balance for the Regular Operating Districts (“RODs”) increased by \$2.2 million due to a reduction in state share for projects nearing completion. He added that one additional grant was offered in the current reporting period bringing the total grants offered from the 2008 Funding Authorization to approximately \$687 million.

Mr. Nixon then discussed the Monthly Financial Report that was presented to the Committee, noting that, as of December 2011, the Authority’s operating expenditures were at \$35.7 million, which is \$11.6 million lower than budget for the corresponding period in the prior year. He noted that this is an \$8.6 million decrease from the corresponding period in the prior year. He advised that school facilities project expenditures total \$174 million, which is \$109 million lower than spending for the corresponding prior year period due largely to the decrease in construction work and other project costs. He advised the Members that a draft of the audited 2011 financial statement would be presented next month to the Audit Committee and would be presented to the Board at the April meeting.

In continuing, he said that Mr. Ballard and Ms. Pacuta had provided the Committee with the results of the audit reports and assessments. He noted that management presented the SDA Owned Real Estate Assessment. He said that the objectives of this assessment were to validate that the SDA maintains a list of all property currently owned, is receiving rent if applicable, and has a plan in place for surplus properties. He noted that a total of five (5) observations and recommendations were outlined. He advised that Management agreed that: 1) a guidance document will be created for non-routine maintenance of properties; 2) the SDA working group,

established in 2011, will continue a “property by property” assessment and develop a formal recommendation for determination of surplus properties; 3) a more aggressive deed transfer process will be established which will result in cost savings; 4) the Division of Chief Counsel will continue to aggressively monitor SDA tax risks associated with properties owned; and lastly, 5) the Standard Operating Procedure for rental income property is being updated. Mr. Nixon then advised that management updated the Committee as to the status of open recommendations by the State Auditor related to change orders and amendments outlined in its June 2010 audit report. He said that the State Auditor made three (3) recommendations. He advised that the first recommendation was that the SDA enforce existing construction change order policies, procedures and contract provisions and develop written policies and procedures. He said that in response draft procedures for the processing of both change orders and amendments have been developed as of March 2011, with refinement ongoing. He said that the second recommendation was that the SDA process change orders on a more timely basis. He said that management reported that there has been a 40% decrease in processing time for change orders and a 45% decrease in processing time for amendments. He noted that the last recommendation was that the SDA develop independent cost estimates for all change requests. He advised that the SDA is seeking to hire a full time cost estimator, and intends to acquire supplemental cost estimating assistance through the use of the professional staffing services agreement approved by the members of the Board on October 5, 2011. Mr. Nixon then said that Mr. Larkins would be presenting the proposed modifications to the Operating Authority (“OA”) – Levels of Approval and Operating Scopes noting that an additional change to the OA will be

presented that was not discussed at the Audit Committee meeting. Mr. Larkins then explained that the amendments being proposed to the OA are the direct result of requests by the members of the SRC and others on the Board to give authority to the CEO to deal with credit amendments under \$100,000. He advised that the walk-on piece is a sentence that has been added which is a proviso that puts everyone at the Authority on notice that a violation of the OA could result in disciplinary action up to and including termination. He said that the other change was more of an adjustment to the process for procurement of professional services. He said that the bidding requirement is tied to a statutory bid threshold which is set by the State Treasurer. He explained that the State Treasurer changes the bid threshold yearly but the OA referenced the dollar amount rather than the state statute. He said the proposed modification would reference the statute and not a dollar amount eliminating the need to amend the OA every year as these adjustments are made. Mr. Walsh noted that there are more changes that were discussed regarding threshold amounts for items coming to the Board for approval. Mr. Larkins noted that, as discussed, the credit amendment change is the first of a two (2) step process and there will be other modifications to the remainder of the OA but that will entail a greater effort. Ms. Hassett said that the credit amendment change was a positive modification to the OA and noted that the Board will be advised of the credit amendments in the monthly reports. Mr. McNamara then advised the Members that the SDA – Owned Real Estate Assessment was also presented and discussed at the Real Estate Committee which met the same day as the other Committees. He noted that this assessment was one that the Real Estate Committee had requested and that while the assessment was very helpful and

good first step in the process a great deal more discussion will be taking place at Real Estate Committee meetings regarding these properties.

A resolution pertaining to the proposed modifications to the Operating Authority had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, the resolution, attached hereto as *Exhibit 5a*, was approved by the Board.

School Review Committee Report

Change Order/Amendments – Hall Building Corporation (2 change orders); Skanska USA Building, Inc.; Design Ideas Group, LLC (2 amendments); Grafas Painting Contractors Inc.; Ernest Bock & Sons, Inc.

The Chairman then asked Ms. Hassett to provide the report of the SRC. Ms. Hassett reported that the Committee met on February 21, 2012 and discussed various issues. She referenced materials that were previously sent to the Members for review. First, Ms. Hassett reported that the Committee discussed a change order for Hall Building Corporation for the Lincoln Avenue Elementary School in the Orange school district for a change in scope in the amount of \$653,067.85. She said that the change order also serves two resolving change construction directives (“CCDs”) which were issued for \$300,000 and \$51,849 respectively.

A resolution pertaining to the approval of a change order for Hall Building Corporation had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. McNamara, with Mr. Capelli abstaining, the change order for Hall Building Corporation was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a1*.

Next, Ms. Hassett reported that the Committee discussed a credit change order for Hall Building Corporation for the Mildred Barry-Garvin Elementary school in the East Orange school district in the amount of \$10,636.62 for work that was not performed.

A resolution pertaining to the approval of a credit change order for Hall Building Corporation had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Luckie, with Mr. Capelli abstaining, the credit change order for Hall Building Corporation was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a2*.

Next, Ms. Hassett reported that the Committee discussed a credit amendment for Skanska USA Building, Inc. for James Madison Elementary School #10 in the Garfield school district in the amount of \$1,459,000 due to suspension of the project.

A resolution pertaining to the approval of a credit amendment for Skanska USA Building, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. McNamara, the credit amendment for Skanska USA Building, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a3*.

In continuing, Ms. Hassett reported that the Committee discussed credit amendments for the Marshall and Hazel Elementary School in the Paterson school district. She reported that the project was initiated in 2003 with what was known as NJK-12 Architects, LLC and is known currently as Design Ideas Group, LLC ("DIG"). Ms. Hassett noted that the project was halted in mid-review and vetted under the prioritization schedule. She said that there were environmental issues with the 2003 project. Ms. Hassett said that the SDA is asking DIG to restart the design effort. Mr. Larkins noted

that the agenda shows the dollar figure “greyed out” because at the time of materials distribution, discussions were still ongoing. Mr. Schrum noted that there are three amendments that equal, in total, \$701,050. Mr. Schrum reported that there had been some contaminated soil which was related to a gas station as well as unsuitable soils that were deemed unforeseen in 2010. Mr. Ballard noted that the soil contamination issue has been referred to cost recovery staff.

A resolution pertaining to the approval of amendments for Design Ideas Group, LLC had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, the amendments for Design Ideas Group, LLC were approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a4*.

Next, Ms. Hassett reported that the Committee discussed a change order for Grafas Painting Contractors for TCHS in the Trenton school district in the amount of \$166,530 for unforeseen conditions. She noted that the change order is related to an emergent project for roof replacement.

A resolution pertaining to the approval of a change order for Grafas Painting Contractors, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Perez, the change order for Grafas Painting Contractors, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a5*.

In continuing, Ms. Hassett reported that the Committee also discussed an amendment also related to TCHS pertaining to the design for the emergent roof work to be performed by DIG.

A resolution pertaining to the approval of an amendment for Design Ideas Group Architecture & Planning, LLC had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Mr. Perez, the amendment for Design Ideas Group Architecture & Planning, LLC was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a6*.

Lastly, Ms. Hassett reported that the Committee discussed a change order for Ernest Bock & Sons, Inc. for the Victor Mravlag Elementary School No. 21 in the Elizabeth school district in the amount of \$270,000. She said that this change order related to unforeseen conditions, which led to demolition of a building and new construction. She noted that there was a 180 calendar day time extension on the project. Mr. Ballard advised that there are several other claims with SDA's legal department currently under review. He said that there is not an estimated time frame for resolution or completion, and that outside consultants may have to be hired to validate the claims.

A resolution pertaining to the approval of a change order for Ernest Bock & Sons, Inc. had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Luckie, and seconded by Ms. Hassett, with Mr. Capelli abstaining, the change order for Ernest Bock & Sons, Inc. was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6a7*.

Approval of Construction Award; EL-0006-N01 – Early Site Preparation

Ms. Hassett then presented recommended approval of a construction award for early site preparation work for Academic High School in the Elizabeth school district. Ms. Hassett reported that the Members are being asked to approve an award of

\$1,587,500.00 to Luzon, Inc. She reported that the project is being done in two phases and noted that Phase 1 is for site preparation for construction of the project.

A resolution pertaining to the approval of a construction award for early site preparation work for the Academic High School in the Elizabeth school district had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara, and seconded by Mr. Luckie, a construction award to Luzon, Inc. for early site preparation work was approved by the Board upon its vote in favor of the resolution attached hereto as *Exhibit 6bi*.

Readoption with Amendments: Title 19, Chapter 36 - Procurement of Design Build Projects; Rule Readoption with Amendments: Title 19, Chapter 38C – Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants; Readoption with Amendments: Title 19, Chapter 38D – Procurement of Goods and Services

Next, Ms. Hassett reported that the Committee had discussed Rule proposals and adoptions. She gave a brief review of the Rule Readoption with Amendments that was originally being considered for SDA's procurement of design/build projects with the notion of it being a pilot program. Ms. Hassett reminded the Members that the earlier adoption encountered a legal challenge, the O'Shea litigation, and that this proposal responds to the court ruling. She then asked Ms. Haney to provide the Members with an overview. Ms. Haney reported that the Appellate Division ("AD") had reviewed the SDA's process for the Elliott Street design/build procurement when a challenge was raised by the Mechanical Contractors Association ("MCA") to that particular procurement. She said that the court upheld SDA's authority to utilize the design/build approach but objected to a portion of the SDA's regulations involving shortlisting and to

the language indicating that the shortlist would be comprised of the “most qualified bidders”. Ms. Haney said that the AD ruled that the appropriate language to track was the statutory language referencing the most advantageous bid, price and other factors included. She said that the SDA tracked the language in the amendments to the design/build regulations and eliminated the references to the pilot program. Ms. Haney said that other changes were made to reflect staff vacancies, clarify stipend language and include performance evaluations.

A resolution pertaining to Readoption with Amendments – N.J.A.C.19:36 Procedures for Procurement of Design/Build Contracts for School Facilities Projects for the School Construction Program had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. Piaia, and seconded by Ms. Hassett, the Readoption with Amendments – N.J.A.C. 19:36 Procedures for Procurement of Design Build Contracts for School Facilities Projects for the School Construction Program was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6ci*.

Next, Ms. Haney presented the Rule Readoption Amendments for both N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants and N.J.A.C. 19:38D Procurement of Goods and Services. Ms. Haney noted that SDA staff interacted with the Office of the Comptroller (“OC”) in connection with these Rules and received extensive comments that were incorporated into the proposals.

A resolution pertaining to Readoption with Amendments – N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services

Consultants had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Mr. McNamara and seconded by Ms. Hassett, the Readoption with Amendments – N.J.A.C. 19:38C Procurement of Architects, Engineers, Land Surveyors and Other Professional Services Consultants was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6di*.

A resolution pertaining to Readoption with Amendments – N.J.A.C. 19:38D Procurement of Goods and Services had been provided to the Members in advance of the meeting. Following discussion, upon a motion by Ms. Hassett, and seconded by Mr. Luckie, the Readoption with Amendments – N.J.A.C. 19:38D Procurement of Goods and Services was approved by the Board. The resolution approved by the Board is attached hereto as *Exhibit 6dii*.

Reports

Mr. Walsh asked if there were any reports to present regarding the 2012 Capital Program. Mr. Ballard briefly noted that there was nothing of significance to report and advised the Members that SDA staff is still going through the process with the demonstration projects. He noted that two (2) more predevelopment grants were closed out and conversations are ongoing to close out the other two (2). He advised that they are making a lot of progress and meeting their established deadlines.

Public Comments

The Chairman, Mr. Walsh, then announced that the Public Comments portion of the meeting would begin. Following review of the Public Comment Sign in Sheet, the Chairman asked Algernon Ward to address the Board.

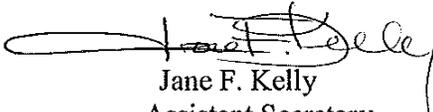
Mr. Ward said that he wished to address the Board as a member of a group called the Better High School Plan for Trenton High School (“BHSPTHS”). He advised that he had served for a time on the Trenton Board of Education but that he wanted to make it clear that he was not speaking in any official capacity for the Trenton school district. He noted that he read a few weeks ago that the governor had put Trenton back on the list for work to be done at the high school. He said that Mr. Larkins had referred earlier to an emergent project list that the district had submitted that amounted to about \$22 million. He said he wanted make the Members aware that the list amounting to \$22 million had been scrubbed over very thoroughly to list just those projects that impact the health and safety of the children in the school. He stated that there was no wish list added to any of those projects. He said that Mr. Larkins had come to the school and that the emergent project needs were pointed out to him at that time. He stressed that the list just met the mandate to provide a safe environment for the children to attend school. He then stated that he had listened in earnest to indications that the roof would be fixed which, he said, was very nice because that was a top priority but he stressed that what the parents are advocating is a complete renovation of the school. He said that he heard Mr. Larkins’ comment that New York uses a KOP approach. He said that Pennsylvania renovates older buildings by bringing them up to modern code and because the older buildings are then more energy efficient this saves a great deal of money, while preserving the fabric of the community. He said that it is important to have an appropriate building and that there are schools that have used the same architect as TCHS that have had their buildings renovated and they have found that they were able to do that at a reduced cost. Mr. Ward then said that the cookie cutter approach is okay for new construction but the problem

with Trenton High is that a new school would impact the community around the school by bringing down property values which is why the community is opposed to a new school. In continuing, Mr. Ward said that his group is still advocating recycling the building and that they have engaged architects that would like to collaborate with the SDA design studio, or whoever, to demonstrate that they are able to renovate the school for a reasonable amount of money. He said that part of the problem is that there is limited funding and he said that he understands what the Authority is trying to do. He said that in an effort to help with funding they looked into alternative funding as they didn't want to be a "complete creature" of the SDA as they have noted the reticence with which the SDA has approached the scope of the project. He said that there are alternative funding sources available such as energy rebates and public/private partnerships but all of this will require SDA's cooperation with the funding approach which would make this a win-win-win situation between the City of Trenton, the community, the state, the SDA and the private funder. He stressed that it will require the SDA's cooperation and funding beyond fixing the roof. Mr. Ward stated that it will not cost what it would cost for a new school but substantially will be a new school-- basically a renovation but at a much reduced cost. He asked the Authority to "keep an open mind" and consider this approach which has been taken in other states. He said that the community would like real collaboration. Mr. Ward noted that his group would like to sit down and talk things out before the SDA has a reason to say no. He said that things could be tweaked and that they would like SDA to sit down and discuss renovation with the people in the community before the verdict comes down. He said that the community would very much like to work with the SDA and they have been lining up their ducks in the

community so that they are all on the same page with what has to be done. He said that it will require the City of Trenton, the SDA and private partners to fund this project. He asked that the SDA be willing to hear what they have to say and understand that what they are trying to do is to create the best educational environment that their kids deserve. He said that they will be able to maintain the renovated school and that it would fit the community and provide a centerpiece for the community. He then said that his group listened to what the Governor said about helping the people in Trenton but doesn't want this help to be in the form of a "band-aid" and then called a success. He said that they are hoping that everybody is approaching this with a genuine sense of trying to do the right thing for both the children in the community and the state. Mr. Ward then said that that was all he had to say. Mr. Walsh said that communication needs to happen. Mr. Ward said that they would certainly be open to that and noted that he was attending with some colleagues that have taken a lot of time to come to these meetings just to monitor the situation and to try to stay abreast of what is going on and to report back to the community. He said that he hoped to be hearing from the SDA soon and to be provided an opportunity to sit down. Mr. Walsh then thanked Mr. Ward for coming to address the Board.

Mr. Walsh then asked if there was any other member of the public present who wished to address the Board. Hearing none, upon a motion by Ms. Hassett, and seconded by Mr. McNamara, and with unanimous consent, the Open Session 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 March 7, 2012 meeting.



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 March 7, 2012 Board meeting of the New Jersey Schools Development Authority, for the Open and Executive Sessions, was forwarded to the Governor on March 9, 2012.

NOW, THEREFORE, BE IT RESOLVED, that the minutes of the New Jersey Schools Development March 7, 2012 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: April 4, 2012

AUTHORITY MATTERS

CEO REPORT - EMERGENT PROGRAM UPDATE

CEO REPORT
CAPITAL PROGRAM UPDATE



1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

TO: Members of the Authority

FROM: Marc D. Larkins, Chief Executive Officer 

RE: 2011 Report Pursuant to Executive Order No. 37 (2006)

DATE: April 4, 2012

Executive Order No. 37 (2006) requires that each state authority, on an annual basis, prepare a comprehensive report concerning that authority's operations.

The Executive Order specifically provides that the report shall:

- Set forth the significant actions from the previous year, including the degree of success the authority had in promoting the State's economic growth strategies
- Include authority financial statements and identify internal financial controls that govern expenditures, financial reporting, procurement and other financial matters

Consistent with the requirements of Executive Order No. 37, Executive management is providing the attached report for review and approval by the Members. Upon approval by the Members, the necessary certifications accompanying the financial statements will be executed by me and Donald Guarriello, Chief Financial Officer. Also upon approval by the Members, I will execute certifications that the SDA has complied with its standards, procedures and internal controls.

Following approval of the report by the Members and execution of the certifications, a copy of the Annual Report will be submitted to the Governor's Authorities Unit and posted on the SDA website.

Attachment



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

4

April 4, 2012

The following report is presented by the New Jersey Schools Development Authority ("SDA") as required by Executive Order 37 (Corzine 2006). This report discusses significant accomplishments of the SDA during 2011 as well as the SDA's role in promoting the State's economic growth strategies and other policies.

I am pleased to inform you that the independent auditing firm of Ernst & Young, LLP has issued an unqualified opinion with regard to the SDA's 2011 financial statements. An unqualified opinion is issued by an auditor when the financial statements are found to be free of material misstatement and are represented fairly in accordance with generally accepted accounting principles. It is the highest level of assurance given by an external auditor on a company's financial statements. The financial statements included in this report complete the SDA's requirements under Executive Order No. 37 concerning the comprehensive report.

In addition, as discussed in the section that details the SDA's internal financial controls, management employs the services of both internal and external auditors to evaluate the effectiveness of its internal financial control structure and procedures. In the performance of their audits, the auditors will, from time to time, make recommendations with regard to internal controls that require appropriate corrective action by management. Management views these kinds of remedial actions as part of a long-term continuous process to improve internal controls. Management does not consider any known deficiency to be a material weakness.

Accordingly, I certify that, to the best of my knowledge, during the preceding year ended December 31, 2011 the SDA has, in all material respects, followed its standards, procedures and internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc D. Larkins".

Marc D. Larkins
Chief Executive Officer

New Jersey Schools Annual Report
Development Authority 2011



About This Report

The 2011 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 2011— and includes a discussion of the 2011 Capital Program execution as well as the Authority's 2011 financial statements.

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

Since its inception, the program has been authorized to expend up to \$12.5 billion, comprising \$8.9 billion for SDA Districts and \$3.6 billion for Regular Operating Districts (RODs). Of the ROD funding, \$150 million is set aside for vocational schools. Funding is provided through the issuance of bonds by the New Jersey Economic Development Authority (EDA).

For more information, please refer to the SDA website at www.njsda.gov or the most recent Biannual Report on the School Construction Program (for the period April 1 through September 30, 2011). The Biannual Report can be found at the following link: http://www.njsda.gov/RP/Biannual_Report/2011_2.PDF.

The mission of the New Jersey Schools Development Authority (SDA) 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.

2011: SDA Year in Review

	<p>January</p>	<ul style="list-style-type: none"> • Edward Walsh joins SDA Board as Chairman • SDA, Egg Harbor City Educators Celebrate Opening of Community Middle School
<ul style="list-style-type: none"> • Governor Christie Releases Recommendations for New Capital Program for SDA Districts 		<p>February</p> 
	<p>March</p>	<ul style="list-style-type: none"> • SDA Capital Program Approved by Board; Allocates Additional \$100M for Use Towards Emergent Projects • Reengineered Close Out Process is Adopted Authority wide
<ul style="list-style-type: none"> • Loren Lemelle Joins SDA Board 		<p>June</p>
	<p>August</p>	<ul style="list-style-type: none"> • SDA Kicks off SMWBE Contractor Training Program
<ul style="list-style-type: none"> • SDA Opens Morgan Village/Creative Arts Academy (Camden), Pemberton Township Early Childhood Center (Pemberton) and Egg Harbor Township High School, Phase II (Egg Harbor Township) 		<p>September</p> 
	<p>October</p>	<ul style="list-style-type: none"> • SDA Graduates 16 Small, Minority and Women Owned Businesses from it's 2011 Contractor Training Program • SDA, Neptune Twp. Educators Celebrate Platinum LEED Certification for Midtown Community Elementary School • Christie Administration Announces the Restart of Construction at Victor Mravlag School No. 21 in Elizabeth
<ul style="list-style-type: none"> • SDA Announces the First Phase Towards Standardization of School Designs • SDA Continues Aggressive Cost Recovery Effort— Nearly \$3 Million Reclaimed for School Construction Program 		<p>November</p>
	<p>December</p>	<ul style="list-style-type: none"> • SDA Announces the Second Phase Toward Standardization of School Designs —"Kit of Parts" • SDA Advertises the First Two School Projects of the 2011 Capital Program

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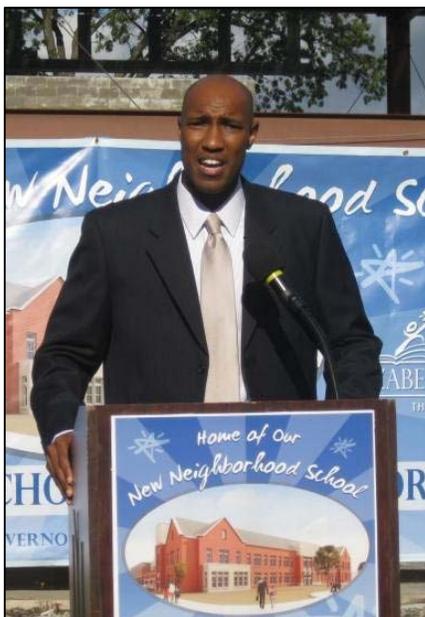
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MESSAGE FROM CEO MARC LARKINS



Our collective focus and determination over the past year has been to continue to change the course of this organization by pursuing two goals: Transparency and Accountability. The initiatives and accomplishments of the SDA during this time have reflected that purpose. We have instituted policies and conducted business in a way that ensures the prudent use of the State's limited resources while clearly defining our direction to our stakeholders. Governor Christie demanded as much on behalf of the taxpayers and the schoolchildren, and we are responding. This is my continued expectation of the SDA each year moving forward.

In early 2011, with Governor Christie's support, we introduced a revamped SDA Capital Program. The new Capital Program moved away from subjective considerations of the past and objectively identified and prioritized the most critical needs across our SDA school districts. The new program recommended 10 school facility construction projects to be built using reasonable and logical standards that would maximize the State's investment while delivering buildings that would represent state-of-the-art learning environments for our schoolchildren. The 2011 announcement increased the portfolio of active SDA projects to over \$1.6 billion.*

*The \$1.6 billion is derived from the following dollar amounts: 2011 Capital Program \$584M; active Capital projects \$198M; active emergent projects \$50M; and State share of active ROD grants \$792M.

Our evaluation of the operations of the SDA also led to the introduction of new project delivery methods. Chief among them was the creation of an in-house “Design Studio” to oversee the architectural needs of the Authority and develop the SDA Model Schools Program. The Model Schools Program was developed to establish a consistent approach to SDA school facilities project design. The effort accomplishes the objectives of pursuing consistency throughout SDA project delivery by establishing a cost effective approach to constructing SDA schools using a set of defined standards. In doing so, we will be able to provide more facilities for more students.

The idea of accountability was a cornerstone of the new SDA Capital Program. During the announcement in March 2011, we indicated that there were 2 projects of the 10 that would make their way to construction activity in 2011. The SDA met that promise. In December of 2011, the SDA advertised for the procurement of construction related services at Catrambone Elementary School project in Long Branch and the Academic High School project in Elizabeth. As we move through the years to come, our expectation and mandate is that this organization will continue to be accountable to our communities.

In addition to advancing projects timely and in a responsible way, this administration has continued its pursuit of efforts to recover money lost to the old ways of doing business. SDA continued its earnest pursuit of monies owed to the Authority, including an estimated \$9 million in pre-litigation settlement negotiations related to errors and omissions, and an additional \$3 million in reimbursements through state and federal rebate programs. It’s important to note that every dollar the SDA receives through rebates is additional money that is available for use on future school facilities construction projects.

At this two-year point of my tenure with the SDA it is important to reflect upon how far our reform efforts have carried us. Under the leadership of Governor Christie and his administration, the SDA operating budget has decreased by over 24 percent from the time that we arrived. Also, consulting contracts have been scrutinized and slashed. In all the Authority has found direct savings or avoided costs totaling over \$30 million in 2011 alone. Meanwhile, we have continued our aggressive pursuit of growing small business opportunities in the State. In August of 2011, the Authority successfully completed our first fully developed and self-performed, in-house SMWBE Contractor Training Program. Sixteen small businesses completed the inaugural training program. With a few added improvements, this in-house training program will continue for years to come and do so at a mere fraction of the previous, out-sourced costs.

We are moving ever closer to our goal of operating an efficient and effective school construction program. It is clear to us, however, that much work remains. We cannot rest on our accomplishments thus far and must continue to push forward. The transformation that has occurred with this program in such a short period of time inspires us to continue to provide our best efforts on behalf of the taxpayers and our schoolchildren.

Sincerely yours,



EXECUTING THE 2011 CAPITAL PROGRAM

In February 2011, Governor Chris Christie announced a statewide prioritization of SDA school construction projects to bring accountability to the spending of hundreds of millions of taxpayer dollars annually for school improvements and expansion. This new approach reflects a commitment to the efficient and proper use of public funds, an objective prioritization of statewide educational facilities needs and the advancement of sound design and construction principles. The 2011 Capital Program framework will allow the Authority to responsibly advance each project in the most efficient, cost-conscious manner possible.

The SDA's ongoing portfolio of school facilities projects includes hundreds of grant projects in Regular Operating Districts, three active construction projects, ten SDA projects identified as part of the 2011 Project Portfolio and various emergent projects in SDA Districts valued in total at over \$1.6 billion in state investment.

In identifying the ten projects within the 2011 Capital Program for advancement, the SDA recognized that use of a form of standardization in school construction would provide overall process efficiencies. The SDA looked to identify projects for which standardization could impact the greatest number of students, noting that the majority of projects in the 2011 Capital Program portfolio represented elementary schools with approximately 700 students. Nine of the ten projects identified for advancement in 2011 met this standardization criteria.

The strategic framework used in selecting the projects for advancement in 2011 supports the development of design and constructability standards that are recognized to ensure quality and consistency of systems and materials; ease of operations and maintenance; and appropriate and cost-effective design.

FOCUS ON DESIGN INNOVATIONS

The Model Schools Program

The Capital Program Report released in March 2011 emphasized the use of standardization in all public school facilities projects in the State of New Jersey that are managed by the SDA. Standardization provides a means for the SDA to advance each project more efficiently and cost effectively, provides for greater predictability in the approval process, and reduces the potential for change orders and errors, all of which can lower the cost and expedite the delivery time of school facilities projects. The achievement of financial savings ultimately results in additional dollars available to the Authority for completion of more projects. This is especially critical now given the finite nature of the resources available for school construction.

During 2011, the SDA released several tools for use in advancing standardization, including the two manuals “Materials and Systems Standards Manual” and the “Construction Details Manual,” which serve to help anchor SDA’s Model Schools Program. These manuals reflect SDA’s ongoing internal effort to implement standardized designs for school facility construction projects.

The Materials and Systems Standards and Construction Details manuals simultaneously provide guidance for achieving uniformity in an overall approach to materials and systems selection during the design phase of a project.

Materials and Systems Manual

The SDA has currently drafted over 70 design standards (or approximately 1/3 of the identified materials and systems). Design components include foundations, walls, floors and roofs, stairs, masonry and concrete, flashing, insulation, frames, windows, doors, wallboard, ceilings, toilets and shelving, elevators, HVAC, plumbing, electrical, fire, communications and security, lighting, furnishings, signage, parking, fencing, flagpoles and landscaping, among other categories. The manual was published in September 2011 and can be found here on the SDA website: http://www.njsda.gov/Design/Design_Requirements.pdf

Construction Details Manual

The Construction Details Manual contains select key “Standardized Construction Details” for the materials and systems recommended in the Materials and Systems Standards Manual. A compendium of precise blueprint drawings referenced with the same respective section designations as the materials and standards design requirements, comprise the Construction Details manual. The manual was published in September 2011 and can be found here on the SDA website: http://www.njsda.gov/Design/Construction_Details.pdf

The Design Studio

The SDA reviewed existing designs and other benchmarks to identify elements which might serve as the basis for standardized designs. After considering other alternatives, the SDA has completed the development of a “Kit of Parts” based on a set of standardized designs utilizing in-house resources. To develop the Kit of Parts, the Authority established an in-house Design

Studio staffed with SDA-employee architects and planners who are supported in their efforts by in-house engineers, management, and administrative staff. The SDA Design Studio is engaged in the development of standardized Kit of Parts component elements which will be utilized in new project designs. In support of this effort, an SDA-DOE working group also has been formed and has developed standardized programmatic models and educational specifications.

Kit of Parts

The SDA released its Kit of Parts in December of 2011 to be used during the design process for new school facilities. The goal of the Kit of Parts (KOP) Development Team was to develop a prototypical school design, comprised of standardized component elements, which can be easily rearranged to respond to varying site and other conditions for multiple Capital Program projects. Such a prototypical school design provides for greater consistency in school facility projects within and across all SDA districts while responding to varying site conditions. Additionally, KOP promises to provide quality educational facilities more cost effectively, reduce the time and expense required for design of SDA school facilities and serves as a first step toward higher levels of design standardization.

The Model Programs found in the KOP describe the number and type of rooms and spaces to be provided in a school facility. The SDA has thus far developed four basic programmatic models with 16 potential variations, including classrooms, science classrooms/laboratories, instructional and administrative support areas; specialized instructional areas (Art, Music, Technology), physical education, dining, and assembly areas (cafetorium or multi-purpose options); main office, nurse, student services, and media center; and pre-kindergarten classrooms and support.

Application of the KOP prototype to a particular project follows the identification of an appropriate model program based on grade alignment and target capacity; confirmation of required pre-kindergarten capacity, if any; test-fit of model components on the project site; and the evaluation of and comparison with other alternatives for project delivery, including advancement of existing design, if any. Schematic design for the first project to utilize the Kit of Parts delivery approach, New Brunswick's A. Chester Redshaw Elementary School, was completed in February 2012.

In summary, the SDA Model Schools Program was developed to establish a consistent approach to SDA school facilities project design as well as to accomplish goals such as attaining parity amongst all SDA Districts and establishing a cost effective and reliably efficient approach in constructing SDA school facilities projects. In doing so, the SDA will be able to provide more facilities for more students utilizing its limited resources. Standardization also establishes a means for SDA school facilities projects to be built in an educationally appropriate, sustainable, clean and environmentally friendly manner. For more information, please visit www.njsda.gov/Design/index.html.

2011 PORTFOLIO OF WORK

Project Completions

In 2011, the SDA worked to accomplish its mission of providing modern and efficient schools for the students of New Jersey that serve as integral parts of the community. SDA's efforts resulted in the completion of three major projects, including two new facilities and one extensive addition, renovation and/or rehabilitation project. A total of 3,929 New Jersey students were the beneficiaries of these completed projects, which provide the modern classroom spaces, science labs, computers and other technology necessary to help keep the state's educational performance among the best in the United States. These projects represent a state investment of more than \$93.6 million.

2011 SDA PROJECT COMPLETIONS						
	District	School	Construction Type	District Type	Capacity	Total Costs
1	Camden	Morgan Village Middle School	New	SDA	639	\$ 40,097,376
2	Egg Harbor Twp.	High School Phase II	Add/Reno	ROD	2,770	\$ 23,827,527
3	Pemberton	New ECC # 1	New	SDA	520	\$ 29,748,937
Totals					3,929	\$93,673,840

Emergent Projects

Another focal point of SDA was ensuring the advancement of emergent projects—those deemed necessary by the Department of Education (DOE) due to potential health-and-safety conditions. Emergent projects are SDA-funded and are either managed by the SDA or delegated to the local SDA school districts. In 2011, following Governor Christie's recommendation, the SDA Board allocated an additional \$100 million for emergent projects. A thorough review process for new

projects is underway with results to be announced in 2012. The status of the emergent-project program is as follows:

2011 SDA EMERGENT PROJECTS								
SDA Managed			District Delegated			Total All Projects		
Phase	Number of projects	Estimated Total Project Costs	Phase	Number of projects	Estimated Total Project Costs	Phase	Number of projects	Estimated Total Project Costs
Complete	27	\$21,979,222	Complete	13	\$5,762,494	Complete	40	\$27,741,716
Construction	5	\$3,412,183	Construction	42	\$24,283,816	Construction	47	\$27,695,998
Design	3	\$5,971,160	Design	25	\$11,164,051	Design	28	\$17,135,212
Pre-development	3	\$4,633,524	Pre-development	1	\$190,000	Pre-development	4	\$4,823,524

DOE is actively reviewing new requests from SDA districts for emergent projects, while the SDA works to systematically review and validate the list of DOE-approved emergent projects. The SDA will continue to work in partnership with the DOE to advance and complete as many of the identified emergent projects as funding permits.

Regular Operating District (ROD) Grants

In January 2011, the Christie Administration announced the first recipients of the 2011 ROD Grant program. In all, the 2011 ROD Grant program provided funding for 224 schools in 118 school districts throughout the state. For the year, SDA executed 348 grants in 118 RODs upon the Authority receiving all required school-district documentation and completing its review. These grants represent at least 40 percent of eligible costs for projects that are also funded through local referenda or individual school-district budgets. ROD grant projects are managed locally, with funds disbursed by SDA as project milestones are met.

REGULAR OPERATING DISTRICT GRANTS			
2011 Grant Executions		Grant Executions Since Inception	
No. of Grants Executed	348	No. of Grants Executed	3,796
State Share	\$92.4 million	State Share	\$2,586,632,251
Local Share	\$120.6 million	Local Share	\$5,392,998,277
Total Est. Costs	\$213.1 million	Total Est. Costs	\$7,979,630,528
No. of Districts Impacted	118	No. of Districts Impacted	502
No. of Counties Impacted	20	No. of Counties Impacted	21

Project Portfolio

Over the course of the year, the State expended more than \$547 million to support school construction across New Jersey. The SDA spent nearly \$55.4 million for projects in SDA Districts. More than \$228.6 million in additional expenditures were made to support ROD grant projects, including State funding and the local district's responsibility.

2011 PROJECT EXPENDITURES	
SDA-managed projects (new/addition/renovation) in millions	
• SDA District Projects	\$55.4
• ROD District Projects	\$6.8
• <i>SDA expenditures</i>	\$5.9
• <i>District local Share</i>	\$0.9
SDA- managed emergent projects	\$14.7
SDA District-managed emergent projects	\$6.6
ROD grant projects	\$228.6
• <i>SDA grant expenditures</i>	\$91.5
• <i>District local share</i>	\$137.2
TOTAL	\$547.6

SUPPORTING ECONOMIC GROWTH IN NEW JERSEY

Small Business Enterprise/Minority Initiatives

The SDA continues to exceed the statewide requirement of awarding at least 25 percent of contracts to Small Business Enterprises (SBE). In 2011, SBE contract awards totaled 79 percent, up from 46 percent a year earlier and representing \$6.5 million of \$8.3 million in contracts awarded overall by the SDA. The table below presents key facts on the segment of SBE contracts awarded to minority- and women-owned firms.

2011 TOTAL SBE CONTRACTS AWARDED*: MINORITY- AND WOMEN-OWNED BUSINESSES (1/1/11-12/31/11)		
Minority	8.84%	\$735,822.00
<ul style="list-style-type: none"> • Asian • African-American 	1.62% 7.21%	\$135,000 \$600,822
†Women	8.84%	\$735,822

*Percentages are based on a total of \$8.3 million in contracts awarded overall by SDA.

†Women-owned businesses include totals for minority- and non-minority-owned.

For twelve weeks between August 2011 and October 2011, SDA for the first time offered a SMWBE Contractor Training Program conducted by Authority staff. Participants received expert instruction in such areas as marketing and outreach, scheduling, accounting, project budgeting, bidding and bid package preparation, safety and paperwork.

Following nine instructional sessions, beginning with an orientation workshop and concluding with a graduation/networking event complete with a Certificate of Completion, the 16 initial graduating firms awarded a 100% overall approval rating to the SDA-conducted program and its staff instructors and also suggested a new topic be added to the program specific to Bonding and Access to Capital. Building on the success of this inaugural program, the SDA is making plans to offer the training again during the spring months of 2012, April through June, so as to accommodate more interested firms.

In all, training participants expressed appreciation for the subject-matter and hands-on expertise of the SDA training team members and the structure of the sessions. From a cost prospective, the 2011 SMWBE Program was able to be delivered at 11.5% of the Program Cost of the 2010 program, which had been outsourced. Because the program was run in-house, utilizing SDA personnel and resources, the 2011 in-house program was delivered at a cost of \$9,983.75 compared to the 2010 Memorandum of Understanding (MOU) not-to-exceed amount of \$508,808. The SDA was able to provide its in-house program at a 98% savings to the Authority.

STEWARDSHIP OF PUBLIC DOLLARS

Accountability through an Internal Audit and Assessment Group

The Authority's most recent funding legislation (P.L. 2008, c. 39) directed the SDA, in consultation with the State Comptroller, "to cause an audit to be conducted of any school facilities project that has a State share that exceeds \$10 million." Accordingly, and in consultation with the Internal Audit Division of the Office of the State Comptroller, SDA developed a contract-based Audit Program, segmented into twelve financial areas and aligned with a school facility construction life cycle. This program was presented to and approved by the Audit Committee of the Board on August 15, 2011.

Historically, the SDA developed its capital plans according to the value of work that could be performed for the funding authorized. The SDA's current capital program is based on the volume of work that the SDA can effectively manage based on planning schedules. Thus, on March 2, 2011 the *2011 Project Portfolio* containing 10 school facilities projects was presented to and approved by the SDA's Board during their meeting. These 10 projects were selected for their high educational priority needs in the districts as well as meeting SDA-criteria requiring efficient construction factors.

In 2011, the SDA's Internal Audit Unit (IAU) began individual audits on each of the 10 schools, beginning with Long Branch's Catrambone Elementary School from its initial capital project selection through to its close-out phase. Each of these 10 audits will include in their scopes background and historical information, project charters and financial planning oversight, pre-

design, real estate, pre-construction, design, construction, furniture, fixtures, equipment & technology, section 13C & 13D agreements, claims, and project close-out. Such audit approach entails considerable time spent on monitoring, tracking and auditing each project as it progresses through the project life cycle/activity phases. In this way, information will be provided and corrective measures can be made as necessary based upon the observations and recommendations noted as the school project progresses.

In summary, this Audit Program stresses a project-management life cycle approach that takes into account the planning, organizing, monitoring, and controlling aspects of a project at various milestones to achieve its final goals— building a school facility that satisfies State and District needs and is completed on time and within budget. The primary objective of this Audit Program is to ensure that State funds utilized for a school facility construction project undertaken by the SDA are expended prudently.

MANAGEMENT'S REPORT ON INTERNAL FINANCIAL CONTROLS

Governance

Pursuant to P.L.2007, c.137, s.3 (N.J.S.A. 52:18A-237) and Executive Order 122 (2004), the New Jersey Schools Development Authority (the "Authority") is required to undergo an annual financial statement audit. The Authority's 2010 financial statements have been audited by Ernst & Young LLP, an independent auditing firm. In performing its audit, Ernst & Young LLP considered the Authority's internal control structure in determining the extent of audit procedures to be applied. In addition, Ernst & Young LLP was given unrestricted access to all financial records and related data of the Authority, including minutes of all Board and Audit Committee meetings. Ernst & Young LLP has issued an unqualified opinion on the Authority's 2011 financial statements, which audit report, dated March 7, 2012, is presented on page 1 of the 2011 financial statements.

The Authority is responsible for both the accuracy of the financial data and the completeness and fairness of its presentation, including all disclosures. The financial statements are prepared in accordance with accounting principles generally accepted in the United States. In preparing the financial statements, management makes informed judgments and estimates as to the expected effects of events and transactions that are currently being reported.

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity and quality of the Authority's financial statements, the financial reporting process, the system of internal controls, the external auditor's qualifications and independence, the performance of the Authority's internal audit function and external auditors, the audit process and the Authority's process for

monitoring compliance with laws, regulations and ethical requirements. The Audit Committee periodically meets with management, as well as the SDA's independent auditors and internal auditors. Both the independent auditors and the internal auditors have unrestricted access to the Audit Committee. At least twice a year, the Audit Committee meets privately with the independent auditors without management present to discuss internal controls and other financial matters. The Audit Committee may request to meet with the Authority's management, internal auditor, or counsel, as necessary to fulfill its responsibilities.

Management considers the internal and external auditors' recommendations concerning the Authority's internal controls and takes appropriate responsive action. Typically on a bi-monthly basis a report showing the status of open audit recommendations is reviewed with the Audit Committee to ensure that appropriate progress is being made to address all audit recommendations. Though corrective actions have been taken in response to certain internal control deficiencies, further management action is required to appropriately address other internal control areas. Management views these types of remedial actions as part of a long-term continuous process to improve internal controls and efficiencies.

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, the financial statements are prepared in accordance with accounting principles generally accepted in the United States, and 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 the Authority's management.

Budgetary Controls

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

In addition, the Authority develops and maintains comprehensive project budgets and schedules for each of the school facilities projects that it manages. The Authority uses various Primavera software products to plan, record and monitor project budgets and schedules, and various other software products are used for cost estimating, analyses and reporting. Project budgets include all financial aspects of a project and are reviewed and revised monthly, as necessary. The data obtained from regular monthly re-forecasting sessions are used to track the current and anticipated status of projects relative to their approved budgets. The results are then summarized and presented to the Audit Committee in a monthly report.

Financial Controls

The Authority maintains financial controls through the use of an integrated accounting and budgeting system which enables the Authority to access, analyze and report financial data. Furthermore, the Authority uses financial reporting software to: (1) efficiently and effectively monitor its financial performance; (2) identify financial trends; and (3) generate accurate and timely financial data. These capabilities are continuously improved to meet new information needs.

In order to document and evaluate the appropriateness of the Authority's internal controls, policies and procedures are developed and periodically updated to ensure they remain current. These policies and procedures include a Code of Ethics to foster a strong ethical climate, and are communicated to the Authority's employees as deemed appropriate. These policies and procedures provide a system of internal controls and accountability which is designed to safeguard the Authority's assets. The Authority's internal auditors periodically review the Authority's adherence to internal control policies and procedures.

The Authority's Board of Directors periodically reviews and approves modifications to the SDA's Operating Authority policy. The Operating Authority is a key control document as it designates those persons who are required (either generally or in specific transactions) to approve contracts and/or to execute documents legally binding on the Authority, or to sign checks and approve disbursements on behalf of the Authority. Several other policies and procedures (or other analogous documents, including, but not limited to: policy notices, bulletins, standard operating procedures, etc.) have been implemented in the areas of accounting, accounts payable, procurement and program operations.

