

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD MEETING  
WEDNESDAY, SEPTEMBER 4, 2019 AT 9:00 A.M.  
32 E. FRONT STREET, TRENTON, NJ  
BOARD ROOM**

**1. NOTICE OF PUBLIC MEETING**

**2. ROLL CALL**

**3. PLEDGE OF ALLEGIANCE**

**4. APPROVAL OF MEETING MINUTES**

- a. Board Open Session Meeting Minutes of August 7, 2019
- b. Board Executive Session Meeting Minutes of August 7, 2019

**5. AUTHORITY MATTERS**

- a. CEO Report
- b. Chairman's Report
  - i. Document Revisions

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

- a. Approval of Award - Network, Hardware & Software Support Services Contract – Extension – GP-0236-R02
- b. Approval of Award - Independent Auditor Services - GP-0261-R01
- c. 2018 Audited Financial Statements
- d. 2018 Annual Report Pursuant to Executive Order No. 37 (2006)

**7. REPORT AND RECOMMENDATIONS OF THE SCHOOL REVIEW COMMITTEE (CHAIRMAN'S REPORT)**

- a. Approval of Awards – General Construction Services Task Order Contract - GP-0259-C01

**8. MONTHLY REPORTS**

- a. *For Informational Purposes*
  - i. Active Projects Report
  - ii. Project Close Out Status Report
  - iii. Project Status Reports
  - iv. Contracts Executed Report/Amendments & Change Orders Executed Report
  - v. Contract Terminations Report (*no activity*)
  - vi. Settlement Activities Report (*no activity*)
  - vii. Contractor and Workforce Compliance Report
  - viii. Regular Operating District Grant Activity Report
  - ix. Notification of Amendments to Goods and Services Contracts Not Exceeding \$100,000 or 10% of the Contract Value (*no activity*)
  - x. Communications Report
  - xi. Monthly Financial Report
  - xii. Design Contract De-Obligations Report (*no activity*)

**9. PUBLIC COMMENTS**

**10. NO EXECUTIVE SESSION**

- a. Litigation/Contract Matter(s) – OPMA Exemption N.J.S.A. 10:4-12b (7)  
CCD Report (*no activity*)

**11. ADJOURNMENT**

**APPROVAL OF MEETING MINUTES**

**AUGUST 7, 2019 OPEN SESSION MINUTES**

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS MEETING  
WEDNESDAY, AUGUST 7, 2019**

A meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, August 7, 2019 at 9:00 A.M. at the offices of the Authority at 32 East Front Street, Trenton, New Jersey.

Participating were:

- Robert Nixon, Chairman
- Michael Kanef (Treasury)
- Bernard Piaia (DOE)
- Donna Sullivan (EDA)
- Kevin Luckie (DCA)
- Kevin Egan
- Loren Lemelle
- Michael Maloney
- Mario Vargas

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

At the Chairman’s request, Manuel Da Silva, interim chief executive officer; Andrew Yosha, chief operating officer; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; and Albert Barnes, chief counsel of the SDA, participated in the meeting. Adam Sternbach of the Governor’s Authorities Unit also participated in the meeting.

The meeting was called to order by Mr. Nixon, who requested that Ms. Kelly read the requisite notice of the meeting. Ms. Kelly announced that the meeting notice had been sent to the *Trenton Times* and *Star-Ledger* at least 48 hours prior to the meeting, and had been duly posted

on the Secretary of State's bulletin board at 20 West State Street in Trenton, New Jersey. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

### ***Pledge of Allegiance***

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

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

The Chairman presented for consideration and approval the minutes of the Board's July 1, 2019 Open Session meeting. A copy of the meeting minutes and a resolution had been provided to the Members for review in advance of the meeting. Upon motion duly made by Mr. Luckie and seconded by Mr. Vargas, the Open Session meeting minutes of the July 1, 2019 SDA Board meeting were approved by the Board upon the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 4a***.

### ***Authority Matters***

### ***Chairman's Report***

The Chairman noted that he wanted to take things out of order and make a few comments ahead of Mr. Da Silva providing the CEO report to the Board. He said that it is important that he address the Board and the public about the results of investigations conducted regarding the hiring practices at the SDA. He said that he believed that those present have received a copies of the Audit Committee report and the independent legal reviews. He said that the findings contained in those documents are clear and self-explanatory and what they revealed is unacceptable and unjustifiable.

In continuing, Mr. Nixon said that reports alone are not enough when the integrity and future of the Authority are under a microscope. He said that we must recognize the seriousness

of the investigations and be prepared to implement reforms to ensure that those failures do not happen again. The Chairman said that interim CEO Da Silva has taken several serious but necessary steps over the last few weeks to address what the reports outlined. He said that the Authority must be open to other changes in processes, procedures and Board oversight to truly take account of where the SDA is today and how it may effectively move forward. He said that, in consultation with the Governor, he is directing SDA management to retain a consultant to review and formulate improvements to the SDA's Human Resources function, Board processes, and committee structure. He said that the reports that were issued should not define the SDA. He said that, despite the issues outlined in the reports, the SDA has remained effective, efficient and focused on its core mission – to build quality 21<sup>st</sup> century schools for communities around the State. Mr. Nixon said that the schools SDA builds and repairs change lives and help build communities around them. He stressed that this is what everyone needs to be focused on moving forward. The Chairman said that, looking ahead, the Authority stands ready to implement the reforms called for by the investigations and, from there, to focus on reauthorizing funding for the SDA to keep doing what everyone acknowledges it does well – building schools on time and on budget. He expressed his appreciation to Interim CEO Da Silva for his leadership at this critical time and to SDA Audit Director Peter Green for his hard work and critical thinking in preparing the hiring practices audit.

### ***CEO Report***

Mr. Nixon asked Interim Chief Executive Officer (CEO) Manuel Da Silva for the Report of the CEO. Mr. Da Silva thanked the Chairman, the Members of the Board, and the public, noting that the previous month was difficult for everyone at the Authority. He said that he had the difficult job of looking at the Authority and making decisions regarding how to move forward. He said that SDA's core mission is to deliver schools on time and on budget. He noted

that the Authority's current capital plan has only 14 schools remaining for delivery over the next several years. Mr. Da Silva said that the personnel actions taken the previous month will refocus the Authority on its core mission and increase its efficiency and effectiveness by consolidating functions and eliminating areas that are not needed. He said that reauthorization of funding is a critical but secondary focus and that the need for reauthorization will become more apparent as the Authority continues to deliver modern, state of the art schools—on time and on budget—in New Jersey's most underserved areas, including four schools that will be delivered in the fall. He said that, as the authority's strategy for reauthorization has changed, twenty-seven jobs were eliminated due to deficiencies in the hiring process and in an effort to refocus the authority on its core mission. He added that three additional positions were eliminated to achieve organizational efficiencies. Finally, he explained that four positions were retained as he has determined that the individuals in those positions were qualified for their roles, served a critical function consistent with SDA's mission, and he has first-hand knowledge of the individuals' job performance. Mr. Da Silva said that the Authority also will be implementing additional organizational reforms to ensure effective personnel oversight and authority-wide governance. He said that any positions that the Authority fills in the future will be posted internally and externally utilizing job descriptions and adhering to SDA's hiring policies and procedures. He reiterated that the previous month was difficult, but that this was needed to refocus the Authority. He said that while SDA's future is uncertain, there remains a commitment to delivering state-of-the-art school facilities on time and on budget.

Turning to the status of the Authority's ongoing projects, Mr. Da Silva next provided an update on September 2019 school openings. He reported that for the Irvington Madison Avenue ES project, submission of an application for a temporary certificate of occupancy (TCO) will be coordinated with inspections to be performed this week. He said that the Passaic Leonard Place



ES is already being occupied for summer school and that the certificate of occupancy (CO) application for that facility is currently under review by the Department of Community Affairs (DCA). For the Perth Amboy Seaman Avenue ES project, he advised that submission of the TCO application will be coordinated with inspections to be performed this week. He reported that final inspections at the Trenton Central HS facility have concluded and staff has submitted the TCO application.

Turning to projects in design, Mr. Da Silva informed the Members that for the Paterson Union Avenue MS project, the first design package—inclusive of piles, foundations and steel—is under review by DCA. He added that the design-builder has initiated site preparation activities that do not require permit issuance.

Mr. Da Silva said that for the Plainfield Woodland ES project, building demolition is complete, and final site grading work is being completed. He added that staff anticipates advertising for design-build services later this month.

Mr. Da Silva next gave an update on projects in the procurement stage. For the Perth Amboy HS project, he said that bids for design-build services are due in September and staff anticipates receipt of proposals from three entities, including two joint ventures. For the Keansburg Port Monmouth Road School project, he reported that staff has advertised for design-bid-build services. He added that proposals are due in September.

Mr. Da Silva informed the Members that staff anticipates that constructability reviews for both the Orange Cleveland Street ES project and Orange HS project will be completed this month.

With respect to design-build projects in construction, Mr. Da Silva reported that for the Camden HS project, Ernest Bock & Sons, Inc. (EBS) continues with footing, foundation, underground utilities and concrete slab work. He added that structural steel work has begun in

the core of the building. For the East Orange George Washington Carver ES project, Dobco, Inc. the design-builder, has completed design phase services. He added that masonry and cold form metal steel framing installation is complete and interior mechanical, electrical and plumbing (MEP) finishes have begun. In regard to the Harrison New ES project, MEP rough-in and building enclosure are ongoing, as well as exterior masonry veneer construction. He added that roofing and window installation activities have begun.