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 2011 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2011 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 2011 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2011 and for the year then ended.



Marc Larkins
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") 2011 comprehensive report of Authority operations (the "2011 Annual Report"). This report highlights the significant actions of the Authority for the year ending December 31, 2011, 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 on March 07, 2012, is included within the financial statements section of the 2011 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, Marc Larkins, certify that, from January 1, 2011, to December 31, 2011, the Authority has, to the best of my knowledge, followed all of its standards, procedures and internal controls.



Marc Larkins
Chief Executive Officer

SDA BOARD MEMBERS

Public Members

Edward Walsh
Chairman
Managing Principal
The Walsh Company, L.L.C.

Michael Capelli
Executive Secretary-Treasurer
NJ Regional Council of Carpenters

Kevin Egan
Business Representative, I.B.E.W. Local 456

Karim A. Hutson
Managing Partner and Founder
Genesis Companies

Loren P. Lemelle
Retired Executive, Johnson and Johnson

Lester Lewis-Powder
Executive Director, Let's Celebrate, Inc.

Michael Maloney
Business Manager/ Financial Secretary,
Plumbers & Pipefitters Local Union No. 9
President, Mercer County Central Labor
Council

Joseph McNamara
Director, LECET & Health and Safety

Robert Nixon
Director of Government Affairs
NJ State Policeman's Benevolent Association

Martin Perez, Esq.
President, Latino Leadership Alliance;
Partner, Perez & Bombelyn

Mario Vargas
Executive Director
Puerto Rican Action Board

Ex-Officio Members

Christopher Cerf
Acting Commissioner
New Jersey Department of Education

Caren Franzini
Chief Executive Officer
New Jersey Economic Development Authority

Richard E. Constable III, Esq
Acting Commissioner
New Jersey Department of Community Affairs

Andrew P. Sidamon-Eristoff
State Treasurer
New Jersey Department of the Treasury

SDA Executive Staff

Marc D. Larkins
Chief Executive Officer

Jason E. Ballard
Chief of Staff

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

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

Andrew D. Yosha
*Vice President – Program
Operations*

SDA Offices

State Street Office Mailing Address: Post Office Box 991, Trenton, NJ 08625-0991
Delivery Address: 1 West State Street, Trenton, NJ 08608
Phone: 609-943-5955

Front Street Office Mailing Address: Post Office Box 991, Trenton, NJ 08625-0991
Delivery Address: 32 East Front Street, Trenton, NJ 08608
Phone: 609-292-5788 Fax: 609-826-3968

Website: www.njsda.gov
Email: schools@njsda.gov



DRAFT

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, 2011

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, 2011

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Report of Independent Auditors

Members of the Authority
New Jersey Schools Development Authority

We have audited the accompanying basic financial statements of the New Jersey Schools Development Authority (the Authority), a component unit of the State of New Jersey, as of December 31, 2011 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Schools Development Authority as of December 31, 2011, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States require that accompanying required supplementary information, such as management's discussion and analysis and the schedule of funding progress on pages 2 through 7 and page 29 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 who 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.

March x, 2012

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, 2011

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, 2011. 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 School Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 poor, 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. Administrative and general expenses, considered to be eligible project costs under the EFCFA, but not identifiable to a specific project, are also paid from EFCFA funding.

Through December 31, 2011, the Authority has received \$8.645 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 66.8% of the currently authorized program funding, as follows:

	<u>Bonding Cap</u>	<u>Program Funding</u> ¹	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$8,900,000,000	\$9,006,357,884	\$5,869,591,060	65.2%
Regular Operating Districts	3,450,000,000	3,492,672,553	2,479,593,511	71.0%
Vocational Schools	150,000,000	151,705,102	95,361,810	62.9%
Totals	<u>\$12,500,000,000</u>	<u>\$12,650,735,539</u>	<u>\$8,444,546,381</u>	66.8%

¹ Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$151 million of other income and miscellaneous revenue earned through December 31, 2011.

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 2011, the Authority completed two new school facilities projects in the SDA Districts, which benefited nearly 1,200 students.

From inception through December 31, 2011, the School Construction Program has completed 628 projects in the SDA Districts. The completed projects consist of: 63 new schools, including 6 demonstration projects; 42 extensive additions, renovations and/or rehabilitations; 26 rehabilitation projects; 354 health and safety projects; and 143 Section 13 Grants for SDA District-managed projects under \$500,000. 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 2,877 school projects throughout the 21 counties of New Jersey.

As of December 31, 2011, the SDA has four 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 five emergent need 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.

In February 2011, Governor Chris Christie announced the results of the first-ever statewide prioritization of SDA school construction projects. The new approach is the result of a comprehensive review conducted over a six-month period by an internal working group consisting of SDA and New Jersey Department of Education officials and reflects a wholesale strategy shift from the SDA's earlier 2008 Capital Plan. The changes reflect a commitment to the efficient and proper use of public funds, an objective prioritization of statewide educational needs and the advancement of sound design and construction principles. These design principles include new systems and materials standards and "Kit of Parts" prototypical school designs comprised of standardized component elements, which can be rearranged to respond to varying site and other conditions for multiple capital projects. The Authority believes that standardization in school projects will provide the opportunity for significant cost savings, expedited review times and shorter construction schedules. The 2011 Capital Program calls for the construction of 10 new schools in the SDA Districts, representing a state investment of almost \$584 million. Furthermore, an extra \$100 million has been set aside for the advancement of additional emergent projects in the SDA Districts. In February 2012, the Christie Administration announced another 20 projects for advancement in the 2012 Capital Program. These projects were selected due to their high educational needs or because of serious facility deficiencies within existing school buildings.

The following un-audited 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				
	2011	2010	2009	2008	2007
EFCFA funding received from State	\$ -	\$499,200	\$775,000	\$450,000	\$800,000
Investment earnings, net	546	1,299	2,345	12,060	25,697
Administrative and general expenses	35,699	44,332	44,707	41,021	35,750
Capital expenditures	26	52	234	526	1,027
School facilities project costs	154,930	274,584	509,462	922,824	925,665
Employee count at end of year	255	304	332	298	272

2011 Financial Highlights

- At year end net assets total \$178.9 million.
- Cash and cash equivalents are \$362.5 million.
- Revenues are \$863 thousand, consisting primarily of investment earnings and rental property income. The Authority did not receive revenue from bond sales in 2011.
- Expenses are \$191.7 million, \$154.9 million (80.8%), of which is for school project costs.
- Excess of general fund expenditures over general fund revenues are \$190.8 million.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (this section); 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 assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets 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 assets changed during the most recent period. All changes in net assets 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 financial statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Financial Analysis of the Authority

Net Assets - The Authority's net assets decreased to \$178.9 million at year-end, primarily due to 2011 expenditures for school facilities projects (\$154.9 million) exceeding total revenue (\$863 thousand). The following table summarizes the Authority's financial position at December 31, 2011 and 2010.

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current assets	\$365,855	\$573,233	\$ (207,378)	(36.2)%
Capital assets-net	1,469	2,475	(1,006)	(40.6)%
Total assets	<u>\$367,324</u>	<u>\$575,708</u>	<u>\$ (208,384)</u>	<u>(36.2)%</u>
Current liabilities	\$78,271	\$99,733	\$ (21,462)	(21.5)%
Non-current liabilities	110,147	106,271	3,876	3.6%
Total liabilities	<u>188,418</u>	<u>206,004</u>	<u>(17,586)</u>	<u>(8.5)%</u>
Net assets:				
Invested in capital assets	1,469	2,475	(1,006)	(40.6)%
Restricted for schools construction:				
Build America Bond program	258,300	345,003	(86,703)	(25.1)%
Special revenue fund	(80,863)	22,226	(103,089)	(463.8)%
Total net assets	<u>178,906</u>	<u>369,704</u>	<u>(190,798)</u>	<u>(51.6)%</u>
Total liabilities and net assets	<u>\$367,324</u>	<u>\$575,708</u>	<u>\$ (208,384)</u>	<u>(36.2)%</u>

Note: All percentages are calculated using unrounded figures.

Operating Activities – During the bidding process, the Authority charges a minimal fee ranging from \$50 up to \$500 for copies of design plans and specifications as specified in the construction project advertisements.

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 following table summarizes the change in net assets for the years ended December 31, 2011 and 2010.

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
EFCFA funding received from State	\$ -	\$499,200	\$ (499,200)	(100.0)%
Bidding fees-plans and specs	5	1	4	531.6%
Investment earnings, net	546	1,299	(753)	(58.0)%
Rental property (loss)/income	309	(73)	382	523.9%
Other revenue	3	3	-	(11.9)%

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Total revenues	\$863	500,430	(499,567)	(99.8)%
Expenses				
Administrative and general expenses	\$35,699	\$44,332	\$ (8,633)	(19.5)%
Depreciation	1,032	1,308	(276)	(21.1)%
School facilities project costs	154,930	274,584	(119,654)	(43.6)%
Total expenses	191,661	320,224	(128,563)	(40.1)%
Change in net assets	(190,798)	180,206	(371,004)	(205.9)%
Beginning net assets	369,704	189,498	180,206	95.1%
Ending net assets	\$178,906	\$369,704	\$(190,798)	(51.6)%

Note: All percentages are calculated using unrounded figures.

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.

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

Statement of Net Assets and General Fund Balance Sheet

December 31, 2011

	General Fund Total	Adjustments (Note 8)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$362,471,682		\$362,471,682
Receivables	1,859,544	\$558,297	2,417,841
Prepaid expenses	965,346		965,346
Capital assets-net		1,469,503	1,469,503
Total assets	<u>365,296,572</u>	<u>2,027,800</u>	<u>367,324,372</u>
Liabilities			
Accrued school facilities project costs	66,494,545	99,589,555	166,084,100
Other post-employment benefits obligation		9,545,523	9,545,523
Other accrued liabilities	622,437	1,012,091	1,634,528
Deposits	11,153,524		11,153,524
Total liabilities	<u>78,270,506</u>	<u>110,147,169</u>	<u>188,417,675</u>
Fund Balance/Net Assets			
Invested in capital assets		1,469,503	1,469,503
Nonspendable:			
Prepaid expenses	965,346	(965,346)	
Restricted for schools construction	286,060,720	(108,623,526)	177,437,194
Total fund balance/net assets	<u>287,026,066</u>	<u>(108,119,369)</u>	<u>178,906,697</u>
Total liabilities and fund balance/net assets	<u>\$365,296,572</u>	<u>\$2,027,800</u>	<u>\$367,324,372</u>

See accompanying notes.

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

For the Year Ended December 31, 2011

	General Fund Total	Adjustments (Note 8)	Statement of Activities
Revenues			
School Construction Program:			
Bidding fees-plans and specs	\$ 4,579		\$ 4,579
General:			
Investment earnings	546,039		546,039
Rental property income	309,298		309,298
Other revenue	2,884		2,884
Total revenues	<u>862,800</u>		<u>862,800</u>
Expenditures/Expenses			
Administrative and General:			
Salaries and benefits	28,680,243	\$1,961,108	30,641,351
Other administrative and general	5,057,511		5,057,511
Capital expenditures	26,142	(26,142)	
Capital depreciation		1,031,909	1,031,909
School facilities project costs	153,014,077	1,915,138	154,929,215
Total expenditures/expenses	<u>186,777,973</u>	<u>4,882,013</u>	<u>191,659,986</u>
Excess of expenditures over revenues	(185,915,173)	(4,882,013)	
Change in net assets			(190,797,186)
Fund Balance/Net Assets			
Beginning of year, January 1, 2011	472,941,239	(103,237,356)	369,703,883
End of year, December 31, 2011	<u>\$ 287,026,066</u>	<u>\$ (108,119,369)</u>	<u>\$ 178,906,697</u>

See accompanying notes.

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Notes to Financial Statements

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 School Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 poor, 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 assets 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

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Notes to Financial Statements (continued)

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.

(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 restricted schools construction special revenue 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

The Authority charges a minimal fee during the bidding process for copies of the design plans and specifications as specified in the construction project advertisements. Rental revenue 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. Fees and rental revenues are generally recognized when received.

(d) 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

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Notes to Financial Statements (continued)

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 2010 Series B, CC-1, and CC-2. As of December 31, 2011, no rebate arbitrage liabilities exist.

(e) Cash Equivalents

Cash equivalents consist of highly liquid debt instruments with original maturities of three months or less, and participation in the State's 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.

(f) 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.

(g) 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, 2011, the Authority's capital assets consist of leasehold improvements, equipment, computer software 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.

(h) Taxes

The Authority is exempt from all federal and state income taxes and real estate taxes.

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Notes to Financial Statements (continued)

(i) 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.

(j) Recent Accounting Pronouncement

In June 2011, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* GASB Statement No. 63 provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). It also requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. GASB Statement No. 63 amends certain provisions of GASB Statement No. 34, *“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.”* The provisions of GASB Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. The Authority is currently evaluating the impact this new accounting pronouncement will have on its financial statements.

3. Cash, Cash Equivalents and Investments

(a) Cash Flows

Overall cash and cash equivalents decreased during the year by \$209.1 million to \$362.5 million as follows:

Cash and cash equivalents, beginning of year	\$ 571,627,095
Changes in cash:	
EFCFA funding received from State	-
Investment and interest income	546,039
Miscellaneous revenue	316,761
School facilities project costs	(173,991,754)
Administrative and general expenses	(34,509,603)
Capital expenditures	(26,142)
Deposits	(1,490,714)
Cash and cash equivalents, end of year	<u>\$362,471,682</u>

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Notes to Financial Statements (continued)

(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, 2011, the carrying amount of operating cash is \$1,738,439 and the bank balance is \$1,871,858. 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, 2011, 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.

As of December 31, 2011, cash and cash equivalents include deposits of \$11,153,524 consisting mainly of district local share funding requirements (see Note 5).

(c) Investments

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; 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, 2011, the Authority’s investments in the NJCMF total \$360,427,072.

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.

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Notes to Financial Statements (continued)

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.

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Notes to Financial Statements (continued)

4. Prepaid Expenses

As of December 31, 2011, the Authority's prepaid expenses are as follows:

Insurance	\$589,723
Office rents	172,845
Service contracts	182,414
Other	20,364
Total prepaid expenses	<u>\$965,346</u>

5. Local Share 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, 2011, local share deposits held in SDA bank accounts, inclusive of interest earned but not refunded to the district, are as follows:

City of Newark	\$7,119,661
Egg Harbor City	1,358,267
Greater Egg Harbor	980,784
Buena Borough	940,323
Other	613,679
Total local share deposits	<u>\$11,012,714</u>

6. Rental of Office Space

The Authority rents commercial office space for its headquarters facility in Trenton, as well as rents other office space in Trenton and Newark. The remaining terms of these leases range from approximately two years to over three years. Total rental expense for the year ended December 31, 2011 amounted to \$2,199,911.

Future rent commitments under operating leases are as follows:

2012	\$1,787,312
2013	1,585,479
2014	127,617
Total future rent expense	<u>\$3,500,408</u>

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Notes to Financial Statements (continued)

7. Capital Assets

Capital asset activity for the year ended December 31, 2011 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Leasehold improvements	\$7,916,738	\$ -	\$ -	\$7,916,738
Office furniture and equipment	5,094,937	-	-	5,094,937
Computer software	568,993	-	-	568,993
Automobiles	209,331	26,142	-	235,473
Capital assets-gross	13,789,999	26,142	-	13,816,141
Less: accumulated depreciation	11,314,729	1,031,909	-	12,346,638
Capital assets-net	<u>\$2,475,270</u>	<u>(\$1,005,767)</u>	<u>\$ -</u>	<u>\$1,469,503</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 assets

“Total fund balances” for the Authority’s general fund (\$287,026,066) differs from the “net assets” reported on the statement of net assets (\$178,906,697). This difference results from the long-term economic focus of the statement of net assets 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 assets includes 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 post-employment benefits and compensated absences are not recorded in the fund financial statements until paid.

Fund balances	\$287,026,066
Capital assets, net of related depreciation of \$12,346,638	1,469,503
Accrued school facilities project costs, net of related receivable	(99,031,258)
Accrued other post-employment benefits	(9,545,523)
Accrued compensated absences	(1,012,091)
Net assets	<u>\$178,906,697</u>

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Notes to Financial Statements (continued)

(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 expenditures over revenues and changes in net assets 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.

Excess of expenditures over revenues	(\$185,915,173)
School facilities project costs	(1,915,138)
Other post-employment benefits expense	(1,880,370)
Compensated absences expense	(80,738)
Capital asset acquisitions	26,142
Depreciation expense	(1,031,909)
Changes in net assets	<u>(\$190,797,186)</u>

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 assets a pollution remediation obligation (PRO) liability (net of environmental cost recoveries not yet realized) in the amount of \$37,847,100 as of December 31, 2011. Additionally, as of the same date the Authority has recorded in the statement of net assets a receivable in the amount of \$558,297 for realized environmental cost recoveries. 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,

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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.

Description	Estimated Cost	Payments to Date	PRO at 12-31-2011
Pre-cleanup activities	\$6,057,368	\$4,964,281	\$1,093,087
Site remediation work	74,766,969	40,545,669	34,221,300
Post-remediation monitoring	1,085,129	360,260	724,869
Asbestos and lead based paint removal	19,120,529	14,781,823	4,338,706
Sub-total	101,029,995	60,652,033	40,377,962
Less: Estimated environmental cost recoveries (ECR) not yet realized	2,530,862	-	2,530,862
Liability for pollution remediation obligations	\$98,499,133	\$60,652,033	\$37,847,100
Receivable for realized ECR	\$558,297	\$-	\$558,297

The following table summarizes the changes in the Authority's PRO liability during the year ended December 31, 2011:

PRO at 12-31-2010	Increase in Expected Cash Outlays	PRO Payments	Increase in ECR Not Yet Realized	PRO at 12-31-2011
\$36,203,483	\$5,356,359	(\$2,980,707)	(\$732,035)	\$37,847,100

10. Commitments and Contingencies**(a) Contractual Commitments**

At December 31, 2011, the Authority has approximately \$561 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

(b) Contractor Claims

Numerous contractor claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors and project management firms relating to disputes concerning school construction matters (e.g., delays, labor and material price increases). The Authority resolves contractor claims by following the administrative

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Notes to Financial Statements (continued)

process noted in the relevant contract. As of December 31, 2011, the Authority's potential loss from these claims has been estimated at approximately \$61.7 million, which represents an increase of \$272 thousand from the prior year end accrual. Accordingly, as of December 31, 2011, an accrued liability of \$61.7 million is reflected in the statement of net assets and, for the year then ended, \$272 thousand 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 Owners Protective Professional Indemnity Insurance (OPPI), both of which are discussed below. As of December 31, 2011, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage. The Authority is also involved in several lawsuits not covered under its commercial insurance; however, in the opinion of management, none of the claims is expected to have a material effect on the Authority's financial statements.

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, umbrella/excess liability and builders risk insurance for all eligible contractors performing labor on school facilities projects. OCIP I was subsequently extended to March 31, 2009. Builders risk coverage for OCIP I expired as of December 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 from the end of construction for all previously enrolled projects. OCIP I premiums are adjustable based upon audited direct labor payroll; the audit for OCIP I was recently completed resulting in a refund of \$2.8 million in 2011, which was credited to school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balances.

In 2009, the Authority purchased a new five-year OCIP (OCIP II). OCIP II, as originally purchased, provides coverage for projects commencing construction between March 31, 2009 and March 31, 2012, and an additional two years is included for the completion of enrolled projects. Builders risk coverage for OCIP II has a three-year term commencing December 31, 2009. Similar to OCIP I, policy limits for OCIP II vary depending upon, among other things, the type of insurance coverage; a \$200 million umbrella/excess liability

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Notes to Financial Statements (continued)

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 provides 10 years of completed operations coverage for claims that arise after the completion of construction. Premiums for OCIP II are adjustable based upon actual construction values for enrolled contractors (not all trades are eligible for enrollment) on insured projects, estimated at \$2 billion when the program was purchased. In November 2011, the Authority's Board Members authorized an amendment to the OCIP II contract, which allows for a two year extension of the enrollment period through March 31, 2014. The insurers have offered this two year extension at no additional cost to the Authority.

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 balances.

Concurrent with the Authority's purchase of OCIP II, the insurer agreed to transfer the 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. The funds remaining, totaling approximately \$9.9 million, were allocated to fund the LRF for OCIP I. All monies deposited in the LRF accrue interest to the benefit of the Authority and are available to pay claim costs arising from construction projects enrolled within the respective OCIP.

As of December 31, 2011, the Authority has incurred general liability and workers' compensation claims totaling approximately \$12.5 million and \$1 million, respectively, under OCIP I and OCIP II. 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. At this time, and annually thereafter, the LRF for OCIP I shall be reviewed and the deductible obligation re-determined. The first re-determination for the OCIP I LRF was recently completed and resulted in a refund of \$654 thousand being received in February 2012. The \$654 thousand refund is recorded in receivables on the statement of net assets and general fund balance sheet as of December 31, 2011, and for the year then ended as a credit to school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balances.

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In connection with the OCIP II extension, discussed above, the maximum deductible obligation for OCIP II was re-determined based upon lower expected losses arising from a reduction in anticipated construction values of insured projects. This re-determination established that the maximum deductible obligation should be \$16 million, which resulted in the LRF for OCIP II being overfunded by approximately \$2.2 million. Accordingly, in January 2012 the Authority received a refund from the LRF of \$2.2 million; however, since the OCIP II amendment was not fully executed until January 9, 2012, no entry was made in the 2011 financial statements. A reasonable estimate of future refunds from the OCIP II LRF is not yet known since the majority of covered school facilities projects are in various stages of completion and therefore the Authority's ultimate obligation cannot be immediately determined.

In October 2009, the Authority purchased a 5-year, \$25 million limit 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. In addition, the policy provides an Extended Reporting Period (ERP) of up to 10 years to report claims. The ERP commences on the earlier of project completion or the policy expiration date of October 1, 2014.

11. Employee Benefits

(a) Recent Legislative Changes

Governor Chris Christie signed Chapter 78, P.L. 2011 into law, effective June 28, 2011. This law provides for changes to the State-administered retirement systems and health care programs. Higher employee contribution levels for both pension and health care are being phased in over several years.

In connection with these changes, in October 2011 several new medical and prescription drug plan choices were announced with an effective date of January 1, 2012. The number of plan choices has increased from three to 15, including new high deductible health care plans not previously offered to employees and retirees. Among the changes to the retirement system is the suspension of automatic cost-of-living adjustments to current and future retirees and beneficiaries until reactivated. Other changes in the retirement system, most significantly a new Tier 5 category of participants, are included the section below.

(b) Public Employees Retirement System of New Jersey

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. Effective July 1, 2011,

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Notes to Financial Statements (continued)

employees are required to contribute 6.5% (up from 5.5%) of their annual compensation to the Plan. An additional 1% increase will be phased in over the next 7 years, bringing the total pension contribution rate 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 PERS prior to July 1, 2007; Tier 2 includes those members enrolled in PERS on or after July 1, 2007 and prior to November 2, 2008; Tier 3 includes those members enrolled in PERS on or after November 2, 2008 and on or before May 21, 2010; Tier 4 includes those members enrolled in PERS after May 21, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in 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 Authority's total payroll for the years ended December 31, 2011, 2010 and 2009, which approximates its covered payroll, was \$19,904,178, \$23,961,013, and \$23,683,663 respectively.

In 2011, 2010 and 2009, the Authority's pension contributions to the PERS totaled \$2,545,016, \$1,793,455, and \$1,400,824 respectively, which amounts were charged to salaries and benefits expense. The Authority's 2012 pension contribution, due on April 1, 2012, is expected to be \$2,673,144.

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 percent 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 percent per month) for each year the member is under age 60 (until age 55) and 3% per year (1/4 of 1 percent 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 percent per month) for each year the member is under age 62 (until age 55) and 3% per year (1/4 of 1 percent per month) for each year the

New Jersey Schools Development Authority

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Notes to Financial Statements (continued)

member is under age 55. Lastly, for Tier 5 members the retirement allowance is reduced by 3% per year (1/4 of 1 percent per month) for each year the member is under age 65.

The PERS also provides death and disability benefits. The State of New Jersey has the authority to establish and/or amend any of the benefit provisions and contribution requirements. 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. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

For the year ending December 31, 2011, the Authority had eight active employees enrolled in the DCRP and made matching contributions totaling \$6,858. Employer matching contributions relating to 2010 and 2009 totaled \$4,853 and \$5,819, respectively.

(d) Deferred Compensation

New Jersey Schools Development Authority
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Notes to Financial Statements (continued)

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.

New Jersey Schools Development Authority

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Notes to Financial Statements (continued)

(e) Other Post-Employment Benefits

The Authority provides post-employment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey Health Benefits Program, as sponsored and administered by the State of New Jersey, to retirees having 25 years or more of service in the PERS, or to those individuals approved for disability retirement. These post-employment benefits also extend to the retirees' covered dependents. 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 to retirees in an amount equal to 3/16 of their average salary during the final 12 months of active employment. These post-employment benefits, referred to as OPEB, are presently provided by the Authority at no cost to the retiree. The State has the authority to establish and amend the benefit provisions offered and contribution requirements. The plan is considered an agent multiple-employer defined benefit plan for financial reporting purposes. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The Authority accounts for its OPEB obligations in accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Authority's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The Authority's annual OPEB cost for 2011 and 2010 and the related information for the plan are as follows:

	2011	2010
Annual required contribution	\$2,072,654	\$2,747,049
Adjustment to annual required contribution *	<u>(77,840)</u>	<u>847,233</u>
Annual OPEB cost	1,994,814	3,594,282
Contributions made	<u>(114,444)</u>	<u>(89,169)</u>
Increase in net OPEB obligation	1,880,370	3,505,113
Net OPEB obligation – beginning of year	<u>7,665,153</u>	<u>4,160,040</u>
Net OPEB obligation – end of year	<u>\$9,545,523</u>	<u>\$7,665,153</u>

* The adjustment to the ARC includes interest on the net OPEB obligation, less amortization of the net OPEB obligation.

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

Notes to Financial Statements (continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010, and 2009 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$1,994,814	5.7%	\$9,545,523
12/31/2010	\$3,594,282	2.5%	\$7,665,153
12/31/2009	\$1,366,200	4.7%	\$4,160,040

As of the most recent valuation date (January 1, 2011), the Authority's actuarial accrued liability was \$15,705,793, all of which was unfunded as of December 31, 2011. The Authority is recognizing this liability over a 30-year period using level dollar amortization, which is representative of amortizing on a level percentage of payrolls on an open basis. The covered payroll (annual payroll of active employees covered by the plan) as of the valuation date was \$22,666,800 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.3%. Additionally, as of the valuation date seven active and seven retired employees were eligible for post-employment benefits.

The Authority has elected at this time to finance its annual OPEB cost on a pay-as-you-go basis in view of the fact that the Authority 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. Payments for retiree post-employment benefits totaled \$114,444 and \$89,169 respectively, in 2011 and 2010.

Actuarial Methods and Assumptions: Actuarial valuations of a perpetual plan involve formulating estimates and assumptions about the probability of occurrence of future events, such as employment, mortality and healthcare costs, among other things. Consequently, the amounts derived from an actuarial valuation are subject to continual revision as actual results will undoubtedly differ from past expectations and assumptions. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation date and the historical pattern of benefit cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2011 actuarial valuation the projected unit credit actuarial cost method was used with a 4.5% discount rate. Pursuant to this method, benefits are recognized from date of hire to the date the employee is first eligible for benefits. No investment

New Jersey Schools Development Authority

(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

return was assumed in the current valuation since there are no OPEB plan assets. The annual healthcare cost inflation rates (trend) for retiree benefits is 10% for 2013, which is assumed to decline 1% per year to an ultimate trend assumption of 5% for the year 2018 and beyond. The same trend rates are assumed for Medicare Part B premium reimbursement and prescription drug costs. As required in GASB Technical Memorandum 2006 1 on the accounting for the federal Retiree Drug Subsidy (RDS), the Authority's actuarial liabilities are shown without a reduction for the RDS even though the State Health Benefits Program has opted to receive the RDS.

12. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the Authority recorded a liability in the amount \$1,012,091 as of December 31, 2011 in the statement of net assets. 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 2011, the following changes in long-term liabilities are reflected in the statement of net assets:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued school facilities project costs	\$ 97,674,417	\$5,627,880	(\$3,712,742)	\$99,589,555
Other post-employment benefits obligation	7,665,153	1,994,814	(114,444)	9,545,523
Compensated absences	931,353	80,738	-	1,012,091
Total long-term liabilities	<u>\$106,270,923</u>	<u>\$7,703,432</u>	<u>(\$3,827,186)</u>	<u>\$110,147,169</u>

For further information, see Notes 11(d) and 12.

New Jersey Schools Development Authority

(a component unit of the State of New Jersey)

Notes to Financial Statements (continued)

14. Net Assets

The Authority's net assets are categorized as either invested in capital assets, or restricted for schools construction. At December 31, 2011, the Authority's net assets are \$178.9 million. Invested in capital assets includes leasehold improvements, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation. Restricted for schools construction includes sub-categories for Build America Bond (BAB) proceeds and special revenue fund for all other sources. Net assets arising from BAB proceeds are more restricted than those in the special revenue fund. Additionally, only the portion of the Authority's operating costs deemed capitalizable may be funded from BAB proceeds. The special revenue fund includes all net assets not included in the other categories. When both restricted and unrestricted resources are available for use, it is the Authority's policy to first use restricted resources then unrestricted resources as needed.

The changes during 2010 and 2011 in net assets are as follows:

	Invested in Capital Assets	Restricted for Schools Construction Build America Bond Program	Restricted for Schools Construction Special Revenue Fund	Totals
Net assets,				
December 31, 2009	\$3,730,881	\$ -	\$185,767,198	\$189,498,079
(Loss)/Excess before receipt of EFCFA funding and transfers	(1,307,990)	(10,548,957)	(32,553,367)	(44,410,314)
Capital assets acquired	52,379	-	(52,379)	-
EFCFA funding received from State	-	450,000,000	49,200,000	499,200,000
School facilities project costs	-	(94,448,083)	(180,135,799)	(274,583,882)
Net assets,				
December 31, 2010	2,475,270	345,002,960	22,225,653	369,703,883
(Loss)/Excess before receipt of EFCFA funding and transfers	(1,031,909)	(14,712,814)	(20,123,248)	(35,867,971)
Capital assets acquired	26,142	-	(26,142)	-
School facilities project costs	-	(71,990,189)	(82,939,026)	(154,929,215)
Net assets,				
December 31, 2011	<u>\$1,469,503</u>	<u>\$258,299,957</u>	<u>\$(80,862,763)</u>	<u>\$178,906,697</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

\$ In thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
1-1-2011	\$ -	\$15,706	\$15,706	- %	\$22,667	69%
1-1-2010	\$ -	\$18,876	\$18,876	- %	\$24,658	77%
1-1-2008	\$ -	\$8,976	\$8,976	- %	\$20,275	44%

RESOLUTION—4a.ii.**Resolution Approving the NJSDA 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 March 19, 2012 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 2011 SDA Annual Report has been prepared by executive management consistent with Executive Order No. 37 and is presented in the attachment hereto with a recommendation for Board approval.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board hereby approves the Authority’s 2011 Annual Report as presented by executive management.
2. 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 - 2011 Annual Report, dated April 4, 2012

Dated: April 4, 2012

CHAIRMAN'S REPORT

REPORT AND RECOMMENDATIONS OF THE AUDIT COMMITTEE -CHAIRMAN'S REPORT

2011 FINANCIAL STATEMENTS



1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

MEMORANDUM

TO: Members of the Authority

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

RE: 2011 Financial Statements

DATE: April 4, 2012

I am pleased to inform you that the accounting firm of Ernst & Young LLP has issued an “unqualified” opinion on the Authority’s 2011 Financial Statements, the highest level of assurance that an audit firm can provide for a financial statement audit. The annual financial statements are being presented to the Members for their review and approval, a requirement of Executive Order 122, as amended by Executive Order 37 (2006).

On March 19, 2012, the 2011 Financial Statements were presented and discussed at length with the Audit Committee, and Ernst & Young LLP presented their audit results booklet and required communications in accordance with Statement of Auditing Standards No. 114.

Recommendation

The Members of the Authority are recommended to approve the attached 2011 Financial Statements.

Attachment

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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, 2011

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, 2011

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Report of Independent Auditors

Members of the Authority
New Jersey Schools Development Authority

We have audited the accompanying basic financial statements of the New Jersey Schools Development Authority (the Authority), a component unit of the State of New Jersey, as of December 31, 2011 and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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. We were not engaged to perform an audit of the Authority's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Schools Development Authority as of December 31, 2011, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States require that accompanying required supplementary information, such as management's discussion and analysis and the schedule of funding progress on pages 2 through 7 and page 29 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 who 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.

March x, 2012

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, 2011

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, 2011. 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 School Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 poor, 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. Administrative and general expenses, considered to be eligible project costs under the EFCFA, but not identifiable to a specific project, are also paid from EFCFA funding.

Through December 31, 2011, the Authority has received \$8.645 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 66.8% of the currently authorized program funding, as follows:

	<u>Bonding Cap</u>	<u>Program Funding</u> ¹	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$8,900,000,000	\$9,006,357,884	\$5,869,591,060	65.2%
Regular Operating Districts	3,450,000,000	3,492,672,553	2,479,593,511	71.0%
Vocational Schools	150,000,000	151,705,102	95,361,810	62.9%
Totals	<u>\$12,500,000,000</u>	<u>\$12,650,735,539</u>	<u>\$8,444,546,381</u>	66.8%

¹ Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$151 million of other income and miscellaneous revenue earned through December 31, 2011.

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 2011, the Authority completed two new school facilities projects in the SDA Districts, which benefited nearly 1,200 students.

From inception through December 31, 2011, the School Construction Program has completed 628 projects in the SDA Districts. The completed projects consist of: 63 new schools, including 6 demonstration projects; 42 extensive additions, renovations and/or rehabilitations; 26 rehabilitation projects; 354 health and safety projects; and 143 Section 13 Grants for SDA District-managed projects under \$500,000. 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 2,877 school projects throughout the 21 counties of New Jersey.

As of December 31, 2011, the SDA has four 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 five emergent need 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.

In February 2011, Governor Chris Christie announced the results of the first-ever statewide prioritization of SDA school construction projects. The new approach is the result of a comprehensive review conducted over a six-month period by an internal working group consisting of SDA and New Jersey Department of Education officials and reflects a wholesale strategy shift from the SDA's earlier 2008 Capital Plan. The changes reflect a commitment to the efficient and proper use of public funds, an objective prioritization of statewide educational needs and the advancement of sound design and construction principles. These design principles include new systems and materials standards and "Kit of Parts" prototypical school designs comprised of standardized component elements, which can be rearranged to respond to varying site and other conditions for multiple capital projects. The Authority believes that standardization in school projects will provide the opportunity for significant cost savings, expedited review times and shorter construction schedules. The 2011 Capital Program calls for the construction of 10 new schools in the SDA Districts, representing a state investment of almost \$584 million. Furthermore, an extra \$100 million has been set aside for the advancement of additional emergent projects in the SDA Districts. In February 2012, the Christie Administration announced another 20 projects for advancement in the 2012 Capital Program. These projects were selected due to their high educational needs or because of serious facility deficiencies within existing school buildings.

The following un-audited 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				
	2011	2010	2009	2008	2007
EFCFA funding received from State	\$ -	\$499,200	\$775,000	\$450,000	\$800,000
Investment earnings, net	546	1,299	2,345	12,060	25,697
Administrative and general expenses	35,699	44,332	44,707	41,021	35,750
Capital expenditures	26	52	234	526	1,027
School facilities project costs	154,930	274,584	509,462	922,824	925,665
Employee count at end of year	255	304	332	298	272

2011 Financial Highlights

- At year end net assets total \$178.9 million.
- Cash and cash equivalents are \$362.5 million.
- Revenues are \$863 thousand, consisting primarily of investment earnings and rental property income. The Authority did not receive revenue from bond sales in 2011.
- Expenses are \$191.7 million, \$154.9 million (80.8%), of which is for school project costs.
- Excess of general fund expenditures over general fund revenues are \$190.8 million.

Overview of the Financial Statements

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (this section); 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 assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, an increase or decrease in net assets 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 assets changed during the most recent period. All changes in net assets 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 financial statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Financial Analysis of the Authority

Net Assets - The Authority's net assets decreased to \$178.9 million at year-end, primarily due to 2011 expenditures for school facilities projects (\$154.9 million) exceeding total revenue (\$863 thousand). The following table summarizes the Authority's financial position at December 31, 2011 and 2010.

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current assets	\$365,855	\$573,233	\$ (207,378)	(36.2)%
Capital assets-net	1,469	2,475	(1,006)	(40.6)%
Total assets	<u>\$367,324</u>	<u>\$575,708</u>	<u>\$ (208,384)</u>	<u>(36.2)%</u>
Current liabilities	\$78,271	\$99,733	\$ (21,462)	(21.5)%
Non-current liabilities	110,147	106,271	3,876	3.6%
Total liabilities	<u>188,418</u>	<u>206,004</u>	<u>(17,586)</u>	<u>(8.5)%</u>
Net assets:				
Invested in capital assets	1,469	2,475	(1,006)	(40.6)%
Restricted for schools construction:				
Build America Bond program	258,300	345,003	(86,703)	(25.1)%
Special revenue fund	(80,863)	22,226	(103,089)	(463.8)%
Total net assets	<u>178,906</u>	<u>369,704</u>	<u>(190,798)</u>	<u>(51.6)%</u>
Total liabilities and net assets	<u>\$367,324</u>	<u>\$575,708</u>	<u>\$ (208,384)</u>	<u>(36.2)%</u>

Note: All percentages are calculated using unrounded figures.

Operating Activities – During the bidding process, the Authority charges a minimal fee ranging from \$50 up to \$500 for copies of design plans and specifications as specified in the construction project advertisements.

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 following table summarizes the change in net assets for the years ended December 31, 2011 and 2010.

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
EFCFA funding received from State	\$ -	\$499,200	\$ (499,200)	(100.0)%
Bidding fees-plans and specs	5	1	4	531.6%
Investment earnings, net	546	1,299	(753)	(58.0)%
Rental property (loss)/income	309	(73)	382	523.9%
Other revenue	3	3	-	(11.9)%
Total revenues	<u>\$863</u>	<u>500,430</u>	<u>(499,567)</u>	<u>(99.8)%</u>

	\$ In thousands			
	2011	2010	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Expenses				
Administrative and general expenses	\$35,699	\$44,332	\$ (8,633)	(19.5)%
Depreciation	1,032	1,308	(276)	(21.1)%
School facilities project costs	154,930	274,584	(119,654)	(43.6)%
Total expenses	191,661	320,224	(128,563)	(40.1)%
Change in net assets	(190,798)	180,206	(371,004)	(205.9)%
Beginning net assets	369,704	189,498	180,206	95.1%
Ending net assets	\$178,906	\$369,704	\$(190,798)	(51.6)%

Note: All percentages are calculated using unrounded figures.

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.

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Statement of Net Assets and General Fund Balance Sheet

December 31, 2011

	General Fund Total	Adjustments (Note 8)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$362,471,682		\$362,471,682
Receivables	1,859,544	\$558,297	2,417,841
Prepaid expenses	965,346		965,346
Capital assets-net		1,469,503	1,469,503
Total assets	<u>365,296,572</u>	<u>2,027,800</u>	<u>367,324,372</u>
Liabilities			
Accrued school facilities project costs	66,494,545	99,589,555	166,084,100
Other post-employment benefits obligation		9,545,523	9,545,523
Other accrued liabilities	622,437	1,012,091	1,634,528
Deposits	11,153,524		11,153,524
Total liabilities	<u>78,270,506</u>	<u>110,147,169</u>	<u>188,417,675</u>
Fund Balance/Net Assets			
Invested in capital assets		1,469,503	1,469,503
Nonspendable:			
Prepaid expenses	965,346	(965,346)	
Restricted for schools construction	286,060,720	(108,623,526)	177,437,194
Total fund balance/net assets	<u>287,026,066</u>	<u>(108,119,369)</u>	<u>178,906,697</u>
Total liabilities and fund balance/net assets	<u><u>\$365,296,572</u></u>	<u><u>\$2,027,800</u></u>	<u><u>\$367,324,372</u></u>

See accompanying notes.

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

For the Year Ended December 31, 2011

	General Fund Total	Adjustments (Note 8)	Statement of Activities
Revenues			
School Construction Program:			
Bidding fees-plans and specs	\$ 4,579		\$ 4,579
General:			
Investment earnings	546,039		546,039
Rental property income	309,298		309,298
Other revenue	2,884		2,884
Total revenues	<u>862,800</u>		<u>862,800</u>
Expenditures/Expenses			
Administrative and General:			
Salaries and benefits	28,680,243	\$1,961,108	30,641,351
Other administrative and general	5,057,511		5,057,511
Capital expenditures	26,142	(26,142)	
Capital depreciation		1,031,909	1,031,909
School facilities project costs	153,014,077	1,915,138	154,929,215
Total expenditures/expenses	<u>186,777,973</u>	<u>4,882,013</u>	<u>191,659,986</u>
Excess of expenditures over revenues	(185,915,173)	(4,882,013)	
Change in net assets			(190,797,186)
Fund Balance/Net Assets			
Beginning of year, January 1, 2011	472,941,239	(103,237,356)	369,703,883
End of year, December 31, 2011	<u>\$ 287,026,066</u>	<u>\$ (108,119,369)</u>	<u>\$ 178,906,697</u>

See accompanying notes.

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Notes to Financial Statements

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 School Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 poor, 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 assets 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

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Notes to Financial Statements (continued)

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.

(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 restricted schools construction special revenue 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

The Authority charges a minimal fee during the bidding process for copies of the design plans and specifications as specified in the construction project advertisements. Rental revenue 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. Fees and rental revenues are generally recognized when received.

(d) 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

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Notes to Financial Statements (continued)

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 2010 Series B, CC-1, and CC-2. As of December 31, 2011, no rebate arbitrage liabilities exist.

(e) Cash Equivalents

Cash equivalents consist of highly liquid debt instruments with original maturities of three months or less, and participation in the State's 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.

(f) 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.

(g) 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, 2011, the Authority's capital assets consist of leasehold improvements, equipment, computer software 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.

(h) Taxes

The Authority is exempt from all federal and state income taxes and real estate taxes.

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Notes to Financial Statements (continued)

(i) 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.

(j) Recent Accounting Pronouncement

In June 2011, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 63, *“Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”* GASB Statement No. 63 provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). It also requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. GASB Statement No. 63 amends certain provisions of GASB Statement No. 34, *“Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.”* The provisions of GASB Statement No. 63 are effective for financial statements for periods beginning after December 15, 2011. The Authority is currently evaluating the impact this new accounting pronouncement will have on its financial statements.

3. Cash, Cash Equivalents and Investments

(a) Cash Flows

Overall cash and cash equivalents decreased during the year by \$209.1 million to \$362.5 million as follows:

Cash and cash equivalents, beginning of year	\$ 571,627,095
Changes in cash:	
EFCFA funding received from State	-
Investment and interest income	546,039
Miscellaneous revenue	316,761
School facilities project costs	(173,991,754)
Administrative and general expenses	(34,509,603)
Capital expenditures	(26,142)
Deposits	(1,490,714)
Cash and cash equivalents, end of year	<u>\$362,471,682</u>

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Notes to Financial Statements (continued)

(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, 2011, the carrying amount of operating cash is \$1,738,439 and the bank balance is \$1,871,858. 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, 2011, 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.

As of December 31, 2011, cash and cash equivalents include deposits of \$11,153,524 consisting mainly of district local share funding requirements (see Note 5).

(c) Investments

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasuries; 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, 2011, the Authority’s investments in the NJCMF total \$360,427,072.

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.

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Notes to Financial Statements (continued)

4. Prepaid Expenses

As of December 31, 2011, the Authority's prepaid expenses are as follows:

Insurance	\$589,723
Office rents	172,845
Service contracts	182,414
Other	20,364
Total prepaid expenses	<u>\$965,346</u>

5. Local Share 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, 2011, local share deposits held in SDA bank accounts, inclusive of interest earned but not refunded to the district, are as follows:

City of Newark	\$7,119,661
Egg Harbor City	1,358,267
Greater Egg Harbor	980,784
Buena Borough	940,323
Other	613,679
Total local share deposits	<u>\$11,012,714</u>

6. Rental of Office Space

The Authority rents commercial office space for its headquarters facility in Trenton, as well as rents other office space in Trenton and Newark. The remaining terms of these leases range from approximately two years to over three years. Total rental expense for the year ended December 31, 2011 amounted to \$2,199,911.

Future rent commitments under operating leases are as follows:

2012	\$1,787,312
2013	1,585,479
2014	127,617
Total future rent expense	<u>\$3,500,408</u>

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Notes to Financial Statements (continued)

7. Capital Assets

Capital asset activity for the year ended December 31, 2011 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Leasehold improvements	\$7,916,738	\$ -	\$ -	\$7,916,738
Office furniture and equipment	5,094,937	-	-	5,094,937
Computer software	568,993	-	-	568,993
Automobiles	209,331	26,142	-	235,473
Capital assets-gross	13,789,999	26,142	-	13,816,141
Less: accumulated depreciation	11,314,729	1,031,909	-	12,346,638
Capital assets-net	<u>\$2,475,270</u>	<u>(\$1,005,767)</u>	<u>\$ -</u>	<u>\$1,469,503</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 assets**

“Total fund balances” for the Authority’s general fund (\$287,026,066) differs from the “net assets” reported on the statement of net assets (\$178,906,697). This difference results from the long-term economic focus of the statement of net assets 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 assets includes 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 post-employment benefits and compensated absences are not recorded in the fund financial statements until paid.

Fund balances	\$287,026,066
Capital assets, net of related depreciation of \$12,346,638	1,469,503
Accrued school facilities project costs, net of related receivable	(99,031,258)
Accrued other post-employment benefits	(9,545,523)
Accrued compensated absences	(1,012,091)
Net assets	<u>\$178,906,697</u>

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Notes to Financial Statements (continued)

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(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 expenditures over revenues and changes in net assets 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.

Excess of expenditures over revenues	(\$185,915,173)
School facilities project costs	(1,915,138)
Other post-employment benefits expense	(1,880,370)
Compensated absences expense	(80,738)
Capital asset acquisitions	26,142
Depreciation expense	(1,031,909)
Changes in net assets	<u>(190,797,186)</u>

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 assets a pollution remediation obligation (PRO) liability (net of environmental cost recoveries not yet realized) in the amount of \$37,847,100 as of December 31, 2011. Additionally, as of the same date the Authority has recorded in the statement of net assets a receivable in the amount of \$558,297 for realized environmental cost recoveries. 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,

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Notes to Financial Statements (continued)

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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.

Description	Estimated Cost	Payments to Date	PRO at 12-31-2011
Pre-cleanup activities	\$6,057,368	\$4,964,281	\$1,093,087
Site remediation work	74,766,969	40,545,669	34,221,300
Post-remediation monitoring	1,085,129	360,260	724,869
Asbestos and lead based paint removal	19,120,529	14,781,823	4,338,706
Sub-total	101,029,995	60,652,033	40,377,962
Less: Estimated environmental cost recoveries (ECR) not yet realized	2,530,862	-	2,530,862
Liability for pollution remediation obligations	\$98,499,133	\$60,652,033	\$37,847,100
Receivable for realized ECR	\$558,297	\$ -	\$558,297

The following table summarizes the changes in the Authority's PRO liability during the year ended December 31, 2011:

PRO at 12-31-2010	Increase in Expected Cash Outlays	PRO Payments	Increase in ECR Not Yet Realized	PRO at 12-31-2011
\$36,203,483	\$5,356,359	(\$2,980,707)	(\$732,035)	\$37,847,100

10. Commitments and Contingencies

(a) Contractual Commitments

At December 31, 2011, the Authority has approximately \$561 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

(b) Contractor Claims

Numerous contractor claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors and project management firms 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, 2011, the Authority's potential loss from these claims has been estimated at approximately \$61.7 million, which represents

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Notes to Financial Statements (continued)

an increase of \$272 thousand from the prior year end accrual. Accordingly, as of December 31, 2011, an accrued liability of \$61.7 million is reflected in the statement of net assets and, for the year then ended, \$272 thousand 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 Owners Protective Professional Indemnity Insurance (OPPI), both of which are discussed below. As of December 31, 2011, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage. The Authority is also involved in several lawsuits not covered under its commercial insurance; however, in the opinion of management, none of the claims is expected to have a material effect on the Authority's financial statements.

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, umbrella/excess liability and builders risk insurance for all eligible contractors performing labor on school facilities projects. OCIP I was subsequently extended to March 31, 2009. Builders risk coverage for OCIP I expired as of December 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 from the end of construction for all previously enrolled projects. OCIP I premiums are adjustable based upon audited direct labor payroll; the audit for OCIP I was recently completed resulting in a refund of \$2.8 million in 2011, which was credited to school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balances.

In 2009, the Authority purchased a new five-year OCIP (OCIP II). OCIP II, as originally purchased, provides coverage for projects commencing construction between March 31, 2009 and March 31, 2012, and an additional two years is included for the completion of enrolled projects. Builders risk coverage for OCIP II has a three-year term commencing December 31, 2009. Similar to OCIP I, policy limits for OCIP II 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'

New Jersey Schools Development Authority
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Notes to Financial Statements (continued)

compensation and general liability claim occur from the same incident. Additionally, OCIP II provides 10 years of completed operations coverage for claims that arise after the completion of construction. Premiums for OCIP II are adjustable based upon actual construction values for enrolled contractors (not all trades are eligible for enrollment) on insured projects, estimated at \$2 billion when the program was purchased. In November 2011, the Authority's Board Members authorized an amendment to the OCIP II contract, which allows for a two year extension of the enrollment period through March 31, 2014. The insurers have offered this two year extension at no additional cost to the Authority.

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 balances.

Concurrent with the Authority's purchase of OCIP II, the insurer agreed to transfer the 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. The funds remaining, totaling approximately \$9.9 million, were allocated to fund the LRF for OCIP I. All monies deposited in the LRF accrue interest to the benefit of the Authority and are available to pay claim costs arising from construction projects enrolled within the respective OCIP.

As of December 31, 2011, the Authority has incurred general liability and workers' compensation claims totaling approximately \$12.5 million and \$1 million, respectively, under OCIP I and OCIP II. 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. At this time, and annually thereafter, the LRF for OCIP I shall be reviewed and the deductible obligation re-determined. The first re-determination for the OCIP I LRF was recently completed and resulted in a refund of \$654 thousand being received in February 2012. The \$654 thousand refund is recorded in receivables on the statement of net assets and general fund balance sheet as of December 31, 2011, and for the year then ended as a credit to school facilities project costs on the statement of activities and general fund revenues, expenditures and changes in fund balances.

In connection with the OCIP II extension, discussed above, the maximum deductible obligation for OCIP II was re-determined based upon lower expected losses arising from a reduction in anticipated construction values of insured projects. This re-determination

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Notes to Financial Statements (continued)

established that the maximum deductible obligation should be \$16 million, which resulted in the LRF for OCIP II being overfunded by approximately \$2.2 million. Accordingly, in January 2012 the Authority received a refund from the LRF of \$2.2 million; however, since the OCIP II amendment was not fully executed until January 9, 2012, no entry was made in the 2011 financial statements. A reasonable estimate of future refunds from the OCIP II LRF is not yet known since the majority of covered school facilities projects are in various stages of completion and therefore the Authority's ultimate obligation cannot be immediately determined.

In October 2009, the Authority purchased a 5-year, \$25 million limit 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. In addition, the policy provides an Extended Reporting Period (ERP) of up to 10 years to report claims. The ERP commences on the earlier of project completion or the policy expiration date of October 1, 2014.

11. Employee Benefits

(a) Recent Legislative Changes

Governor Chris Christie signed Chapter 78, P.L. 2011 into law, effective June 28, 2011. This law provides for changes to the State-administered retirement systems and health care programs. Higher employee contribution levels for both pension and health care are being phased in over several years.

In connection with these changes, in October 2011 several new medical and prescription drug plan choices were announced with an effective date of January 1, 2012. The number of plan choices has increased from three to 15, including new high deductible health care plans not previously offered to employees and retirees. Among the changes to the retirement system is the suspension of automatic cost-of-living adjustments to current and future retirees and beneficiaries until reactivated. Other changes in the retirement system, most significantly a new Tier 5 category of participants, are included the section below.

(b) Public Employees Retirement System of New Jersey

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. Effective July 1, 2011, employees are required to contribute 6.5% (up from 5.5%) of their annual compensation to the Plan. An additional 1% increase will be phased in over the next 7 years, bringing the total pension contribution rate to 7.5%. All Plan participants are categorized within membership Tiers in accordance with their enrollment date in the PERS,

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as follows: Tier 1 includes those members enrolled in PERS prior to July 1, 2007; Tier 2 includes those members enrolled in PERS on or after July 1, 2007 and prior to November 2, 2008; Tier 3 includes those members enrolled in PERS on or after November 2, 2008 and on or before May 21, 2010; Tier 4 includes those members enrolled in PERS after May 21, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in 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 Authority's total payroll for the years ended December 31, 2011, 2010 and 2009, which approximates its covered payroll, was \$19,904,178, \$23,961,013, and \$23,683,663 respectively.

In 2011, 2010 and 2009, the Authority's pension contributions to the PERS totaled \$2,545,016, \$1,793,455, and \$1,400,824 respectively, which amounts were charged to salaries and benefits expense. The Authority's 2012 pension contribution, due on April 1, 2012, is expected to be \$2,673,144.

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 percent 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 percent per month) for each year the member is under age 60 (until age 55) and 3% per year (1/4 of 1 percent 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 percent per month) for each year the member is under age 62 (until age 55) and 3% per year (1/4 of 1 percent per month) for each year the member is under age 55. Lastly, for Tier 5 members the retirement allowance is reduced by 3% per year (1/4 of 1 percent per month) for each year the member is under age 65.

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Notes to Financial Statements (continued)

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The PERS also provides death and disability benefits. The State of New Jersey has the authority to establish and/or amend any of the benefit provisions and contribution requirements. 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. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

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

For the year ending December 31, 2011, the Authority had eight active employees enrolled in the DCRP and made matching contributions totaling \$6,858. Employer matching contributions relating to 2010 and 2009 totaled \$4,853 and \$5,819, respectively.

(d) 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.

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Notes to Financial Statements (continued)

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(e) Other Post-Employment Benefits

The Authority provides post-employment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey Health Benefits Program, as sponsored and administered by the State of New Jersey, to retirees having 25 years or more of service in the PERS, or to those individuals approved for disability retirement. These post-employment benefits also extend to the retirees' covered dependents. 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 to retirees in an amount equal to 3/16 of their average salary during the final 12 months of active employment. These post-employment benefits, referred to as OPEB, are presently provided by the Authority at no cost to the retiree. The State has the authority to establish and amend the benefit provisions offered and contribution requirements. The plan is considered an agent multiple-employer defined benefit plan for financial reporting purposes. The State of New Jersey, Department of the Treasury, Division of Pension and Benefits, issues publicly available financial reports that include the financial statements for the State Health Benefits Program Funds. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

The Authority accounts for its OPEB obligations in accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The Authority's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The Authority's annual OPEB cost for 2011 and 2010 and the related information for the plan are as follows:

	<u>2011</u>	<u>2010</u>
Annual required contribution	\$2,072,654	\$2,747,049
Adjustment to annual required contribution *	<u>(77,840)</u>	<u>847,233</u>
Annual OPEB cost	1,994,814	3,594,282
Contributions made	<u>(114,444)</u>	<u>(89,169)</u>
Increase in net OPEB obligation	1,880,370	3,505,113
Net OPEB obligation – beginning of year	<u>7,665,153</u>	<u>4,160,040</u>
Net OPEB obligation – end of year	<u>\$9,545,523</u>	<u>\$7,665,153</u>

* The adjustment to the ARC includes interest on the net OPEB obligation, less amortization of the net OPEB obligation.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010, and 2009 is as follows:

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Notes to Financial Statements (continued)

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$1,994,814	5.7%	\$9,545,523
12/31/2010	\$3,594,282	2.5%	\$7,665,153
12/31/2009	\$1,366,200	4.7%	\$4,160,040

As of the most recent valuation date (January 1, 2011), the Authority's actuarial accrued liability was \$15,705,793, all of which was unfunded as of December 31, 2011. The Authority is recognizing this liability over a 30-year period using level dollar amortization, which is representative of amortizing on a level percentage of payrolls on an open basis. The covered payroll (annual payroll of active employees covered by the plan) as of the valuation date was \$22,666,800 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 69.3%. Additionally, as of the valuation date seven active and seven retired employees were eligible for post-employment benefits.

The Authority has elected at this time to finance its annual OPEB cost on a pay-as-you-go basis in view of the fact that the Authority 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. Payments for retiree post-employment benefits totaled \$114,444 and \$89,169 respectively, in 2011 and 2010.

Actuarial Methods and Assumptions: Actuarial valuations of a perpetual plan involve formulating estimates and assumptions about the probability of occurrence of future events, such as employment, mortality and healthcare costs, among other things. Consequently, the amounts derived from an actuarial valuation are subject to continual revision as actual results will undoubtedly differ from past expectations and assumptions. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation date and the historical pattern of benefit cost sharing between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the January 1, 2011 actuarial valuation the projected unit credit actuarial cost method was used with a 4.5% discount rate. Pursuant to this method, benefits are recognized from date of hire to the date the employee is first eligible for benefits. No investment return was assumed in the current valuation since there are no OPEB plan assets. The annual healthcare cost inflation rates (trend) for retiree benefits is 10% for 2013, which is assumed to decline 1% per year to an ultimate trend assumption of 5% for the year 2018

New Jersey Schools Development Authority
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Notes to Financial Statements (continued)

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and beyond. The same trend rates are assumed for Medicare Part B premium reimbursement and prescription drug costs. As required in GASB Technical Memorandum 2006 1 on the accounting for the federal Retiree Drug Subsidy (RDS), the Authority's actuarial liabilities are shown without a reduction for the RDS even though the State Health Benefits Program has opted to receive the RDS.

12. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the Authority recorded a liability in the amount \$1,012,091 as of December 31, 2011 in the statement of net assets. 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 2011, the following changes in long-term liabilities are reflected in the statement of net assets:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued school facilities project costs	\$ 97,674,417	\$5,627,880	(\$3,712,742)	\$99,589,555
Other post-employment benefits obligation	7,665,153	1,994,814	(114,444)	9,545,523
Compensated absences	931,353	80,738	-	1,012,091
Total long-term liabilities	<u>\$106,270,923</u>	<u>\$7,703,432</u>	<u>(\$3,827,186)</u>	<u>\$110,147,169</u>

For further information, see Notes 11(d) and 12.

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Notes to Financial Statements (continued)

14. Net Assets

The Authority's net assets are categorized as either invested in capital assets, or restricted for schools construction. At December 31, 2011, the Authority's net assets are \$178.9 million. Invested in capital assets includes leasehold improvements, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation. Restricted for schools construction includes sub-categories for Build America Bond (BAB) proceeds and special revenue fund for all other sources. Net assets arising from BAB proceeds are more restricted than those in the special revenue fund. Additionally, only the portion of the Authority's operating costs deemed capitalizable may be funded from BAB proceeds. The special revenue fund includes all net assets not included in the other categories. When both restricted and unrestricted resources are available for use, it is the Authority's policy to first use restricted resources then unrestricted resources as needed.

The changes during 2010 and 2011 in net assets are as follows:

	Invested in Capital Assets	Restricted for Schools Construction Build America Bond Program	Restricted for Schools Construction Special Revenue Fund	Totals
Net assets,				
December 31, 2009	\$3,730,881	\$ -	\$185,767,198	\$189,498,079
(Loss)/Excess before receipt of EFCFA funding and transfers	(1,307,990)	(10,548,957)	(32,553,367)	(44,410,314)
Capital assets acquired	52,379	-	(52,379)	-
EFCFA funding received from State	-	450,000,000	49,200,000	499,200,000
School facilities project costs	-	(94,448,083)	(180,135,799)	(274,583,882)
Net assets,				
December 31, 2010	2,475,270	345,002,960	22,225,653	369,703,883
(Loss)/Excess before receipt of EFCFA funding and transfers	(1,031,909)	(14,712,814)	(20,123,248)	(35,867,971)
Capital assets acquired	26,142	-	(26,142)	-
School facilities project costs	-	(71,990,189)	(82,939,026)	(154,929,215)
Net assets,				
December 31, 2011	<u>\$1,469,503</u>	<u>\$258,299,957</u>	<u>\$(80,862,763)</u>	<u>\$178,906,697</u>

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
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REQUIRED SUPPLEMENTARY INFORMATION

New Jersey Schools Development Authority
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Schedule of Funding Progress - Post-Employment Healthcare Benefit Plan

\$ In thousands

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Level Dollar (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b) - (a) / (c)
1-1-2011	\$ -	\$15,706	\$15,706	- %	\$22,667	69%
1-1-2010	\$ -	\$18,876	\$18,876	- %	\$24,658	77%
1-1-2008	\$ -	\$8,976	\$8,976	- %	\$20,275	44%

RESOLUTION—5a.**Resolution Approving the SDA 2011 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(l), 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 2011; and

WHEREAS, E&Y has expressed its intent to issue an “unqualified” 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 March 19, 2012 to review and discuss the integrity and quality of the Authority’s financial statements and E&Y’s audit of the Authority’s 2011 financial statements; and

WHEREAS, following presentation of the 2011 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 2011 financial statements are presented in the attachment hereto.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board hereby approves the Authority's 2011 financial statements as presented by executive management and the accounting firm, Ernst & Young, and as recommended by the SDA Audit Committee and appended hereto.
2. 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 dated April 4, 2012 and 2011 Financial Statements

Dated: April 4, 2012

REPORT AND RECOMMENDATIONS OF THE SCHOOL REVIEW COMMITTEE

CHAIRMAN'S REPORT

USA ENVIRONMENTAL INC.



MEMORANDUM

TO: Members of the Authority
 FROM: Ritchard J. Sherman
 Program Director, Program Operations
 DATE: April 4, 2012
 SUBJECT: Credit Change Order – USA Environmental Inc.

COMPANY NAME: USA Environmental Inc. (USA)
 DISTRICT: Camden
 CONTRACT NO.: CA-0018-N01
 PMF/CM: SDA Managed
 SCHOOL NAME: Lanning Square Elementary School
 CHANGE ORDER NO.: 4
 REASON: De-obligation of unused Funds in the Contract
 AMOUNT: (\$340,644.97)
 CONTRACT STATUS: 86.7 % Paid to Date against the Current Contract Value
 PROJECT SCHOOL
 OCCUPANCY DATE: NA

INTRODUCTION

I am writing to recommend approval by the Members of the Authority of credit Change Order (CO) No. 4 in the amount of (\$340,644.97), representing the remaining balance of Contract CA-0018-N01 for work not performed and the unused allowances included in the original contract amount for USA Environmental Inc. A credit CO is the accounting mechanism by which the SDA de-obligates a contract's unused funds. Execution of the CO is necessary for the release of final payment and to advance contract closeout. In accordance with the NJSDA Operating Authority adopted by the Board on December 1, 2010 as amended March 7, 2012, a credit change order that singularly exceeds \$500,000 or ten percent (10%) of the contract value, requires approval by the Members of the Authority. This change order exceeds 10% of the contract value.

BACKGROUND

Land acquisition and relocation activities for a Lanning Square Elementary School project in the Camden City School District were completed in late 2009, inclusive of four city blocks with a number of existing structures. USA Environmental (USA) was given a Notice to Proceed on May 7, 2010 to perform building demolition and environmental remediation work at the site. Advancement of this early site remediation/demolition work was necessary to address safety concerns related to these vacant properties. The project has not been identified for further advancement as part of the 2011 or 2012 Capital Programs approved by the Members.

USA's contract value was based upon SDA provided estimated quantities for various categories of

Members of the Authority
 Change Order No 4 – USA Environmental, Inc.
 Camden District - Lanning Square Elementary School
 April 4, 2012
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work for which USA provided unit costs as well as an allowance for unforeseen conditions. Application of the unit costs to the actual quantities of work along with SDA authorized utilization of the allowances established the actual cost of the completed work, a lesser value than the original contract amount. All necessary demolition and remediation activities have been completed to stabilize the site.

REASON FOR CHANGE

For this contract a number of the unit price line items were not fully needed to complete the work. This change order is necessary to de-obligate the funds associated with scope elements not fully utilized and the unused allowance such that closeout of the NJSDA Contract No. CA-0018-N01 with USA Environmental can be achieved.

SUMMARY OF CHANGE

This change order provides a credit for work which was not required and for unused allowances as follows:

Line Item	Contract	Expended	Net Credit
Removal and disposal of debris	\$393,900.00	\$270,619.41	\$123,280.59
Impacted soil removal	\$332,000.00	\$165,183.94	\$166,816.06
Remove & Dispose UST - 2000+gal	\$21,966.00	\$19,366.80	\$2,599.20
Remove & Dispose AST's	\$3,960.00	\$1,980.00	\$1,980.00
Cutting and capping of water main	\$5,280.00	\$2,640.00	\$2,640.00
Furnish and Install 8" DIP - Water	\$1,272.00	\$0.00	\$1,272.00
Furnish and Install 6" DIP - Water	\$912.00	\$0.00	\$912.00
Furnish and Install 8" Tap and Sleeve Valve (water)	\$6,840.00	\$0.00	\$6,840.00
Furnish and Install 6" Tap and Sleeve valve (Water)	\$5,760.00	\$0.00	\$5,760.00
Furnish and Install 24" RCP- Combined Sewer	\$78,960.00	\$74,448.00	\$4,512.00
Removal and disposal of Hazardous soil	\$21,000.00	\$0.00	\$21,000.00
Unspent Allowance for Unforeseen Conditions	\$369,240.00	\$366,206.88	\$3,033.12
Total			\$340,644.97

All documents supporting this change order have been reviewed by the project team members as well as the Program Director and Deputy Program Director, and the NJSDA Contract Management Department (CMD) for adherence to current NJSDA policy and procedures. All reviewing SDA staff members, including CMD, have determined that the change order is justified and that the amount is reasonable and appropriate.

Members of the Authority
 Change Order No 4 – USA Environmental, Inc.
 Camden District - Lanning Square Elementary School
 April 4, 2012
 Page 3 of 3

CALCULATIONS

a. Original Contract Amount	\$2,982,675.10
b. Change Orders to Date (excluding proposed Change Order)	\$87,148.57
c. Proposed Change Order Amount	(\$340,644.97)
d. Total Change Orders to Date including this Change Order (Total of \$ Line (b.) and Line (c.))	(253,496.40)
e. Percentage Change to Original Contract (Line (d.) represents a percent of Line (a.))	-8.5%
f. Proposed Adjusted Contract Price (Line (a.) plus Line (d.))	\$ 2,729,178.70

RECOMMENDATION

The Members of the Authority are requested to approve the credit change order, in the amount of (\$340,644.97). In accordance with the Operating Authority adopted by the Board on December 1, 2010 as amended March 7, 2012 any credit change order which singularly exceeds \$500,000 or 10% of the contract value requires approval by the Members of the Authority. This credit change order singularly is greater than 10% of the contract value.

Recommended by:

/s/ Ritchard Sherman
 Ritchard J. Sherman, Program Director, Program Operations

Reviewed and Recommended by: Andrew Yosha, Vice President, Program Operations
 Reviewed and Recommended by: Aaron Goss, Deputy Program Director, Program Operations
 Prepared and Recommended by: Paul Mock, Program Operations

Resolution—6a1.

COMPANY NAME: USA Environmental Inc. (USA)
 DISTRICT: Camden
 CONTRACT NO.: CA-0018-N01
 PMF/CM: SDA Managed
 SCHOOL NAME: Lanning Square Elementary School
 CHANGE ORDER NO.: 4
 REASON: De-obligation of unused Funds in the Contract
 AMOUNT: (\$340,644.97)
 CONTRACT STATUS: 86.7 % Paid to Date against the Current Contract Value
 PROJECT SCHOOL
 OCCUPANCY DATE: NA

Resolution

WHEREAS, the Operating Authority of the New Jersey Schools Development Authority (NJSDA) requires that the Members of the Authority approve a credit change order that singularly exceeds \$500,000 or ten percent (10%) of the contract value; and

WHEREAS, a credit CO is the accounting mechanism by which the SDA de-obligates a contract’s unused funds and its execution is necessary for the release of final payment and to advance contract closeout; and

WHEREAS, land acquisition and relocation activities for a Lanning Square Elementary School project in the Camden City School District were completed in late 2009; and

WHEREAS, in May 2010, USA Environmental (USA) was given a Notice to Proceed to perform building demolition and environmental remediation work at the Lanning site, which early site remediation/demolition work was necessary to address safety concerns related to these vacant properties; and

WHEREAS, with all necessary demolition and remediation activities for site stabilization completed, it was determined that a number of the unit price line items were not fully needed to complete the work; and

WHEREAS, this credit change order which exceeds 10% of the contract value and is in the amount of (\$340,644.97), is necessary to de-obligate the funds associated with the scope elements not fully utilized and the unused allowance such that closeout of the NJSDA Contract No. CA-0018-N01 with USA Environmental can be achieved.

WHEREAS, all documents supporting this change order have been reviewed by the associated project team, the program director and deputy program director, and the contract management division for adherence to current SDA policies and procedures and all reviewing SDA staff members, have determined that the change order is justified and that the amount is reasonable and appropriate.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve Credit Change Order (CO) No. 4 in the amount of (\$340,644.97), representing the remaining balance of Contract CA-0018-N01 for work not performed and the unused allowances included in the original contract amount for USA Environmental Inc.

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-Credit Change Order No. 4 (Contract CA-0018-N01), USA Environmental, Inc., School District of Camden, dated April 4, 2012
Dated: April 4, 2012

ERNEST BOCK & SONS, INC.



MEMORANDUM

TO: Members of the Authority

FROM: Corrado Minervini
Program Director, Program Operations

DATE: April 4, 2012

SUBJECT: Change Order – Ernest Bock & Sons, Inc.

COMPANY NAME: Ernest Bock & Sons, Inc.
 DISTRICT: Elizabeth
 CONTRACT No.: EL-0016-C03
 PMF/CM: SDA Managed
 SCHOOL NAME: Victor Mravlag Elementary School, No. 21
 CHANGE ORDER No.: 103
 REASON: Additional Work
 AMOUNT: \$14,299
 CONTRACT STATUS: 52% Paid to Date against the Current Contract Value
 ANTICIPATED OCCUPANCY DATE: January 2013

INTRODUCTION

I am writing to recommend approval by the Members of the Authority for Change Order No.103 in the amount of \$14,299. Pursuant to the NJSDA Operating Authority adopted by the Board on December 1, 2010, amended March 7, 2012, a change order that singularly exceeds \$500,000 or singularly or in the aggregate is greater than 10% of the contract value requires approval by the Members of the Authority. The aggregate value of this and prior change orders is greater than 10% of the contract value.

BACKGROUND

Ernest Bock & Sons, Inc. (EBS) was given the Notice to Proceed (NTP) on November 16, 2006 to provide construction services at the Victor Mravlag Elementary School, No. 21 in the Elizabeth School District. The Victor Mravlag Elementary School, No. 21 is a 80,164 square foot facility to educate 500 students in grades Pre-K through Eight in the Elizabeth School District.

In July 2009, the Members of the Authority approved a revised Project Charter to reflect a change in project scope from addition/renovation to new construction and in anticipation of additional services to be provided by the General Contractor to effectuate that change in scope.

Members of the Authority
Change Order No. 103– Ernest Bock & Sons, Inc.
Elizabeth School District – Victor Mravlag ES, No. 21
April 4, 2012
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There has been significant prior change order activity on this engagement including the following:

- On January 5, 2011, the Members of the Authority approved Change Order No. 91, in the amount of \$3,100,000 for Construction of Proposed Replacement Structure.
- On October 5, 2011, the Members of the Authority approved Change Order No. 92, in the amount of \$96,000 for Additional Costs associated with Insurance, Bond and Sub-Contractor Direct Costs.
- On February 1, 2012, the Members of the Authority approved Change Order No. 98, in the amount of \$128,421 for Extended and Additional Material and Equipment Storage Costs.

REASON FOR CHANGE – CHANGE ORDER No. 103

Project delays have caused a portion of a concrete slab on grade to be exposed to the elements since June 2010 and it has subsequently settled approximately 1.5 inches. It has been determined through visual inspection by the NJSDA Project Team that the cause of the settlement is due to erosion caused by water infiltration and freeze thaw cycles encountered since the slab was installed. The recommended resolution, and the one represented by Change Order No. 103, is for the removal and replacement of the slab in its entirety (12'6" x 23'-0" area) inclusive of the reestablishment of the sub-grade to the correct elevation. Two other potential solutions were considered but were deemed inappropriate to the condition or less cost effective;

- Floating a layer of patching concrete over the existing slab to bring the slab to grade. This method is not recommended for leveling of slab defects in excess of ½".
- Grout pumping / slab jacking was also considered. The slab in question is raised five foot above the external grade. Shoring of the exterior CMU foundation walls in proximity to the area of slab to be raised would be cost prohibitive. An additional complicating factor to this method is an underground detention system located adjacent to the CMU foundations in the area of the slab needing to be raised. The additional shoring required to stabilize the CMU foundation walls would infiltrate this area and require removal and replacement of the installed water detention system and would be cost prohibitive.

Members of the Authority
 Change Order No. 103– Ernest Bock & Sons, Inc.
 Elizabeth School District – Victor Mravlag ES, No. 21
 April 4, 2012
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Prior third party inspection reports show that the General Contractor completed the foundation backfill and subgrade preparations in accordance with the contract documents and specifications. Coring of the settled slab was also performed on December 5, 2011 by a third party testing agency which verified that the concrete slab and associated stone sub-base were also installed in accordance with the contract documents and specifications.

SUMMARY OF CHANGE

This change order is required to address costs associated with the removal and replacement of a concrete slab damaged by exposure to the elements resulting by project delays beyond the control of the General Contractor. This change order is necessary to compensate Ernest Bock & Sons, Inc. for the following:

1) EBS and Subcontractor Direct Cost	\$	13,064
2) Overhead, Insurance and Bonding	\$	1,235
Additional Costs	\$	14,299

All documents supporting this change order have been reviewed by the associated SDA project team members as well as the Program Director and Deputy Program Director for adherence to current NJSDA policy and procedures. All reviewing SDA staff members have determined that the change order is justified and that the amount is reasonable and appropriate.

CALCULATIONS

a. Original Contract Amount	\$ 20,587,000.00
b. Change Orders to Date (excluding proposed change order)	\$ 7,651,057.53
c. Proposed Change Order Amount	\$ 14,299.00
d. Total Change Orders to Date including this Change Order (Total of Line (b.) and Line (c.))	\$ 7,665,356.53
e. Percentage Change to Original Contract (Line (d.) represents a percent of Line (a.))	37.2%
f. Proposed Adjusted Contract Price (Line (a.) plus Line (d.))	\$ 28,252,356.53

Members of the Authority
Change Order No. 103– Ernest Bock & Sons, Inc.
Elizabeth School District – Victor Mravlag ES, No. 21
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RECOMMENDATION

The Members of the Authority are requested to approve Change Order No. 103 in the amount of \$14,299. In accordance with the Operating Authority adopted by the Board on December 1, 2010 and amended on March 7, 2012, a change order that singularly exceeds \$500,000 or singularly or in the aggregate is greater than 10% of the contract value requires approval by the Members of the Authority. The aggregate value of this and all prior change orders is greater than 10% of the contract value.

Corrado Minervini, Program Operations Director

Reviewed and Recommended by: Andrew Yosha, Vice President, Program Operations
Reviewed and Recommended by: Vincent Lechmanick, Deputy Director, Program Operations
Prepared and Recommended by: Gabriel Salas, Program Officer, Program Operations

Resolution—6a2.

COMPANY NAME: Ernest Bock & Sons, Inc.
 DISTRICT: Elizabeth
 CONTRACT No.: EL-0016-C03
 PMF/CM: SDA Managed
 SCHOOL NAME: Victor Mravlag Elementary School, No. 21
 CHANGE ORDER No.: 103
 REASON: Additional Work
 AMOUNT: \$14,299
 CONTRACT STATUS: 52% Paid to Date against the Current Contract Value
 ANTICIPATED OCCUPANCY
 DATE: January 2013

Resolution

WHEREAS, the Operating Authority of the New Jersey Schools Development Authority (SDA) requires that the Members of the Authority approve a change order that singularly exceeds \$500,000 or singularly or in the aggregate is greater than 10% of the contract value; and

WHEREAS, the Victor Mravlag Elementary School, No. 21 (the Project) is a 80,164 square foot facility to educate 500 students in grades Pre-K through Eight in the Elizabeth School District; and

WHEREAS, on November 16, 2006, Ernest Bock & Sons, Inc. (EBS) was given the Notice to Proceed (NTP) to provide construction services for the Project; and

WHEREAS, in July 2009, the Members of the Authority approved a revised Project Charter to reflect a change in the Project’s scope from addition/renovation to new construction, anticipating the provision of additional services by the General Contractor to effectuate that change in scope; and

WHEREAS, Change Order No. 103 in the amount of \$14,299 is required to address costs associated with the removal and replacement of a concrete slab damaged by exposure to the elements resulting by project delays beyond the control of EBS; and

WHEREAS, the aggregate value of this change order is greater than 10% of the contract value; and

WHEREAS, all documents supporting this change order and request have been reviewed by the associated SDA project team members as well as the Program Director, Deputy Program Director, Vice President of Program Operations and the Contract Management Division (CMD) for adherence to current SDA policy and procedures and all reviewing SDA staff members have determined that the change order is justified and that the amount is reasonable and appropriate.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve Change Order No. 103 in the amount of \$14,299 to Ernest Bock & Sons, Inc. consistent with the memorandum presented to the Board 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- Change Order No. 103, Ernest Bock & Sons, Inc., Elizabeth School
District, Victor Mravlag ES, No. 21, dated April 4, 2012
Dated: April 4, 2012

CA-0010-N01- MORGAN VILLAGE MIDDLE SCHOOL -DEMOLITION, REMEDIATION & SITE DEV.

MEMORANDUM

TO: Members of the Authority

FROM: Sean Murphy
 Procurement Director

RE: District: Camden
 School: Morgan Village Middle School
 Description: Demolition, Remediation & Site Development
 Package No.: CA-0010-N01
 CCE: \$ 2,484,506.00
 Revised CCE: \$ 2,487,506.00
 Award: \$ 1,870,886.50
 CM: NJSDA
 Design Consultant: Langan Engineering

DATE: April 4, 2012

SUBJECT: Construction Award

INTRODUCTION

I am writing to recommend the Members of the Authority approve the award of a contract in the amount of \$1,870,886.50 to USA Environmental Management, Inc. for Demolition, Remediation & Site Development work for the Morgan Village Middle School project in the Camden School District. The work consists of asbestos mitigation and demolition of the prior Morgan Village Middle School building, removal of unsuitable soils, importation of certified clean fill to be compacted and graded for development of parking and field playground area, installation of storm sewers and perimeter lighting.

Pursuant to the SDA Operating Authority adopted by the Board on December 1, 2010, as amended March 7, 2012, Board approval is required for the award of construction contracts greater than \$500,000.

BACKGROUND

This contract provides for the remediation and demolition of the prior Morgan Village School facility and the construction of a new school bus drop-off and turn area, required ADA parking spaces, and general parking with associated driveways. A new PE/play area totaling 125,000 square feet will also be developed under this contract. The work is necessary for educational adequacy reasons as well as to secure a final certificate of occupancy.

The scope of work is a separate element of the approved Morgan Village MS project. The construction of the replacement facility is complete and the school was occupied in September 2011. The work discussed in this recommendation was planned to be excluded from the scope for construction of the replacement school, thus providing the ability for a separate engagement of

Members of the Authority
 Approval of Award
 Package No. CA-0010-N01
 Morgan Village M.S. - Demolition, Remediation & Site Development
 April 4, 2012
 Page 2

contractors that would ultimately provide more competitive pricing for this phase of the work. The project charter, revised via CEO approval on June 23, 2009, includes funding available for demolition activities.

PROCUREMENT PROCESS

This package was advertised on February 3, 2012 on the SDA website, NJ State website, and in selected newspapers for interested firms to participate in the bidding process. A mandatory pre-bid conference was held on February 13, 2012.

Project Rating Proposals were received on February 16, 2012. Bidders were evaluated based on the largest of four projects completed in the past seven years, safety records as well as reference checks. Based on evaluation of the information submitted, six (6) bidders received a Project Rating Limit.

Requests for Information (RFI) were received by February 17, 2012. The addendum containing the responses to the RFI's was issued to the bidders on February 27, 2012.

Price Proposals were received on March 8, 2012. The Price Proposals were publicly opened and the lump sum base bids were read aloud as required by law.

Following the public bid opening, the SDA performed a review of the Price Proposals to determine the responsiveness of each bidder to the solicitation. The review determined that one (1) bidder was responsive. The results of the review are listed below:

Contractor	Bid Amount	Comments
USA Environmental Management, Inc.	\$1,870,886.50	Qualified and responsive bidder.
JPC Group, Inc.	\$2,354,000.00	Bid rejected. Non-responsive bidder.
Lewandowski Construction Industries	\$2,560,884.52	Bid rejected. Non-responsive bidder.

The responsive low bidder was USA Environmental Management, Inc.

Since the bid submitted by the lowest qualified bidder was 24.79% below the CCE, a conference was conducted with Procurement, Program Operations, the Design Consultant and USA Environmental Management, Inc. to review its bid. It was determined that the major differentials between the CCE and the bid price were due to:

- The Contractor's ability to self-perform the majority of the construction activities, including asbestos abatement, affords pricing lower than the SDA estimate.
- The Contractor's lump sum proposal for demolition work includes recycling and salvage of the majority of building contents instead of their disposal.
- The Contractor's pricing for topsoil, fertilizer and seeding, which is part of their lump sum proposal for site development work, is appreciably less than the SDA estimate.
- The Contractor's estimated quantities of various materials, which are part of their lump sum proposal for site development work, are less than the SDA estimate.

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Morgan Village M.S. - Demolition, Remediation & Site Development
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Following the bid review conference, USA Environmental Management, Inc. confirmed that their price proposal is inclusive of all scope elements contained in the contract documents.

The Design Consultant recommended award of the project to USA Environmental Management, Inc. The Program Officer and Program Operations Director concurred with the recommendation of the Design Consultant and requested that we proceed with the award to USA Environmental Management, Inc.

RECOMMENDATION

The Members of the Authority are requested to approve the award of a contract to the responsive low bidder, USA Environmental Management, Inc., for Package No. CA-0010-N01 in the amount of \$1,870,886.50. Such approval is conditioned upon the agreement and related documentation being reviewed and approved by the SDA Division of Chief Counsel.

/s/ Sean Murphy
Sean Murphy, Procurement Director

Resolution—6bi.

Construction Award
Morgan Village Middle School
Camden School District
USA Environmental Management, Inc.
(Package No. CA-0010-N01)

Resolution

WHEREAS, the Operating Authority of the New Jersey Schools Development Authority (NJSDA) requires that the Members of the Authority approve construction contracts in an amount greater than \$500,000; and

WHEREAS, executive management recommends the award of a contract in the amount of \$1,870,886.50 to USA Environmental Management, Inc. for Demolition, Remediation & Site Development work (“the Work”) for the Morgan Village Middle School project in the Camden School District; and

WHEREAS, the work, as set forth in detail in the memorandum presented to the Board on this date and incorporated herein, is necessary for educational adequacy reasons as well as to secure a final certificate of occupancy; and

WHEREAS, in order to secure more competitive pricing for this phase of the work, this scope of work is a separate element of the approved Morgan Village MS project, with construction of the replacement facility complete and the school occupied since September 2011; and

WHEREAS, the project charter, revised via CEO approval on June 23, 2009, includes funding available for demolition activities; and

WHEREAS, commencing with advertisement on February 3, 2012, conducted a procurement process consistent with all applicable laws, rules and regulations as set forth in detail in the materials presented to the Board on this date and incorporated herein; and

WHEREAS, on the recommendation of the design consultant, the program officer and the program operations director, executive management recommends Board approval of the award of a contract in the amount of \$1,870,886.50 to USA Environmental Management, Inc. for Demolition, Remediation & Site Development work consistent with the memorandum presented to the Board on this date and incorporated herein; and

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve the award of a contract to USA Environmental Management, Inc., (Package No. CA-0010-N01) in the amount of \$1,870,886.50, with such approval contingent upon review and approval of the agreement and related documentation by the SDA Office of Chief Counsel.

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- Construction Award, USA Environmental Management, Inc.,
(Contract CA-0010-N01), Morgan Village Middle School, School District of
Camden, dated April 4, 2012
Dated: April 4, 2012

ET-0068-C01 - CATRAMBONE ELEMENTARY SCHOOL - NEW CONSTRUCTION

MEMORANDUM

TO: Members of the Authority

FROM: Sean Murphy
 Procurement Director

Ritchard Sherman
 Program Director, Program Operations

RE: District: Long Branch
 School: George L. Catrambone E.S.
 Description: New Construction
 Package No.: ET-0068-C01
 CCE: \$32,726,924
 Revised CCE: \$33,201,924
 Award: \$27,500,000
 PMF: Greyhawk North America LLC
 Design Consultant: Becica Associates LLC

DATE: April 4, 2012

SUBJECT: Construction Award and Approval of Final Project Charter

INTRODUCTION

We are writing to recommend the Members of the Authority approve the award of a contract in the amount of \$27,500,000 to Terminal Construction Corporation¹ for the construction of the new George L. Catrambone Elementary School in the Long Branch School District. Work includes preparing the site for construction, removal of unsuitable material, remediating areas of concern and importing certified clean fill to be compacted and graded, providing footing and foundations, building shell, and completion of the building in accordance with the bid documents. Before construction initiates the awardee is required to perform a constructibility review to identify any potential conflicts and resulting cost impact.

We are also recommending approval by the Members of the attached final Project Charter representing the project budget inclusive of dollar values for the award of construction, as well as a construction contingency from which to address the potential cost impact resulting from the constructibility review.

Pursuant to the SDA Operating Authority adopted by the Board on March 7, 2012, Board approval is required for the award of construction contracts greater than \$500,000 and for the approval of the Final Project Charter.

BACKGROUND

When completed, the George L. Catrambone Elementary School (formerly identified as the Elberon School) will be a new 108,789 square foot facility designed to educate 794 students in pre-kindergarten through fifth grade.

At the March 2, 2011 SDA Board Meeting, the Members approved the Authority’s 2011 Capital Program. That Program identified the new Long Branch George L. Catrambone Elementary School project for final

¹ Terminal Construction Corporation listed the following subcontractors for the required trades in its Price Proposal: Air Con, Inc. (HVAC), Brian Trematore Plumbing & Heating, Inc. (Plumbing), StarKO Electrical Services, Inc. (Electrical), and Pravco, Inc. (Structural Steel & Ornamental Iron).