In continuing, Mr. Da Silva reported that for the Millville HS addition and renovation project, Phase II renovation work is complete, and furniture delivery has begun for phased turnover of the school to the district for September occupancy. He said that Phase III demolition activities have been completed and new footings and foundation work has begun. He advised that for the Passaic Dayton Avenue Educational Campus project, Terminal Construction Corp. is in the process of completing concrete slab, site utility construction and structural steel construction work. He said that staff anticipates issuance this month of the full notice-to-proceed with construction. He noted that a beam signing event is scheduled for August 8. For the Pemberton Denbo Crichton ES project, he reported that DCA is completing its review of EBS's final design submission. He added that EBS is completing the exterior walls in preparation for building enclosure prior to winter weather. He said that MEP interior work also is underway.

Mr. Yosha added that there remain 14 projects to be delivered after the September openings.

#### **Appointment of Interim Records Custodian**

At the Chairman's request and referencing the memorandum that was provided to the Members in advance of the meeting, Mr. DaSilva explained that, pursuant to the Open Public Records Act (N.J.S.A. 47:1A-1 et seq.), requests by members of the public for public documents shall be handled by a public entity's "Records Custodian". He said that the Act defines "Records

Custodian as the “...officer officially designated by formal action of that agency’s director or governing body...” to perform this function. He added that this necessitates the formal election of a new Interim Records Custodian. He said that before the Board is a recommendation to elect SDA Ethics Manager Jane Folmer-Kelleher to serve as the Authority’s Interim Records Custodian.

Following discussion, upon a motion by Mr. Luckie and seconded by Mr. Maloney, the Board approved the nomination of Jane Folmer-Kelleher to serve as the Authority’s Interim Records Custodian with the Members’ unanimous vote in favor of *Resolution 5ai*.

### ***School Review Committee***

#### **Resolving Change Order No. 1- Catcord Construction Company; Amendment No. 2 – USA Architects, Planners + Interiors Designs, P.A.**

Mr. Nixon asked Mr. Luckie to provide the report of the School Review Committee. Mr. Luckie reported that the School Review Committee met on July 24, 2019 at which time two items were discussed in Open Session. He said that the first item for Board consideration is Resolving Change Order No. 1 for the Plainfield HS emergent project (the Project). He described the Plainfield HS as an approximately 365,000 square foot facility in the Plainfield Public School District educating approximately 1,600 students in grades 9 through 12. He explained that in July 2016 the state Department of Education (DOE) and SDA launched a third statewide effort to identify and evaluate potential emergent projects throughout the SDA Districts. He said that this effort resulted in the identification of conditions at the High School for advancement as an emergent project involving structural repairs or replacement stairs. He advised that SDA determined to advance the Project by way of a rotational assignment to Catcord Construction Company (Catcord) through the SDA’s General Contractor Task Order (GCTO) Contract and Catcord was issued a notice-of-award in August 2018. Mr. Luckie said that SDA issued a

notice-to-proceed in September 2018 authorizing Catcord to advance the Project. He explained that, after demolition of the landings, it was determined that the landing concrete, as installed, was partially bearing on the masonry construction of the wall and was not substantial enough to structurally support the work required to support the new landings. He said that it was determined that the most practical and structurally sound way to support the steel beams was to create beam pockets on both sides of the landing to bear the new channels.

Mr. Luckie advised the Board that Catcord submitted a cost proposal in the not-to-exceed amount of \$125,000 for the additional scope of work. He said that management issued Construction Change Directive (CCD) No. 1 in the amount of \$0.00 on July 19, 2019 so that the work might proceed in order to avoid impacts on the anticipated project completion date and scheduled September 2019 school opening. Mr. Luckie advised that the financial operations office reviewed Catcord's \$125,000 cost proposal and determined that it was the most practical and economic approach to the work.

He said that management recommends Board approval of Resolving Change Order No. 1 in the not-to-exceed amount of \$125,000 to resolve CCD No. 1 for the labor, material and equipment needed to create beam pockets to support the stair landing steel channels.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Ms. Sullivan, Resolving Change Order No. 1 for Catcord Construction Company was approved with the Board's unanimous vote in favor of ***Resolution 6a***.

Next, Mr. Luckie said that the Committee is recommending an amendment for the Newark Science Park HS emergent project (the Project). He described the Science Park HS as an approximately 275,000 square foot technology magnet high school educating 1,200 students in grades 7 to 12. He said that the state Economic Department Authority initiated delivery of the

Project in 2002 and a notice to proceed was issued in December 2004. He advised that the Project achieved substantial completion and received a TCO in November 2006. He noted, however, that the temporary certificate of occupancy TCO excluded the smoke control system which was determined to be non-compliant with code requirements.

Mr. Luckie advised that modification of the non-compliant system is the primary step needed for SDA to complete the Project, obtain a CO and transfer the school facility to the district. He said that a construction package for the system modification work was advertised in 2017 and a construction contract was awarded to Precision Building and Construction, LLC (PBC). He reported that, while PBC has completed the scope of corrective work for the system and other needed repairs, the existing ductwork which interacts with the system did not pass the required pressure test due to factors involving the original project, unrelated to PBC's scope of work. Mr. Luckie said that management issued Change Order No. 1 to PBC to investigate and repair the issue that resulted in the failure of the existing system ductwork pressure test. He added that following PBC's repairs to the ductwork, it was determined that the repairs would not fully address the required ductwork system pressurization issues, and the additional scope needed to remedy the control damper issue was the basis of Change Order No. 3 issued to PBC in April 2018.

Mr. Luckie advised that final special inspections were conducted from December 2018 thru February 2019 in order to prepare the report required to obtain a CO from DCA for the Project. He informed the Members that all tests passed inspections except for a February 2019 makeup air velocity system test and investigation which revealed that the original make up air duct assembly on the second and third floors is undersized. He said that the proposed Amendment No. 2 in the not-to-exceed amount of \$79,000 will authorize USA Architects to

perform additional design services to identify corrective solutions to resolve the makeup air velocity system issue and potentially facilitate the issuance of a CO for the Project.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Vargas and seconded by Mr. Maloney, Amendment No. 2 for the emergent project at the Newark Science Park High School was approved with the Board's unanimous vote in favor of ***Resolution 6b***.

### ***Public Comments***

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

Mr. Nixon then announced that the Board would be adjourning into Executive Session. Ms. Kelly said that the Board had resolved to adjourn into Executive Session to discuss personnel matters. Mr. Nixon said that the Board would return to Open Session at the conclusion of the Executive Session.

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

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

### ***Adjournment***

There being no further business to come before the Board, upon motion by the Chairman and with unanimous consent, the meeting was adjourned.

**Certification:** The foregoing represents a true and complete summary of the actions taken by the Board of the New Jersey Schools Development Authority at its August 7, 2019 meeting.

*/s/ Jane F. Kelly*  
Assistant Secretary

***Resolution—4a./4b.*****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 August 7, 2019 Board meeting of the New Jersey Schools Development Authority, for the Open and Executive Sessions were forwarded to the Governor on August 8, 2019.

**NOW, THEREFORE, BE IT RESOLVED**, that the minutes of the New Jersey Schools Development Authority's August 7, 2019 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: September 4, 2019



## **AUTHORITY MATTERS**

## **CEO REPORT**

**CHAIRMAN'S REPORT**

## **DOCUMENT REVISIONS**



STATE OF NEW JERSEY

**SCHOOLS DEVELOPMENT AUTHORITY**32 EAST FRONT STREET  
P.O. BOX 991  
TRENTON, NJ 08625-0991  
609-943-5955**5****MEMORANDUM**

TO: Members of the Authority

FROM: Robert Nixon, Chairman of the Board

DATE: September 4, 2019

RE: Changes to SDA Bylaws, Audit Committee Charter – For Approval  
Policies, Program & Benefits Manual--Informational

In the wake of recent reports of improper hiring practices at the Authority, Schools Development Authority executive management has advanced, the SDA Audit Committee has reviewed, and I recommend Board approval of, revisions to the Authority's Bylaws and Audit Committee Charter. Additional Changes to the SDA Policies, Program and Benefits Manual (Employee Handbook) will be made by management (as described below) following the SDA policy revision process.

It should be stated at the outset that the SDA's current Bylaws, Audit Committee Charter and Employee Handbook have successfully guided the Authority and its operations for twelve (12) years and at no time have they been found to be lacking. SDA leadership and staff have complied with the requirements set forth in these documents until very recently and the adequacy of the Authority's governing documents--specifically as they pertain to its hiring processes--has never before been called into question.

Nonetheless, I, along with executive management, propose these recommended revisions for approval in order to further strengthen SDA's processes and procedures and in an effort to ensure that recent events will never reoccur.

I would emphasize that any written policies, directives and other guiding documents are only effective if individuals in top management roles are committed to abiding by their provisions. It is the responsibility of this Board to install leaders who will respect the Authority's rules and regulations, remain vigilant and take all steps necessary to ensure full compliance.

**SDA Bylaws**

- **ARTICLE I, Section 1.6 Rules and Regulations (new).** Bylaws amended to include a definition of the term "rules and regulations" as utilized in Section 5.1A. "Personnel". The "rules and regulations" that govern the CEO's exercise of his/her authority have historically included the SDA Operating Authority, Employee Handbook, Operating Budget and other policies. As amended, the Bylaws make specific reference to these governing documents.

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 Changes to SDA Bylaws, Audit Committee Charter  
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- **ARTICLE I, Section 1.7 Staffing Plan (new).** Bylaws amended to include a definition for “Staffing Plan”.
- **ARTICLE V, Section 5.1A Chief Executive Officer (amendment).** Bylaws amended to require that the CEO establish an annual staffing plan; when needed, establish a reorganization plan that must be presented to the SDA Board; and administer a compensation plan through consultation with the Board. This ensures that the Board has an opportunity to provide input regarding CEO actions relative to personnel needs, salary levels, employee promotions, salary increases, etc.