Members of the Authority
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 George L. Catrambone E.S. – New Construction
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validation and advancement into construction. Following Board approval of the 2011 Capital Program, SDA staff undertook a review and validation of the design of the Catrambone Elementary School project, resulting in recommendations for minor modifications to a design already supportive of standardization. This design work was completed in November 2011 and the project is now ready for procurement of a General Contractor.

PROCUREMENT PROCESS

This package was advertised as a “Price and Other Factors” solicitation on December 20, 2011 on the SDA website, NJ State website, and in selected newspapers for interested firms to participate in the bidding process. For this procurement, “Price” was weighted as significantly more important than all “Other Factors,” with price equaling 90% of the overall weight, and all non-price factors having a combined weight of 10%.

A mandatory pre-bid conference was held on January 4, 2012.

In accordance with regulations, the SDA employed a two-step process for this procurement. The first step required interested bidders to submit a Project Rating Proposal, which was used by the SDA to determine each bidder’s Project Rating Limit, or maximum amount that a bidder may bid, for the project. Project Rating Proposals were received on January 10, 2012. Bidders were evaluated based on the largest of four projects completed in the past seven years, safety records as well as reference checks. Based on evaluation of the information submitted, eighteen (18) bidders received a Project Rating Limit.

The Project Rating Limits resulting from the Project Rating Evaluations are listed in Table 1 below:

TABLE 1

Contractor	Project Rating Limit
Benjamin R Harvey Co., Inc.	\$ 41,500,000
Brockwell & Carrington Contractors	\$ 29,508,773
Century 21 Construction Corp.	\$ 80,492,880
Delric Construction Co., Inc.	\$ 38,707,882
Dobco, Inc.	\$ 72,480,139
Epic Management, Inc.	\$ 57,600,000
Ernest Bock & Sons, Inc.	\$ 107,084,530
Fitzpatrick & Associates, Inc.	\$ 60,310,000
Hall Building Corporation	\$ 50,248,578
Hall Construction Co., Inc.	\$ 88,358,280
Keating Building Company	\$ 688,328,914
Patock Construction Co., Inc.	\$ 61,717,772
Prismatic Development Corp.	\$ 110,600,000
Ray Angelini, Inc.	\$ 30,471,981
Seacoast Builders Corp.	\$ 86,700,000
Terminal Construction Corp.	\$ 212,681,000
Thomas P Carney, Inc.	\$ 78,322,940
Torcon, Inc.	\$ 223,440,000

Requests for Information (RFI) were received by January 31, 2012. Addenda responses to RFI’s were issued to the bidders on February 2, 15, 23 and 28, 2012.

Members of the Authority
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 George L. Catrambone E.S. – New Construction
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The second step of the response required bidders to simultaneously submit a Technical Proposal and a sealed Price Proposal. Technical and Price Proposals were received on March 9, 2012 from nine (9) bidders. The Technical Proposal provided information regarding the bidder’s past experience and qualifications as well as the bidder’s overall approach to the project and to the Constructibility Review portion of the project. Members of the Selection Committee, comprised of two (2) SDA Program Operations representatives and one (1) Long Branch School District representative, were responsible for independently evaluating and scoring the Technical Proposal submittals with respect to the non-price evaluation criteria. The proposals were evaluated by the Selection Committee members based on the following criteria:

- Bidder’s experience on similar projects (20 points)
- Experience of key team members on similar projects (15 points)
- Bidder’s prior affirmative action experience (5 points)
- Bidder’s schedule compliance on similar projects (10 points)
- Bidder’s safety record (5 points)
- Bidder’s history of claims on payment bond (5 points)
- Approach to project (25 points)
- Approach to constructibility review (15 points)

The following ratings index was used for the evaluations:

- 9 - 10 points - outstanding response - offers significant advantages.
- 7 - 8 points - superior response - exceeds requirements with no deficiencies.
- 5 - 6 points - sufficient response - meets the requirements with no significant deficiencies.
- 3 - 4 points - minimal response - meets the requirements but contains some significant deficiencies.
- 1 - 2 points - marginal response - comprehends requirements, but contains many significant deficiencies.
- 0 points - unsatisfactory response - requirements not addressed and lack of detail precludes adequate evaluation.

For each Technical Proposal, the individual criteria scores awarded by a particular Selection Committee member were added together to calculate a total non-price score for that Technical Proposal. All of the total non-price scores awarded to a Technical Proposal by the Selection Committee members were added together and averaged to arrive at a final non-price score for each Technical Proposal. The maximum total non-price score is 100.

The results of the Selection Committee’s review of the Technical Proposals are listed in Table 2 below:

TABLE 2

Contractor	Raw Non-Price Score	Non-Price Rank
Torcon, Inc.	80.333	1
Ernest Bock & Sons, Inc.	73.000	2
Keating Building Company	72.333	3
Prismatic Development Corp.	72.167	4
Patock Construction Co., Inc.	70.500	5
Terminal Construction Corp.	69.333	6
Hall Building Corporation	65.333	7
Thomas P. Carney, Inc.	63.167	8
Delric Construction Co., Inc.	55.500	9

Members of the Authority
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 Package No. ET-0068-C01
 George L. Catrambone E.S. – New Construction
 April 4, 2012
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Once all the Technical Proposals were scored, the Authority opened the sealed Price Proposals and reviewed them for responsiveness. The Price Proposals were publicly opened on March 20, 2012 and the bids were read aloud as required by law.

The lowest responsive Price Proposal was awarded the maximum number of points for the price component, which is 100. All other Price Proposals were awarded points based on the percentage that each proposal exceeded the lowest bid.

The results of the SDA’s review of the Price Proposals are listed in Table 3 below:

TABLE 3

Contractor	Bid Amount	Raw Price Score	Price Rank
Qualified and Responsive Bidders			
Terminal Construction Corp.	\$27,500,000	100.000	1
Ernest Bock & Sons, Inc.	\$28,943,000	94.753	2
Hall Building Corporation	\$29,427,000	92.993	3
Torcon, Inc.	\$30,281,000	89.887	4
Keating Building Company	\$30,319,000	89.749	5
Delric Construction Co., Inc.	\$30,900,000	87.636	6
Thomas P. Carney, Inc.	\$31,126,281	86.814	7
Prismatic Development Corp.	\$32,750,000	80.909	8
Non-Responsive Bidder - Bid Rejected			
Patock Construction Co., Inc.	\$28,577,000	96.084	N/A

Before being combined with the non-price scores, the price scores for all bidders were adjusted by a weighting factor of 90%, and the scores for the non-price “Other Factors” criteria were adjusted by a 10% weighting factor.

The combined scores and final rankings are listed in Table 4 below:

TABLE 4

Contractor	Raw Non-Price Score	Weighted Non-Price Score	Raw Price Score	Weighted Price Score	Combined Score	Final Rank
Qualified and Responsive Bidders						
Terminal Construction Corp.	69.333	6.933	100.000	90.000	96.933	1
Ernest Bock & Sons, Inc.	73.000	7.300	94.753	85.277	92.577	2
Hall Building Corporation	65.333	6.533	92.993	83.693	90.227	3
Torcon, Inc.	80.333	8.033	89.887	80.899	88.932	4
Keating Building Company	72.333	7.233	89.749	80.774	88.007	5
Thomas P. Carney, Inc.	63.167	6.317	86.814	78.132	84.449	6
Delric Construction Co., Inc.	55.500	5.550	87.636	78.873	84.423	7
Prismatic Development Corp.	72.167	7.217	80.909	72.818	80.035	8
Non-Responsive Bidder - Bid Rejected						
Patock Construction Co., Inc.	70.500	7.050	96.084	86.475	93.525	N/A

Members of the Authority
Approval of Award
Package No. ET-0068-C01
George L. Catrambone E.S. – New Construction
April 4, 2012
Page 5

6

The highest ranked bidder was Terminal Construction Corp.

Since the bid submitted by the highest ranked bidder was 17% below the CCE, a conference was conducted with Procurement, Program Operations, the PMF, and Terminal Construction Corp. on March 23, 2012 to review Terminal's bid. Based on that review, it was determined that the major differentials between the CCE and the bid price were due to:

- The SDA's estimate for bonds, insurance, and general conditions were significantly higher than Terminal's confirmed costs for these items, accounting for over \$4M of the overall difference in price.
- In general, SDA's estimates for work components by division and trade were approximately 5% higher than Terminal's confirmed prices, well within the typical margin for cost estimates.

At the time of review, Terminal Construction Corp. confirmed that their price proposal is inclusive of all scope elements contained in the Contract Documents.

The Deputy Program Operations Director, the Program Operations Director and Greyhawk recommend award of the project to Terminal Construction Corp.

FINAL PROJECT CHARTER

The attached Final Project Charter represents the project budget inclusive of actual dollar values for the award of construction, pre-development expenses, design and project management services, as well as estimated costs for future project scope elements such as FF&E, technology, and appropriate contingencies.

RECOMMENDATION

The Members of the Authority are requested to approve the award of a contract to the highest ranked bidder, Terminal Construction Corporation, for Package No. ET-0068-C01 in the amount of \$27,500,000. Such approval is conditioned upon the agreement and related documentation being reviewed and approved by the SDA Division of Chief Counsel.

The Members of the Authority are also requested to approve the attached Final Project Charter representing all expended and projected funds necessary for completion of the project and in so doing, authorize the CEO and School Review Committee Chair to co-approve the start of construction after the constructability review is completed including the utilization of construction contingency, via construction change order, in an amount to be determined in the Executive Session of the April 4, 2012 Board meeting, to address any cost impact resulting from the constructability review.

/s/ Sean Murphy
Sean Murphy, Procurement Director

/s/ Ritchard J. Sherman
Ritchard J. Sherman, Program Director

New Jersey Schools Development Authority Project Charter - Summary

Charter Date
04/04/12
Supersedes Charter Dated
01/05/08

Region: TRO
District: Long Branch
Project Name: George L. Catrambone
School Type: ES
DOE # / Project #: 2770-080-03-1043
Project Type (New/Add/Reno): New
Project Location: Long Branch, NJ
Number of Students: 794

Land Acquisition Required? Yes No
Temporary Space Required? Yes No

Funding Source
2011 Capital Program
Funding Allocated
\$46,234,220
District Local Share
\$147,000

Project Budget: \$ 40,026,889
Anticipated Substantial Completion Date: 06/03/14
Anticipated School Occupancy Date: 07/01/14
Project Team Leader: Ritchard Sherman
Project Initiation Date: April-04
SDA Board - Project Charter Approval Date: 04/04/12

Charter Version and Date	Project Summary
<input type="checkbox"/> Planning	This project consists of a new one- and two-story elementary school for grades PK-5 and associated site improvements, on a District-owned site. The Contractor's scope of work includes performance of a constructability review prior to issuance of an NTP for construction.
<input type="checkbox"/> Preliminary	
<input checked="" type="checkbox"/> Final 04/04/12	
Purpose for Advancement of Current/Revised Project Charter	
Establish Final Project Schedule and Budget based upon construction bids received.	
District Project Goals	
Provide educationally adequate relief for overcrowding.	

Recommendation

Program Director - Program Operations _____ **Date** _____
Ritchard Sherman
Managing Director - Capital Planning _____ **Date** _____
Gregory Voronov

Vice President - Program Operations _____ **Date** _____
Andrew Yosha

Approval

Chief Executive Officer _____ **Date** _____
Marc Larkins

New Jersey Schools Development Authority Project Charter - Milestones & Delivery Method

Charter Date
04/04/12

District / Project Name:	Long Branch / George L. Catrambone
DOE # / Project #:	2770-080-03-1043

Project Milestones	Date
School Occupancy Date	07/01/14

DELIVERY METHOD	Design/Bld/Bulld
------------------------	-------------------------

<u>Real Estate Services</u>	Start	Est.	Act.	Finish	Est.	Act.
Feasibility	01/02/06	<input type="checkbox"/>	<input checked="" type="checkbox"/>	04/06/06	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EO215 Requirements	05/06/09	<input type="checkbox"/>	<input checked="" type="checkbox"/>	06/06/09	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Site Acquisition	N/A	<input type="checkbox"/>	<input type="checkbox"/>	N/A	<input type="checkbox"/>	<input type="checkbox"/>
Relocation	N/A	<input type="checkbox"/>	<input type="checkbox"/>	N/A	<input type="checkbox"/>	<input type="checkbox"/>
Demolition	05/11/09	<input type="checkbox"/>	<input checked="" type="checkbox"/>	02/05/10	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Remediation	N/A	<input type="checkbox"/>	<input type="checkbox"/>	N/A	<input type="checkbox"/>	<input type="checkbox"/>
Deed Restriction Required?	Yes	Date				
District Notified?	Yes	03/26/12	<input type="checkbox"/>	<input checked="" type="checkbox"/>		
Classification Exception Area?	No					
District Notified?	N/A	<input type="checkbox"/>	<input type="checkbox"/>			

Special Considerations

The current project assumes the site will require a Deed Restriction to manage existing impacted soils on site. The District may provide additional funding to allow for removal of the impacted soils in order to obtain an NFA for the District-owned site. Remediation included in GC scope of work and schedule indicated below.

<u>Design:</u>	Date	Est.	Act.		Est.	Act.
Design Start (NTP)	07/08/04	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
Design Restart (if applicable)	08/22/11	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
	Start	Est.	Act.	Finish	Est.	Act.
Program Concept Phase	07/08/04	<input type="checkbox"/>	<input checked="" type="checkbox"/>	10/31/04	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Schematic	06/27/07	<input type="checkbox"/>	<input checked="" type="checkbox"/>	11/02/07	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Design Documents	03/01/08	<input type="checkbox"/>	<input checked="" type="checkbox"/>	09/01/08	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Construction Documents	09/01/08	<input type="checkbox"/>	<input checked="" type="checkbox"/>	07/20/09	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DCA Review	10/01/08	<input type="checkbox"/>	<input checked="" type="checkbox"/>	03/09/12	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Bid and Award	01/15/12	<input checked="" type="checkbox"/>	<input type="checkbox"/>	05/17/12	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Special Considerations

<u>Construction:</u>	Date	Est.	Act.
Construction Start (NTP)	07/31/12	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Substantial Completion (TCO)	06/03/14	<input checked="" type="checkbox"/>	<input type="checkbox"/>
School Occupancy Date	07/01/14	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Title Transfer	08/28/14	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Final Completion (C of O)	08/28/14	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Post Occupancy Walk Through	07/28/15	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Project Close-Out	11/20/14	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Special Considerations

Construction Start (NTP) represents the issuance of an Authorization-to-Proceed to the Contractor upon completion of the required Constructability Review.

New Jersey Schools Development Authority Project Charter - Project Budget		Charter Date				
		04/04/12				
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">District / Project Name:</td> <td>Long Branch / George L. Catrambone</td> </tr> <tr> <td>DOE # / Project #:</td> <td>2770-080-03-1043</td> </tr> </table>			District / Project Name:	Long Branch / George L. Catrambone	DOE # / Project #:	2770-080-03-1043
District / Project Name:	Long Branch / George L. Catrambone					
DOE # / Project #:	2770-080-03-1043					
2011 Capital Program Funding Allocation		\$ 46,234,220				
Special Considerations:						
Commissioning is in the PMF's contract District Local Share Funding represents potential district funding of addition remediation costs to obtain an NFA for the District-owned site. SDA will only fund the necessary cost of the project utilizing a Deed Restriction for the site.						
Project Budget:						
Gross Building Area (GSF):		Grossing Factor:				
New Addition	109,164	1.45				
Renovation	_____					
Total Gross Building Area (GSF):		109,164				
Estimated Building Cost / GSF						
New Construction Cost/GSF	\$251.91					
Renovation Cost/GSF	_____					
Construction Costs:						
Award Amount	\$27,500,000					
Site Costs	\$0					
Demolition	\$955,524					
E-Rate (If separately bid)	\$0					
Cost Escalation 0 months at 0 % per year	\$0					
Design Contingency	\$0					
Construction Contingency	\$2,750,000					
Total Construction Costs	\$31,205,524					
Pre-Development Costs:						
Consultant Services	\$376,748					
Early Site Package (Demolition/Remediation)	\$0					
Land Acquisition	\$1,310					
Relocation	\$0					
Property Maintenance/Carry Costs	\$0					
Total Pre-Development Costs	\$378,058					
Other Costs:						
	%					
Design	13.9%	\$3,953,260				
PMF/CM	8.4%	\$2,387,047				
FF&E	3.0%	\$825,000				
Technology	3.0%	\$825,000				
Commissioning		_____				
Temporary Space		\$0				
Other Costs	2.1%	\$600,000				
Total Other Costs		\$8,590,307				
Other Funding Sources						
Rebates & Refunds		\$0				
District Local Share Funds		(\$147,000)				
Total Other Funding Sources		(\$147,000)				
Total Project Budget		\$40,026,889				
Funding from Prior Allocation		\$4,682,624				
Funding from 2011 Capital Program		\$35,344,265				

**New Jersey Schools Development Authority
Project Charter - Budget Variance**

Charter Date
04/04/12

District / Project Name: Long Branch / George L. Catrambone
DOE # / Project #: 2770-080-03-1043

Project Budget:

	Board Approved Charter Jan. 2009	Current Budget	VARIANCE Fav/(Unfav)
Grossing Factor:	1.47	1.45	0.01
Gross Building Area (GSF):			
New	110,238	109,164	1,074
Addition	0	0	0
Renovation	0	0	0
Total Gross Area (GSF):	110,238	109,164	1,074
Construction Costs			
Building Costs	\$33,956,599	\$27,500,000	\$6,456,599
Site Costs	\$0	\$0	\$0
Demolition	\$1,800,000	\$955,524	\$844,476
E-Rate (If separately bid)	\$0	\$0	\$0
Cost Escalation	\$0	\$0	\$0
Design Contingency	\$0	\$0	\$0
Construction Contingency	\$1,697,831	\$2,750,000	(\$1,052,169)
Total Construction Costs	\$37,454,430	\$31,205,524	\$6,248,906
Pre-Development Costs:			
Consultant Services	\$376,748	\$376,748	\$0
Early Site Package (Demolition/Remediation)	\$0	\$0	\$0
Land Acquisition	\$1,310	\$1,310	\$0
Relocation	\$0	\$0	\$0
Property Maintenance/Carry Costs	\$0	\$0	\$0
Total Pre-Development Costs	\$378,058	\$378,058	\$0
Other Costs:			
Design	\$3,327,126	\$3,953,260	(\$626,134)
PMF/CM	\$2,394,260	\$2,387,047	\$7,213
FF&E	\$891,577	\$825,000	\$66,577
Technology	\$1,188,769	\$825,000	\$363,769
Commissioning	\$0	\$0	\$0
Temporary Space	\$0	\$0	\$0
Other Costs	\$600,000	\$600,000	\$0
Total Other Costs	\$8,401,732	\$8,590,307	(\$188,575)
Other Funding Sources			
Rebates & Refunds	\$0	\$0	\$0
District Local Share Funds	\$0	(\$147,000)	\$147,000
Total Other Funding Sources	\$0	(\$147,000)	\$147,000
Total Project Budget	\$46,234,220	\$40,026,889	\$6,207,331
Funding from Prior Allocation	\$4,682,624	\$4,682,624	\$0
Funding from 2011 Capital Program	\$41,551,596	\$35,344,265	\$6,207,331

Budget Variance Analysis:

Favorable variance is the result of receipt of favorable bids for construction.

Schedule Variance Analysis:

Resolution—6bii.

Construction Award and Approval of Final Project Charter
George L. Catrambone ES, Long Branch School District

Resolution

WHEREAS, the Operating Authority of the New Jersey Schools Development Authority (SDA) requires that the Members of the Authority approve the award of construction contracts greater than \$500,000 and the associated Final Project Charter; and

WHEREAS, when completed, the George L. Catrambone Elementary School (the Project) will be a new 108,789 square foot facility designed to educate 794 students in pre-kindergarten through grade five; and

WHEREAS, on March 2, 2011, the Members approved the Authority's 2011 Capital Program which identified the Project for final validation and advancement into construction; and

WHEREAS, following Board approval of the 2011 Capital Program, SDA undertook a review and validation of the design of the Project, resulting in recommendations for minor modifications to a design already supportive of standardization; and

WHEREAS, such design work was completed in November 2011 and the Project is now ready for procurement of a General Contractor; and

WHEREAS, the SDA advertised this package as a "Price and Other Factors" solicitation, which process is consistent with all applicable laws, rules and regulations and is set forth in detail in the materials presented to the Board on this date and incorporated herein; and

WHEREAS, executive management recommends Board approval of the award of a contract in the amount of \$27,500,000 to Terminal Construction Corporation for the construction of the new Project consistent with the memorandum presented to the Board on this date and incorporated herein; and

WHEREAS, executive management further recommends Board approval of the attached final Project Charter representing the project budget inclusive of dollar values for the award of construction, as well as a construction contingency from which to address the potential cost impact resulting from the constructability review.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve the award of a contract to Terminal Construction Corporation, Inc. for Package No. ET-0068-C01, in the amount of \$27,500,000 conditioned upon approval of the agreement and related documentation by the SDA Office of Chief Counsel.

BE IT FURTHER RESOLVED, that the Members of the Authority hereby authorize and approve the Final Project Charter presented to the Board on this date and representing all expended and projected funds necessary for completion of the project.

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- Construction Award (Package No. ET-0068-C01) and Approval of Final Project Charter, George L. Catrambone ES, Long Branch School District, dated April 4, 2012

Dated: April 4, 2012

FINAL ADOPTION OF NEW RULES FOR DELEGATION PROJECTS TO DISTRICTS - 19:34B

**MEMORANDUM****6**

TO: Members of the Authority

FROM: Jane Kelly, Vice President
Division of Corporate Governance and Compliance

DATE: April 4, 2012

RE: Adoption of New Rules for Delegation of School Facilities Projects, N.J.A.C. 19:34B

On September 1, 2010, the Members of the New Jersey Schools Development Authority (“Authority” or “SDA”) approved for proposal and publication new regulations for the Delegation of School Facilities to be codified in the Administrative Code as Title 19, Chapter 34B (the “Rules”), which were published in the October 18, 2010 edition of the New Jersey Register at 42 N.J.R. 2380 (a) and subject to a sixty-day comment period. In response to public comments received on the initial Rule proposal, Management sought the Members’ approval to modify the original Rule text through a “Notice of Proposed Substantial Changes Upon Adoption for Proposed New Rules” (hereinafter, “Notice of Substantial Changes”), which was approved for publication by the Members of the Authority on July 6, 2011, and published in the September 6, 2011 edition of the New Jersey Register at 43 N.J.R. 2288(a).

Management of the Authority now seeks the Members’ approval to formally adopt the Rules as modified by the previously approved Notice of Proposed Substantial Changes upon Adoption. The proposed Notice of Adoption is attached hereto, and includes a recitation of all comments received during the public comment periods for the Rules, and the Authority response to each comment. Additionally, the Notice of Adoption reproduces the original text of the Rule proposal as subsequently modified by the changes described in the Notice of Proposed Substantial Changes Upon Adoption.

Background

As previously briefed in the Board Memoranda of September 1, 2010 and July 6, 2011, the Rules establish requirements, standards and procedures for the Authority’s delegation of school facilities projects to SDA School districts. The Rules implement Section 13.e of the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, as amended by section 24 of P.L. 2007, c. 137 (collectively, the “Act”). Section 13.e of the Act provides that the Development Authority shall promulgate rules by which it shall determine the capacity of an SDA school district (“school district” or “SDA district”) to manage a school facilities project or projects after the school district has been found by the Commissioner of Education to be eligible for Authority consideration.

The Authority’s promulgation of these rules is a matter of statutory obligation and the subject of current litigation, (*Education Law Center v. Department of Education and New Jersey Schools Development Authority*). Indeed, many of the comments received in response to the initial proposal, and all of the comments received in response to the publication of the Notice of Proposed Changes, were submitted by the plaintiff in that litigation, the Education Law Center.

Overview of Delegation Rules

In keeping with the legislative intent that SDA school districts be afforded the opportunity to manage their school facilities projects consistent with their respective abilities to do so, the Rules seek to balance the Authority's interests in 1) providing a local school district with the opportunity to manage a school facilities project after it has demonstrated its capacity to do so; 2) ensuring that costs, project efficiencies and project controls are maintained; and 3) working with school districts to develop capacity when required. The SDA will still play a role in those phases of a project that are delegated to a school district to manage. Similarly, school districts will have significant input into those phases of a school facilities project that are not delegable.

DOE Determination of Eligibility: In accordance with section 13(e) of the Act, before the Authority can assess a school district's capacity to manage a school facilities project or projects, that school district must first have been determined by the DOE Commissioner to be eligible for Authority capacity consideration. The DOE has adopted its own regulations to govern its role in the delegation process, which were published in the April 4, 2011 edition of the New Jersey Register at 43 N.J.R. 830.

School District Capacity Determination: The Rules outline the conditions, process and criteria that will govern the Authority's determination of a school district's capacity and consist of a two-phase evaluation process, as follows:

- 1) The first phase of the SDA's evaluation process focuses on whether a school district has the overall capacity to manage fundamental district responsibilities relevant to capital facilities from an administrative, financial and facility oversight perspective based on a review of its key management personnel, its past project experience and performance under DOE's performance evaluations of district facilities operations.
- 2) The second phase of the SDA's evaluation focuses on the capacity of the school district to manage the delegable portions of a particular school facilities project based on a review of its key project management personnel, their qualifications and their experience with projects of similar size, scope and complexity.

Delegable Activities: When a school district has been determined by the Authority to have the capacity to manage a school facilities project, those aspects of the project that may be delegated to the school district are the project's construction administration, construction and/or demolition activities. The districts to which construction and demolition activities have been delegated will enter into agreements with contractors to carry out the delegated activities. The SDA will ensure that the districts comply with additional SDA requirements through the inclusion of provisions in a grant agreement between the school district and the Authority.

Grant Agreement: If the Authority determines to delegate a portion or portions of a school facilities project to a school district, the Authority, the Commissioner of Education and the school district will enter into a grant agreement to effectuate the delegation. The Rules detail the requirements for grant disbursements; detail how grant adjustments and a school district's local share (if applicable) factor into this process; and address grant oversight. The process spans the initiation of delegation to the final completion and closeout of a school facilities project.

SDA Determination Not to Delegate: If the Authority determines that a school district lacks the capacity to manage the delegable portions of a school facilities project, either from a district capacity or project specific standpoint, the Rules provide that, as appropriate, the district will be offered a training program in order to receive technical assistance designed to assist in the development of such capacity.

Adverse Comments Received in Response to Original Notice of Proposal:

The Authority received written comments from the individuals listed below on the provisions proposed for substantial changes, on or before the close of the initial 60-day public comment period, which ended December 17, 2010:

1. David Sciarra, Esq., and Elizabeth Athos, Esq., Education Law Center, Newark, New Jersey;
2. John N. Fauta, Superintendent, West New York Board of Education; and
3. Charles T. Epps, Jr. Ed. D., Superintendent, Jersey City Public Schools.

Adverse Comments Resulting in Changes to Original Proposal:

In response to several of the comments received, the Authority proposed certain substantive changes to the proposed rules, to address concerns raised by the commenters, and summarized these comments and the Authority responses in the Notice of Substantial Changes approved by the Members on July 6, 2011. The changes to the proposal, and the comments giving rise to such changes are also treated in detail in the attached Notice of Adoption for the New Rules, but the changes to the Rules are summarized here for the Members' convenience.

N.J.A.C. 19: 34B-1.5: Changes were made to clarify the process for notices of noncompliance or default, and to give specific notice periods for various remedies.

N.J.A.C. 19:34B-2.3 and -2.4: Changes were made to clarify that that all training programs developed by the Authority pursuant to N.J.S.A. 18A:7G-13(e) shall be developed in consultation with the Department of Education.

N.J.A.C. 19: 34B-2.5: Changes were made to provide for formal hearings that may be referred to the Office of Administrative Law, as appropriate for contested cases, under the Administrative Procedure Act (APA), N.J.S.A. 52:14B-1 et seq.

N.J.A.C. 19:34B-3.3 and -3.4: Changes were made to clarify the nature of the approvals required for a delegation of a project, and to reflect the possibility that, in light of the need for such approvals, a district seeking to manage a delegated project may be required to request an extension of the 60-day statutory period for contract award under the Public School Contracts Law, N.J.S.A. 18A:18A-36.

N.J.A.C. 19:34B-6.5 and -6.6: Changes were made to reflect that the Authority's provision of the services of a Licensed Site Remediation Professional ends with the completion of construction and deed transfer to the district, if the school facility is constructed on a site owned by the Authority, or completion of construction and occupancy by the district, if the school site is already owned by the district, and that at that point, the district is responsible to engage its own Licensed Site Remediation Professional for the fulfillment of any long-term stewardship obligations required as part of the remediation of the Project Site.

Adverse Comments Not Giving Rise to Changes in the Original Proposal

As previously noted in the Board Memorandum of July 6, 2011, the Authority received additional comments from the above-named commenters, but Authority Management did not believe that such other comments warranted changes in the Rule proposal. Those comments are recounted in the attached

Notice of Adoption along with the full text of the Authority's responses thereto, but the comments are briefly summarized below for the Members' convenience:

1. All three commenters noted that the Authority's rule proposal does not address delegation by the Authority of design and development or land acquisition phases to Districts, and limits the delegable portions of a school facilities project to construction administration, construction and/or demolition. They questioned why the design, development and land acquisition functions were not addressed by the Rules, and one commenter asked whether the Rules would later be expanded to include the design, development and land acquisition functions as delegable portions of projects.
2. A commenter queried why SDA districts would not be permitted to manage all portions of a school facilities project under the same requirements that apply to Regular Operating Districts if they are found to have the appropriate capacity.
3. A commenter asserted that the limitation of delegable portions of school facilities projects to construction, construction administration and demolition is in violation of the Educational Facilities Construction and Financing Act, N.J.S.A. 18A-7G-13(e)(2).
4. A commenter asserted that if the Authority retains control over portions of the project, while delegating others, issues created in portions of the project under Authority management could affect the portions of the project under district management and cause subsequent change orders through no fault of the district's management.
5. Two commenters questioned the proposed section N.J.A.C. 19:34B-1.7, which permits termination of the grant agreement if the Authority determines that such termination is in "the best interests of the school facilities project," asserting that the section is vague in that the "best interests" standard is not defined, is arbitrary and exceeds the scope of the Authority's statutory authority, and is excessive in light of the other categories of noncompliance that give rise to a right to terminate.
6. A commenter requested that the Authority make available for review the form of the application referenced in N.J.A.C. 19:34B-2.3(a), for determining district capacity to manage a school facilities project.
7. A commenter requested that the process by which NJDOE will determine the district's eligibility for consideration by the Authority be outlined and defined by reasonable timelines for expeditious action.
8. Two commenters objected to the two-step process proposed by the Authority for determination of district capacity to manage school facilities projects generally, and then for determination of capacity for a particular project. One commenter asserted that the two-step process exceeds the statutory authority granted to the Authority.
9. A commenter requested that the "evaluation criteria documents" for district capacity assessment be made available for review along with the rule proposal.
10. Two commenters insisted that the regulations should provide timelines for the Authority's determinations of district capacity under N.J.A.C. 19:34B-2.3, and project eligibility under N.J.A.C. 19:34B-2.4, and one commenter suggested that a thirty-day time period is appropriate for such determinations.

11. A commenter inquired whether capital maintenance projects and emergent projects would continue to be determined by the provisions of Section 13A.
12. A commenter questioned which items comprising the bid documents to be utilized under N.J.A.C. 19:34B-3.3 and N.J.A.C. 19:34B-3.4 (including contracts, proposal and other forms and certifications) are to be developed by the District, and which items are to be based on standard Authority contracts or forms.
13. A commenter asked whether the Authority would be developing a different contract than the one it currently uses for design consultants, and if so, asked when that contract would be made available for comments.
14. A commenter asked, in the case of a district that has engaged a district architect, whether such district architect can be engaged for a delegated school facilities project without the need for procuring a new architect through the Authority.
15. A commenter asked whether the language of N.J.A.C. 19:34B-4.2(c), providing that “all liabilities, duties and obligations of the Authority shall be assigned to the school district” acts to prohibit the inclusion of an indemnification provision providing for indemnification of the district by the Authority.
16. A commenter asserted that the proposed N.J.A.C. 19:34B-5.2 governing adjustments to the grant, should specify timelines for Authority review and approval, in order to minimize delays during the construction of projects.
17. A commenter asserted that the provisions of N.J.A.C. 19:34B-6.1, which describe “general requirements for district procurements” force districts in their management responsibilities to act as “proxies of the SDA rather than as autonomous agents”, and questioned whether the additional requirements of the section are necessary in light of the provisions of the Public School Procurement Law and other regulations that control procurement in Regular Operating Districts.
18. A commenter questioned whether a district could use its own standard form of construction manager agreement with certain SDA-required provisions included, instead of using the Authority’s form of construction manager agreement as required under proposed N.J.A.C. 19:34B-6.4.
19. A commenter asked whether a district would be able to recover through the SDA grant the costs of employing a Construction Manager/Clerk of the Works with the proper experience to manage the project, or whether the construction manager would have to be an SDA-approved construction manager retained as a consultant.
20. A commenter asked whether a district could submit construction plans to their own building department or would the Division of Community Affairs have jurisdiction.

As previously noted, Authority management determined that the above comments did not warrant any changes in the Rule proposal. The Authority’s proposed responses to the above comments are included in the Notice of Adoption, and reflect that no changes were made in response to such comments.

Adverse Comments Received During Second Public Comment Period for Notice of Substantial Changes to Rule Proposal

During the 60-day comment period following the publication of the Authority's Notice of Substantial Changes, the Authority received only one comment letter on November 5, 2011, from Elizabeth Athos, Esq. of the Education Law Center, Newark, New Jersey ("ELC"). That letter reiterated comments previously submitted by ELC during the public comment period for the original Rule proposal. The comments and the Authority's responses thereto are included in the Notice of Adoption, and also summarized here for the Members' convenience. The comments reflect ELC's previously expressed concerns, notably:

1. A complaint that the rule proposal, even as modified by the proposed substantial changes upon adoption, does not address delegation by the Authority of design and development or land acquisition phases to Districts, and limits the delegable portions of a school facilities project to construction administration, construction and/or demolition;
2. An objection to the two-step capacity determination process proposed by the Authority, asserting that the two-step process is unduly burdensome and exceeds the statutory authority granted to the Authority; and
3. An objection to the proposed section N.J.A.C. 19:34B-1.7, which permits termination of the grant agreement if the Authority determines that such termination is in "the best interests of the school facilities project," asserting that the section is vague in that the "best interests" standard is not defined, is arbitrary, vague, and exceeds the scope of the Authority's statutory authority.

In response to each of these comments, the Authority's response contained in the Notice of Adoption indicates that the procedure and methodology expressed in the original rule proposal are appropriate, necessary and consistent with the statutory mandate, and thus the Authority contemplates no changes to the Rules in response to these comments.

Requested Board Action

The Members of the Authority are requested to approve the completion of the adoption process for the Rules as initially proposed and subsequently modified by the previously-approved Notice of Proposed Substantial Changes Upon Adoption for Proposed New Rules. The formal adoption process requires the filing of the attached Notice of Adoption of New Rules with the Office of Administrative Law, and subsequent publication of the final approved Rules and Notice of Adoption in the New Jersey Register.

/s/Jane F. Kelly

Jane F. Kelly, Vice President
Corporate Governance & Compliance

Prepared by Cecelia Haney, Senior Counsel

JFK/ceh

OTHER AGENCIES

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY

Section 13.e Delegation of School Facilities Projects

Adopted New Rules: N.J.A.C. 19:34B

Proposed: October 18, 2010 at 42 N.J.R. 4280(a).

Notice of Proposed Substantial Changes Upon Adoption to Proposed New Rules:

September 6, 2011 at 43 N.J.R. 2288(a).

Adopted: April 4, 2011 by the New Jersey Schools Development Authority,

Marc Larkins, Chief Executive Officer

Filed: [date] as R. 2012 d. ____, **with substantial changes to proposal after additional notice and public comment, pursuant to N.J.S.A. 52:14B-4.10.**

Authority: P.L. 2007, c.137, § 4k (N.J.S.A. 52:18A-238.k)(rulemaking authority);

P.L. 2011, c. 33 (N.J.S.A. 52:14B-4.10) (authority for adoption with substantial changes to proposal upon additional notice and public comment).

Effective date: [Date of publication of adopted new rules]

Expiration date: [Seven years from Publication Date]

Summary of Public Comments and Agency Responses:

The original rule proposal was submitted by the New Jersey School Development Authority (“Authority” or “SDA”) for publication in the October 18, 2010 New Jersey Register. Upon publication and public notice, numerous comments were received during the initial 60-day comment period following the publication of the original rule proposal. Those comments are summarized below, grouped in separate sections depending upon whether the comment prompted a modification to the original rule proposal or addressed

a provision that was subsequently modified in response to another comment.

Additionally, the Authority received one additional public comment upon publication of the Notice of Proposed Substantial Changes Upon Adoption to Proposed New Rule, which is included, along with the Authority's response thereto, in a separate section below.

1. Comments Received During Initial Comment Period, Giving Rise to Substantial Changes in Proposal upon Adoption, or Affecting Proposal Provisions that Were Modified in Response to Other Comments

In response to some of the comments received during the initial public comment period after promulgation of the original rule proposal, the Authority proposed to make substantive changes to the proposal, subject to additional notice and public comment, in accordance with newly-promulgated regulatory procedures codified at N.J.S.A. 52:14B-4.10. The proposed substantial changes upon adoption, and the comments prompting them, were promulgated in a Notice of Proposed Substantial Changes to Proposed New Rules, published in the September 6, 2011 New Jersey Register, and are summarized below. Comments were received from:

1. David Sciarra, Esq., and Elizabeth Athos, Esq.,
Education Law Center, Newark, New Jersey;
2. John N. Fauta, Superintendent, West New York Board of Education; and
3. Charles T. Epps, Jr. Ed. D., Superintendent, Jersey City Public Schools.

The number(s) in parentheses after each comment identifies the respective commenter(s) listed above.

1. COMMENT: The commenter urged that for the enumerated remedies exercisable by the Authority under proposed N.J.A.C. 19:34B-1.5 for noncompliance or

default (suspension or termination of the grant agreement, or withholding of grant disbursements or other remedies), the Authority should provide a defined timeline for exercise of such remedies, so as to allow the district time to effect potential cure of the causes triggering the remedies. The commenter further urged that the Authority provide two notices of any such action, and suggested a period of 60 or 90 days of notice before exercising any such remedies. The commenter also asserted that “noncompliance” was not defined in the rules. (2)

RESPONSE: With respect to the definition of “noncompliance,” the Authority notes that N.J.A.C. 19:34B-1.4 describes “noncompliance with this chapter” as any of the enumerated events of default contained therein, or any failure of the school district to comply with the Act, the proposed Chapter 34B, or any “law, regulation, or rule applicable to the grant agreement.” The Authority further notes that the proposed rules provide for a two-notice process for termination, suspension, or withholding of grant disbursements, in that the initial notice of noncompliance is followed by a subsequent notice of the remedy elected by the Authority.

With respect to the notice process, the Authority recognizes that the process could be made clearer, and agrees that inclusion of a specified notice period and defined timetable for exercise of the cited remedies is appropriate; however, the Authority does not agree that the 60- to 90-day notice periods suggested are appropriate. The Authority proposes changes to the language of proposed N.J.A.C. 19: 34B-1.5(a)1, 2 and 3 that will clarify the process by which an initial notice of noncompliance will issue with a 30-day minimum notice period for correction of the noncompliance, which period may be

extended upon request to the Authority, and if corrective action is not taken or is not effective within the notice period, or any extension thereof, the Authority will issue a subsequent notice of the remedy it elects to undertake, which will provide for an additional 15 days' notice (in the case of grant disbursement withholding) or 30 days' notice (in the case of suspension or termination of the grant agreement) before such actions can take effect. In addition, the Authority proposes to modify the language of this section to indicate that all notices of remedy under N.J.A.C. 19:34B-1.5 (a)(2) through (5), whether for termination, suspension or withholding of grant funds, will indicate the Authority's decision to undertake the remedy and the reasons for the action, as well as the effective date of the action. This generalized notice language will replace language formerly proposed as N.J.A.C. 19:34B-1.5 (a)4i to provide specific notice information for termination notices.

2. COMMENT: The commenter objects that the regulatory provisions regarding statutorily-mandated training at N.J.A.C. 19:34B-2.3(a)3 and 2.4(d)5 fail to implement the language and intent of the statute, in that they fail to indicate that the training programs be developed "in consultation with the commissioner" of the Department of Education, and because the proposed rules indicate that such training will be made available to districts that have been determined to lack the capacity to manage the delegable aspects of school facilities projects. (1)

RESPONSE: The Authority appreciates the commenter's concern and has determined that amendment of the proposed regulations at N.J.A.C. 19:34B-2.3(a)3 and

2.4(d)5 is warranted to clarify that all training programs developed by the Authority pursuant to N.J.S.A. 18A:7G-13(e) shall be developed in consultation with the Department of Education.

With respect to the second portion of the comment, the Authority notes that its regulations validly implement the statutory language, which only requires that the Authority offer training to those districts “deemed to lack the capacity to manage a school facility project or projects. No further changes will be made to the proposal in response to this comment.

3. COMMENT: A commenter objected that the proposed regulations afford inadequate independent review and dispute resolution in the event of district disagreement with Authority determinations. The commenter asserted that all critical determinations of the Authority under the proposed regulations should be subject to appeal. The commenter further asserted that in all appeals from determinations that constitute contested cases under the Administrative Procedure Act (“APA”), N.J.S.A. 52:14B-1 et seq., districts must be afforded an opportunity for a hearing before an independent administrative law judge at the Office of Administrative Law. (1)

4. COMMENT: The commenter questioned, in connection with Authority determinations under the regulations regarding termination of a grant agreement under N.J.A.C. 19:34B-1.7, and requests for waivers or releases under N.J.A.C. 19:34B-1.8, whether such determinations represent appealable final agency actions, or whether administrative appeals from such determinations are permitted by the proposed rules. (3)

RESPONSE TO COMMENTS 3 and 4: The Authority appreciates the commenters' concerns, and agrees that clarification of the process for appeals from Authority determinations under these regulations is warranted. To that end, the Authority has determined to amend the language of the proposed rules at N.J.A.C. 19:34B-2.5 to provide for both informal administrative hearings for challenges to Authority determinations and formal hearings that may be referred to the Office of Administrative Law, as appropriate for contested cases, under the APA.

5. COMMENT: The commenter asserts that a maximum time frame should be established for all approvals that must be granted by the authority pursuant to N.J.A.C. 19:34B-3.3 and N.J.A.C. 19:34B-3.4 in order to authorize the district to proceed with engagement of a contractor for demolition or construction services. (2)

6. COMMENT: The commenter asserts that the proposed rule as drafted does not provide timelines for the various determinations of the Authority, the Authority Board, and the DOE under N.J.A.C. 19:34B-3.3 and N.J.A.C. 19:34B-3.4 to ensure that it is possible to complete the necessary approvals within what the commenter describes as the "60-day period during which public bidders are barred from modifying, withdrawing or canceling their bids." (3)

RESPONSE TO COMMENTS 5 and 6: With respect to the sixty-day time period described in Comment 6, the Authority interprets that to be a reference to N.J.S.A.

18A:18A-36, which prescribes a sixty-day period during which a district must award a contract or reject all bids, unless, for those bidders who consent to an extension, the district requests additional time for consideration of bids before expiration of the original period. While the Authority will endeavor to complete all necessary reviews and secure all necessary approvals within the sixty-day time frame, districts should be aware that these reviews and approvals may not be completed within that sixty day period, and thus any bid solicitation for a contract on a delegated project should advise bidders that an extension of the statutory period is contemplated as possible.