This section is also amended to require that the CEO update the Audit Committee regarding personnel and compensation matters at least once per quarter.

- **ARTICLE V Section 5.1C (amendment).** Amendment requires that the CEO establish and propose a staffing plan on an annual basis for Board review and approval.

### SDA Audit Committee Charter

The following proposes changes to/expands the responsibilities of the Audit Committee:

- **Section VI A.1 (amendment)** The AC Charter is amended to require that, on an annual basis, the Audit Committee review and recommend the CEO’s Annual Staffing Plan (in addition to the SDA Operating Budget). This amendment also requires that the Committee review comparisons of actual expenses to budgeted amounts *at least quarterly*.
- **Section VI F.2 (amendment)** This amendment supplements the provision outlining the Committee’s role in reviewing procedures for ensuring compliance with financial controls by expressly stating that the Committee shall also review procedures established to ensure compliance with all other “rules and regulations” governing the Authority (e.g. Employee Handbook, SDA Operating Authority, Operating Budget, etc.). *See definition of “rules and regulations” in SDA Bylaws.*
- **Section VI G.2 (new).** This new section requires that the Audit Committee, as part of its oversight role pertinent to Personnel and Compensation, review the Authority’s Staffing Plan that must now be prepared annually by the SDA CEO. *See ARTICLE I, Section 1.7 and ARTICLE V, Section 1.5C of the SDA Bylaws as amended.*
- **Section VI G.3 (new).** This new section provides that at least once per quarter, the Audit Committee will review matters concerning personnel and compensation with the CEO.

**\*\*FOR INFORMATIONAL PURPOSES\*\***

**SDA Policies, Programs and Benefits Manual (Employee Handbook)**

The following proposes changes to the SDA Employee Handbook to strengthen the protections contained therein.

**Section 210 Employment Reference Checks**

- **Purpose (amended).** The proposed amendments to this section provide that pre-hire background checks must be conducted routinely. It also stipulates that fingerprint checks may be performed in connection with candidates for various SDA positions (Finance, HR, IT and other positions at management's discretion).

**Section 405. Employment of Relatives**

- **Purpose (amended)**
  - a. This section is amended to stipulate that relatives of the Chief Operating Officer and Vice Presidents, in addition to those of the CEO and SDA Board Members, shall not be employed by the Authority.
  - b. This provision requires that the hiring of anyone with a family relationship to another employee must be disclosed to the Ethics Liaison Officer (ELO) following review and approval of the same by the ELO and the Executive Team and written approval by the CEO. The ELO is required to prepare documentation as necessary (i.e. recusals).
- **Definition of Relative (amended)** The proposed amendments to this section provided that if two employees become romantically involved and accommodations are not feasible, management will consult with the two employees as to which employee must resign but it will remain in management's discretion to make the final determination in this regard. Currently, the employees are authorized to make the determination as to which employee shall resign with management stepping in to make the determination only in the event that the two employees cannot agree.

This section is also amended to expressly state that, in no instance will employees involved in a romantic relationship function in a supervisor/subordinate capacity.

**Section 410 Internal and External Hiring**

- **Coordinated Human Resources  
Section 2 (amended)**
  - **Filling of Position.** This section is amended to require that a hiring manager notify HR that a position needs filling through submission of an Employee

Requisition Form. In addition, as amended, this section would require that the Executive Team review and recommend any prospective hire to the CEO who must then authorize it to proceed in writing.

- **Other Employee Actions.** This section is further amended to stipulate that appointments, assignments and transfers (in addition to promotions, new hires) must also receive Executive Team review and recommendation before advancing to the CEO. The CEO must approve the same in writing before they will proceed.
- **One Year Service Requirement.** Presently, a new employee must serve in his/her position for 1 year before they can be considered for another SDA position absent a legitimate business purpose. However, no process exists for determining that a “legitimate business purpose” exists in the existing employee handbook. As amended, any waiver of the 1-year bar must be preceded by an Executive Team determination that a legitimate business need warrants the granting of a waiver. The CEO also must approve in writing of any such waiver to be granted.
- **Process**  
**Section 3 (amended)**
- **Employee Referrals.** Amendments to this provision require that the resumes of any potential hire referred by an SDA employee must be received through the formal HR system.
- **Transmittal of Resumes.** Resumes must not be given to HR by current employees nor may any employee attempt to impact the hiring process. If an employee is on the receiving end of efforts by another employee to impact the hiring process, the former is required to report this to the SDA Ethics Liaison Officer. The amendments further stipulate that if an employee attempts to impact a hiring process or to retaliate against another employee for issues related to a hiring process, that employee will be subject to discipline.
- **Applicant Selection/Offers**  
**Section 6 (amended)**
- **Establishment of New Hire Salary.** This section is amended to require that proposed new hire salaries must receive Executive Team review and approval. In addition, the Executive Team must review and approve the position description and potential new hire’s qualifications, and determine that the new hire’s qualifications align with the requirements of the position description. As amended, this section requires that, before a job offer can be made by HR, the Executive Team must affirmatively recommend that the CEO approve the hiring. The CEO must then authorize the hiring in writing.



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- **Automobile Usage**  
**Section 9 (amended)**
- **Vehicle Assignments.** This section is amended to delete the stipulation that the SDA CEO is to be assigned an SDA vehicle. As amended, any SDA employee, including the CEO, can be assigned an SDA vehicle if circumstances warrant an assignment.

/s/ Robert Nixon  
Robert Nixon, Chairman of the Board

Developed by: Manual Da Silva, Interim CEO  
Andrew Yosha, Vice President, Program Operations & Strategic Planning  
Donald Guarriello, VP and Chief Financial Officer  
Jane F. Kelly, VP, Corporate Governance & Legal Affairs

Prepared: by: Jane F. Kelly, VP, Corporate Governance & Legal Affairs

**BY - LAWS**  
**OF THE**  
**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY**

**Adopted:**  
August 15, 2007

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY**

**BY-LAWS**

**ARTICLE I**  
**GENERAL PROVISIONS**

**Section 1.1** **Scope and Provisions of By-Laws.** These by-laws are adopted pursuant to Section 4 of P.L. 2007, c. 137, approved August 6, 2007 (N.J.S.A. 52:18A-238). They are intended to govern the affairs and the conduct of the business of the Authority with respect to the performance of its functions, powers and duties under P.L. 2007, c. 137, and the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72 (principally codified at N.J.S.A. 18A:7G-1 et seq.) (the “EFCFA”).

**Section 1.2** **Name of the Authority.** The name and title of this Authority shall be the “NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY” (hereinafter referred to as the “Authority”).

**Section 1.3** **Principal Office.** The principal office of the Authority shall be One West State Street, P. O. Box 991, Trenton, New Jersey, 08625. All communications to the Authority shall be addressed to its principal office except as may otherwise be specified by resolution, regulation or rule. The Authority may also have offices at such other places as it may from time to time designate by resolution.

**Section 1.4** **Public Inspection.** Authority records shall be available for public inspection at the principal office of the Authority.

**Section 1.5** **Seal.** The Seal of the Authority shall be in the form of a circle enclosing the seal of the State of New Jersey, and shall bear the name of the Authority and the year of its creation (2007).

**Section 1.6** **Rules and Regulations.** The rules and regulations of the Authority shall include, but not be limited to the SDA “Operating Authority”, “Policies, Programs and Benefits Manual”, “Annual Operating Budget”, “Staffing Plan”, “State Uniform Ethics Code”, “SDA Supplemental Ethics Code” and all other policies properly adopted and governing Authority operations.

**Section 1.7.** **Staffing Plan.** The Staffing Plan is a representation of the resources required to satisfy the SDA’s mission, goals, commitments and operating needs correlated to the volume and type of work activities to be advanced within a defined period. The Staffing Plan shall include existing SDA resources along with projected resource needs, and shall identify each included resource’s function responsibilities and major accountabilities in support of the SDA’s mission, goals, commitments and operating needs. The Staffing Plan prepared for presentation to the SDA Board shall be developed through a process that includes data-driven analytics.

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**ARTICLE II**  
**MEMBERS AND DESIGNEES**

Section 2.1 Members. The Authority shall consist of fifteen members: the Commissioner of Education, the Commissioner of the Department of Community Affairs, the Executive Director of the Economic Development Authority and the State Treasurer, who shall serve as ex officio members; and eleven public members appointed by the Governor with the advice and consent of the Senate. At least one of the public members shall have knowledge or expertise in the area of law enforcement and the remaining public members shall have knowledge or expertise in real estate development, construction management, finance, architectural or building design, or any other related field. The members shall collectively function as the governing body of the Authority to the extent of the powers and authority allocated pursuant to P.L. 2007, c. 137, and the EFCFA, and shall be referred to as the Board of the Authority (or "Board").

Section 2.2 Terms of Public Members. Each public member shall serve for a term of five years and shall hold office for the term of the member's appointment and until the member's successor shall have been appointed and qualified. A member shall be eligible for reappointment. Any vacancy in the membership occurring other than by expiration of term shall be filled in the same manner as the original appointment but for the unexpired term only. In the case of the first eleven public members appointed, three shall serve for a term of two years, three shall serve for a term of three years, three shall serve for a term of four years, and two shall serve for a term of five years.

Section 2.3 Compensation of Members. The members shall serve without compensation, but the Authority may reimburse its members for actual expenses incurred in the discharge of their duties.

Section 2.4 Removals. Each member appointed by the Governor may be removed from office by the Governor, for cause, after a public hearing, and may be suspended by the Governor pending the completion of such hearing.

Section 2.5 Oath. Each member before entering upon his duties shall take and subscribe an oath to perform the duties of the office faithfully, impartially and justly to the best of his ability. A record of such oath shall be filed in the Office of the Secretary of State.