The Authority proposes substantive changes to N.J.A.C. 19:34B-3.3 and -3.4 upon adoption to clarify the nature of the approvals required, and to reflect the possibility that the district will be required to request an extension of the 60-day period for contract award under N.J.S.A. 18A:18A-36. These changes include the addition of language to N.J.A.C. 19:34B-3.3 (b) to indicate that the creation of a project charter may be required as a part of the approval process, and to clarify that if bids received by a district for demolition work require a revision of the Current Working Estimate (CWE), then the grant amount may also require modification. Further changes include addition of language at N.J.A.C. 19:34B-3.3 (c) to reflect the need to submit any proposed charter or charter revision to the Board of the Authority, and to indicate that the Authority will endeavor to complete its reviews and approvals and issue a notice to proceed to the district within sixty days, but that if additional time is needed, the Authority will advise the district within the sixty-day period so that the district may request that bidders agree to an extension of the time for consideration of bids.

Additional changes are proposed to N.J.A.C. 19:34B-3.4 (a) to reflect that, because of the nature and complexity of approvals required for delegation of projects, district should include in their bid packages a notice to bidders that an extension of time for the consideration of bids under N.J.S.A. 18A:18A-36 may be required. Additional language is proposed for N.J.A.C. 19:34B-3.4 (e) to reiterate that the Authority will endeavor to complete its reviews and approvals and issue a notice to proceed to the district within sixty days, but that if additional time is needed the Authority will advise the district within the sixty-day period so that the district may request that bidders agree to an extension of the time for consideration of bids.

7. COMMENT: The commenter questions which items comprising the bid documents to be utilized under N.J.A.C. 19:34B-3.3 and N.J.A.C. 19:34B-3.4 (including contracts, proposal and other forms and certifications) are to be developed by the District, and which items are to be based on standard Authority contracts or forms. (3)

RESPONSE: The Authority appreciates the commenter's request, but will not develop the template for bid documents until the regulatory framework for the process has been finalized and adopted. No changes to the proposal will be made in response to this comment.

8. COMMENT: The commenter asserts that under the proposed N.J.A.C. 19:34B-6.5, and N.J.A.C. 19:34B-6.6 governing remediation services as part of a construction contract, and as part of a demolition contract, respectively, the Licensed Site

Remediation Professional retained by the Authority would supervise all remediation work performed by contractors managed by the district, but the district is responsible for all permits, reporting and compliance. The commenter expressed concern that in order to be responsible for all such permits, reporting and compliance, the district would need to retain its own Site Remediation Professional to perform the reporting, monitoring, certification and tracking tasks for which the district is responsible, suggesting a duplication of effort by the district and Authority.

RESPONSE: The Authority appreciates the commenter's concerns, but responds that it is anticipated that the Licensed Site Remediation Professional retained by the Authority would provide reporting, monitoring, certification and tracking services to the district during the construction or demolition period in connection with any remediation work performed by the district. However, should the remediation of the Project Site involve the imposition of long term stewardship obligations on the owner during occupancy of the school facility after construction, then the district, as owner of the property, would be responsible for retaining its own Licensed Site Remediation Professional to fulfill any sampling, reporting or other requirements of such long term stewardship obligations imposed on an owner of property. The Authority proposes substantial changes to N.J.A.C. 19:34B-6.5 and 6.6 to reflect that the Authority's provision of the services of a Licensed Site Remediation Professional ends with the completion of construction and deed transfer to the district, if the school facility is constructed on a site owned by the Authority, or completion of construction and occupancy by the district, if the school site is already owned by the district, and that at

that point, the district is responsible to engage its own Licensed Site Remediation Professional for the fulfillment of any long-term stewardship obligations required as part of the remediation of the Project Site.

2. Comments Received During Initial Comment Period, Not Giving Rise to Changes in the Rule Proposal:

Additionally, in response to the October 18, 2010 publication of the initial proposal, the Authority received a number of comments which did not themselves give rise to modifications to the rule proposal. As previously noted, such comments were received from:

1. David Sciarra, Esq., and Elizabeth Athos, Esq.,
Education Law Center, Newark, New Jersey;
2. John N. Fauta, Superintendent, West New York Board of Education; and
3. Charles T. Epps, Jr. Ed. D., Superintendent, Jersey City Public Schools.

A summary is provided below of such comments and the Authority's responses thereto, and the comments have been sequentially numbered to continue from the comments reproduced in the section above, to provide clarity. The number(s) in parentheses after each comment identifies the respective commenter(s) listed above.

9. COMMENT: Two commenters noted that the Authority's rule proposal does not address delegation by the Authority of design and development or land acquisition phases to Districts, and limits the delegable portions of a school facilities project to construction administration, construction and/or demolition, and they questioned why the design, development and land acquisition functions were not addressed by the Rules. (2, 3)

10. COMMENT: The commenter questioned whether the Rules will later be expanded to include the design, development and land acquisition functions as delegable portions of projects. (3)

11. COMMENT: The commenter queried why SDA districts would not be permitted to manage all portions of a school facilities project under the same requirements that apply to Regular Operating Districts if they are found to have the appropriate capacity. (3)

12. COMMENT: The commenter objected to the Authority's proposal to restrict the type of project activities that may be delegated to Districts, and asserted that the limitation of delegable portions of school facilities projects to construction, construction administration and demolition is in violation of the Educational Facilities Construction and Financing Act, N.J.S.A. 18A-7G-13(e)(2). (1)

RESPONSE to COMMENTS 9 through 12: The Authority acknowledges that the Rules do not permit the delegation of design and development functions or land acquisition functions to a District. The Authority believes that these functions should not be delegated to SDA Districts, because these functions have fundamental effects on defining the scope and cost of a school facilities project, and therefore should remain in the control of the Authority for projects whose eligible costs are fully funded by the Authority. The Authority believes that its retention of control over design, development, and land acquisition for projects in SDA Districts is appropriate and distinguishable from

the Authority's role in management and funding of the projects of Regular Operating Districts, which have a shared financial responsibility for school facilities projects. Finally, the Authority respectfully disagrees with the contention that EFCFA requires that all aspects of a school facilities project, including design, development and land acquisition functions, be delegated to SDA Districts.

No changes to the proposal will be made in response to these comments.

13. COMMENT: The commenter asserted that if the Authority retains control over portions of the project, while delegating others, the mixed responsibilities between the Authority and the district could lead to subsequent issues in overlapping areas, such as effects of demolition and remediation activities on later construction activities, or design issues affecting later demolition or construction. The commenter voiced concern that issues created in portions of the project under Authority management could affect the portions of the project under district management and possibly "lead to change orders that are no fault of the district's management."

RESPONSE: The Authority appreciates the commenter's concern, and recognizes that, as part of the Authority's role in reviewing and approving any change order requests on a delegated project, the Authority will consider the cause and nature of any proposed change order in approving or rejecting such change order, and if the change order results from an effect of actions taken during a phase of the project managed by the Authority, and is not due to the actions of the district, that fact will be noted. No changes to the proposal will be made in response to this comment.

14. COMMENT: The commenter objected to the proposed section N.J.A.C. 19:34B-1.7, which permits termination of the grant agreement if the Authority determines that such termination is in “the best interests of the school facilities project,” asserting that the section is vague in that the “best interests” standard is not defined, is arbitrary and exceeds the scope of the Authority’s statutory authority, and is excessive in light of the other categories of noncompliance that give rise to a right to terminate. (1)

15. COMMENT: The commenter asserted that the “best interests” standard of N.J.A.C. 19:34B-1.7 is not defined, and asked what criteria (such as financial criteria) would be used by the Authority in making a determination that termination of the grant agreement is in the best interests of the school facilities project. (3)

RESPONSE TO COMMENTS 14 and 15: The Authority respectfully disagrees with these comments. The Authority believes that a provision allowing for termination of the delegation in the best interests of the school facilities project is necessary and prudent. No changes to the proposal will be made in response to these comments.

16. COMMENT: The commenter requests that the form of the application referenced in N.J.A.C. 19:34B-2.3(a), for determining district capacity to manage a school facilities project, be made available for review in conjunction with this rule proposal. (2)

RESPONSE: The Authority appreciates the commenter's request, but prefers to prepare the form of application once the regulatory framework for the process has been finalized and adopted. No changes to the proposal will be made in response to this comment.

17. COMMENT: The commenter asserts that the process by which NJDOE will determine the district's eligibility for consideration by the Authority be outlined and defined by reasonable timelines for expeditious action. (3)

RESPONSE: The Authority notes that the commenter's concern is not responsive to the regulations proposed by the Authority, but is more appropriately directed to the Department of Education with regard to the regulations proposed by that agency for the delegation process under N.J.S.A. 18A-7G-13e. No changes to the proposal will be made in response to this comment.

18. COMMENT: The commenter objects to the two-step process proposed by the Authority, first for determination of district capacity to manage school facilities projects generally, and then for determination of capacity for a particular project. The commenter asserts that the two-step process exceeds the statutory authority granted to the Authority. (1)

RESPONSE: The Authority disagrees with this comment, and believes that the two-step process is statutorily valid. No changes to the proposal will be made in response to this comment.

19. COMMENT: The commenter requests that the evaluation of district capacity described in N.J.A.C. 19:34B-2.3 be combined with the evaluation of district eligibility for project delegation of N.J.A.C. 19:34B-2.4, or the evaluation of N.J.A.C. 19:34B-2.4 be eliminated in favor of a one-step process that determines district capacity and results in a determination of capacity specifying the type and cost/size of projects which a district is deemed capable of managing. (3)

RESPONSE: The Authority believes that the two-step process for evaluation of a district's capability and eligibility for a specific project is warranted and necessary. This two-step process is intended to be applicable for the District's first application for project delegation, but the district capacity determination need not be repeated for subsequent applications, if made while the prior determination of district capacity is still valid, usually a period of three years. For subsequent project delegation applications, if a district's previous capacity determination is still valid, the district would then proceed to the project-specific eligibility determination under N.J.A.C. 19:34B-2.4. This project-specific evaluation is necessary to evaluate any unique characteristics of the second project, or to address any changes in the district's circumstances (including staff changes or changes in staff responsibilities) since the prior project eligibility application, that might affect the District's ability to manage the second project. This is especially true if

the second application for delegation would mean that the District, if successful, would be managing multiple ongoing delegated projects. No changes to the proposal will be made in response to this comment.

20. COMMENT: With respect to the provision regarding district capacity assessment, the commenter requests that the “evaluation criteria documents” be made available for review along with this rule proposal. (2)

RESPONSE: The Authority appreciates the commenter’s request, but prefers to prepare the form of application once the regulatory framework for the process has been finalized and adopted. No changes to the proposal will be made in response to this comment.

21. COMMENT: Two commenters insisted that the regulations should provide timelines for the Authority’s determinations of district capacity under N.J.A.C. 19:34B-2.3, and project eligibility under N.J.A.C. 19:34B-2.4, and one of the commenters further suggested that a thirty-day time period is appropriate for such determinations. (1), (3)

RESPONSE: The Authority disagrees with these comments. N.J.S.A. 18A:7G-13(e) does not impose time limits for the Authority’s determinations under that statute. No changes to the proposal will be made in response to these comments.

22. COMMENT: The commenter inquires whether capital maintenance projects and emergent projects will “continue to be determined by the provisions of Section 13A.” (3)

RESPONSE: The Authority notes in response that capital maintenance projects and emergent projects that are delegated to districts under N.J.S.A. 18A:7G-13(a) will not be governed by these regulations implementing N.J.S.A. 18A:7G-13(e). No changes to the proposal will be made in response to this comment.

23. COMMENT: The commenter asks whether, in reference to N.J.A.C. 19:34B-4.2, governing assignment of specific contracts, the Authority will be developing a different contract than the one it currently uses for design consultants, and inquires when that contract will be made available for comments. (2)

RESPONSE: The Authority anticipates revision of its existing design consultant agreement to address the unique aspects of delegated projects. However, the Authority prefers to make such revisions once the regulatory framework for the delegation process has been finalized and adopted. No changes to the proposal will be made in response to this comment.

24. COMMENT: The commenter asks, in the case of a district that has engaged a district architect, whether such district architect can be engaged for a delegated school

facilities project without the need for procuring a new architect through the Authority.

(2)

RESPONSE: The Authority understands the commenter's question to ask whether the Authority can utilize an architect currently engaged by a district for the design of a school facilities project subject to delegation to a district. Because the design portions of a project are not delegated to a district under the proposed rules, the Authority will hold the contract for design services, and therefore must procure such design services contract pursuant to its own rules, under N.J.A.C. 19:38C. A design consultant who is engaged as a district architect may be eligible to participate in an NJSDA procurement for design services, as long as the design consultant is appropriately prequalified, but the design consultant will still have to compete in an NJSDA procurement process in order to be selected as the architect for a project subject to delegation to a district. No changes to the proposal will be made in response to this comment.

25. COMMENT: The commenter asks whether N.J.A.C. 19:34B-4.2(c) regarding the Authority's assignment of contracts to districts, and its language providing that "all liabilities, duties and obligations of the Authority shall be assigned to the school district" acts to prohibit the inclusion of an indemnification provision providing for indemnification of the district by the Authority. (3)

RESPONSE: The Authority understands the commenter to ask whether indemnification of the district is prohibited by the cited language. The Authority

responds that it, like many state agencies, lacks statutory authorization to indemnify third parties, and it is this statutory inability to offer indemnification, not the particular language of the cited regulation, that prevents the Authority from including indemnification provisions in an assigned agreement. No changes to the proposal will be made in response to this comment.

26. COMMENT: The commenter asserts that the proposed N.J.A.C. 19:34B-5.2 governing adjustments to the grant, should specify timelines for Authority review and approval, in order to minimize delays during the construction of projects. (3)

RESPONSE: The Authority appreciates the commenter's concern, but notes that because the nature of the proposed changes in project scope may vary from instance to instance, and cannot be anticipated at this time, a proposed timeline for review and approval of such fact-sensitive items cannot be provided. No changes to the proposal will be made in response to this comment.

27. COMMENT: The commenter asserts that the provisions of N.J.A.C. 19:34B-6.1, which describes "general requirements for district procurements," forces districts in their management responsibilities to act as "proxies of the SDA rather than as autonomous agents", and asks whether the additional requirements of the section are necessary in light of the provisions of the Public School Procurement Law and other regulations that control procurement in Regular Operating Districts. (3)

RESPONSE: The Authority disagrees with the comment and believes that the requirements of the rule are necessary to address the unique nature of delegation of school construction projects under N.J.S.A. 18A: 7G-13(e). No changes to the proposal will be made in response to this comment.

28. COMMENT: The commenter asks whether it is necessary for a district to use the Authority's form of construction manager agreement as required under N.J.A.C. 19:34B-6.4, or whether the district to use their standard forms of agreement with certain SDA-required provisions included. (3)

RESPONSE: The Authority appreciates the commenter's question and responds that if a district desires to modify its standard agreement to include SDA-required language rather than utilize the Authority's standard form, such a situation would be an opportunity to apply for a waiver under N.J.A.C. 19:34B-1.8, with respect to the provisions of N.J.A.C. 19:34B-6.4. No changes to the proposal will be made in response to this comment.

29. COMMENT: The commenter asks whether, in a case where the District employs its own Construction Manager/Clerk of the Works with the proper experience to manage the project, will the district be able to recover these costs through the grant, and further asks whether the construction manager will have to be an SDA-approved construction manager if they are a direct employee of the district. (2)

RESPONSE: The Authority understands the commenter's question to ask whether the Authority would compensate a district for the salary, benefits and other employment costs allocable to a district employee if the district proposed such employee as a "Construction Manager" in lieu of the procurement of a construction management firm. It is not anticipated that the District would be compensated for its use of staff in the management of the school facilities project. Further, the Construction Manager contemplated by the Authority under these rules is required to be prequalified by the Authority, which requires prior prequalification by the Department of Treasury, Division of Property Management and Contracts for the type of services and aggregate limit suiting the size of the project in question. The Authority is currently unaware of any single-person entity that has secured Authority prequalification as a Construction Manager. No changes to the proposal will be made in response to this comment.

30. COMMENT: The commenter asks whether, in districts where the building code officials have the proper classification to review school facilities for code compliance, the district can submit plans to their own building department or would the Division of Community Affairs have jurisdiction. (2)

RESPONSE: The Authority understands the commenter's question to be premised upon a situation in which the district procures and manages the design process. Because the proposed rules provide that the Authority does not delegate the design portion of a school facilities project, the commenter's question is moot. No changes to the proposal will be made in response to this comment.

3. **Comments Received upon Publication of Notice of Proposed Substantial Changes Upon Adoption to Proposed New Rule**

The Authority received one comment letter during the comment period for the Notice of Proposed Substantial Changes Upon Adoption to Proposed Rule, from Elizabeth Athos, Esq. of the Education Law Center, Newark, New Jersey, on November 5, 2011. That letter reiterates comments previously submitted by that entity. A summary of the comments included in that letter, and the Authority's response thereto, follows. The comments are sequentially numbered to continue from the section above, for clarity:

1. **COMMENT:** The new comment reiterates the previously expressed concern that the rule proposal, even as modified by the proposed substantial changes upon adoption, does not address delegation by the Authority of design and development or land acquisition phases to Districts, and limits the delegable portions of a school facilities project to construction administration, construction and/or demolition.

RESPONSE: Please refer to the Authority's response to Comments 9 through 12, in Section 2, above. No changes to the proposal will be made in response to this comment.

2. **COMMENT:** The new comment reiterates the previously expressed objection to the two-step capacity determination process proposed by the Authority, first for determination of district capacity to manage school facilities projects generally, and then for determination of capacity for a particular project. The commenter asserts that the two-step process is unduly burdensome and exceeds the statutory authority granted to the Authority.

RESPONSE: Please refer to the Authority's response to Comment 18, in Section 2, above. No changes to the proposal will be made in response to this comment.

3. COMMENT: The new comment reiterates the previously expressed objection to the proposed section N.J.A.C. 19:34B-1.7, which permits termination of the grant agreement if the Authority determines that such termination is in "the best interests of the school facilities project," asserting that the section is vague in that the "best interests" standard is not defined, is arbitrary, vague, and exceeds the scope of the Authority's statutory authority.

RESPONSE: Please refer to the Authority's response to Comments 14 and 15, in Section 2, above. No changes to the proposal will be made in response to this comment.

Federal Standards Statement

The proposed new Rules implement a State statute, specifically section 13.e of the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (N.J.S.A. 18A:7G-1 et seq.), as amended, and P.L. 2007, c. 137. There are no Federal standards or requirements applicable to these Rules. A Federal standards analysis, therefore, is not required.

Full text of the adoption follows (additions to proposal indicated in boldface with asterisks *thus*; deletions from proposal indicated in brackets with asterisks *[thus]*):

CHAPTER 34B

SECTION 13.e DELEGATION OF SCHOOL FACILITIES PROJECTS

SUBCHAPTER 1. GENERAL PROVISIONS

19:34B-1.1 Purpose and applicability of rules

(a) These rules are proposed by the New Jersey Schools Development Authority (the “Development Authority,” “Authority” or “SDA”) to implement Section 13.e of the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, as amended by section 24 of P.L. 2007, c. 137 (collectively, the “Act”). Section 13.e of the Act provides that the Development Authority shall promulgate rules by which the Authority shall determine the capacity of SDA school districts to manage a school facilities project or projects identified by the Authority. These rules outline the process and criteria for making such capacity determinations, providing for a two-step decision-making process: the first step for the purpose of evaluating a school district’s abilities to manage the administrative, financial and other areas of responsibility relevant to capital facilities; and the second, for the purpose of assessing the capacity of the school district to manage the delegable portion of a particular school facilities project.

(b) When the Authority determines that a school district has the capacity to manage the delegable portions of a particular school facilities project, these rules provide for the Authority, the Commissioner and the school district to enter into a grant agreement to effectuate the delegation. Upon the execution of the grant agreement by the Authority, the rules provide that the Authority shall take the necessary steps to enter into an

agreement with the school district for the assignment and assumption of any contracts (or portions thereof) that have been previously procured by the Authority to the extent that such assignment is necessary for the school district to manage the delegated portions of the school facilities project.

(c) If a school district is determined by the Authority not to have the capacity to manage a project or projects, these rules further provide that the Authority shall provide the school district with a proposed training program and technical assistance in an effort to improve the school district's management capacity so as to increase the likelihood that the school district will achieve the capacity to manage the delegable portions of school facilities projects.

(d) These rules shall apply to SDA school districts that have been deemed by the Commissioner to be eligible to be considered by the Authority to manage a school facilities project or projects, in accordance with section 13.e of the Act.

19:34B-1.2 Definitions

(a) The following words and terms, when used in this chapter, shall have the following meanings unless the context clearly indicates otherwise. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires.

“Act” means the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (N.J.S.A. 18A:7G-1 et seq.), as amended, and P.L. 2007, c. 137.

“Amendment” means a written modification to a contract executed between a consultant and either the Authority or the SDA school district.

“Approved costs” means costs of the school facilities project as indicated in the final eligible cost determination made by the Department in the final project report, inclusive of the cost of construction as informed by the receipt of bids for the construction contract, as well as any other costs that are reflected in the project charter and approved by the Authority in the grant agreement.

“Authorization-to-proceed” means a written notice to the school district from the Authority directing the school district to commence performance of its responsibilities pursuant to the grant agreement, or permitting the district to proceed with a particular action, if written authorization from the SDA is required before commencement of such action.

“Authorized officer” means with respect to the school district, any person or persons authorized pursuant to a resolution of the governing body of the school district to perform any act or execute any document relating to the grant and the grant agreement including the school business administrator; and with respect to the Development Authority, any

person or persons authorized to perform any act or execute any document relating to the grant and the grant agreement.

“Board” means the members of the Authority as outlined in N.J.S.A. 52:18A-237.

“Capital plan” means the Authority's Board-approved distribution of statutorily-allocated funding among specific, identified, current and future school facilities projects, and adequate reserves to address unforeseen conditions and emergent conditions. The school facilities projects included in the capital plan are selected and sequenced based on an assessment of the educational priority needs and long-term capital project requirements of SDA districts, and other compelling state interests, in an effort to address such needs and requirements in a timely and cost-effective fashion within the limitations of the Authority's finite funding allocation.

“Change(s) in the work” means a change in the work or the construction contract, including, but not limited to, an increase or decrease in the scope of work, or an acceleration of time for the performance of the work, or a change in the sequence in which the work is to be performed.

“Checklist” means a form to be provided by the Authority and to be completed by the school district at a milestone or milestones during the district's management of the delegated portions of a school facilities project to be submitted to the Authority for

review and approval prior to receiving an authorization-to-proceed and/or certain disbursements of the grant.

“Commencement date” means the date on which the grant agreement has been fully executed by all the parties thereto and the school district has delivered, to the satisfaction of the Authority, the documentation required by the grant agreement.

“Completion date” means the date specified in the construction contract for completion of the school facilities project which may be changed by the Authority, upon the written request of the school district to the Authority and upon the Authority’s written approval in its sole discretion.

“Construction contract” means the agreement between the contractor and either the Authority or the SDA school district, together with the general conditions, supplementary conditions, plans, specifications, scope of work, the request for qualifications and/or the request for proposals, instructions to bidders and addenda, change orders, other amendments and all exhibits, appendices and documents attached to or referenced in any of the foregoing materials, which governs the construction, including the procurement of goods and services, of all or any portion of the school facilities project, and any documents attached thereto and amendments thereof contract. There may be one or more construction contracts for the school facilities project.

“Construction manager” or “CM” means the person or firm engaged by the Authority or the SDA school district to provide construction management services, including oversight and reporting services in connection with the construction of a school facilities project.

“Construction phase” means that phase of the school facilities project in which the school facilities project is undertaken by a contractor or contractors.

“Consultant” means a consultant, including a design consultant, engaged for the school facilities project providing professional services associated with research, development, design and construction administration, alteration, or renovation of real property, as well as incidental services that members of these professions and those in their employ may logically or justifiably perform. A consultant may provide services including studies, investigations, surveys, evaluations, consultations, planning, programming, conceptual designs, plans and specifications, cost estimates, construction management, inspections, shop drawing reviews, preparation of operating and maintenance manuals, and other related services. There may be one or more consultants engaged for the school facilities project.

“Contract” means any contract relating to the school facilities project between a contracted party on the one hand, and the SDA school district or the Authority on the other hand.

“Contract price” means the amount stated in the construction contract, as it may be adjusted in accordance with terms of the construction contract, representing the total amount payable by the Authority or the SDA school district to the contractor for the performance of the work.

“Contracted party” means the consultants, contractors, and their subconsultants and subcontractors and any other party providing material or services to the Authority or the SDA school district in connection with the school facilities project.

“Contractor” means those persons or firms engaged by the Authority or the SDA school district for construction of the school facilities project in accordance with the construction contract.

“Current working estimate” or “CWE” means the estimated cost to complete the delegated portion of the schools facility project, as calculated by the Authority. The Authority shall utilize the CWE to determine the grant amount when offering the grant agreement to the district. The CWE shall be updated, as needed, and upon receipt of bids for the delegated portion of the school facilities project.

“DCA” means the New Jersey Department of Community Affairs.

“Delegable portions of a school facilities project” means the portions of a school facilities project that are eligible for delegation to an SDA school district, which are limited to some or all of the following:

1. Construction administration;
2. Construction; and/or
3. Demolition services.

“Demolition services” means the removal of asbestos and hazardous building materials, such as lighting fixtures, and thermostats containing mercury, air conditioning units containing chlorofluorocarbons (CFCs) and light ballasts containing PCBs, followed by the razing of existing structures and removal of building foundations not beneficial to the construction of the proposed school facilities project, disposal of demolition debris and the backfill of the demolition area with fill suitable for unrestricted residential use, and the removal of underground storage tanks and associated remediation of any soil impacted by a discharge from the tank.

“Department” means the New Jersey Department of Education.

“Department rules” means rules issued by the Commissioner and/or the State Board of Education that govern the financing, construction and maintenance of the school facilities project, as may be in effect as of the date of the grant agreement and thereafter.

“Development Authority,” “Authority” or “SDA” means the New Jersey Schools Development Authority, an entity which undertakes and funds school facilities projects under the Act and which is the entity formed pursuant to P.L. 2007, c. 137, as successor to the New Jersey Schools Construction Corporation.

“Disbursement” means a release of a portion of the grant to the SDA school district to pay for approved costs.

“District assessment committee” means a committee comprised of Authority staff, including, but not limited to, personnel with expertise in the areas of strategic planning, facilities project planning, budgeting, real estate services and procurement activities, with responsibility for evaluating and assessing an SDA school district’s ability to manage school facilities projects.

“Event of default” means any event specified in N.J.A.C. 19:34B-1.4.

“Excess costs” means the additional costs of the school facilities project, if any, which shall be borne by the SDA school district.

“Final completion” means that point in time on the school facilities project when the project is 100 percent complete and:

1. All requirements of the construction contract have been completed;
2. All items on the punch list have been performed; and

3. A certificate of occupancy, or a certificate of acceptance, as applicable, has been issued by DCA.

“Final eligible costs” means the calculation of costs as determined pursuant to N.J.S.A. 18A:7G-5.h(2) and N.J.A.C. 6A:26-3.5, and for purposes of the grant agreement, shall be set forth in the final project report.

“Final grant amount” means the final amount of the grant as determined by the Authority, in accordance with N.J.A.C. 19:34B-5.1.

“Final project report” means the report prepared by the Department pursuant to N.J.A.C. 6A:26-3.5(i) which contains all of the information included in the preliminary project report and, in addition, includes: the final eligible costs, the excess costs, if any, the State share and the local share.

“Grant” means the funds to be provided to the SDA school district by the Authority to pay for the approved costs subject to the terms and conditions of the grant agreement.

“Grant agreement” means the agreement (and all attachments thereto) by and among the Authority, the Commissioner of Education and an SDA school district setting forth the contractual terms and conditions under which the Authority funds the State share in connection with the portion of a school facilities project delegated by the Authority to an SDA school district pursuant to this chapter.

“Key district personnel” means those individuals identified by the SDA school district with overall district management responsibility for functions including, but not limited to, administrative, financial and facilities oversight, who shall serve as the principal contacts for the Authority’s district assessment committee.

“Key project management personnel” means those individuals identified by the SDA school district, including school district staff and professional consultants, with management responsibility for administration of maintenance and school facilities, who shall serve as the principal contacts for the Authority’s project assessment committee.

“Licensed site remediation professional” means an individual who is licensed pursuant to section 7 of P.L. 2009, c. 60 (N.J.S.A. 58:10C-7), by the Site Remediation Professional Licensing Board established pursuant to section 3 of P.L. 2009, c. 60 (N.J.S.A. 58:10C-3), or by the Department of Environmental Protection pursuant to section 12 of P.L. 2009, c. 60 (N.J.S.A. 58:10C-12).

“Local share” means the total costs of the school facilities project less the State share as determined pursuant to section 5 of the Act.

“Long range facility plan” or “LRFP” means the plan required to be submitted to the Commissioner by a district pursuant to N.J.S.A. 18A:7G-4 and N.J.A.C. 6A:26-2.

“Lot and block designation” means the identification of the boundaries and location of a parcel of land by reference to the parcel’s unique lot and block numbers as that parcel is represented on the currently applicable municipal tax assessment map.

“NJEDA” means the New Jersey Economic Development Authority established pursuant to P.L. 1974, c. 80 (N.J.S.A. 34:1B-1 et seq.).

“Other capital projects” means all projects or portions thereof that are not eligible for State support under the Act, as defined in N.J.A.C. 6A:26.

“Project assessment committee” means the committee, comprised of staff of the Authority, with expertise in the area of project management and project controls, including budgeting and scheduling and grants administration, which evaluates the ability of a school district to manage the delegable portions of a particular school facilities project.

“Project charter” means the document that sets forth the scope, budget and schedule of a school facilities project, which is approved by the Board of the Authority and updated from time to time during the course of the school facilities project with Board approval.

“PSCL” means the Public School Contracts Law, N.J.S.A. 18A:18A-1 et seq., together with all applicable rules and guidance issued by DCA and the Department in connection with N.J.S.A. 18A:18A-1.

"Punch list" means the contract document used to organize the completion of a school facilities project. The punch list is created by the design consultant for a project and includes a list of the incomplete or defective work to be performed or remedied by the contractor in order to complete the school facilities project.

"Remedial Action Work Plan" or "RAWP" means the written documentation prepared and certified by licensed site remediation professionals to satisfy New Jersey Technical Requirements for Site Remediation (N.J.A.C. 7:26E-6.2). The RAWP will include, among other things, a summary of findings and recommendations generated by any Remedial Investigation Report, an identification of areas of concern, and a detailed description of the remedial action to be conducted and the remedial technology to be employed on the project site.

"Required maintenance" means the specific maintenance activities required for system warranty purposes which are approved for repairs and replacements for the purpose of keeping a school facility open and safe for use or in its original condition, including repairs and replacements to a school facility's heating, lighting, ventilation, security and other fixtures to keep the facility or fixtures in effective working condition, as more particularly set forth in N.J.A.C. 6A:26-1.2.

"Routine maintenance" means contracted custodial or janitorial services, expenditures for the cleaning of a school facility or its fixtures, the care and upkeep of grounds or parking

lots, and the cleaning of, or repairs and replacements to, movable furnishings or equipment, as set forth in N.J.A.C. 6A:26-1.2.

“School district” or “SDA school district” means a school district that received education opportunity aid or preschool expansion aid in the 2007-2008 school year, as defined at P.L. 2007, c. 260 § 39.

“School facilities project” means the planning, acquisition, demolition, construction, improvement, alteration, modernization, renovation, reconstruction, or capital maintenance of all or any part of a school facility or of any other personal property necessary for, or ancillary to, any school facility, and shall include fixtures, furnishings, and equipment, and shall include, but is not limited to, site acquisition, site development, the services of design professionals, such as engineers and architects, construction management, legal services, financing costs and administrative costs and expenses incurred in connection with the project.

“School facility” means and includes any structure, building or facility used wholly or in part for educational purposes by a school district and facilities that physically support such structures, buildings and facilities such as district wastewater treatment facilities, power generating facilities, steam generating facilities, but shall exclude other facilities.

“Section 13D Maintenance Agreement” means the Educational Facilities Construction and Financing Act Section 13D Maintenance Agreement between the school district and

the Authority which provides for the maintenance of school facilities projects by the district commencing upon substantial completion of a project.

“State Comptroller” means the Office of State Comptroller, created pursuant to P.L. 2007, c. 52, in, but not of, the State Department of Treasury, which is responsible for financial auditing; performance and management reviews; and contract procurement reviews, of the Executive Branch of State government, independent State authorities, public institutions of higher education, units of local government and boards of education.

“State share” means the State's proportionate share of the final eligible costs of a school facilities project as determined pursuant to section 5 of the Act (N.J.S.A. 18A:7G-5). For the SDA districts, the “State share” equals 100 percent of the final eligible costs of a school facilities project.

“Substantial completion” means that point in time on the school facilities project when all of the following have occurred:

1. All essential requirements of the construction contract have been performed so that the purpose of the construction contract is accomplished;
2. A Temporary Certificate of Occupancy has been issued by the DCA;
3. The punch list has been created;
4. There are no material omissions or technical defects or deficiencies, as identified by the Authority; and

5. The school facilities project is 100 percent ready for occupancy in accordance with its intended use.

“Tax lot” means a particular parcel of land, the location and boundaries of which are identified by reference to the parcel’s unique lot and block numbers as that parcel is represented on the currently applicable municipal tax assessment map.

“Termination” means the cancellation of the grant agreement by the Authority as a result of:

1. An event of default or other noncompliance;
2. The failure by the school district to obtain the local share (if applicable) within one year of the Department determination of final eligible costs;
3. Mutual consent of the parties; or
4. Upon the Authority’s determination that termination is in the best interests of the school facilities project.

“Total costs” means the actual total amount spent on the school facilities project.

“Work” means all work performed by the contractor and its subcontractors and suppliers, including providing all material, equipment, tools and labor, necessary to complete the construction of the school facilities project, as described in and reasonably inferred from the construction contract.

(b) Words and terms implementing the Act but not defined in this section shall have the meanings defined in N.J.A.C. 19:34 and 19:34A.

19:34B-1.3 Administration and performance of grant agreements

The school district is responsible for the administration and success of the delegated portion of the school facilities project. The provision of a grant by the Authority shall not in any way be deemed to imply that the Authority shall have any responsibility for the administration or success of that portion of the school facilities project that has been delegated. Although school districts are encouraged to seek the advice and opinion of the Authority on problems that may arise regarding the delegated portion of the school facilities project, the giving of such advice by the Authority shall not shift the responsibility for final decisions from the school district to the Authority, nor render the Authority responsible for such advice. Moneys awarded pursuant to this chapter shall be used in conformance with the Act, this chapter and the provisions of the grant agreement to achieve the grant objectives and to insure that the purposes set forth in the Act are fully executed.

19:34B-1.4 Noncompliance and default

(a) Any of the following events shall constitute an event of default under the grant agreement and noncompliance with this chapter:

1. Failure by the school district to observe and perform any duty, covenant, condition or agreement on its part to be observed or performed under the grant agreement, which failure shall continue for a period of 30 days after receipt of

written notice specifying such failure and requesting that it be remedied is given to the district by the Authority, unless the Authority shall agree in writing to any extension of such time prior to its expiration, provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Authority may not unreasonably withhold its consent to an extension of such time up to 120 days from delivery of the written notice referred to above or if corrective action is instituted by the district within the applicable period and diligently pursued until the event of default is corrected;

2. Any representation made by or on behalf of the school district contained in the agreement, or in any instruction furnished in compliance with or with reference to the grant agreement or the grant, is false or misleading in any material respect;

3. A determination made by the Authority that:

i. The grant was obtained by fraud; or

ii. Gross abuse or corrupt practices have occurred in the administration and/or management of the delegated portions of the school facilities project by the district;

4. A failure to commence construction of the school facilities project within 18 months after the commencement date, subject to unavoidable delays (for example, delays due to wars, floods, hurricanes, tornadoes, acts of terrorism, earthquakes, and other acts of God);

5. A failure to reach final completion of the school facilities project on or before the completion date, subject to unavoidable delays (for example, delays due to

wars, floods, hurricanes, tornadoes, acts of terrorism, earthquakes, and other acts of God);

6. The district's use of grant moneys for costs that are not approved costs;

7. The suspension or cessation of work on the delegated portion of the school facilities project without good cause as agreed to by the Authority. The term "good cause" shall include, but not be limited to, circumstances beyond the control of the district or any of the contracted parties such as wars, floods, hurricanes, tornadoes, acts of terrorism, earthquakes, and other acts of God;

8. The district's award or issuance of a contract, or payment of an invoice for work performed by a contractor, subcontractor, consultant or subconsultant who has not been prequalified by the Authority, if such prequalification would be required for the performance of similar work on an Authority-managed school facilities project;

9. The disbursement of grant moneys by the district to a firm which is debarred, suspended or disqualified from State or Authority contracting or to a firm which has not been prequalified;

10. The district's failure to permit the Authority, DCA, the Department or the State Comptroller immediate entry to or inspection of, the school facilities project, the project site, or project files or related files located at the site or at district offices, or at another location within the control of the district; or

11. The district's utilization of grant funds to pay for additional work, increased scope or changes to the work without appropriate approval or authorization by the Authority, and/or the Department.

(b) In addition to (a) above, other non-compliance events may include any failure on the part of the school district to comply with any provision of the Act, this chapter, or any law, regulation, or rule applicable to the grant agreement.

19:34B-1.5 Remedies for events of default and noncompliance

(a) In addition to any other remedies as may be provided by law or by the grant agreement, in the event of noncompliance with any provisions of the Act, any condition of the grant agreement, *[an event of default,]* or any requirement of this chapter, or upon the occurrence of an event of default, the Authority, after taking the action in (a)1 below, may take any of the actions or combinations thereof set forth in (a)2 through 5 below*[:]**. **The notice provided to the school district under (a)2 through 5 below shall notify the school district of the Authority's determination to exercise its right to take such action, and shall provide the reasons for such action, together with the date on which the selected action shall take effect.***

1. Issue a notice of noncompliance in writing to the school district stating ***the nature of the noncompliance or default, and further stating*** that if corrective action is not taken within *[the requisite]* ***30 days, or such longer*** time period ***as may be*** specified*[,]* ***in the notice;*** or if the ***corrective*** action is inadequate ***or ineffective to correct the noncompliance issue*** as determined by the Authority, the Authority may take *[any]* ***one or more of*** the actions *[or combinations]* contained in (a)2 through 5 below*. **A district may request in writing additional**

time for corrective action beyond the period specified in the notice, and the Authority, in its discretion, may consent to such extension of time*;

2. Withhold ***grant disbursements or any portion thereof***, upon ***15 days*** written notice to the school district*[, grant disbursements or any portion thereof]* ***providing the reason(s) for the withholding***;
3. Suspend*[, upon written notice to the school district,]* the grant agreement and withhold further payments thereunder and prohibit the school district from incurring additional obligations of grant funds pending corrective action by the school district ***upon 30 days written notice to the school district***;
4. Terminate*[, upon written notice to the Department and the SDA school district,]* the grant agreement and/or rescind the grant monies ***upon 30 days written notice to the Department and the SDA school district.**

[i. The Authority shall promptly notify the Department and the school district, in writing, of its determination to terminate the grant agreement and the reasons for the termination, together with the date on which the termination shall take effect.]

***[ii.]* Upon termination of the grant agreement, the Authority may demand that an amount equal to the grant received by the school district be immediately returned to the Authority and the school district shall waive payment by the Authority of the undistributed balance, and upon notice to the school district, the amount of the grant disbursed by the**

Authority shall be immediately due and payable by the school district together with any costs to the Authority resulting from an event of default by the district; and/or

5. In addition to any withholding, suspension or termination action, the Authority retains the right to pursue any and all other remedies as may be available under State law as warranted.

(b) At the option of the Authority, in its sole discretion, the Authority may, without prejudice to any other rights or remedies, take an assignment from the district of any of the contracts with contracted parties, in order to complete the delegated portion of the school facilities project, and the school district shall take whatever actions are necessary in order to ensure the proper assignment to the Authority of such contracts.

(c) In the event of termination of the grant agreement, the Authority shall determine the method and direction for proceeding with the project, in the best interests of the project and the public interest.

(d) The school district shall, on demand, pay to the Authority the reasonable fees and expenses of attorneys and other reasonable expenses (including without limitation the reasonable costs of in-house counsel and legal staff) incurred by the Authority in the collection of the repayment of the grant or in the enforcement of performance or observation of any other duties, covenants, obligations or agreements, of the district upon an event of default or non-compliance with this chapter.

19:34B-1.6 Termination by mutual agreement

The Authority, the Department or the SDA school district may terminate the grant agreement when the parties agree that the continued delegation to the district under the grant agreement would not produce beneficial results commensurate with the further expenditure of funds. The Authority and the district shall agree upon the conditions for termination including the date on which the termination shall take effect. The closeout provisions specified in N.J.A.C. 19:34B-5.4 shall apply in the event of a termination by mutual agreement. In the event of termination of the grant agreement, the Authority shall determine the method and direction for proceeding with the project, in the best interests of the project and the public interest.

19:34B-1.7 Termination in the best interest of the school facilities project

(a) If the Authority determines that it is in the best interests of the school facilities project to terminate the grant agreement, the following shall apply:

1. The Authority shall promptly notify the Department and the school district, in writing, of its determination to terminate the grant agreement and the reasons for the termination, together with the date on which the termination shall take effect; and
2. At the option of the Authority, in its sole discretion, the Authority may, without prejudice to any other rights or remedies, take an assignment of any of the contracts in order to complete the school facilities project, and

the school district shall take whatever actions are necessary in order to ensure the proper assignment to the Authority of such contracts.

(b) In the event of termination of the grant agreement, the Authority shall determine the method and direction for proceeding with the project, in the best interests of the project and the public interest.

19:34B-1.8 Waiver

Any school district desiring a waiver or release from the express provisions of any of the rules in this chapter may submit a written request to the Authority. Waivers may be granted by the Authority, only when the Authority determines that such a waiver would not contravene the provisions of the Act and upon a finding that, in granting the waiver, the Authority will be promoting the statutory purposes expressed in the Act.

SUBCHAPTER 2. SCHOOL DISTRICT CAPACITY DETERMINATION

19:34B-2.1 Applicability

This subchapter establishes the Authority's procedures and criteria for evaluating the project management, administrative and financial expertise of an SDA school district to successfully manage school facilities projects; and for assessing the ability of such districts to manage the delegable portion(s) of a particular school facilities project, pursuant to N.J.S.A. 18A:7G-13.e.

19:34B-2.2 Request for SDA determination of school district capacity

(a) A school district that wishes to manage construction and/or demolition services associated with a school facilities project or projects contained in its LRFP shall apply, on a form provided by the Authority, for the Authority's determination of the school district's ability to manage delegable portions of a school facilities project or projects. The Authority will not make a determination regarding a school district's capacity until the Authority receives from the school district a transmittal from the Department determining that the school district is eligible to be considered by the Authority to manage its school facilities projects, or portions thereof.

(b) The application for the determination of district capacity shall be accompanied by a resolution adopted by the board of education of the school district requesting the district capacity determination.

(c) The application shall require the school district to provide information about the experience and qualifications of its key district personnel, and about the district's experience with the management of capital improvement projects, routine and required maintenance tasks or projects, and/or school facilities projects. The application shall include, in addition to any specific information requested:

1. Identification of the management personnel of the school district, and provision of an organizational chart which sets forth the position(s) within the school district of such management personnel;
2. Identification of key district personnel and the experience and qualifications of same;

3. A description of the routine and required maintenance at the school and district level, and, if applicable, maintenance required in accordance with any Section 13D Maintenance Agreement;
4. A description of the experience of the school district over the previous five years, in managing the planning, procurement activities, contract management, budgeting and scheduling necessary for required maintenance, school facilities projects, any previous or ongoing grant projects funded by the Authority, and other capital projects; and
5. Any other criteria deemed relevant by the Authority to an assessment of the school district's capacity.