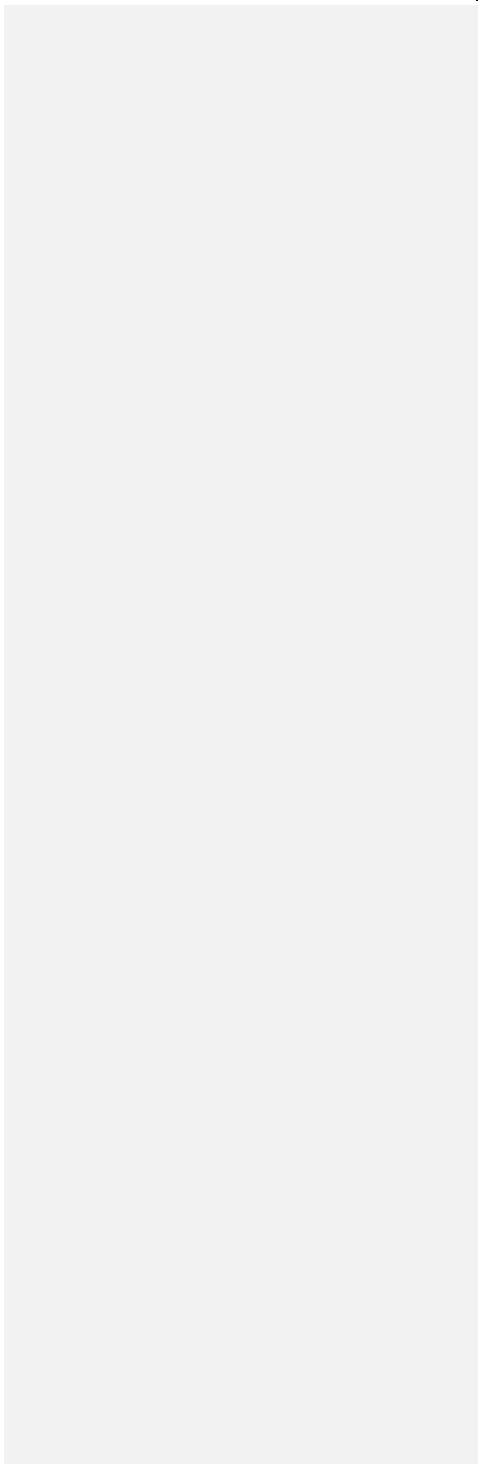
Section 2.6 Surety Bonds. Each member shall execute a bond to be conditioned upon the faithful performance of the duties of the member in such form and amount as may be prescribed by the Director of the Division of Budget and Accounting in the Department of the Treasury. Such bonds shall be filed in the Office of the Secretary of State. At all times thereafter, the members of the Authority shall maintain such bonds in full force and effect. All costs of such bonds shall be borne by the Authority.

Section 2.7 Designees. Each ex officio member of the Authority may designate an officer or employee of the member's department or authority to represent the member at meetings of the Authority. Each such designee may lawfully vote and otherwise act on behalf of the member for whom the person constitutes the designee. Any such designation shall be in writing delivered to the Secretary of the Authority and shall continue in effect until revoked or amended by writing delivered to the Secretary of the Authority.

### ARTICLE III

**MEETINGS**

Section 3.1 Place of Meetings. All meetings of the Authority shall be held at a location to be determined by the Chairperson of the Authority, provided that any and all members may participate in a meeting of the Authority by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting, including the public when required, to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.



Section 3.2 Annual Organizational Meeting. The Annual Meeting of the Authority shall be held at the principal office of the Authority on the last Wednesday of January of each year at 10:00 a.m., or such earlier or later date in January of each calendar year as the Chairperson may designate in accordance with the notice provisions hereinafter provided, for the purpose of electing the officers of the Authority and for the transaction of such other business as may properly come before the meeting. The Authority shall, at its Annual Meeting, establish a schedule of regular meetings for the following 12-month period, and no further notice of such regularly scheduled meetings need be given to any member of the Authority.

Section 3.3 Regular Meetings. Regular meetings of the Authority shall be held at such times and places as may be determined by resolution of the Authority in accordance with the provisions of the Open Public Meetings Act, P.L. 1975, c. 231, as amended, N.J.S.A. 10:4-1 et seq., or any successor statute (hereinafter referred to as the "Open Public Meetings Act").

Section 3.4 Special Meetings. Special meetings of the Authority may be called by the Chairperson or, in his absence, the Vice Chairperson, and shall be called at the written request of three or more members. Such meetings shall be held in conformity with the provisions of the Open Public Meetings Act. Written notice of each such special meeting shall be given at least 48 hours prior to the time named for the meeting to each member who does not waive such notice in writing, and shall specify the time, place and purpose(s) of the meeting. At such meetings, any and all matters may be considered and acted upon by members of the Authority.