19:34B-2.3 Evaluation of district capacity

(a) The Authority's district assessment committee shall evaluate the school district's application to determine whether the school district possesses the ability to manage school facilities projects.

1. With respect to the committee's evaluation of whether the school district possesses the requisite capacity, such determinations shall be based upon the following factors:
 - i. The current capacity of the school district to administer fundamental district responsibilities relevant to capital facilities, including, but not limited to, maintenance, planning, procurement, construction, budgeting, accounting, scheduling, and any other similar essential responsibilities;

- ii. The qualifications of key district personnel to administer the fundamental district responsibilities as outlined above, as determined by the Authority in its sole discretion;
 - iii. The school district's performance of routine maintenance and required maintenance on school facilities projects in accordance with operations and maintenance manuals, warranties and guarantees so as to fully achieve the useful life of all components of school facilities projects, including the district's demonstrated compliance with the maintenance obligations of any Section 13D Maintenance Agreement;
 - iv. The school district's performance with respect to the administration or management of any Authority-funded grant projects, if applicable;
 - v. The Department's rating with respect to the school district's performance on the operations management component of the Department's Quality Single Accountability Continuum District Performance Review for Facilities Operations specific to school facilities; and
 - vi. Any other factor deemed relevant by the Authority to an assessment of the school district's capacity.
2. Each member of the district assessment committee shall review the application for determination of district capacity based on the applicable evaluation criteria. The committee may require a meeting with the school district to obtain additional technical and/or organizational information.

3. If the district assessment committee determines that the school district does not have the necessary capacity to manage the delegable portions of school facilities projects, the application shall be denied, and the school district will be promptly notified in writing of the reasons for the denial. The Authority shall thereafter*, **in conjunction with the Commissioner**,* devise and offer a proposed training program if the reason for the denial is of the type that can be remedied with training. Such training program shall be designed to provide the district with technical assistance intended to address any identified deficiencies and/or increase the district's capacity to manage school facilities projects. The proposed training program may include, but is not limited to, training in the following areas:
 - i. Financial, accounting, and budgeting;
 - ii. Planning;
 - iii. Procurement and/or prequalification;
 - iv. Evaluation of architectural plans;
 - v. Construction management;
 - vi. Documentation of best practices; and/or
 - vii. Governance and compliance.
4. If the school district is determined by the district assessment committee to possess the requisite capacity, the district will be so notified in writing and the Authority will transmit a project delegation application to the school district to complete and submit to the Authority.

(b) The Authority shall review applications for school district capacity assessments from interested school districts in the order in which completed applications are received by the Authority, unless the Authority determines that scheduling concerns or project needs require expedited review of a district's application.

(c) In making the determination that a school district possesses the necessary capacity to manage school facilities projects, the SDA may, in its sole discretion, determine that the scope of responsibilities delegable to the school district may include the procurement and/or management of the following:

1. Construction management and administration;
2. Construction; and/or
3. Demolition services.

(d) In the event that the Authority determines that a particular school facilities project shall be procured and managed as a design-build project, such determination shall preclude delegation of the project, with the exception of procurement or management of demolition services.

(e) In the event that the Authority determines that a school district has the necessary district capacity to manage school facilities projects, such determination shall remain effective for a period of three years from date of notification by the Authority unless the Authority, in its sole discretion, determines that a reassessment is warranted. The school district shall provide written notice to the Authority of any key district personnel changes

within seven days of their effective date which may result in a determination by the Authority that a reassessment is required.

19:34B-2.4 Evaluation of district eligibility for project delegation

(a) In the event a school district is determined to have the capacity to manage school facilities projects, it may apply to the Authority for the Authority's delegation of the delegable portions of a particular school facilities project that is within the Authority's current capital plan.

(b) The following conditions shall be satisfied before the Authority will consider whether to delegate portions of a particular school facilities project:

1. The district, as determined by the Authority, possesses the requisite capacity to manage delegable portions of school facilities projects, as determined pursuant to N.J.A.C. 19:34B-2.3(c).
2. The Department has approved the educational specifications for the school facilities project.
3. The SDA school district has submitted an application to the Authority, on a form provided by the Authority, for the delegation of portions of a particular school facilities project, which shall be accompanied by a resolution adopted by the board of education of the school district requesting the delegation.

(c) The project delegation application shall require the school district to provide information about the experience and qualifications of the key project management personnel for the proposed project, and about the district's experience with the management of similar capital projects or school facilities projects, as well as information regarding the current resources and capacity of the district as affected by any current or ongoing school facilities projects. The application shall set forth, in addition to the specific information requested:

1. Any change(s) in key district personnel effective since the Authority's determination of district capacity pursuant to N.J.A.C. 19:34B-2.3(a)4;
2. The school district's key project management personnel and their experience and qualifications;
3. The experience of the school district and its key project management personnel on school facilities projects and/or other capital projects similar in scope, size and complexity;
4. The existing school facilities projects currently under management by the school district for which a certificate of final completion has not been issued, the personnel staffing each such project, and any other information concerning those projects and whether the school district can accommodate and effectively manage the project activities proposed for delegation in addition to the existing projects being managed; and
5. Any other criteria deemed relevant by the Authority to an assessment of the school district's capacity to manage the proposed delegation.

(d) The Authority's project assessment committee shall evaluate a school district's application to determine whether the school district possesses the ability to manage the delegable portions of a particular school facilities project.

1. With respect to the committee's evaluation of whether the school district possesses the ability to manage the delegable portions of a particular school facilities project, its determination shall be based upon the following factors:

- i. The project's size, scope and complexity, including, but not limited to, environmental remediation, scheduling, project phasing, construction management and any other project-related responsibilities that the Authority determines in its sole discretion to be relevant to its capacity determination;
- ii. The current ability of the school district to manage the delegable portions of the particular school facilities project, considering the district's commitment of staff or resources to existing school facilities projects then under district management;
- iii. The experience and qualifications of key project management personnel to manage the delegable portions of a particular school facilities project;
- iv. The delegation, as determined by the Authority in its sole discretion, is in the best interests of the school facilities project; and
- v. Any other factor deemed relevant by the Authority to an assessment of the school district's capacity to manage the proposed delegation.

2. Each member of the project assessment committee shall review and evaluate the application submitted pursuant to this section and in accordance with the evaluation criteria in (d)1 above. The committee may require a meeting with an applicant SDA school district to review additional clarifying technical and/or organizational information.
3. If the project assessment committee determines that an SDA school district lacks the capacity to manage the delegable portions of a particular school facilities project, the district's application shall be denied, and the Authority will promptly notify the school district in writing of the reasons for its denial. The Authority will thereafter*, **in conjunction with the Commissioner***, devise and offer the SDA school district a proposed training program, if the reason for the denial is of the type that can be remedied with training. Such training program shall be designed to provide the district with technical assistance intended to address any identified deficiencies and/or increase the district's capacity to manage facilities projects of the type for which it sought delegation, but was denied. The proposed training program may include, but is not limited to, training in the following areas:
 - i. Financial, accounting, and budgeting;
 - ii. Planning;
 - iii. Procurement and/or prequalification;
 - iv. Evaluation of architectural plans;
 - v. Construction management;
 - vi. Documentation of best practices; and/or

vii. Governance and compliance.

4. If the Authority's project assessment committee determines that a school district has the capacity to manage the delegable portions of a particular facilities project, the school district shall be notified of such in writing and detail the portions of the school facilities project that have been approved for delegation.

19:34B-2.5 Requests for reconsideration and appeal

(a) Requests for reconsideration arising from decisions of the Authority pursuant to N.J.A.C. 19:34B-2.3 and 2.4 ***and any other determination of the Authority under this chapter***, shall be made in writing within 30 days of the receipt of the Authority's decision, and an opportunity shall be given for an informal hearing on the papers, in person or via telephone with an Authority hearing officer or panel designated to review the matter. The determination of the Authority, based on the recommendation of the hearing officer or panel, shall be presented in a written decision. The determination of the Authority, based on the recommendation of the hearing officer or panel, shall be presented in a written decision ***within 30 calendar days of the conclusion of the hearing unless, due to the circumstances of the hearing, a longer time is required.**

1. **Informal hearings will be held, where feasible, within 14 business days of the receipt of the request.**
2. **Hearings will be heard, where practicable, by a hearing officer designated by the Chief Executive Officer, or his or her designee.**

3. In an informal hearing, the Authority may, in instances where public exigency exists, modify or amend the time frames or any other requirements provided in this section. In these instances, the Authority shall document, for the record, the rationale for such amendment and give adequate notice to the parties involved.

***(b) In the event of an adverse decision after an informal hearing under (a) above, or if a district determines not to seek an informal hearing, and providing further, that the dispute or controversy is a contested case, as defined in N.J.S.A. 52:14B-2(b), a district may request a formal hearing, within 60 days of the written decision resulting from the informal hearing or within 90 days of the determination of the Authority if an informal hearing is not sought.**

(c) Upon filing of the initial pleading in a contested case, the Board of the Authority may by resolution either retain the matter for hearing directly or transmit the matter for hearing before the Office of Administrative Law. Such hearings shall be governed by the provisions of the Administrative Procedure Act, N.J.S.A. 52:14B-1 et seq. and 52:14F-1 et seq., and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1.

[(b)]* *(d) Every determination by the Authority of a dispute or controversy arising from this chapter, constituting final agency action by the Board, shall be embodied in a written decision which shall set forth findings of fact and conclusions of law.

SUBCHAPTER 3. EXECUTION OF GRANT AGREEMENT

19:34B-3.1 Applicability

This subchapter establishes the eligibility requirements and procedures and requirements of the Authority governing the execution of grant agreements pursuant to section 13.e of the Act. Any school district applying for a grant shall at a minimum conform with the requirements of this subchapter, as applicable.

19:34B-3.2 District execution of grant agreement and other conditions for delegation

(a) After the Authority has determined that a school district has the capacity to manage the delegated portions of a school facilities project, the Authority shall offer the grant agreement to the school district. The grant amount at the time of the offering of the grant agreement shall be based upon the CWE, pursuant to N.J.A.C. 19:34B-5.1.

(b) The school district shall execute the grant agreement within such period of time and pursuant to such terms and conditions as the Authority may determine in its sole discretion and return the grant agreement together with all applicable attachments to the Authority for execution by the Authority. Such terms and conditions shall include:

1. Delivery by the school district to the Authority of a certified copy of a resolution of the district board authorizing the execution and delivery of the agreement and proof of the district board's delegation of authority to the school

business administrator or other authorized officer for supervision of the delegated portions of the school facilities project;

2. Delivery by the school district to the Authority of confirmation that the district has obtained approval of its long-range facilities plan pursuant to N.J.A.C. 6A:26-2.3; and

3. Delivery by the school district to the Authority of a certificate executed by the school business administrator or other authorized officer as to the following:

- i. All adoptions and approvals required to be given by the school district or by any other governmental entity with respect to the agreement have been obtained;
- ii. The school district has full legal right, power and authority to enter into the agreement to consummate the transactions contemplated thereby; and
- iii. The grant agreement has been duly authorized, executed and delivered by the school district, and constitutes a valid and binding agreement of the district enforceable in accordance with its terms.

(c) The school district shall not assign the grant agreement or its rights to disbursements of the grant. The Authority may, at any time and in its sole option, assign the grant agreement to another instrumentality of the State.

19:34B-3.3 Authority execution of grant agreement for delegated demolition activities

(a) Upon the Authority's written approval of the bid specifications for demolition services for the school facilities project, which shall be drafted for procurement as a single overall contract (not multi-prime) under paragraph 2 of N.J.S.A. 18A:18A-18(b) of the PSCL, and upon the Authority's approval of the CWE for such demolition services, the Authority shall give the school district written authorization to seek bid proposals for demolition services in accordance with the PSCL. The school district shall include in its bid documents the statement that its ability to enter into a contract shall be contingent upon the receipt of an executed grant agreement from the Authority, ***and a statement that an extension of the time period for consideration of bids under N.J.S.A. 18A:18A-36 may be required,*** and shall include in the demolition services contract all of the requirements of N.J.A.C. 19:34B-6.3, as indicated. Once the bid proposals for the demolition services contract are received, the school district shall, within two business days of the receipt of bids, forward the bid proposals to the Authority for review.

(b) Upon the district's receipt of bids for the demolition services portion of the school facilities projects, and the subsequent forwarding of such bids to the Authority, the Authority shall use the bids received to revise its CWE for the delegated demolition services portion of the school facilities project, ***if warranted,*** and shall modify the grant amount accordingly ***if the CWE has been modified. The Authority shall prepare a proposed charter for the school facilities project if one has not already been approved by the Board of the Authority*.**

(c) After the Authority revises the CWE for demolition services*[, and following]*
based on the bids, Authority staff shall submit any proposed or revised charter for the project to the Authority Board for approval, if there is no approved charter, or if the existing charter must be modified as a result of a CWE revision. Following
 approval of the project charter by the Board of the Authority, the Authority shall execute the grant agreement and issue a written authorization to the district to proceed with the engagement of a contractor for the demolition services portion of the school facilities project, in accordance with N.J.A.C. 19:34B-6. ***The Authority shall endeavor to complete all reviews and approvals under this section, and to issue to the district an authorization to proceed, if approved, within 60 days of the district's receipt of bids. If the Authority determines that additional time is needed to secure the necessary reviews and approvals, the Authority shall notify the district before expiration of the 60-day period, so that the district may request that bidders agree to extend the time for consideration of bids for an additional period.***

19:34B-3.4 Authority execution of grant agreement for delegated construction activities

(a) Upon the Authority's written approval of the bid specifications for construction of the school facilities project, which shall be drafted for procurement as a single overall contract (not multi-prime) under paragraph 2 of N.J.S.A. 18A:18A-18(b) of the PSCL, and upon the Authority's approval of the CWE, the Authority shall give the school district written authorization to seek bid proposals for construction in accordance with the PSCL. The school district shall include in its bid documents the statement that its ability to enter into a contract shall be contingent upon the receipt of an executed grant

agreement from the Authority, ***and a statement that an extension of the time period for consideration of bids under N.J.S.A. 18A:18A-36 may be required,*** and shall include in construction contract all of the requirements of N.J.A.C. 19:34B-6.3, as indicated. Once the bid proposals for the construction contract are received, the school district shall, within two business days of the receipt of bids, forward the bid proposals to the Authority for review.

(b) Upon the district's receipt of bids for the construction phase of the school facilities projects, and the subsequent forwarding of such bids to the Authority, the Authority shall use the bids received to formulate its recommendation of final eligible costs of the school facilities project, which recommendation shall be submitted to the Department for determination of final eligible costs, pursuant to N.J.A.C. 6A:26-3.5.

(c) For school facilities projects without a local share, after the Authority receives a final project report evidencing final eligible costs, and following approval of the project charter by the Board of the Authority, the Authority shall execute the grant agreement and issue a written authorization to the district to proceed with the engagement of a contractor for the construction of the school facilities project, in accordance with N.J.A.C. 19:34B-6.

(d) In the event that a school facilities project subject to delegation includes excess costs or other costs that must be borne by the district as a local share, the Authority shall not execute the grant agreement until the district provides the following evidence that the

local share has been approved in accordance with the provisions for the approval of capital projects pursuant to N.J.S.A. 18A:22-1 et seq., 18A:24-1 et seq., and 18A:7A-46.1 et seq., as applicable to the district pursuant to N.J.S.A. 18A:7G-11 and N.J.A.C. 6A:26-3.7.

1. If the local share is funded all or in part through the issuance of school bonds, a certified copy of the referendum that the school district submitted to the voters for approval of the local share evidencing proof of voter approval of the local share; or
2. If the local share is funded through sources other than school bonds, such as the capital reserve account or lease purchase, the school district shall obtain approval of local share in accordance with N.J.A.C. 6A:26-3.7 and any statutory and regulatory authorities specifically governing that source of local share, such as N.J.S.A. 18A:20-4.2(f) and 18A:7G-31, and N.J.A.C. 6A:26-8.1 and 10.
3. Upon receipt by the Authority of evidence of approval of the local share, the Authority shall execute the grant agreement and the Authority and the school district shall proceed in accordance with (c) above.
4. If the school district fails to submit evidence that the local share has been approved, the Authority shall not issue an authorization-to-proceed with engagement of a contractor and the school district shall not proceed with the engagement of a contractor or the commencement of construction. The Authority's approval to delegate portions of the school facilities project shall be rescinded if a district fails to obtain approval of the local

share while the winning construction bid upon which the final eligible costs are based is still valid.

5. In the event a district fails to obtain approval of the local share and the Authority's approval is rescinded, and, further, in the event that the district fails to evidence diligent and good faith efforts to obtain the local share, the district shall be obligated to refund to the Authority any moneys disbursed to the district under the agreement.

(e) The Authority shall endeavor to complete all reviews and approvals under this section, and to issue to the district an authorization to proceed, if approved, within 60 days of the district's receipt of bids. If the Authority determines that additional time is needed to secure the necessary reviews and approvals, the Authority shall notify the district before expiration of the 60-day period, so that the district may request that bidders agree to extend the time for consideration of bids for an additional period.

SUBCHAPTER 4. ASSIGNMENT OF CONTRACTS

19:34B-4.1 Conditions for assignment

(a) Upon the offer of the grant agreement, the Authority shall take all necessary steps to assign the contracts or portions of contracts relating to those aspects of the school facilities project that the Authority has determined to delegate to the school district. In furtherance of such assignments, the Authority shall provide the school district with the following:

1. An assignment and assumption agreement for the contracts or portions thereof pertaining to the delegated aspects of the school facilities project;
2. A copy of all other contractual documents, between the Authority and the design consultant, construction contractor(s), the construction manager and any other contracted party;
3. All design documents for the school facilities project; and
4. Any other documentation determined by the Authority to be necessary for the assignment.

(b) The school district shall execute the agreement(s) for assignment and assumption within such period of time and pursuant to such terms and conditions as the Authority may determine in its sole discretion, and return the agreement together with all applicable attachments to the Authority for execution by the Authority. Such terms and conditions shall include:

1. Delivery by the district to the Authority of a certified copy of a resolution of the district board authorizing the execution and delivery of the agreement for assignment and assumption; and
2. Delivery by the district to the Authority of a certificate executed by the school business administrator or other authorized officer as to the following:

- i. All adoptions and approvals required to be given by the district or by any other governmental entity with respect to the agreement for assignment and assumption have been obtained;
- ii. The district has full legal right, power and authority to enter into the agreement for assignment and assumption to consummate the transactions contemplated thereby; and
- iii. The agreement for assignment and assumption has been duly authorized, executed and delivered by the district, and constitutes a valid and binding agreement upon the district enforceable in accordance with its terms.

19:34B-4.2 Assignment of specific contracts and Authority execution

(a) Upon the offer of the grant agreement, the Authority shall take all necessary steps to assign the construction administration and project close out portion of the design consultant contract to the SDA school district, in accordance with the grant agreement and N.J.A.C. 19:34B-4.1, upon the Authority's approval of the completed bid specifications.

(b) If the Authority has engaged a construction manager for the project, the Authority shall, at the time of offer of the grant agreement, take all necessary steps to assign the construction manager contract to the SDA school district, in accordance with the grant agreement and N.J.A.C. 19:34B-4.1.

(c) Upon receipt of the executed agreement(s) for assignment and assumption from the school district in accordance with N.J.A.C. 19:34B-4.1(b), the Authority shall execute the agreement for assignment and assumption, thereby granting and assigning to the school district all liabilities, duties and obligations of the Authority arising out of or relating to the assigned contract or portion thereof, from the date of the agreement for assignment and assumption forward.

SUBCHAPTER 5. DISBURSEMENTS AND ADJUSTMENTS OF THE GRANT

19:34B-5.1 Grant amount

(a) At the time the grant agreement is offered to the school district and the Authority, the grant for the delegated portions of the school facilities project shall become effective and shall constitute an obligation of moneys in the amount and for the purposes set forth in the grant agreement.

(b) At the time of execution of the grant agreement by the district, the grant amount shall equal the State share of the costs of the delegated portions of the school facilities project, as informed by the CWE calculated by the Authority. The grant amount shall thereafter be adjusted:

1. In accordance with, and upon approval of the final eligible costs, if the grant agreement is for delegation of construction; or
2. Upon the revision of the CWE in accordance with the award of a contract for demolition and/or construction management.

(c) The grant may be further adjusted in accordance with N.J.A.C. 19:34B-5.2.

(d) The grant shall be used only to pay for approved costs as specified in the grant agreement and this chapter.

19:34B-5.2 Adjustments to the grant

(a) During the term of the grant agreement, the grant may be adjusted to reflect any changes in, or increased costs of, the school facilities project that have been approved by the Authority, and the final grant amount shall equal the grant amount determined in accordance with N.J.S.A. 19:34B-5.1(b), plus the costs of any additional amounts approved by the Authority pursuant to this section.

(b) If, during demolition services or the construction of the school facilities project, a school district determines that a change in the work or an increase in costs is required, or additional services are required, the following shall apply:

1. Any proposed or contemplated change in the work or increase in services, regardless of the cost, shall be submitted to the Authority for review and prior approval before commencement or execution of any work constituting a change in the work, or commencement of any additional services.

2. Any proposed or contemplated change in the work, regardless of the cost, which affects the number, configuration, size, location or use of the educational spaces, or the square footage of the project, shall be submitted to the Department for approval in accordance with Department rules with simultaneous notification to the Authority.

(c) Only upon receipt of a written authorization from the Authority to proceed with a change in the work or with additional services, may the school district authorize the contracted party to proceed with additional services pursuant to an amendment (if the contracted party is a consultant) or to proceed with a change order for a change in the work (if the contracted party is a contractor). Disbursement of grant funds for any additional services or change in the work performed by a consultant or contractor prior to Authority approval of such additional services or change in the work shall be at the risk of the district and the contracting party.

(d) After receipt by the Authority of the final project report, and the calculation of final eligible costs, the school district shall be responsible for:

1. The local share, if applicable;
2. The costs associated with any changes to the scope of the school facilities project, unless the school district provides evidence satisfactory to the Authority that the scope change or the amendment and/or change in the work underlying such scope change was the result of factors that were beyond the control of the school district; and

3. The costs associated with any unauthorized changes in the work, any unauthorized additional services, and any changes in the scope of the project that are not approved by both the Department and the Authority.

19:34B-5.3 Disbursements

(a) Disbursement of grant funds shall be made as set forth in N.J.A.C. 19:34B-5.4(d).

Total disbursements shall not exceed the grant amount.

(b) Prior to the Authority's initial disbursement of grant funds, the school district shall establish an account with the State of New Jersey Cash Management Fund, created pursuant to N.J.S.A. 52:18A-90.4, for the deposit of grant disbursements made by the Authority pursuant to N.J.A.C. 19:34B-5.3(d). The school district shall be prohibited from withdrawing, encumbering or otherwise spending the interest earnings on this account, and shall transmit all interest earned on the account to the Authority on an annual basis and upon final completion of the school facilities project.

(c) No disbursement of grant funds shall be made until the Authority receives the following documentation in support of the disbursement request, which shall include:

1. Invoices with a complete description of the costs incurred;
 2. Payment vouchers signed by an authorized officer of the district relating to payment of funds from the prior disbursement;
 3. Submission of acceptable documentation of required insurance coverages;
- and

4. Completion to the satisfaction of the Authority of certifications or checklists as required by the grant agreement.

(d) The following is the disbursement schedule as may be amended from time to time by the Authority:

1. The first disbursement of the grant in the amount of 15 percent of the grant shall be made simultaneous with the execution of the grant agreement.
2. Following the first disbursement, the Authority shall make disbursements to the school district on a monthly basis, upon submission to the satisfaction of the Authority of a request for disbursement, accompanied by documentation satisfactory to the Authority, as set forth in (c) above.

(e) Upon final completion, the school district shall prepare and submit to the Authority, for review and approval, a request for disbursement together with the final completion checklist in the form attached to the grant agreement. Upon approval, the Authority shall disburse the balance of the funds due and owing under the grant agreement.

(f) The Authority shall not be under any obligation to make disbursements of the grant unless:

1. The grant agreement has been duly executed and delivered by the parties thereto;
2. No event of default or noncompliance, nor any event which with the passage of time or service of notice would constitute an event of default or

noncompliance, shall have occurred and shall be continuing at the time of the request for disbursement; and

3. All of the conditions precedent to the request for disbursement, as required by the grant agreement, have been discharged completely and to the full satisfaction of the Authority.

19:34B-5.4 Closeout procedures

(a) Closeout shall occur when all applicable administrative actions and all required work have been completed by the school district. This process shall include the steps enumerated below:

1. In the event there are grant proceeds which have not been expended on approved costs, such unexpended grant proceeds shall be released to the Authority and the amount of the grant shall be reduced by the amount of the unexpended proceeds.
2. Any proceeds of school bonds issued by the district for the purposes of funding the local share of the school facilities project which remain unspent upon completion of the school facilities project shall be used by the district to reduce the outstanding principal amount of the school bonds either through redeeming bonds at the earliest call date or applying such proceeds to payment of principal as principal becomes due. In no event shall such proceeds be utilized to pay the interest expense on the school bonds issued for any school facilities project.

3. The district shall refund to the Authority any grant funds spent on any costs which were disallowed by the Authority as not being approved costs. Such refund shall be made within 30 days of the request by the Authority.
4. The district shall remit to the Authority any remaining interest earned pursuant to N.J.A.C 19:34B-5.3(b) upon final completion of the school facilities project.
5. If a final audit has not been performed on behalf of the district prior to closeout of the school facilities project, the Authority retains the right to recover any appropriate amount after full consideration of any recommendation on disallowed costs resulting from the final audit.
6. The Authority may require additional information from the district or its consultants and contractors and/or retain any grant amount not disbursed until closeout is completed.

SUBCHAPTER 6 PROCUREMENT AND AWARD OF CONTRACTS BY DISTRICT

19:34B-6.1 General requirements for district procurements

(a) Upon the Authority's issuance to the school district of an authorization to proceed with the engagement of a contractor or consultant, the district shall proceed to engage the contractor or consultant to undertake work or services for the school facilities project. Payment by the district for any work or services performed by a contractor or consultant prior to the Authority's written approval for the engagement of the contractor or consultant shall be at the risk of the district and the contractor or consultant.

(b) The district shall procure and award all contracts for the school facilities project in accordance with N.J.S.A. 52:15C-10 and the PSCL and the rules issued pursuant thereto. The district shall utilize the bid specifications prepared by the Authority in the procurement of contracts for the school facilities project, as well as any contract documents or contract provisions required by the Authority as indicated in these regulations or the grant agreement.

(c) The district shall provide notices to the State Comptroller pursuant to the requirements of N.J.S.A. 52:15C-10 concerning the timing of the procurement process relative to the award of contracts.

(d) When procuring contracts pursuant to a delegable portion of a school facilities project, the district shall designate a portion of the contract amount to be set aside for award to subcontractors who qualify as small business enterprises, in accordance with the PSCL, N.J.S.A. 18A:18-52(c) and 18A:18-53, and the Set Aside Act, N.J.S.A. 52:32-17 et seq. This set-aside goal shall be attained by including language in the contract requiring the contracted party to award a 25 percent portion of the contract amount to subcontractors or subconsultants constituting “small businesses” or “small business enterprises” as defined by N.J.S.A. 18A:18-51(d), N.J.S.A. 52:32-19 and N.J.A.C. 17:14-1.2. The 25 percent portion of the contract shall be allocated among several subcontractors of various levels in accordance with the requirements of N.J.A.C. 17:14-4.1(a). The district shall require the contracted party to make a good faith effort to

comply with the set-aside requirement, and the contracted party's compliance with this set-aside requirement shall be monitored by the Authority for good faith compliance.

19:34B-6.2 Prohibition of award to debarred or suspended contractors and consultants

(a) The district and its consultants or contractors shall not enter into a contract for work with any person or firm that has been debarred, suspended or disqualified from State, Authority or Federal government contracting.

(b) The district shall insert in all contracts with all contracted parties, and all contractors and consultants shall insert into all of their contracts with all subcontractors and subconsultants, a clause stating that the contracted party, its subcontractors or subconsultants may be debarred, suspended or disqualified from contracting and/or working on the approved school facilities project if the contracted party commits any of the acts listed in N.J.A.C. 17:19-3 or any applicable regulation issued by the Authority.

(c) The district's bid specification for any work or services on an approved school facilities project shall require all bidders to submit a sworn statement by the bidder, or an officer or partner of the bidder, indicating whether or not the bidder is, at the time of the bid, included on the State Treasurer's, the Authority's or the Federal government's list of debarred, suspended or disqualified bidders as a result of action taken by any State or Federal agency, as the case may be. Bid specifications for the approved school facilities project shall state that the district shall immediately notify the Authority in writing whenever it appears that a bidder is on the Treasurer's, the Authority's or the Federal

government's list. The Authority reserves the right in such circumstances to immediately suspend such bidder from contracting and/or engaging in work or services on the approved school facilities project and to take such other action as it deems appropriate pursuant to N.J.A.C. 17:19-3 or any applicable regulation issued by the Authority.

19:34B-6.3 General requirements for district contracts

(a) All contractors and consultants with whom the district contracts, and their subcontractors and subconsultants, must be prequalified by the Authority if such prequalification would be required for the performance of similar work on an Authority-managed school facilities project.

(b) The district shall submit proof to the Authority that it and any contracted party shall comply with all insurance requirements of the grant agreement and, when appropriate, shall certify that the insurance is in full force and effect and that the premiums have been paid.

(c) The district shall require the provision of performance bonds or other security pursuant to N.J.S.A. 18A:18A-25.

(d) The district shall not take any action or omit to take any action that would result in the loss of the exclusion of the interest on any NJEDA bonds from Federal gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.

(e) The following requirements shall apply to contracts awarded by the district in connection with the school facilities project:

1. The district shall include the following statements in each contract awarded by the district in connection with the school facilities project:
“This contract or subcontract is or may be funded in part with funds from the New Jersey Schools Development Authority. Neither the State, the New Jersey Schools Development Authority, the New Jersey Economic Development Authority, nor any of their departments, agencies, board members or employees is or will be a party to this contract or subcontract or any lower tier contract or subcontract, with the exception of the New Jersey Schools Development Authority, which shall only become a party to this contract upon a legally executed assignment of the contract to the SDA. This contract or subcontract is subject to the requirements contained in N.J.A.C. 19:34B and the contractor (subcontractor) (consultant) (subconsultant) agrees to comply with those requirements.”
2. The district shall include a provision in each contract awarded by the district in connection with the school facilities project which states that the contract is assignable by the district to the Authority.
3. The district shall include a provision in each contract awarded by the district in connection with the school facilities project which states that the contract is terminable for convenience as well as for cause.

4. The district shall include a provision in each contract awarded by the district in connection with the school facilities project which requires the contracted party to comply with the anti-discrimination provisions of N.J.S.A. 10:2-1 et seq., the New Jersey Law Against Discrimination, N.J.S.A. 10:5-1 et seq., N.J.A.C. 17:27 and N.J.A.C. 6:4-1.6. The district and its contracted parties shall in addition agree by contract and guarantee to afford equal opportunity in the performance of the contracts in accordance with an affirmative action program approved by the State Treasurer. The district shall require its contracted parties to submit affirmative action workforce documentation to the Authority, in the form and manner specified by the grant agreement, for monitoring of the contracted party's compliance with state affirmative action workforce compliance goals under N.J.A.C. 17:27-7.3. The district shall further permit, and require its contracted parties to permit, the Authority's representatives to have access to the project site in order to allow Authority to inspect and monitor the contracted party's compliance with the affirmative action workforce compliance goals. The NJSDA's authority to monitor workforce compliance is in accordance with the NJSDA's independent monitoring and enforcement authority for school facility projects in SDA Districts under N.J.S.A. 52:18A-240 and the Act, as recognized by the Division of Contract Compliance and Equal Employment Opportunity in the Department of Treasury.

5. The district shall include a provision in each contract awarded by the district in connection with the school facilities project which requires the contracted party to enter into certifications at the times and in the manner specified by the Authority in the grant agreement. Such certifications may include a certification by a consultant or a contractor upon award of contract, or certifications upon substantial or final completion of the work or services under a given contract.
6. The district shall include in all contracts for construction or demolition services provisions requiring that the contractor and its subcontractors, as applicable, shall comply with the New Jersey Prevailing Wage Act, N.J.S.A. 34:11-56.25 et seq. The district shall not hire any contractor, and shall not permit a contractor to hire a subcontractor, to perform any construction work or demolition services if such contractor or subcontractor is listed or is on record in the Office of the Commissioner, Department of Labor and Workforce Development, as having failed to pay prevailing wages in accordance with the provisions of the New Jersey Prevailing Wage Act.
7. Any construction contract or demolition services contract funded in whole or in part by a Federal grant or appropriation requiring compliance with the Davis-Bacon Act, 40 U.S.C. §§ 3141 through 3148, and the regulations promulgated thereunder (the "Davis-Bacon Act"), including construction or demolition contracts funded through the issuance of Qualified School Construction Bonds under the American Recovery and

Reinvestment Act of 2009 (see 26 U.S.C. § 54F), shall require compliance with and shall include provisions as required by the Davis-Bacon Act. The district shall be responsible to monitor and assure compliance with applicable Davis-Bacon Act requirements.

(f) The Authority may impose such other conditions as may be necessary and appropriate to implement the laws of the State and effectuate the purpose and intent of the Act.

19:34B-6.4 District procurement of construction manager

(a) In the event that the Authority has not engaged a construction manager for the project prior to the execution of the grant agreement, and upon the Authority's issuance to the school district of an authorization to proceed with the procurement of a construction manager, the district shall seek to procure a construction manager pursuant to the terms of the PSCL.

(b) The construction manager with whom the district contracts, and its subconsultants, must be prequalified by the Authority if such prequalification would be required for the performance of similar services on an Authority-managed school facilities project.

(c) The school district shall include in its bid documents the statement that its ability to enter into a contract shall be contingent upon the receipt of an executed grant agreement from the Authority.

(d) The district shall procure and engage the construction manager utilizing the form of construction manager agreement prepared by the Authority. The district shall forward to the Authority all proposals received from prospective construction manager firms for review and approval. Upon approval by the Authority of the district's selection of a construction manager, and upon the Authority's approval of the proposed fee for the construction manager as an approved cost, the grant shall be adjusted to include the amount of the construction manager's fee.

19:34B-6.5 Remediation services as part of construction contract

(a) The Authority shall perform any necessary remediation to prepare a site for construction. The Authority may also delegate to the district, in accordance with N.J.A.C. 19:34B-2.3, certain remediation services or activities that are necessary to be undertaken during the construction of the school facilities project. All such remediation services or activities delegated to the district shall be performed under the supervision of a Licensed Site Remediation Professional retained by the Authority, and shall be consistent with the Remedial Action Work Plan for the property.

(b) If the Authority determines to delegate remediation services to the district as part of the construction contract, the district shall comply with any and all local, State, and Federal standards or requirements for the performance of such activities, and shall be responsible for obtaining all reports and any required governmental approvals and/or permits.

(c) The district shall be responsible for, and shall require its contractors to be responsible for, documenting and tracking the nature and costs of any remediation services performed by contractors or consultants engaged or managed by the district. Such remediation services shall be documented and tracked separately from other construction activities and costs, and shall be tracked with reference to the lot and block designation of the parcels on which such remediation activities occur. Where remediation activities extend beyond the boundaries of a single tax lot, the costs of such activities shall be apportioned between the affected tax lots, and documented and tracked accordingly.

19:34B-6.6 Remediation services as part of demolition services contract

(a) Upon the Authority's determination, in accordance with N.J.A.C. 19:34B-2.3, to delegate demolition services, if the services delegated include the removal of an underground storage tank, the Authority may either undertake or delegate to the district the associated remediation of soil impacted by a discharge from the tank. All such remediation services or activities ***delegated to the district and occurring during demolition activities in advance of construction of the school facilities project*** shall be performed under the supervision of a Licensed Site Remediation Professional retained by the Authority, and shall be consistent with the Remedial Action Work Plan for the property. ***Remediation activities that are necessary as part of long-term stewardship obligations of the district as owner of the project site, and which occur after the completion of construction and either the Authority's transfer of occupancy to the district or after the transfer of the project site property to the**

district, shall be performed under the supervision of a Licensed Site Remediation Professional retained by the district.*

(b) If the Authority determines to delegate remediation services to the district as part of the demolition services contract, the district shall comply with any and all local, State, and Federal standards or requirements for the performance of such activities, and shall be responsible for obtaining all reports and any required governmental approvals and/or permits.

(c) The district shall be responsible for, and shall require its contractors to be responsible for, documenting and tracking the nature and costs of any remediation services performed by contractors or consultants engaged or managed by the district. Such remediation services shall be documented and tracked separately from other construction activities and costs, and shall be tracked with reference to the lot and block designation of the parcels on which such remediation activities occur. Where remediation activities extend beyond the boundaries of a single tax lot, the costs of such activities shall be apportioned between the affected tax lots and documented and tracked accordingly.

SUBCHAPTER 7. DISTRICT MANAGEMENT OF THE DELEGATED PORTION OF THE SCHOOL FACILITIES PROJECT

19:34B-7.1 General requirements

(a) The district shall, with all due diligence, proceed to manage the delegated portion of the school facilities project in accordance with the plans and specifications, as applicable. The school facilities project shall be constructed in conformity with the New Jersey Uniform Construction Code, N.J.A.C. 5:23, and the Department's rules governing educational facility planning standards at N.J.A.C. 6A:26-6.2.

(b) The district shall continually monitor the performance of the delegated portion of the school facilities project to ensure that time schedules and the grant budget are being met and that the completion of the delegated portion of the school facilities project will occur in a timely, efficient and cost-effective manner.

(c) The district shall supply to the Authority certain certifications in the form and at the times specified in and required by the grant agreement. Such certifications may include, without limitation: certifications by the school business administrator upon either award of a contract or substantial or final completion of the construction contract or both; tax certifications by the district as may be required by the Authority or the NJEDA to ensure the tax-exempt status of NJEDA bonds; and such other certifications as may be specified in the grant agreement.

(d) In the event that a contracted party defaults under any contract, or in the event of a breach of warranty with respect to any contract, the district shall reasonably exhaust the remedies against the defaulted contracted party and against each such surety for the performance of such contracts.

19:34B-7.2 Avoidance and redress of fraud and other unlawful or corrupt practices

(a) The district shall administer monies pursuant to this chapter, the grant agreement and any contracts entered into in connection with a school facilities project free from bribery, graft and corrupt practices. The district has the primary responsibility for the prevention, detection and cooperation in the prosecution of any such conduct. The Authority shall have the right to pursue administrative or other legally available remedies in the event it suspects the occurrence of such conduct.

(b) The district shall diligently pursue judicial and administrative remedies and take any other appropriate remedial action with respect to any allegations or evidence of such illegality or corrupt practices. The district shall immediately notify the Authority and the State Comptroller in writing when any such allegation or evidence comes to its attention and shall periodically advise the Authority and the State Comptroller in writing of the status and ultimate disposition of any related matter.

19:34B-7.3 Performance evaluation policy and procedure

The Authority may establish and maintain a consultant and contractor performance evaluation policy and procedure. The performance of any consultants and contractors engaged by the school district for the delegated portion of the school facilities project shall be evaluated by the district at the times and in the form and manner specified by the Authority. This evaluation shall consider, among other things, the consultant's and contractor's ability to deliver and complete the school facilities project within the

specified time frame established by the construction contract, within the final eligible costs and local share, if any, as determined by the Department, and consistent with the requirements of the contracts.

19:34B-7.4 Disclosure and publicity

(a) Submissions received by the Authority under this chapter which are government records as defined in the Open Public Records Act, P.L. 2001, c. 404, shall be made available to persons who request their release as provided by State law.

(b) Press releases and other public dissemination of information by the school district concerning the school facilities project shall acknowledge Department approval and Authority financial assistance when such assistance is provided.

19:34B-7.5 Access and record retention

(a) The Authority and the district shall make available records and accounts pertaining to school facilities projects undertaken by the school district to the State Comptroller and the State Auditor in their investigations, examinations and inspections of the activities related to the financing and undertaking of school facilities projects. The Authority shall also cooperate, upon request, in sharing information with other entities.

(b) The school district shall keep those records and accounts and shall require all contracted parties to keep those records and accounts for the school facilities project activities as necessary in order to evidence compliance with the Act and all applicable

regulations and requirements. Such records shall be retained for 10 years following substantial completion of the school facilities project and any additional period required for the resolution of litigation, claims or audit findings.

(c) The Authority shall keep those records and accounts and shall require all contracted parties to keep those records and accounts for the school facilities project as necessary in order to evidence compliance with the Act and all applicable regulations and requirements. Such records shall be retained for 10 years following completion of the school facilities project and any additional period required for the resolution of litigation, claims or audit findings.

RESOLUTION—6ci.**Resolution Adopting Rules as Modified by the Previously Approved Notice of Proposed Substantial Changes upon Adoption,
N.J.A.C. 19:34B**

WHEREAS, on September 1, 2010, the Members of the New Jersey Schools Development Authority (“Authority” or “SDA”) approved for proposal and publication new regulations for the Delegation of School Facilities to be codified in the Administrative Code as Title 19, Chapter 34B (the “Rules”); and

WHEREAS, the Rules establish requirements, standards and procedures for the Authority’s delegation of school facilities projects to SDA School districts by implementing Section 13.e of the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, as amended by section 24 of P.L. 2007, c. 137 (collectively, the “Act”); and

WHEREAS, Section 13.e of the Act provides that the Authority shall promulgate rules by which it shall determine the capacity of an SDA school district (“school district” or “SDA district”) to manage a school facilities project or projects after the school district has been found by the Commissioner of Education to be eligible for Authority consideration; and

WHEREAS, a Notice of Proposal promulgating the proposed new Rules was published in the October 18, 2010 edition of the New Jersey Register at 42 N.J.R. 2380 (a), and established a 60-day public comment period; and

WHEREAS, in response to certain public comments, SDA Management sought the Members’ approval to modify the original Rule text through a Notice of Proposed Substantial Changes Upon Adoption for Proposed New Rules (hereinafter, “Notice of Substantial Changes”), which was approved for publication by the Members of the Authority on July 6, 2011, and published in the September 6, 2011 edition of the New Jersey Register at 43 N.J.R. 2288(a); and

WHEREAS, the changes to the original Rule proposal described in the Notice of Substantial Changes sought to balance the Authority's interests in providing a local school district with the opportunity to manage a school facilities project after it has demonstrated its capacity to do so, while ensuring that costs, project efficiencies and project controls are maintained, and to facilitate working with school districts to develop capacity when required; and

WHEREAS, the comments received in response to both the Notice of Proposal and the Notice of Substantial Changes to Rule Proposal, are summarized in the Memorandum presented to the Board on this date and incorporated herein and set forth in detail in the attached proposed Notice of Adoption for the New Rules; and

WHEREAS, the Members of the Authority are now requested to approve the completion of the adoption process for the Rules as initially proposed and subsequently modified by the previously-approved Notice of Proposed Substantial Changes upon Adoption for Proposed New Rules.

NOW THEREFORE, BE IT RESOLVED THAT, the Board approves the completion of the adoption process for the N.J.A.C. Title 19, Chapter 34B Rules as initially proposed and subsequently modified by the previously-approved Notice of Proposed Substantial Changes upon Adoption for Proposed Rules, consistent with the proposed Notice of Adoption and Memorandum presented to the Board on April 4, 2012 and attached hereto.

BE IT FURTHER RESOLVED, that the Board approves the filing of the N.J.A.C. 19:38B Rules with the Office of Administrative Law (“OAL”), subject to review and possible technical revision by OAL.

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, Adoption of New Rules for Delegation of School Facilities Projects,
N.J.A.C. 19:34B, dated April 4, 2012

Dated: April 4, 2012

MONTHLY REPORTS
(For Informational Purposes)

ACTIVE STATUS REPORT



STATE OF NEW JERSEY
SCHOOLS DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: April 4, 2012

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

The 1st section of the report includes a 2011 Capital Program Activities Summary.

The 2nd part of the report displays project completion milestones for all other major capital projects and emergent projects.



2011 Capital Program Activities Summary

as of 3/15/2012

District	Project	Grade Alignment	Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Elizabeth	Academic HS	9-12	1,091	\$81.5	Existing Design	Approval of Award for Phase 1 advanced to March 2012 Board. Final Preparation for Phase 2 Construction Procurement.	12/8/2011
Long Branch	Catrambone ES	PK-5	817	\$40.2	Existing Design	Advertised for Building Construction. Technical and Price Proposals - 3/9/12. Bid Opening 3/20/12.	12/20/2011
Bridgeton	Cherry St. ES	K-8	591	TBD	TBD	Scoping Conversations with Working Group (DOE/SDA/District).	TBD
Jersey City	ES 3	PK-5	814	\$67.3	Kit of Parts Candidate	Site Investigations ongoing. Design Development.	2 QTR 12
Jersey City	PS 20	K-5	628	\$54.6	Existing Design	Site Investigations ongoing. Design Development.	2 QTR 12
New Brunswick	Redshaw ES	K-5	670	\$49.3	Kit of Parts Candidate	Site Investigations ongoing. Design Development.	2 QTR 12
Newark	Oliver St. ES	TBD	TBD	TBD	Kit of Parts Candidate	Site Investigations ongoing. Design Development.	2 QTR 12
Paterson	Marshall St. ES	K-8	650	\$42.5	Existing Design	Site Investigations ongoing.	2 QTR 12
Paterson	PS 16	PK-8	651	\$61.7	Kit of Parts Candidate	Site Investigations ongoing. Land acquisition and related activities ongoing. Design Development.	1 QTR 12
West New York	Harry L. Bain PS 6	PK-6	736	TBD	TBD	Scoping Conversations with Working Group (DOE/SDA/District). Advertisement for demolition of existing structure on SDA owned site 2/27/12.	2/27/2012

*PLEASE NOTE - Projected Construction Advertisement Date reflects the first construction activity for the Project. Dates in the Past are ACTUAL.



Active Project Status Report

Report Date: 3/6/12

Major Capital Projects

#	District	Project Name	Project Scope	Project Status	Substantial Completion	Status Substantial Completion	Occupancy Date	Status of Occupancy Date	Total Estimated Project Cost
1	Elizabeth	Victor Mravlag ES	New Construction	Construction	Nov-12	On-target	Jan-13	On-target	\$ 45,464,204
2	Passaic City	New Henry Street ES	New Construction	Construction	Apr-14	On-target	Sep-14	On-target	\$ 40,250,458
3	Union City	New Columbus ES	New Construction	Construction	Jun-12	On-target	Sep-12	On-target	\$ 46,203,896
4	West New York	Public School #3	New Construction	Construction	Mar-12	On-target	May-12	On-target	\$ 66,303,105

Emergent Projects

#	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	Molina ES	HVAC & Roofing	Complete	Oct-11	Achieved	Mar-12	On-Target	\$ 3,110,783
2	Camden City	East Camden M.S.	HVAC	Design	Oct-12	On-Target	Dec-12	On-Target	\$ 3,158,761
3	East Orange	Cochran Academy	Roof & Ceilings	Complete	Jan-12	Achieved	Feb-12	Achieved	\$ 324,410
4	East Orange	Houston ES	Roof & Ceilings	Complete	Jan-12	Achieved	Feb-12	Achieved	\$ 762,227
5	East Orange	Warwick ES	Roof, Ceilings & Curtain Wall Repair	Complete	Dec-11	Achieved	Feb-12	Achieved	\$ 832,549
6	Irvington	Irvington HS	HVAC & Roofing	Pre-Development	Oct-12	On-Target	Dec-12	On-Target	\$ 2,840,625
7	Passaic City	School #6-MLK Jr.	Roofing	Complete	Mar-12	Achieved	Apr-12	On-Target	\$ 1,008,230
8	Paterson	PS #6	Windows	Pre-Development	Oct-12	On-Target	Dec-12	On-Target	\$ 792,899
9	Trenton	Trenton Central HS	Roofing	Construction	May-12	On-Target	May-12	On-Target	\$ 431,857

PROJECT CLOSEOUT STATUS REPORT



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

To: Members of the Authority
From: /s/ Jason E. Ballard, Chief of Staff
Date: April 4, 2012
Subject: Project Close Out Status Report

The attached report provides a listing of projects managed by the SDA, all of which have achieved school occupancy. The listing is further defined by year of occupancy and details those projects that are fully closed out and those which achieved building and/or land transfer to the district.

We continue to advance projects and contracts through the close out process. The following projects have been closed since the last Board Meeting:

Year of Occupancy	Project #	Project Type	District	School	Status
2009	1300-020-05-0ABT	Capital Plan	Egg Harbor	Spragg Elementary School	Closed
2009	0540-0202-02-0236	Capital Plan	Bridgeton	Bridgeton Senior High School-Media Center	Closed
2010	0590-N01-02-2219	Capital Plan	Buena	Buena Middle School	Closed

Marc Larkins executed the property deed for the following project:

District	School	Insurance Reduction
Camden	Henry Braid Wilson Elementary School	\$5,200

Prepared by: Ayisha Cooper
Reviewed by: Carol Petrosino
Bridget Capasso

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
Legacy	Orange	New Main St. ES	Closed		06/22/09	
Legacy	Elizabeth	Albert Einstein #29	Closed		09/16/09	
Legacy	Elizabeth	#44 aka #51	Closed		09/16/09	
Legacy	Jersey City	ECC #9 - School Site only	Closed		05/24/10	
Legacy	Jersey City	ECC #9 - Parking lot only	Closed		05/24/10	
Legacy	Vineland	Petway - ES #1	Closed		03/12/09	
Legacy	Vineland	MS #1 Thomas Wallace	Closed		03/12/09	
Legacy	Asbury Park	Bradley Primary	Closed		04/29/09	
Legacy	Neptune	Gables ES	Closed		04/30/09	
Legacy	Neptune	Neptune MS	Closed		04/30/09	
Legacy	Neptune	Summerfield ES	Closed		04/30/09	
Legacy	Trenton	Mott ES	Closed		05/07/09	
Legacy	Trenton	P. J. Hill ES	Closed		05/07/09	
Legacy	Bridgeton	Buckshutem Road ES	Closed		05/12/09	
Legacy	Vineland	Johnstone ES	Closed		05/20/09	
Legacy	Buena	Cleary MS	Closed		06/02/09	
Legacy	Woodlynne	Woodlynne ES	Closed		06/10/09	
Legacy	Neptune	Neptune ECC	Closed		10/31/06	
Legacy	Millville	Millville ECC	Closed		06/19/09	
Legacy	Trenton	Gregory ES	Closed		06/30/09	
Legacy	Millville	Lakeside MS	Closed		07/08/09	
Legacy	Neptune	Shark River Hills ES	Closed		07/13/09	
Legacy	Long Branch	New MS - Building	Closed		07/25/09	
Legacy	Long Branch	New Anastasia ES	Closed		10/23/09	
Legacy	Burlington City	Burlington City - Samuel Smith ES	Closed		11/24/09	
Legacy	Neptune	Neptune Township - Green Grove ES	Closed		11/27/09	
Legacy	Paterson	Panther Academy	Closed		08/15/11	
Legacy	Union City	Jose Marti MS Jose Marti MS Athletic Field	Closed		08/25/11	
Legacy	Neptune	HS Swing Space	Closed		10/21/11	
Legacy	Trenton	Joyce Kilmer	Closed		12/29/11	
Legacy	Garfield	Garfield ECC	Land and/or School Transferred	04/23/09		Contracts @ \$0 DEP Action Required
Legacy	East Orange	New - Langston Hughes Replacement	Land and/or School Transferred	08/03/09		Open contract(s)

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
Legacy	Phillipsburg	ECC	Land and/or School Transferred	08/18/09		Contracts @ \$0 Awaiting NFA - District action required
Legacy	Elizabeth	Dr. MLK Jr Center for ECC School # 52 aka ECC # 45	Land and/or School Transferred	09/16/09		Contracts @ \$0 DEP Action Required
Legacy	Plainfield	Clinton ES - Site only	Land and/or School Transferred	05/06/10		Open contract(s)
Legacy	Perth Amboy	ECC I - Ignacio Cruz	Land and/or School Transferred	06/17/10		Open contract(s)
Legacy	Trenton	Columbus ES	Land and/or School Transferred	04/03/09		Open contract(s)
Legacy	Gloucester City	Cold Springs ES	Land and/or School Transferred	06/05/09		Open contract(s)
Legacy	Manchester	Manchester - Manchester Township MS	Land and/or School Transferred	07/16/09		Open contract(s)
Legacy	Manchester	Whiting ES	Land and/or School Transferred	07/16/09		Open contract(s)
Legacy	Fairfield	New ES	Land and/or School Transferred	09/23/09		Open contract(s)
Legacy	Barnegat	Barnegat HS	Land and/or School Transferred	10/13/09		Open contract(s)
Legacy	East Orange	East Orange HS				
Legacy	East Orange	Wahlstrom ECC				
Legacy	Elizabeth	#31 Monsignor Joan Antao School				
Legacy	Elizabeth	#30 Ronald Reagan Academy				
Legacy	Gloucester City	JR SR HS				
Legacy	Jersey City	Freshman Academy - Lincoln HS				
Legacy	Jersey City	New ES #3 (Frank R. Conwell ES #3)				
Legacy	Jersey City	Jersey City MS # 4 (Frank R. Conwell MS # 4)				
Legacy	Manchester	Manchester Township HS				
Legacy	Newark	Science Park				
Legacy	Passaic	# 7, Grant, ES				
Legacy	Paterson	Roberto Clemente, ES				
Legacy	Perth Amboy	#10 ES - Dr. N. H. Ritchardson School				
Legacy	Plainfield	Hubbard MS				

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
Legacy	West New York	West New York MS				
Total Legacy Projects			57			
Legacy Closed Out			29			
Legacy Not Closed Out			28			
	Legacy Not Closed Out, Land & School Transferred		12			
2007	Irvington	Augusta ES	Closed		03/13/09	
2007	Irvington	Irvington - New Mt. Vernon, ES	Closed		03/13/09	
2007	Irvington	University Six School	Closed		03/13/09	
2007	Vineland	Vets Memorial	Closed		03/13/09	
2007	Trenton	Parker ES	Closed		03/13/09	
2007	Garfield	Garfield MS	Land and/or School Transferred	06/25/09		Open contract(s)
2007	Clark	Frank Hehny ES	Land and/or School Transferred	06/03/10		Open contract(s)
2007	Clark	Carl Kumpf MS	Land and/or School Transferred	06/03/10		Open contract(s)
2007	Clark	Arthur Johnson HS	Land and/or School Transferred	06/03/10		Open contract(s)
2007	Clark	Valley Road ES	Land and/or School Transferred	06/03/10		Open contract(s)
2007	Barneget	Brackman MS	Land and/or School Transferred	09/23/09		Open contract(s)
2007	Newark	1st Avenue ES	Land and/or School Transferred	09/28/11		Open contract(s)
2007	Burlington City	Wilbur Watt Intermediate School & Stadium Maintenance Bldg. (MB)	Land and/or School Transferred	07/01/11		Open contract(s)
2007	Burlington City	New HS*	Land and/or School Transferred	12/29/11		Open contract(s)
2007	Egg Harbor	Slaybaugh ES				
2007	Egg Harbor	Davenport ES				
2007	Harrison	New Harrison HS				
2007	Hoboken	Calabro ES # 4				
2007	Jersey City	Heights MS # 7				

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
2007	Long Branch	Gregory ES				
2007	New Brunswick	McKinley K Center #3				
2007	Union City	ECC @ JFK - Phase I (School only)				
2007	Union City	ECC @ JFK - Phase II (Schlemm) Parking/Playgrounds				
2007	West New York	#4				
Total 2007 Projects			24			
2007 Closed Out			5			
2007 Not Closed Out			19			
2007 Not Closed Out, Land & School Transferred			9			
2008	Elizabeth	Pre K-8 #27 Dr. Antonia Pontoja School	Closed		10/29/09	
2008	Asbury Park	T. Marshall Primary	Closed		04/29/09	
2008	Neptune	Midtown Community ES & Parking*	Closed	02/03/10	11/16/11	
2008	Egg Harbor	Oakcrest Regional, HS (Auditorium upgrade)	Land and/or School Transferred	06/02/09		All contracts at \$0, documentation in final review
2008	Barnegat	HS Addition	Land and/or School Transferred	10/13/09		Open contract(s)
2008	Barnegat	New Donahue, ES (aka Ronald Reagan)	Land and/or School Transferred	10/13/09		Open contract(s)
2008	Barnegat	Barnegat - Collins, ES	Land and/or School Transferred	07/12/10		Open contract(s)
2008	East Orange	Campus #9 CJ Scott HS				
2008	East Orange	Mildred Barry Garvin*				
2008	Jersey City	ES # 34				
2008	Long Branch	Long Branch - Athletic Fields & High School				
2008	Newark	Central HS				
2008	Paterson	International HS*				
2008	Paterson	#24 ES*				
2008	Plainfield	Emerson ES School Site only				
Total 2008 Projects			15			
2008 Closed Out			3			
2008 Not Closed Out			12			

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
2008 Not Closed Out, Land & School Transferred			4			
2009	Egg Harbor	Spragg ES	Closed		02/10/12	
2009	Bridgeton	Bridgeton HS Media Center	Closed		02/23/12	
2009	Newark	Park ES (aka North Ward Park ES)*	Land and/or School Transferred	02/24/10		Open contract(s) Awaiting NFA
2009	Camden	Camden ECDC*	Land and/or School Transferred	11/04/09		Open contract(s)
2009	Camden	HB Wilson ES*	Land and/or School Transferred	04/14/10		Deed documents signed 03/08/12
2009	Cumberland	Cumberland Regional HS	Land and/or School Transferred	06/25/10		Open contract(s)
2009	Barnegat	Barnegat - Dunfee, ES	Land and/or School Transferred	07/12/10		Open contract(s)
2009	Barnegat	Barnegat - Horbelt, ES	Land and/or School Transferred	07/12/10		Open contract(s)
2009	Elizabeth	Elizabeth New PreK-8 #28	Land and/or School Transferred	08/26/10		Open contract(s)
2009	Camden	Dudley ES*	Land and/or School Transferred	02/06/12		Open contract(s)
2009	Orange	Park Ave ES				
2009	Perth Amboy	ECC #2 - Edmund Hmielseki ECC*				
2009	Plainfield	Clinton ES - Parking/Playground only				
2009	Plainfield	Emerson ES - Parking/Playground only				
2009	West New York	ES #2*				
Total 2009 Projects			15			
2009 Closed Out			2			
2009 Not Closed Out			13			
2009 Not Closed Out, Land & School Transferred			8			
2010	Neptune	Neptune HS Aux. Gym	Closed		10/21/11	
2010	Buena	Buena MS	Closed		02/23/12	
2010	Paterson	Roberto Clemente ES K-1 Center (Madison Avenue K Center) parking Lot	Land and/or School Transferred	11/09/11		Open contract(s)
2010	Trenton	MLK-Jefferson*	Land and/or School Transferred	12/01/11		Open contract(s)

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
2010	Egg Harbor City	New MS*	Land and/or School Transferred	01/01/12		Open contract(s)
2010	Greater Egg Harbor	Greater Egg Harbor HS (Cedar Creek HS)	Land and/or School Transferred	01/01/12		Open contract(s)
2010	East Orange	New ES #5				
2010	Newark	Speedway ES*				
2010	Orange	Lincoln Ave ES*				
2010	Passaic	Daniel F Ryan #19 ES aka New ES Main Ave*				
Total 2010 Projects			10			
2010 Closed Out			2			
2010 Not Closed Out			8			
2010 Not Closed Out, Land & School Transferred			4			
2011	Egg Harbor Twp	Egg Harbor Twp HS - Phase 1 (add/reno)				
2011	Egg Harbor Twp	Egg Harbor Twp HS - Phase 2 (add/reno)				
2011	Pemberton	ECC				
2011	Camden	Morgan Village				
Total 2011 Projects			4			
2011 Closed Out			1			
2011 Not Closed Out			3			
2011 Not Closed Out, Land & School Transferred			0			
Total Projects			125			
All Closed Out Projects			42			
All Projects Not Closed			83			
All Projects Not Closed, Land & School Transferred			37			
Emergent Projects						

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
SPECIAL PROJECT DIVISION
PROJECT STATUS REPORT - As of March 1, 2012**

Year of Occupancy	District	School	Disposition	Land & School Transferred Date	Date Full Project Close Out	Outstanding Issues remaining for complete close out
	District	School	Disposition		Date Full Project Close Out	Outstanding Issues remaining for complete close out
	Camden	Broadway Elementary School	Closed		08/12/11	
	Camden	Lanning Square at Fetters Elementary	Closed		11/02/11	
	Passaic	School #1-T. Jefferson ES	Closed		10/07/11	
	Newark	Branch Brook ES	Closed		11/09/11	
	Newark	Franklin ES	Closed		11/09/11	
	Newark	Sussex Avenue ES	Closed		11/09/11	
	Newark	Barringer High School	Closed		12/01/11	
	East Orange	Hart Middle School	Closed		12/02/11	
	Newark	McKinley	Closed		12/02/11	
	East Orange	Jackson Academy	Closed		12/14/11	
	Newark	Avon Avenue (1)	Project Transferred	10/20/11		Open contract(s)
	Newark	Maple Avenue	Project Transferred	10/20/11		Open contract(s)
	Newark	13th Avenue (1)	Project Transferred	11/09/11		Open contract(s)
	Newark	Lafayette Street School	Project Transferred	11/09/11		Open contract(s)
	Camden	East Camden Middle School				
	Camden	Camden High School				
	Camden	Molina Elementary School				
	Camden	Sharp Elementary School				
	Camden	Washington Elementary School				
	East Orange	Houston Elementary School				
	East Orange	Warwick Elementary School				
	East Orange	Cochran Academy				
	East Orange	Louverture				
	Irvington	Irvington High School				
	Irvington	Irvington High School				
	Irvington	Irvington High School				
	Irvington	Union Avenue Middle School				
	Newark	Avon Avenue (2)				
	Newark	13th Avenue (2)				
	Newark	Bragaw				
	Newark	Horton				
	Newark	R. Clemente				
	Newark	Speedway				



STATE OF NEW JERSEY
SCHOOLS DEVELOPMENT AUTHORITY

1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

To: Members of the Authority

From: /s/ Jason E. Ballard, Chief of Staff

Date: April 4, 2012

Subject: Demonstration Projects - Close Out Status

We have accelerated our efforts to advance the close out process for the four (4) remaining Pre-Development Grants and the six (6) Development Grants associated with the six (6) Demonstration projects.

Special Projects outreach to the Redevelopers has been successful in bringing closure to the Pre-Development Grants. Final invoices for the four (4) open grants have been received and are being processed which will complete the close out of this phase of the project. We continue with our working sessions with the Redevelopers on the six (6) remaining Development Grants. Final invoices are being reviewed for the Trenton and Vineland projects. Meetings are scheduled with Camden and Union City and Special Projects is monitoring the completion of roadwork associated with the New Brunswick project to finalize those grants.

Prepared by: Bruce Lieblich
Reviewed by: Carol Petrosino
Bridget Capasso

MONTHLY EMERGENT RESERVE BALANCE SUMMARY



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: April 4, 2012

SUBJECT: Monthly Emergent Reserve Balance Summary
(For Informational Purposes Only)

The report shows the remaining balance in the \$97M reserve fund for emergent projects as of March 1, 2012. Both the current contractual obligations as well as total estimated project costs funded within the reserve are shown.

Noteworthy Items during the reporting period:

- **Additional Emergent Projects approved during the reporting period**
No additional Emergent Projects were approved during the reporting period.
- **Changes in Estimated Total Project Costs**
Estimated Total Project Costs have decreased \$40k
 - SDA Managed Projects:
 - No Change During the Reporting Period.
 - District Delegated Projects:
 - Estimated Total Project Costs have decreased \$40k due to:
 - \$13k Reduction in the grant upon completion of the Irvington Mount Vernon School Building Façade repair project
 - \$17k Reduction in total estimated costs for the Newark 14th Ave ES Exterior Door project.
- **Changes in Contractual Obligations**
Contractual Obligations have increased \$180k
 - SDA Managed Projects:
 - Current Contractual Obligations have increased \$30k due to change orders and amendments processed on several projects.
 - District Delegated Projects:
 - Current Contractual Obligations have increased \$150k due to establishment of the final grant amount for the following projects upon award for construction:
 - \$79k Orange Middle School Gymnasium Light Fixtures Replacement
 - \$71k Neptune Green Grove School Foundation Repair



Monthly Emergent Reserve Balance Summary
As of 03/01/12

Reserve Balance **\$ 97,000,000**

<u>Current Contractual Obligations</u>			
District Delegated Projects	84 Projects	\$	30,740,751
SDA Managed Emergent Projects	46 Projects	\$	23,227,429
SDA Managed Emergency Situations at Existing Projects	2 Projects	\$	445,103
Total Current Contractual Obligations		\$	54,413,284
Reserve Balance Remaining Unobligated		\$	42,586,716

<u>Estimated Total Project Costs</u>			
District Delegated Projects	84 Projects	\$	41,248,576
SDA Managed Emergent Projects	46 Projects	\$	36,616,580
SDA Managed Emergency Situations at Existing Projects	2 Projects	\$	5,636,692
Total Estimated Total Project Costs		\$	83,501,849
Reserve Balance Remaining for Additional Projects		\$	13,498,151

PROJECT STATUS REPORT



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: April 4, 2012

SUBJECT: Monthly Emergent Reserve Balance Summary
(For Informational Purposes Only)

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Monthly Emergent Reserve Balance Summary
As of 03/01/12

Reserve Balance \$ 97,000,000

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Reserve Balance Remaining for Additional Projects		\$	13,498,151

CONTRACTS EXECUTED REPORT



MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: April 4, 2012

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

Contracts Executed Report

This report contains the activity of contracts executed during the period February 1 through February 29, 2012.

Noteworthy Items during the reporting period:

- Execution of one contract for construction for Return Air Duct Enclosures at the Paterson #24 ES project totaling \$13,280.

Amendments & Change Orders Report

This report contains the activity of Amendments and Change Orders executed during the period February 1 through February 29, 2012.

Noteworthy Items during the reporting period:

- Execution of 5 Design Amendment totaling \$99k.
- Execution of 1 Amendment for a settlement with the project management firm PB America's Inc. that was approved by the Board totaling \$1,985,869
- Execution of 16 Construction Services Change Orders totaling \$139k. Of the 16 executed change orders none required board approval.

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

In accordance with the Operating Authority adopted by the Member on December 1, 2010 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.

- 9 Change Orders were approved during the reporting period that were delegated to the CEO based upon the above delegation. All 9 change orders were for contract EL-0016-C03 with Ernest Bock & Sons, Inc. for the Elizabeth Number 21 Victor Mravlag ES project.
 - Change Order #88 - \$9,206
 - Change Order #93 - \$1,449
 - Change Order #94 - \$2,267
 - Change Order #95 - \$3,470

Members of the Authority

Contracts Executed Report and Amendments & Change Orders Report

April 4, 2012

Page 2

- o Change Order #96 - \$2,105
- o Change Order #97 - \$1,893
- o Change Order #99 - \$3,431
- o Change Order #100 - \$4,826
- o Change Order #101 - \$7,290



**New Jersey Schools Development Authority
Contracts Executed Report**

Report Period 2/1/12 through 2/29/12

District	School Name(s)	Project Type	Contract Type	Contract Number	Vendor	MWSBE Cert(s)	Contract Award Amount	Contract Execution Date	Per School CCE	Total CCE
Part 2. Construction Services										
	Contractor									
Paterson	Number 24 E.S.	Add	Construction	EP-0062-C01	TCI Construction & Management Co., Inc.	S	\$13,280	2/10/12	18,410	\$18,410
	Contractor									
Part 2. Construction Services							\$13,280		\$18,410	

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Report Period 2/1/12 through 2/29/12

District	School Name(s)	Project Type	Contract Type	Contract Number	Vendor	MWSBE Cert(s)	Contract Award Amount	Contract Execution Date	Per School CCE	Total CCE	
Part 3. Land Acquisition Services											
Relocation											
Paterson	New PS# 16	New	Relocation	PA-0024-L85	Hugo Castillo		\$20,580	2/10/12	-		
Paterson	New PS# 16	New	Relocation	PA-0024-L86	Yokati Guzman		\$21,000	2/10/12	-		
Paterson	New PS# 16	New	Relocation	PA-0024-L87	Mauricio Guzman		\$26,964	2/10/12	-		
Relocation											
Part 3. Land Acquisition Services							\$68,544				

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Report Period 2/1/12 through 2/29/12

District	School Name(s)	Project Type	Contract Type	Contract Number	Vendor	MWSBE Cert(s)	Contract Award Amount	Contract Execution Date	Per School CCE	Total CCE	
Part 4. Other Contracts & Services											
Furniture, Fixtures & Equipment											
West New York	Number 3 E.S.	New	FFE	HU-0006-K14	Keyboard Consultants	S	\$12,883	2/7/12	-		
Furniture, Fixtures & Equipment											
Part 4. Other Contracts & Services							\$12,883				

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Report Period 2/1/12 through 2/29/12

	Total Contract Award	Total Contracts Awarded
Grand Totals - Professional and Construction Services Combined	\$94,707	5

** Contracts less than \$10,000 are not displayed

Project Types Legend

HS	Heath & Safety
New	New Construction
Add	Addition
RenoAdd	Addition & Renovation
Reno	Renovation

Contract Types Legend

Acquisition	Property Acquisition Related Costs
Appraisal	Appraisal, Appraisal Review, NRE
Construction	Construction
Design	Design or Site Investigation
DB	Design-Build
E-Rate	E-Rate
FFE	Furniture, Fixtures, and Equipment
General	General Program Cost
Legal	Legal
Material	Material Supply
ProjectMgmt	Project Management Firm
PreDevelopment	Predevelopment or Demolition
Relocation	Relocation Services
SiteInvstgtn	Site Investigation
Testing	Testing

MWSBE Certifications

M = Minority Business Enterprise
 W = Women Business Enterprise
 S = Small Business Enterprise

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)



New Jersey Schools Development Authority
Amendments & Change Orders Report

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Professional Services & Grants																
Design Consultant																
East Orange	Johnnie L. Cochran Jr. Academy E.S.	EP-0032-A01	9/1/09	5	EI Associates, Architects & Engineers, PA	2/9/12	\$13,000	\$664	4/20/10	\$1,160			\$14,824	14.03%	\$13,000	14.03%
East Orange	Whitney E. Houston Academy E.S.	EP-0033-A01	9/1/09	5	EI Associates, Architects & Engineers, PA	2/9/12	\$13,000	\$72,440	3/12/10	\$1,160			\$86,600	566.15%	\$13,000	-10.76%
Jersey City	Heights Middle School (-N03)	JE-0001-A01	3/11/02	18	Clarke Caton Hintz	2/9/12	\$2,516,390	\$1,459,999	12/20/07	\$63,686			\$4,040,075	60.55%	\$2,516,390	2.98%
Passaic City	New ES at Main Ave Site	NT-0019-Z01	8/21/03	31	Hillier Group Architecture, NJ, Inc.	2/9/12	\$8,577,926	\$2,126,253	4/10/07	\$-9,000			\$10,695,179	24.68%	\$8,577,926	5.42%
Paterson	Marshall Street Elementary School	PA-0006-A01	5/1/03	10	Design Ideas Group	2/23/12	\$1,525,855	\$542,707	2/4/09	\$42,162			\$2,110,724	38.33%	\$1,525,855	1.66%
Design Consultant																
Site Acquisition																
Asbury Park	New Early Childhood Center (-x02)	ET-0038-L08	4/15/05	36	Verizon of New Jersey, Inc.	2/7/12	\$1,399	\$2,680		\$61			\$4,140	195.99%	\$1,399	195.99%
Site Acquisition																
Site Investigation																
Newark	Elliott Street E.S.	GP-0084-L03	2/14/08	71	Whitman	2/9/12	\$0	\$3,237,017		\$287,633			\$3,524,650	0.00%	\$0	NA
Jersey City	Number 20 E.S.		2/14/08	72	Whitman	2/10/12	\$0	\$3,524,650		\$19,548			\$3,544,198	0.00%	\$0	NA
Newark	Oliver Street E.S.	GP-0084-L06	1/18/08	46	Louis Berger Group (The)	2/9/12	\$0	\$2,129,405		\$578,415			\$2,707,820	0.00%	\$0	NA
Site Investigation																
Relocation																

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board	
Professional Services & Grants																	
Relocation																	
Multi-District	New PS# 16 A. Chester Redshaw E.S. Dayton Avenue Middle School ECC 03 ECC Leonard Place & Madison St Elementary School 02 Harriet Tubman E.S. Harry L. Bain E.S. James Madison School #10 (Most Holy Name) Lorraine Place ES (formerly New Beachway ES) Magnet K-8 Marshall Street Elementary School New ECC PK-2 (Caruso) New ES at Henry St. (-x01) New Franklin Elementary School Replacement New Middle School Number 1, Thomas Jefferson E.S. Number 10, Roosevelt E.S. Number 20 E.S. Oliver Street E.S. South Street E.S. Temporary School University H.S. West Side H.S.	GP-0117-R03	3/25/09	70	Bluegrass Hydroseeding, LLC	2/6/12	\$192,711	\$2,432,820			\$18,879			\$2,644,410	1,272.21%	\$192,711	1272.21%
Long Branch	New MS (-x01)	ET-0032-L07	3/21/03	1	Ebert, Dena	2/16/12	\$22,537	\$0		\$-8,307			\$14,230	-36.85%	\$22,537	-36.85%	
Multi-District, Project, or Statewide	Fetters E.S./Lanning Square New Early Childhood Center New Early Childhood Center (-x02) Relocation & Property Management Services	GP-0051-R01	2/25/05	5	Continental Field Service Corp.	2/16/12	\$2,008,595	\$-435,997		\$-72,682			\$1,499,916	-25.32%	\$2,008,595	-25.32%	
Passaic City	ECC Leonard Place & Madison St	NT-0010-L50	2/25/09	1	Frederick Hill	2/16/12	\$32,634	\$0		\$-20,556			\$12,078	-62.98%	\$32,634	-62.98%	
Relocation																	
Furniture, Fixtures & Equipment																	
Egg Harbor Township	Egg Harbor Township H.S.	ET-0087-K28	6/21/11	1	Xerox Audio Visual Solutions, Inc	2/9/12	\$153,559	\$0		\$-1,555			\$152,004	-1.01%	\$153,559	-1.01%	

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Professional Services & Grants																
Furniture, Fixtures & Equipment																
Others																
Alpha	Alpha E.S.	G5-3493-D01	3/31/11	1	District - Alpha	2/15/12	\$226,912	\$0		\$-50,644			\$176,268	-22.31%	\$226,912	-22.31%
Asbury Park	New Early Childhood Center (-x02)	ET-0038-L05	4/15/05	110	NJ Natural Gas Co.	2/7/12	\$36,693	\$8,301		\$553			\$45,547	24.13%	\$36,693	8.98%
Asbury Park	New Early Childhood Center (-x02)		4/15/05	111	NJ Natural Gas Co.	2/7/12	\$36,693	\$8,854		\$25			\$45,572	24.19%	\$36,693	9.04%
Asbury Park	New Early Childhood Center (-x02)		4/15/05	112	NJ Natural Gas Co.	2/7/12	\$36,693	\$8,879		\$29			\$45,602	24.27%	\$36,693	9.12%
Asbury Park	New Early Childhood Center (-x02)		4/15/05	113	NJ Natural Gas Co.	2/7/12	\$36,693	\$8,909		\$25			\$45,627	24.34%	\$36,693	9.19%
Asbury Park	New Early Childhood Center (-x02)		4/15/05	114	NJ Natural Gas Co.	2/7/12	\$36,693	\$8,934		\$25			\$45,652	24.41%	\$36,693	9.26%
Asbury Park	New Early Childhood Center (-x02)	ET-0038-L06	4/15/05	50	JCP&L	2/21/12	\$8,060	\$7,505		\$378			\$15,943	97.79%	\$8,060	97.79%
Asbury Park	New Early Childhood Center (-x02)		4/15/05	51	JCP&L	2/21/12	\$8,060	\$7,883		\$131			\$16,074	99.41%	\$8,060	99.41%
Asbury Park	New Early Childhood Center (-x02)	ET-0038-L16	8/2/11	6	New Jersey American Water	2/21/12	\$410	\$732		\$164			\$1,306	218.66%	\$410	218.66%
Bergen County Special Services District	Program 6-Autistic	G5-3537-D01	10/1/10	1	District - Bergen County Special Services District	2/28/12	\$53,550	\$0		\$-33,578			\$19,972	-62.70%	\$53,550	-62.70%
Dover Town	Dover H.S.	G5-3566-D01	1/12/11	1	District - Dover Town	2/15/12	\$1,027,905	\$0		\$-525,496			\$502,409	-51.12%	\$1,027,905	-51.12%
Dover Town	Academy Street E.S.	G5-3567-D01	1/12/11	1	District - Dover Town	2/15/12	\$358,014	\$0		\$-171,079			\$186,935	-47.78%	\$358,014	-47.78%
Hainesport Township	Hainesport E.S.	G5-3815-D01	12/30/09	2	District - Hainesport Township	2/28/12	\$3,772,202	\$-851,236		\$293,883			\$3,214,849	-14.77%	\$3,772,202	-14.77%
High Bridge Borough	High Bridge M.S.	G5-1853-D01	6/18/04	1	District - High Bridge Borough	2/15/12	\$194,288	\$0		\$-63,181			\$131,107	-32.51%	\$194,288	-32.51%
Keansburg Borough	New ECC PK-2 (Caruso)	ET-0030-L08	1/1/09	17	JCP&L	2/6/12	\$49	\$724		\$4			\$777	1,500.53%	\$49	1500.53%
Livingston Township	Mt. Pleasant M.S.	G5-2792-D01	10/27/05	1	District - Livingston Township	2/14/12	\$52,457	\$0		\$-6,428			\$46,029	-12.25%	\$52,457	-12.25%
Livingston Township	Hillside E.S.	G5-2793-D01	10/27/05	1	District - Livingston Township	2/14/12	\$29,164	\$0		\$-3,615			\$25,549	-12.39%	\$29,164	-12.39%
Monmouth Regional H.S. District	Monmouth Regional H.S. District	G5-4341-D01	4/26/11	1	District - Monmouth Regional H.S. District	2/15/12	\$81,600	\$0		\$-30,714			\$50,886	-37.63%	\$81,600	-37.63%
Mountain Lakes	Mountain Lakes H.S.	G5-3061-D01	5/12/11	1	District - Mountain Lakes	2/17/12	\$289,946	\$0		\$-89,277			\$200,669	-30.79%	\$289,946	-30.79%

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Professional Services & Grants																
Others																
Multi-District, Project, or Statewide	Adverts As Contracts	GP-0004-R01	4/12/01	26	Star Ledger Newspaper	2/15/12	\$130,907	\$1,250		\$15			\$132,173	0.96%	\$130,907	0.96%
Multi-District, Project, or Statewide	Adverts As Contracts	GP-0004-R02	4/12/01	24	Times Newspaper (The)---(Adverts)	2/15/12	\$62,132	\$391		\$6			\$62,529	0.63%	\$62,132	0.63%
Multi-District, Project, or Statewide	Adverts As Contracts	GP-0004-R17	9/12/01	1	New Jersey Press Media Solutions	2/6/12	\$454	\$0		\$109			\$563	23.99%	\$454	23.99%
Multi-District, Project, or Statewide	George L. Catrambone E.S. (formerly Elberon) Orange M.S.	GP-0005-R01	5/1/01	1	National Reprographics Inc.	2/8/12	\$799,128	\$0		\$3,174			\$802,303	0.39%	\$799,128	0.39%
Newark	New Science Park HS	GP-0005-R06	6/14/02	5	American Reprographics Company, LLC dba ARC	2/17/12	\$570,325	\$17,334		\$630			\$588,289	3.14%	\$570,325	3.14%
Multi-District, Project, or Statewide	New International High School Academy New Science Park HS	GP-0005-R10	7/3/02	8	Napco Copy Graphics Center Corp.	2/21/12	\$251,397	\$19,578		\$4,472			\$275,447	9.56%	\$251,397	9.56%
Barneget	New Barneget High School	GP-0089-R11	8/26/08	42	Sterns & Weinroth	2/7/12	\$148,910	\$258,145		\$4,652			\$411,707	176.48%	\$148,910	176.48%
Multi-District, Project, or Statewide	Real Estate Insurance Program	GP-0146-R01	11/18/09	8	Safegard Group, Inc.	2/2/12	\$479,520	\$499,717	12/23/10	\$-90			\$979,147	104.19%	\$479,520	2.93%
Multi-District, Project, or Statewide	Real Estate Insurance Program		11/18/09	9	Safegard Group, Inc.	2/16/12	\$479,520	\$499,627	12/23/10	\$-7,303			\$971,844	102.67%	\$479,520	1.40%
Multi-District, Project, or Statewide	10 Region PMF Selection	PM-0007-P01	12/17/01	64	PB Americas, Inc.	2/24/12	\$10,485,104	\$7,524,277	12/2/08	\$1,985,869	Yes	12/7/11	\$19,995,250	90.70%	\$10,485,104	20.29%
Newark	West Side H.S.	NE-0008-L56	7/1/04	23	City of Newark	2/8/12	\$2,512	\$4,674		\$50			\$7,236	188.02%	\$2,512	188.02%
Paterson	New International High School Academy	PA-0008-R04	3/1/09	15	Paterson Public Schools	2/29/12	\$177,221	\$120,515		\$7,767			\$305,502	72.38%	\$177,221	72.38%
Perth Amboy	Number 10 E.S. Dr. Herbert N. Richardson	GB-0203-D01	10/6/11	1	District - Perth Amboy	2/24/12	\$15,000	\$0		\$59,543			\$74,543	396.95%	\$15,000	396.95%
Quinton Township	Quinton Township E.S.	G5-3642-D01	12/30/09	2	District - Quinton Township	2/29/12	\$456,066	\$-54,087		\$54,087			\$456,066	0.00%	\$456,066	NA

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Professional Services & Grants																
Others																
Quinton Township	Quinton Township E.S.	G5-3643-D01	12/30/09	2	District - Quinton Township	2/29/12	\$328,741	\$-41,150		\$41,150			\$328,741	0.00%	\$328,741	NA
Red Bank Regional H.S. Dist.	Red Bank Regional H.S.	G5-1362-D01	1/26/04	1	District - Red Bank Regional H.S. Dist.	2/23/12	\$5,301,011	\$0		\$26,793			\$5,327,804	0.50%	\$5,301,011	0.50%
Ridgewood Village	Ridgewood H.S.	G5-3395-D01	2/22/10	1	District - Ridgewood Village	2/10/12	\$3,926,036	\$0		\$-816,445			\$3,109,591	-20.79%	\$3,926,036	-20.79%
Somers Point	Jordan Road E.S.	G5-4511-D01	4/7/11	1	District - Somers Point	2/22/12	\$358,278	\$0		\$-27,232			\$331,046	-7.60%	\$358,278	-7.60%
Somers Point	Jordan Road E.S.	G5-4517-D01	4/7/11	1	District - Somers Point	2/22/12	\$116,062	\$0		\$-24,955			\$91,107	-21.50%	\$116,062	-21.50%
Springfield Township - Union	Edward V. Walton E.S.	G5-4547-D01	5/18/11	1	District - Springfield Township - Union	2/15/12	\$323,014	\$0		\$-55,630			\$267,384	-17.22%	\$323,014	-17.22%
Springfield Township - Union	Thelma L. Sandmeier E.S.	G5-4552-D01	5/18/11	1	District - Springfield Township - Union	2/15/12	\$305,596	\$0		\$-40,340			\$265,256	-13.20%	\$305,596	-13.20%
Sussex County Vocational School District	Sussex County Tech V.S.	G5-4686-D01	6/1/11	1	District - Sussex County Voc. S.D.	2/15/12	\$30,000	\$0		\$-1,357			\$28,643	-4.52%	\$30,000	-4.52%
Sussex County Vocational School District	Sussex County Tech V.S.	G5-4687-D01	6/1/11	1	District - Sussex County Voc. S.D.	2/15/12	\$40,000	\$0		\$-23			\$39,977	-0.05%	\$40,000	-0.05%
Trenton	Roebbling School	WT-0008-L06	2/3/04	121	PSE&G	2/22/12	\$30,574	\$16,196		\$34			\$46,804	53.08%	\$30,574	53.08%
West New York	Number 3 E.S.	HU-0006-L30	3/3/04	9	United Water New Jersey	2/7/12	\$25	\$3,535		\$472			\$4,032	15,995.92	\$25	15995.92%
West New York	Number 3 E.S.	HU-0006-L43	4/15/11	18	PSE&G	2/6/12	\$819	\$151,369		\$16,387			\$168,575	20,486.74	\$819	20486.74%
West New York	Number 3 E.S.		4/15/11	19	PSE&G	2/9/12	\$819	\$167,756		\$4,306			\$172,881	21,012.63	\$819	21012.63%
West New York	Number 3 E.S.	HU-0006-L44	4/1/11	3	North Hudson Sewerage Authority	2/13/12	\$335	\$571		\$219			\$1,125	235.71%	\$335	235.71%
Others																
Professional Services & Grants										\$1,458,186						

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Construction Services																
Contractor																
Egg Harbor City	New Middle School	ET-0097-C01	1/21/09	99	Tamburro Bros. Const. Co., Inc	2/9/12	\$15,160,480	\$663,850	8/13/10	\$1,808			\$15,826,139	4.39%	\$15,160,480	4.39%
Egg Harbor Township	Egg Harbor Township H.S.	ET-0087-C02	10/16/08	202	Sambe Construction Co., Inc.	2/9/12	\$26,172,173	\$1,134,826	10/23/09	\$2,316			\$27,309,315	4.34%	\$26,172,173	2.99%
Egg Harbor Township	Egg Harbor Township H.S.		10/16/08	203	Sambe Construction Co., Inc.	2/9/12	\$26,172,173	\$1,137,142	10/23/09	\$2,835			\$27,312,151	4.35%	\$26,172,173	3.00%
Egg Harbor Township	Egg Harbor Township H.S.		10/16/08	201	Sambe Construction Co., Inc.	2/17/12	\$26,172,173	\$1,139,978	10/23/09	\$8,086			\$27,320,236	4.38%	\$26,172,173	3.03%
Elizabeth	Ronald Reagan Academy School # 30 (pre K-8 #30)	EL-0008-C01	6/18/04	84	Bergen Engineering Co.	2/23/12	\$27,987,000	\$2,193,332	8/15/06	\$59,976			\$30,240,308	8.05%	\$27,987,000	2.44%
Elizabeth	Number 21, Victor Mravlag E.S.	EL-0016-C03	11/16/06	88	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,216,700	10/5/11	\$9,206			\$27,812,906	35.09%	\$20,587,000	0.04%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	93	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,225,906	10/5/11	\$1,449			\$27,814,355	35.10%	\$20,587,000	0.05%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	94	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,227,355	10/5/11	\$2,267			\$27,816,622	35.11%	\$20,587,000	0.06%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	95	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,229,622	10/5/11	\$3,470			\$27,820,092	35.13%	\$20,587,000	0.07%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	96	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,233,092	10/5/11	\$2,105			\$27,822,197	35.14%	\$20,587,000	0.08%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	97	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,235,197	10/5/11	\$1,893			\$27,824,090	35.15%	\$20,587,000	0.09%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	99	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,237,090	10/5/11	\$3,431			\$27,827,521	35.17%	\$20,587,000	0.11%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	100	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,240,521	10/5/11	\$4,826			\$27,832,347	35.19%	\$20,587,000	0.13%
Elizabeth	Number 21, Victor Mravlag E.S.		11/16/06	101	Ernest Bock & Sons, Inc.	2/16/12	\$20,587,000	\$7,245,347	10/5/11	\$7,290			\$27,839,637	35.22%	\$20,587,000	0.17%
Newark	South Street E.S.	EP-0041-C01	11/4/10	2	Ingrassia Construction Co Inc	2/17/12	\$997,000	\$20,128		\$-1,513			\$1,015,615	1.86%	\$997,000	1.86%
Passaic City	Number 6, Martin Luther King, Jr.	EP-0024-C01	9/27/10	2	Integrity Roofing, Inc.	2/9/12	\$742,000	\$0		\$29,841			\$771,841	4.02%	\$742,000	4.02%
Contractor																
Construction Services										\$139,287						

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Prior Board Approval Date	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	RBC Value	Cumulative % since last Board
Other Contracts & Services																
Furniture, Fixtures & Equipment																
West New York	Number 3 E.S.	HU-0006-Q01	5/12/09	1	Brodart Co	2/9/12	\$155,181	\$0		\$9,200			\$164,381	5.92%	\$155,181	5.92%
West New York	Number 3 E.S.	HU-0006-Q03	5/26/09	1	Grafco	2/9/12	\$88,290	\$0		\$4,500			\$92,790	5.09%	\$88,290	5.09%
West New York	Number 3 E.S.	HU-0006-Q04	5/26/09	1	Virco Inc.	2/9/12	\$31,941	\$0		\$1,188			\$33,129	3.71%	\$31,941	3.71%
West New York	Number 3 E.S.	HU-0006-Q08	5/26/09	1	Columbia Manufacturing Inc.	2/17/12	\$150,922	\$0		\$6,921			\$157,843	4.58%	\$150,922	4.58%
Furniture, Fixtures & Equipment																
Others																
Long Branch	New MS (-x01)	ET-0032-L01	8/20/03	1	Chicago Title Insurance Company	2/13/12	\$2,445	\$0		\$125			\$2,570	5.11%	\$2,445	5.11%
Multi-District, Project, or Statewide	Lincoln Avenue E.S.	GP-0041-L07	9/18/08	4	Fidelity National Title Insurance Company	2/7/12	\$0	\$412		\$535			\$947	0.00%	\$0	NA
Others																
Other Contracts & Services										\$22,469						

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Reporting Period 2/1/12 through 2/29/12

Total Change Order Summary

Total Change Orders

Grand Totals

\$1,619,942

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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
Cumulative CO %	Cumulative percentage change in contract value (excluding additional assignments) over the original contract award amount
RBC Value	Revised Basis Contract Value – This value is the Original Award amount for contracts executed after July 27, 2005 or contracts for which board approval has been required after July 27, 2005. Otherwise, this value is the contract value as of July 27, 2005.
Cumulative % since last Board Approval	Cumulative percentage change in contract value since either the later of July 27, 2005 or last board action date over the RBC Value. If the current change order received approval prior to July 27, 2005 this value is not applicable.

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CONTRACT TERMINATIONS REPORT (NO ACTIVITY)

SETTLEMENT CLAIMS

Settled Claims Log

Contract #	School Name	Claimant	Type of Claim	Settlement Date	Claim Amount (Per SDA Form 505)	Settlement
ET-0065-C01	Dunfee/Collins Horbelt ES	Hessert Corp.	OCIP Admin. Work	5/2/2011	\$95,368	\$38,000
ET-0065-C01	Dunfee/Collins Horbelt ES	Hessert Corp.	Inconsistencies in Haunched Footing Design	5/2/2011	\$20,271	\$0
ET-0065-C01	Dunfee/Collins Horbelt ES	Hessert Corp.	2nd Shift Work on Dunfee ES	5/2/2011	\$55,948	\$41,367
ET-0064-C01	Donohue ES	Hessert Corp.	Delays assoc. w/design changes	5/2/2011	\$236,204	\$148,650
ET-0064-C01	Donohue ES	Hessert Corp.	Asphalt material escalation	5/2/2011	\$42,465	\$0
ET-0064-C01	Donohue ES	Hessert Corp.	Detention basin design	5/2/2011	\$29,378	\$29,378
CA-0001-C02	Camden ECDC	Henderson Corp.	Re-routing of Fire Sprinkler Piping	5/5/2011	\$44,528	\$23,320
ET-0049-C02	Emerson ES	TAK Construction	Add'l Costs - Design and Dimension Conflicts	5/5/2011	\$78,394	\$37,343
WT-0008-C05	Roebbling ES	Cobra/CAP	Demolition/Environmental remediation	5/11/2011	\$2,389,000	\$329,458
PM-0022-P01	Egg Harbor City MS	Greyhawk	Scheduling Assistance	9/12/2011	\$35,234	\$11,600
PM-0022-P01	Egg Harbor City MS	Greyhawk	Delay/Extended Services	9/12/2011	\$280,415	\$115,280
PM-0022-P01	Egg Harbor Twp HS	Greyhawk	Scheduling Assistance	9/12/2011	\$36,462	\$12,640
PM-0022-P01	Egg Harbor Twp HS	Greyhawk	Delay/Extended Services	9/12/2011	\$428,972	\$210,480
HU-0015-C01	West New York PS #2	D&K Construction	Settlement of 33 CO's and 9 claims	9/21/2011	\$4,284,386	\$977,000
PA-0026-M01	Madison Ave/Clemente	Jay Shapiro Assoc	Add'l Contract Svcs/Extended Svcs	12/21/2011	\$89,881	\$50,002
ET-0065-C02	Horbelt/Dunfee/Collins	AFG Group	Extended CM Services	12/21/2011	\$12,523	\$9,393
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Over-dig of soils	12/27/2011	\$44,290	\$20,079
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Extended General conditions	12/27/2011	\$104,900	\$0
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Shear Wall Reinforcing	12/27/2011	\$35,103	\$11,901
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Add'l Surveying costs	12/27/2011	\$12,098	\$0
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Upgrades to Window systems	12/27/2011	\$69,892	\$0
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Media Center soffits	12/27/2011	\$19,489	\$12,341
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Roof Insulation Increase	12/27/2011	\$40,425	\$0
EL-0008-C01-RB1	Elizabeth #30	Bergen Eng.	Temporary Heating	12/27/2011	\$30,304	\$15,655
EL-0008-C03	Elizabeth #30	Bergen Eng.	Additional Paving Costs	12/27/2011	\$4,853	\$0
			TOTAL FOR 2012		\$8,520,782	\$2,093,886

CONTRACTOR AND WORKFORCE COMPLIANCE



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

1 WEST STATE STREET
P.O. BOX 991
TRENTON, NJ 08625-0991
609-943-5955

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: April 4, 2012

SUBJECT: Contractor and Workforce Compliance Monthly Update

SMALL BUSINESS ENTERPRISE (SBE) COMPLIANCE REVIEW

Project Approvals:

Two SDA projects were verified to be compliant with SBE requirements by the Contractor Compliance Coordinator.

Compliance 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, general contractors 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 figures below demonstrate compliance with this requirement.

SBE Breakdown

The total SDA contract dollars awarded from January 1 through January 31, 2012 was \$2,069,552.

- The total contract dollars awarded to all SBE contractors (January 1 through January 31, 2012), was \$2,069,552. This represents 100.00% of all SDA contracts.

Members of the Authority
 Contractor and Workforce Compliance Monthly Update
 April 4, 2012
 Page 2 of 3

Type of Business Enterprise	Contract Amount	% of Total SDA Contracts
Small Business Enterprises	\$1,212,848	58.60%
Small Minority Business Enterprises	\$-0-	0.00%
Small/Women Business Enterprises	\$857,104	41.40%
Small/Minority/Women Business Enterprises	\$-0-	0.00%
TOTAL SBE CONTRACTS	\$2,069,552	100.00%

WORKFORCE COMPLIANCE MONITORING

For the month of January, 2012 there was a contractor and female workforce of 179 on SDA projects. This represents a total of 10,010 contractor and female workforce hours as follows:

Contractor Workforce Breakdown (All Trades/Districts/Counties)			
Ethnicity	Total Workforce	Total Workforce Hours	Workforce Hours Percentage
*Black	20	965	8.67%
*Hispanic	33	2,101	19.06%
*Total Minority Participation	53	3,066	30.91%
*Total Non-Minority	124	6,852	70.00%
Female Participation	2	92	0.93%

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

The following table highlights the Local County contractor workforce participation for the month of January, 2012:

Local County Workforce Participation	Workforce Hours	Percentage
*Total Workforce Hours	10,010	100.00%
*Total Local County Workforce Hours	633	6.32%
Total Local County Non-Minority Workforce Hours	139	1.40%
Total Local County Female Workforce Hours	0	0.00%
Total Local County Minority Workforce Hours	494	4.94%
**Local County Workforce Hours by Ethnicity:		
Black	127	1.27%
Hispanic	367	3.37%
America 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 India, 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
 April 4, 2012
 Page 3 of 3

The following table represents contractor and female workforce for all SDA active capital projects and all active emergent projects for the period of January 1, through January 31, 2012.

SDA Managed Project	Total Workforce Hours	Local County Workforce Hours & Percentage	
Elizabeth Victor Mravlag E.S.	1,054	342	32.45%
Passaic City E.S. at Henry St.	0	0	0.00%
Union City Columbus E.S.	5,591	104	1.86%
West New York Number 3 E.S.	1,266	16	1.26%
All Emergent Projects (YTD)	1,319	141	10.69%
Totals	9,230	603	6.53%

Prepared by: Lorena Young, Contractor Compliance Analyst
 Nicholas Torrens, Contractor Compliance Coordinator

REGULAR OPERATING DISTRICTS (RODs) ACTIVITY REPORT



MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: April 4, 2012

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

This report summarizes the Regular Operating District Grant activity from inception to date and for the month of February 2012. Also included is a detailed list of grants executed and grants offered during the reporting period.

Monthly Update:

- No new grants were offered during the reporting period.
- 52 grants impacting 6 districts were executed during the reporting period representing total estimated project costs of \$17.6M and estimated state share of \$7.2M.
- 18 grants impacting 12 districts were closed out during the reporting period representing \$69.0M in total project costs and state share of \$23.6M.
- Since inception, over \$2.2B has been disbursed to over 500 regular operating districts through the grant program.
- Since inception \$2.9B in funding has been approved by the Department of Education and offered to regular operating districts through the grant program.



Monthly Regular Operating District Grant Report - Summary

As of 2/29/2012

ROD Grant Summary Since Program Inception				
	Offered ¹	Executed	Closed-Out	Active
Districts Impacted	164	503	452	282
Number of Grant Projects	612	3,849	2,618	1,231
Total Project Cost Estimate	\$ 795,932,143	\$ 7,989,418,023	\$ 5,655,790,406	\$ 2,333,627,617
Grant Amount	\$ 281,340,738	\$ 2,584,262,037	\$ 1,809,335,489	\$ 774,926,548
Amount Disbursed	N/A	\$ 2,208,187,374	\$ 1,809,335,489	\$ 398,851,885

Total Funding Offered to School Districts via Grant Program	\$ 2,865,602,776
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Total ROD Grant Funding remaining for new Grant Projects	\$ 335,254,659
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1. Includes grants that have been offered to District's but have not yet been executed.

ROD Grant Summary - January 2012		
	Executed	Closed-Out
Districts Impacted	6	12
Number of Grant Projects	52	18
Total Project Cost Estimate	\$ 17,568,187	\$ 68,988,926
Grant Amount	\$ 7,246,772	\$ 23,574,264
Amount Disbursed	\$ -	\$ 23,574,264

* 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.

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NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)



Monthly Regular Operating District Grant Report - Monthly Executed Grant Detail

February 2012

County	District	School Name	Total Project Cost Estimate	Grant Amount	Project Description
Bergen	Ramapo Indian Hills Regional High School District	Indian Hills H.S.	\$ 471,750	\$ 188,700	Repair exterior masonry at the 400 Wing.
Bergen	Ramapo Indian Hills Regional High School District	Ramapo H.S.	\$ 708,452	\$ 283,381	Windows: Replace exterior curtain wall assemblies at the 300 Wing.
Essex	Essex Co Votec	Newark Tech Campus	\$ 2,549,324	\$ 1,239,226	Replacement of various exterior and interior doors, exterior window replacement, ADA upgrades to various restrooms and front entry, window treatment in gymnasium and manual pulley system replacement for gymnasium lighting fixtures
Mercer	West Windsor-Plainsboro Regional	Community M.S.	\$ 371,750	\$ 148,700	Replacement of rooftop air handler units 4 & 9
Mercer	West Windsor-Plainsboro Regional	Community M.S.	\$ 40,880	\$ 16,352	Replace gym lighting
Mercer	West Windsor-Plainsboro Regional	Dutch Neck E.S.	\$ 638,800	\$ 255,520	Boiler replacement
Mercer	West Windsor-Plainsboro Regional	Dutch Neck E.S.	\$ 66,842	\$ 26,737	Roof replacement at modular area
Mercer	West Windsor-Plainsboro Regional	Dutch Neck E.S.	\$ 17,520	\$ 7,008	Gym light replacement
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 502,055	\$ 200,822	Roof replacement - main bldg.
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 380,750	\$ 152,300	Replace roof at mod addition areas 3,4,5
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 127,750	\$ 51,100	Boiler replacement
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 77,200	\$ 30,880	Driveway restoration
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 46,620	\$ 18,648	Cafeteria ceiling and lighting replacement
Mercer	West Windsor-Plainsboro Regional	John V.B. Wicoff E.S.	\$ 19,500	\$ 7,800	Replace gym lighting
Mercer	West Windsor-Plainsboro Regional	Maurice Hawk E.S.	\$ 494,500	\$ 197,800	Boiler replacement
Mercer	West Windsor-Plainsboro Regional	Maurice Hawk E.S.	\$ 196,040	\$ 78,416	Roof replacement - library addition and modular addition shingle roof

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

**Monthly Regular Operating District Grant Report - Monthly Executed Grant Detail
February 2012**

County	District	School Name	Total Project Cost Estimate	Grant Amount	Project Description
Mercer	West Windsor-Plainsboro Regional	Maurice Hawk E.S.	\$ 114,900	\$ 45,960	Restoration of existing hard surface play area
Mercer	West Windsor-Plainsboro Regional	Maurice Hawk E.S.	\$ 51,200	\$ 20,480	HVAC replacement
Mercer	West Windsor-Plainsboro Regional	Maurice Hawk E.S.	\$ 27,220	\$ 10,888	Gym lighting replacement
Mercer	West Windsor-Plainsboro Regional	Millstone River ES	\$ 482,768	\$ 193,107	New roof over pods A, C and D.
Mercer	West Windsor-Plainsboro Regional	Millstone River ES	\$ 270,550	\$ 108,220	Replace clock/PA/intercom system
Mercer	West Windsor-Plainsboro Regional	Millstone River ES	\$ 34,925	\$ 13,970	Gym/aux gym lighting replacement
Mercer	West Windsor-Plainsboro Regional	Thomas R. Grover M.S.	\$ 84,620	\$ 33,848	Masonry restoration at rising walls
Mercer	West Windsor-Plainsboro Regional	Thomas R. Grover M.S.	\$ 64,100	\$ 25,640	Replace existing 1999 cupola which presently leaks
Mercer	West Windsor-Plainsboro Regional	Thomas R. Grover M.S.	\$ 62,484	\$ 24,994	Apply new ext. coating system to existing steel arch entryways
Mercer	West Windsor-Plainsboro Regional	Thomas R. Grover M.S.	\$ 40,880	\$ 16,352	Gym light replacement
Mercer	West Windsor-Plainsboro Regional	Town Center ES @ Plainsboro	\$ 82,980	\$ 33,192	Gym & cafeteria lighting replacement
Mercer	West Windsor-Plainsboro Regional	Village E.S.	\$ 844,790	\$ 337,916	Replace roof at main bldg. core area 1A
Mercer	West Windsor-Plainsboro Regional	Village E.S.	\$ 645,680	\$ 258,272	Replace roof at main bldg. area 1B
Mercer	West Windsor-Plainsboro Regional	Village E.S.	\$ 82,980	\$ 33,192	Gym and cafeteria lighting replacement
Mercer	West Windsor-Plainsboro Regional	Village E.S.	\$ 25,900	\$ 10,360	Replace existing carpeting in rooms 112, 205, 215, 216, & 218
Mercer	West Windsor-Plainsboro Regional	Village E.S.	\$ 25,900	\$ 10,360	Replace existing carpeting in rooms 104, 116, 118, 120 & 207
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-North Campus	\$ 794,060	\$ 317,624	Replace existing roof at main bldg. auditorium
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-North Campus	\$ 140,600	\$ 56,240	Replace two separate existing bldg. clock/PA/intercom systems
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-North Campus	\$ 83,820	\$ 33,528	Replace stair tower (stairs 5 &6) doors and hardware

NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY - Monthly Reports (For Informational Purposes)

Monthly Regular Operating District Grant Report - Monthly Executed Grant Detail
February 2012

County	District	School Name	Total Project Cost Estimate	Grant Amount	Project Description
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-North Campus	\$ 69,500	\$ 27,800	Gym lighting replacement
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-South Campus	\$ 1,377,300	\$ 550,920	Replace roof at main bldg. area 1A
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-South Campus	\$ 1,056,380	\$ 422,552	Replace roof at main bldg. area 1B
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-South Campus	\$ 169,080	\$ 67,632	Replace existing carpeting in Commons 1H, Main Office and Little Theatre
Mercer	West Windsor-Plainsboro Regional	W.W.P.H.S.-South Campus	\$ 45,000	\$ 18,000	Replace gym lighting
Middlesex	Cranbury Township	Cranbury E.S.	\$ 1,003,579	\$ 401,432	Mechanical upgrades
Ocean	Brick Township	Brick Comm. Prim. Learn.Ctr.	\$ 32,573	\$ 13,029	Install visual (strobe) fire alarms
Ocean	Brick Township	Brick Twp Memorial H.S.	\$ 509,436	\$ 203,774	Gym bleachers and auditorium seat replacement
Ocean	Brick Township	Drum Point Road E.S.	\$ 106,165	\$ 42,466	Provide HVAC in computer server rooms and ceiling replacement associated with HVAC upgrades
Ocean	Brick Township	Emma Havens Young E.S.	\$ 1,001,762	\$ 400,705	Exterior door & frames replacement and electrical upgrades
Ocean	Brick Township	Hebertsville E.S.	\$ 71,660	\$ 28,664	Boiler replacement
Ocean	Brick Township	Lake Riviera M.S.	\$ 277,063	\$ 110,825	Provide HVAC in computer server rooms and ceiling replacement associated with HVAC upgrades
Ocean	Brick Township	Lanes Mill Road E.S.	\$ 751,967	\$ 300,787	Replace original exterior doors. Replace interior lighting system with new energy efficient light fixtures and provide a more energy efficient lighting control system for all classrooms.
Ocean	Brick Township	Osbornville E.S.	\$ 84,789	\$ 33,916	Install air-conditioning in rooms with server equipment. Ventilate rooms with electrical equipment. Replace existing domestic hot water heater.
Ocean	Brick Township	Veteran's Memorial E.S.	\$ 18,950	\$ 7,580	Replace gym lighting
Ocean	Brick Township	Veteran's Memorial M.S.	\$ 235,618	\$ 94,247	Install air-conditioning in rooms with server equipment. Ventilate rooms with electrical equipment and replace existing ceilings to accommodate new ductwork and wiring. Provide HVAC in Special Ed Room G7 (windowless classroom).
Sussex	Sandyston-Walpack Township	Sandyston-Walpack Cons. Elementary School	\$ 87,275	\$ 34,910	Partial roof replacement; Install AC in kindergarten classroom; New holding tanks for floor drain discharge; Replace attic air handling unit gaskets.
Grand Total			\$ 17,568,187	\$ 7,246,772	

**NOTIFICATION OF AMENDMENTS TO GOODS AND SERVICES CONTRACTS NOT EXCEEDING \$250,000
(NO ACTIVITY)**

COMMUNICATIONS MONTHLY REPORT



MEMORANDUM

TO: Members of the Authority

FROM: /s/ Kristen MacLean, Director of Communications

DATE: April 4, 2012

SUBJECT: New Jersey Schools Development Authority
Monthly Communications Report

CEO Marc Larkins Announces the Advancement of \$100 Million in Emergent Projects Across the State

On March 12, Marc Larkins announced the advancement of an initial 76 projects in 68 schools within 21 school districts, under a complete overhaul of the Emergent Project Program. Under the leadership of Governor Christie and Mr. Larkins, the Administration had committed an additional \$100 million to emergent projects. These funds will support critical emergent projects in schools where they are most needed.

The new Emergent project program provided a long-overdue overhaul of the review process so that it is fair, exhaustive, balances prioritization needs and properly considers cost efficiency while ensuring New Jersey's students have safe learning environments. The announcement was made following a tour of Washington Middle School in Harrison, a school that will receive emergent project funding to address structural repairs for a damaged ceiling.

Authority Announces Emergent Repairs Recently Completed in Passaic City School

The SDA recently completed an emergent repair project at William B. Cruise Memorial School No. 11 in Passaic City. A \$1,516,746 general construction contract was awarded to D.A. Nolt, Inc. of Berlin, NJ to replace the existing roof of the school, which educates more than 1,300 students in grades pre-kindergarten through fifth.

The Memorial School project included the replacement of three different roofing systems, totaling approximately 53,526 square-feet. The scope of work included the removal of the existing roof and installation of a new roofing system as well as the

Members of the Authority
Communications Report
April 4, 2012
Page 2 of 2

resealing, resetting and replacement of damaged masonry work. Work was completed in February 2012.

SMWBE Contractor Training Program

The Communications Department initiated outreach efforts for the 2012 SMWBE Contractor Training Program. Program orientation will commence April 17 in Trenton and April 18 in Newark. The sessions will run through June 13, 2012 with a “Graduation” ceremony scheduled for June 19. The SMWBE Contractor Training Program enables small, minority and women-owned businesses to gain valuable knowledge on how to do business with the SDA. Participants receive instruction from SDA staff and subject matter experts on bidding, estimating, scheduling, budgeting, accounting, bonding and marketing.

Report Prepared by: Edye Maier

MONTHLY FINANCIAL REPORT

STATE OF NEW JERSEY
SCHOOLS DEVELOPMENT AUTHORITY1 WEST STATE STREET
P.O. BOX 991
MANTON, NJ 08625-0991
609-943-5955**MEMORANDUM**

TO: The Members of the Authority

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

RE: Monthly Financial Report – February 2012

DATE: April 4, 2012

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 and headcount information. The basic financial statements and cash flow report follow.

Authority Operating Expenses (Actual vs. Budget)

For the February 2012 year to date period, Authority operating expenses total \$5.3 million which is **\$927 Thousand lower** than budget for the corresponding period. The variation of actual expenses versus budget is mainly due to:

- Personnel Expense has a **\$523K** positive variance because; 1) the Authority is currently 9 FTEs under budget, \$490K, and 2) expenditures for temporary staffing, and employee training are seasonally projected to occur evenly throughout the year;
- Contract and Professional Outside Services, **\$104K**, Spending has yet to occur as anticipated for; interagency DAG fees, internal audit fees and other professional obligations including, MIS project services;
- Management Information System, **\$236K**, the DOE Long Range Facility Project has yet to begin as anticipated;
- General Office & Facilities, **\$63K**, has a positive variance primarily due to lower than projected spending for mechanical maintenance costs, office supplies, furniture & equipment, moving expenses, and utilities.

The Members of the Authority
April 4, 2012
Page 2

Authority Operating Expenses (Actual vs. Prior Year)

For the February 2012 year to date period, Authority operating expenses (\$5.3 million) have **decreased \$667K** as compared to the corresponding prior year. The decrease in expenses year-over-year is due to:

- Personnel Expense has a **\$599K** positive variance due to; 22 fewer FTEs;
- Contract and Professional Outside Services **\$91K**, current year outside legal services and claims are recorded as project expenditures;

School Facilities Project Expenditures (Actual vs. Prior Year)

For the February 2012 year to date period, project expenditures total \$28 million which is **\$4 million lower** than the spending for the corresponding prior year. The variance is associated with a decrease in construction work \$7M, and related project cost \$5M, offset by an \$8M increase in grant activity.

Other

Since program inception, 65.3% of the funds authorized for the SDA Districts have been disbursed. Additionally, since inception 96% of all SDA disbursements relate to school facilities projects and 4% relate to program administrative and general expenses. For the current year, program administrative and general expenses comprise about 15.4% of total disbursements.

Attachment



**New Jersey Schools Development Authority
Monthly Financial Report**

February 2012

(Unaudited)



New Jersey Schools Development Authority
 Financial Summary
 February 29, 2012

To: The Audit Committee

From: Sherman E. Cole, Controller

The following unaudited financial statements (pages 5 & 6) and supplementary information is presented as of, and for the year-to-date ending, February 29, 2012.

Selected Financial Information:

► Overall **Cash and Cash Equivalents** has decreased by \$32 million to \$330 million, as follows:

■ Receipt of bond and note proceeds (Issued by EDA)	\$ -
■ Investment earnings	20,276
■ Miscellaneous revenue	50,793
■ Project costs	(27,536,192)
■ SDA operating expenses	(5,000,739)
■ SDA capital expenditures	-
■ Deposits (primarily district local shares)	(23,151)
Net Change in Cash	<u>\$ (32,489,013)</u>

► **Prepaid Expenses** total \$829,204 as follows:

- Prepaid insurance of \$491,436.
- Prepaid rents of \$173,103 for the Authority's leased office space in Trenton and Newark.
- Prepaid MIS maintenance service contracts of \$143,160.
- Prepaid security deposits of \$10,937 for the Authority's leased swing space.
- Other prepaids of \$10,568.

► **Capital Assets** total \$1.3 million (net of accumulated depreciation of \$12.5 million), consisting of leasehold improvements (SDA offices), capitalized software, equipment, furniture and fixtures in support of SDA operations. Depreciation on capital assets is calculated using the straight-line method over the life of each asset. For the year to date, **Capital Expenditures** are \$0 and **Depreciation Expense** is \$152,194.

► **Accrued Liabilities** total \$150 million, as follows:

- Accrued project costs of \$39.1 million consisting of unpaid invoices (\$27.6 million); retainage (\$11.5 million).
- Pollution remediation obligations (PRO) under GASB 49 net to \$37.9 million (PRO liability \$40.4 million, offset by expected cost recoveries of \$2.5 million).
- Estimated liability for loss contingencies totaling \$61.7 million (contractor claims \$61.7 million).
- Payroll related liabilities of \$1.2 million.
- Post-employment benefits obligation of \$9.9 million.
- Other accrued liabilities of \$.2 million.

► **Deposits** total \$11.1 million, as follows:

- \$11 million is held for local share agreements (pass-through item).
- \$0.1 million is for bond refunding costs & other deposits (pass-through item).

(Continued on Next Page)



New Jersey Schools Development Authority
Financial Summary
February 29, 2012

Financial Summary (Continued)

School Construction Highlights:

► **Bond Proceeds & School Facilities Project Disbursements**

- During the current year to date, the SDA has received \$0 bond and note proceeds. The total amount of proceeds received from program inception is \$8.645 billion.
- Project disbursements for the month and year-to-date periods total \$15.2 million and \$27.5 million, respectively, as follows:

<u>Category</u>	<u>Month</u>	<u>Year-To-Date</u>	<u>From Inception</u>
■ Construction Contracts	\$ 2,381,733	\$ 4,469,949	\$ 3,679,101,327
■ Grant Agreements	10,230,882	21,352,993	2,291,223,090
■ Site Acquisition Contracts	375,518	1,009,816	568,106,049
■ Demonstration Projects	-	-	629,550,895
■ Project Management & Construction Management Firms	2,373,190	2,449,764	423,892,798
■ Design/Architect Contracts	139,991	429,394	392,843,856
■ Project Insurance	(661,336)	(2,897,645)	93,601,567
■ School Furniture & Technology Purchases	282,629	314,760	107,440,381
■ Interagency Agreements	-	-	44,690,166
■ Temporary Classroom Units (SDA owned)	-	-	34,157,261
■ Funding Agreements	20,204	30,306	29,506,256
■ Outside Legal & Claims Consulting Services	14,954	389,534	1,428,735
■ Other Project Costs	8,406	11,153	55,829,723
■ Project Credits	-	-	(40,146,574)
Total Project Disbursements	<u>15,166,171</u>	<u>27,560,024</u>	<u>8,311,225,530</u>
■ Less: Local Share Disbursements	-	(23,832)	(172,853,615)
Total Project Disbursements - State Share	<u>\$ 15,166,171</u>	<u>\$ 27,536,192</u>	<u>\$ 8,138,371,915</u>
■ Invoice Accruals at Month End (not included above)	<u>\$ 27,592,871</u>	<u>\$ 27,592,871</u>	

► **Program Funding & Disbursements Allocation** (From Inception)

	<u>Bonding Cap</u> ¹	<u>Available Funding</u> ²	<u>Paid to Date</u> ³	<u>% Paid to Date</u>
■ SDA Districts	\$ 8,900,000,000	\$ 9,006,422,363	\$ 5,879,889,006	65.3%
■ Regular Operating Districts	3,450,000,000	3,492,678,908	2,501,665,479	71.6%
■ Vocational Schools	150,000,000	151,705,337	95,528,827	63.0%
Totals - State Share	<u>\$ 12,500,000,000</u>	<u>\$ 12,650,806,608</u>	<u>\$ 8,477,083,312</u>	67.0%

► **Procurement Activity** (Current Year)

- 2 construction contracts have been awarded with an aggregate contract value of \$883,280.
- 0 design contracts were awarded on a year-to-date basis.
- 55 Section 15 Grant Agreements have been executed with an aggregate contract value of \$15,710,173 (State Share - Non-SDA Districts).
- 7 purchase orders have been issued for school furniture & technology (i.e., computers & related equipment) purchases with an aggregate contract value of \$583,423.

1 Of the \$12.5 billion authorized for the school construction program, \$8,645,129,000 principal amount of bond and note proceeds have been received to date.

2 Includes bonding cap amounts as well as other income and miscellaneous revenue earned to date, consisting primarily of interest income on invested funds and State appropriations.

3 These amounts include the allocation of SDA operating expenses and capital expenditures totaling \$338,711,397.



New Jersey Schools Development Authority
Flash Operating Report
February 29, 2012

Authority Operating Expenses:	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Prior Yr	Variance - Favorable/(Unfavorable)		Annual Budget
				Actual vs. YTD Budget	Actual vs. Prior Yr	
Salaries	\$ 3,113,460	\$ 3,271,886	\$ 3,449,992	\$ 158,426	\$ 336,532	\$ 19,681,320
Employee Benefits	1,345,195	1,676,572	1,606,536	331,377	261,341	12,658,486
Total Salaries & Benefits	4,458,655	4,948,458	5,056,528	489,803	597,873	32,339,806
Temporary Employees	-	16,666	-	16,666	-	100,000
Interagency Agreements	964	54,416	22,323	53,452	21,359	326,500
Outside Legal & Claims Consulting Services (a)	-	-	69,541	-	69,541	-
Other Contract & Professional Outside Services	469	51,252	460	50,783	(9)	410,400
Employee Expense Reimbursements	1,357	2,760	591	1,403	(766)	16,625
Training & Professional Development	1,401	14,384	1,845	12,983	444	79,730
Parking	8,160	8,500	9,120	340	960	51,000
Automobiles	10,469	12,166	10,062	1,697	(407)	73,000
Communications & Outreach	-	168	-	168	-	1,000
Management Information Systems	221,792	457,302	192,319	235,510	(29,473)	2,299,000
General Office & Facilities	569,123	632,598	576,599	63,475	7,476	3,795,916
Other General	1,943	2,434	2,411	491	468	14,100
Total Authority Operating Expenses	5,274,333	6,201,104	5,941,799	926,771	667,466	39,507,077
Reserve for Unforeseen Events & New Initiatives	-	12,500	-	12,500	-	75,000
SDA Capital Expenditures (Internal)	-	-	-	-	-	54,000
Total Authority Operations	\$ 5,274,333	\$ 6,213,604	\$ 5,941,799	\$ 939,271	\$ 667,466	\$ 39,636,077

(a) Effective January 1, 2011, costs for outside legal & claims consulting services, \$389,534 (related to projects) are accounted for in School Facilities Project Costs (see page 2).

(Continued on Next Page)



New Jersey Schools Development Authority
Flash Operating Report
February 29, 2012

Flash Operating Report (Continued)

SDA Headcount by Division/Unit	Current Month	EOY Budget	Variance
Office of Chief Executive Officer (CEO)	3	3	-
COS, Program Assessment & Development	7	7	-
COS, Special Projects	11	12	1
Program Operations, Program Operations Management	6	6	-
Program Operations, Capital Planning & Grants Admin.	26	28	2
Program Operations, Safety	10	10	-
Program Operations, Project Teams	76	80	4
Corp Governance & Operations, Management	3	3	-
Corporate Governance & Operations, Human Resources	10	10	-
Corporate Governance & Operations, Chief Counsel	12	12	-
Corporate Governance & Operations, MIS/Project Services	15	15	-
Corporate Governance & Operations, Facilities	6	6	-
Corporate Governance & Operations, Communications	10	10	-
Financial Operations, CFO Management	4	4	-
Financial Operations, Controller	12	12	-
Financial Operations, Contract Management	12	14	2
Financial Operations, Real Estate Services	7	7	-
Financial Operations, Procurement & Contract Services	9	9	-
Financial Operations, Risk Management & Vendor Services	12	12	-
Total Full-Time Employees	251	260	9
EOM Budget	260		



New Jersey Schools Development Authority
Statement of Net Assets and General Fund Balance Sheet
February 29, 2012

	General Fund		Statement of Net Assets	
	<u>Total</u>	<u>Adjustments</u>	<u>Current Yr</u>	<u>Prior Yr End</u>
ASSETS				
Cash and Cash Equivalents	\$ 329,982,669		\$ 329,982,669	\$ 362,471,682
Receivables	165,492	\$ 558,297	723,789	2,417,841
Prepaid Expenses	829,204		829,204	965,346
Capital Assets (Net of Accumulated Depreciation of \$12,498,832)		1,317,309	1,317,309	1,469,503
Total Assets	\$ 330,977,365	\$ 1,875,606	\$ 332,852,971	\$ 367,324,372
LIABILITIES				
Accrued Project Costs	\$ 39,102,361	\$ 99,589,555	\$ 138,691,916	\$ 166,084,100
Accrued Other Post-Employment Benefits Obligation		9,859,353	9,859,353	9,545,523
Other Accrued Liabilities	445,679	1,012,091	1,457,770	1,634,528
Deposits	11,130,373		11,130,373	11,153,524
Total Liabilities	50,678,413	110,460,999	161,139,412	188,417,675
FUND BALANCE/NET ASSETS				
Invested in Capital Assets		1,317,309	1,317,309	1,469,503
Nonspendable:				
Prepaid Expenses	829,204	(829,204)		
Restricted:				
Schools Construction Build America Bond Program	258,524,592		258,524,592	258,299,957
Schools Construction Special Revenue Fund	20,945,156	(109,073,498)	(88,128,342)	(80,862,763)
Total Fund Balance/Net Assets (Deficit)	280,298,952	(108,585,393)	171,713,559	178,906,697
Total Liabilities and Fund Balance/Net Assets	\$ 330,977,365	\$ 1,875,606	\$ 332,852,971	\$ 367,324,372



New Jersey Schools Development Authority
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balances
February 29, 2012 Year-To-Date

	General Fund <u>Total</u>	<u>Adjustments</u>	Statement of Activities	
			<u>Current Yr</u>	<u>Prior Yr</u>
Revenues				
Program Revenues:				
Bond and Note Proceeds (Issued by EDA)	\$ -		\$ -	\$ -
Bidding Fees-Plans & Specs	9,200		9,200	75
General Revenues:				
Investment Earnings	20,276		20,276	187,879
Rental Income	41,553		41,553	35,860
Other Revenue-OPRA	40		40	81
Total Revenues	<u>71,069</u>	<u>-</u>	<u>71,069</u>	<u>223,895</u>
Expenditures/Expenses				
Employee Salaries & Benefits	4,144,824	\$ 313,831	4,458,655	5,056,528
Administrative & General Expenses	815,678		815,678	885,271
Capital Expenditures	-	-	-	-
Capital Depreciation		152,194	152,194	173,558
School Facilities Project Costs	1,837,681	-	1,837,681	7,504,247
Total Expenditures/Expenses	<u>6,798,183</u>	<u>466,025</u>	<u>7,264,208</u>	<u>13,619,604</u>
Excess of Revenues Over Expenditures	(6,727,114)	(466,025)		
Change in Net Assets			(7,193,139)	(13,395,709)
Fund Balance/Net Assets (Deficit)				
Beginning of Year	287,026,066	(108,119,368)	178,906,698	369,703,884
End of Period	<u>\$ 280,298,952</u>	<u>\$ (108,585,393)</u>	<u>\$ 171,713,559</u>	<u>\$ 356,308,175</u>



New Jersey Schools Development Authority
 Summary of Cash Receipts & Disbursements
 From Inception through February 29, 2012

Cash Receipts - State Share

Cash Disbursements - State Share

Year	Principal Amount ¹ Bond Proceeds	Appropriations ² from State	Investment Earnings	Miscellaneous ³ Revenue	Project Costs	Operating Expenses	Gross Capital ⁴ Expenditures	Deposits ⁵	Totals
2000	-	\$1,510,975	\$5,013	-	-	\$639,406	\$1,150	-	\$875,432
2001	\$508,600,000	47,125,988	18,862,686	\$10	\$18,967,828	6,705,756	1,735,148	-	547,179,952
2002	629,400,000	(43,500,000)	9,991,010	221,897	460,970,915	11,318,973	1,440,184	\$11,453,239	133,836,074
2003	607,929,000	-	5,488,373	305,596	1,096,480,983	19,983,448	7,609,761	13,612,751	(496,738,472)
2004	1,700,000,000	-	8,098,130	356,167	1,289,801,167	28,882,347	844,489	6,299,119	395,225,413
2005	2,075,000,000	-	17,472,686	638,597	1,332,923,106	27,460,855	194,394	53,393,712	785,926,640
2006	600,000,000	-	39,701,591	446,994	1,069,330,378	30,483,062	349,158	(9,559,780)	(469,573,793)
2007	800,000,000	-	28,304,347	541,065	890,787,821	35,055,800	572,252	(24,223,201)	(121,793,662)
2008	450,000,000	-	13,584,070	837,796	880,936,507	39,760,922	940,178	12,538,723	(444,677,018)
2009	775,000,000	-	2,197,675	260,902	613,756,613	43,258,213	243,801	(40,375,956)	79,823,994
2010	499,200,000	-	(2,749,864)	171,035	282,888,651	41,612,847	82,769	(10,494,369)	161,542,535
2011	-	-	546,039	316,761	173,991,754	34,509,603	26,142	(1,490,714)	(209,155,413)
2012	-	-	20,276	50,793	27,536,192	5,000,739	-	(23,151)	(32,489,013)
Totals	8,645,129,000	5,136,963	141,522,032	4,147,613	8,138,371,915	324,671,971	14,039,426	11,130,373	
Cash & Cash Equivalents									\$329,982,669

¹ Pursuant to the provisions of the Educational Facilities Construction and Financing Act (C.18A:7G-14a), as amended, the aggregate principal amount of bonds, notes or other obligations the EDA may issue to finance school facilities projects, and the costs related thereto, shall not exceed \$12.5 billion. This limitation excludes indebtedness incurred for refunding purposes.

² Represents funds received prior to the first bond issuance by the EDA in 2001.

³ Consists of rental income and cash receipts for bidding fees and OPRA requests.

⁴ Consists of leasehold improvements (SDA offices), capitalized software, furniture, fixtures & equipment for SDA operations.

⁵ Consists of deposits held for Section 13(B) Local Share Agreements (\$10,989,554); bond proceeds received for the payment of bond refunding closing costs (\$11,134) and other deposits (\$129,685)

⁶ 2010 Investment Earnings includes: 2009 New Brunswick legal settlement, \$144,736, and interest income \$1,299,176, offset by the Rebate Arbitrage payment of \$4,193,776



New Jersey Schools Development Authority
Interagency Agreements
February 29, 2012

<u>State of New Jersey Department / Agency</u>	<u>Service(s) Provided to SDA</u>	<u>Current Yr Payments</u>	<u>Payments from Inception through December 31, 2011</u>	<u>Total Payments</u>
<u>Included in Project Costs:</u>				
Department of Community Affairs	Provide code inspections, plan reviews and permits for schools.	\$ -	\$ 19,093,688	\$ 19,093,688
Department of Labor and Workforce Development	Provide training in construction trades to women and minorities pursuant to the Educational Facilities Construction & Financing Act (EFCFA). Also, provide enforcement of prevailing wage requirements on SDA projects.	-	10,541,812	10,541,812
Office of the Attorney General - Division of NJ State Police (services formerly provided by the Bureau of Fiscal Oversight and, prior to that, the Office of Government Integrity)	Perform prequalifying review and investigative services related to vendor integrity as required by the EFCFA.	-	5,038,478	5,038,478
Department of Education	Perform educational adequacy reviews for Abbott district schools.	-	3,276,059	3,276,059
New Jersey Institute of Technology	High Performance Schools guideline development and program implementation costs.	-	4,116,295	4,116,295
Rutgers University	Perform studies on the potential cost savings that could be realized through the use of standardized design elements, components, and construction materials. Also, includes fees paid to NJ Small Business Development Centers.	-	477,326	477,326
Department of Environmental Protection	Provide expedited environmental remediation review and support services.	-	1,611,081	1,611,081
Department of Transportation (terminated)	Provide relocation assistance services.	-	355,875	355,875
Other	Miscellaneous	-	179,552	179,552
Payments Included in Project Costs		-	44,690,166	44,690,166

(Continued on Next Page)



New Jersey Schools Development Authority
 Interagency Agreements
 February 29, 2012

Interagency Agreements (Continued)

<u>State of New Jersey Department / Agency</u>	<u>Service(s) Provided to SDA</u>	<u>Current Yr Payments</u>	<u>Payments from Inception through December 31, 2011</u>	<u>Total Payments</u>
<u>Included in Administrative & General:</u>				
Office of the Attorney General - Division of Law (TRE009)	Provide legal services and contract reviews. Also, provide legal support for environmental cost recoveries.	37,174	9,484,870	9,522,044
Governor's Authorities Unit	Annual assessment (not all years)	-	109,388	109,388
Office of the Inspector General (TRE030) (terminated in 2010)	Salaries & benefits for Assistant Inspector Generals assigned to SDA. .	-	858,872	858,872
Rutgers University, Center for Organizational Development and Leadership (RUT009)	Assist SDA in the development of a mission statement, vision statement and statement of values.	-	8,300	8,300
Department of Community Affairs (terminated)	Salaries & benefits for DCA employee assigned to SDA.	-	349,471	349,471
Payments Included in Administrative & General		<u>37,174</u>	<u>10,810,901</u>	<u>10,848,075</u>
Total Interagency Payments		<u>\$ 37,174</u>	<u>\$ 55,501,067</u>	<u>\$ 55,538,241</u>