Section 3.5 Public Notice of Meetings of the Authority. Except as provided by Section 3.6 hereof, all meetings of the Authority shall be open to the public, and at the commencement of every meeting the Chairperson, or such other person as shall be presiding, shall announce in public, and shall cause to be entered in the minutes of the meeting, an accurate statement of the matters required by Section 5 of the Open Public Meetings Act. The Secretary or Assistant Secretary of the Authority shall give public notice of meetings of the Authority pursuant to the requirements of the Open Public Meetings Act.

Section 3.6 Executive Sessions. At any regular or special meeting of the Authority, the members may, by resolution, close the session to the public to meet in Executive Session as authorized by the Open Public Meetings Act. Any resolution to meet in Executive Session shall state the general matters or subjects to be discussed in Executive Session and state as precisely as possible the time or circumstances under which the discussions conducted in Executive Session can be disclosed to the public. Minutes of Executive Sessions shall be taken and shall be disclosed to the public when deemed appropriate by the members of the Authority.

Section 3.7 Minutes. Minutes of all meetings, including Executive Sessions as provided in Section 3.6 hereof, shall be kept showing the time and place, the members present, the subjects considered, the actions taken, the vote of each member, and any other information required to be shown in the minutes by law, and shall be promptly made available to the public, to the extent that making such matters public shall not be inconsistent with Section 3.6 hereof in the case of Executive Sessions.

Section 3.8 Quorum. Eight members shall constitute a quorum for the transaction of business. No vacancy in the membership of the Authority shall impair the right of a quorum of the members to exercise all the powers and perform all the duties of the Authority.

Section 3.9 Voting. At every meeting of the Authority, each member shall be entitled to one vote. All elections shall be had, action may be taken and motions and resolutions adopted by the affirmative vote of at least eight members of the Authority. Except when the vote is unanimous, the voting on all questions, resolutions and motions shall be by roll call and the yeas and nays shall be entered into the minutes.

Section 3.10 Submission of the Minutes to the Governor. A true copy of the minutes of every meeting of the Authority shall be delivered by and under the certification of the Secretary thereof to the Governor. No action taken at any meeting of the Authority shall have force or effect until ten days, Saturdays, Sundays, and public holidays excepted, after the copy of the minutes shall have been so delivered, unless during such ten-day period the Governor shall approve the same in which case the action shall become effective upon such approval. If, in that ten-day period, the Governor returns a copy of the minutes with veto of any action taken by the Authority or any member thereof at the meeting, such action shall be null and of no effect. If the Governor shall not return the minutes within said ten-day period, any action therein recited shall have force and effect according to the wording thereof.

Section 3.11. Certification of Resolutions. Each member is authorized to certify, when required, the records, proceedings, documents, or resolutions of the Authority, and to affix the seal of the Authority to all contracts, documents and instruments to be executed by the Authority.

#### **ARTICLE IV** **OFFICERS**

Section 4.1 Officers of the Authority. The officers of the Authority shall be the Chairperson, Vice-Chairperson, Secretary, Treasurer and Chief Executive Officer. The Authority may, by resolution, appoint other officers at its discretion as is necessary to address the affairs of the Authority.

Section 4.2 Officer Selection and Terms of Office. The Chairperson shall be appointed by the Governor from the public members. Any such appointment shall be in writing and shall be delivered to the Authority and shall continue in effect until revoked or amended in writing by the Governor to the Authority. At each Annual Meeting of the Authority, the members shall elect from their remaining number a Vice-Chairperson, a Secretary and a Treasurer thereof. The Vice-Chairperson, Secretary and Treasurer shall be elected for a term of one year, and shall serve for said term until their successors shall have been duly elected, except as provided otherwise in Section 4.3 concerning filling vacancies. The Authority shall appoint and employ an executive director who shall be its Chief Executive Officer.

Section 4.3 Vacancies. In the event any office of the Authority established under Section 4.1, except if such office is held by an ex officio member, becomes vacant by death, resignation, removal or any other cause, or in the event additional offices are created by the Authority, the members may at any meeting elect an officer to fill such vacancy or additional office, and the officer so elected shall serve until the next Annual Meeting of the Authority and until the election of the officer's successor.

Section 4.4 Chairperson. The Chairperson shall preside at all meetings of the Authority and rule on all questions of order, subject to appeal by the members. The Chairperson shall submit such recommendations considered proper concerning the business, duties and affairs of the Authority and shall have such other powers and shall perform such other duties as the Authority may from time to time prescribe by resolution.

Section 4.5 Vice-Chairperson. The Vice-Chairperson shall preside over all meetings in the absence or disability of the Chairperson and shall perform the duties of the Chairperson in the event the office of the Chairperson is vacant or the Chairperson is unable to perform such duties by reason of illness, disability or absence. The Vice-Chairperson shall have such other powers and perform such other duties as the Authority may from time to time prescribe by resolution.

Section 4.6 Secretary. The Secretary shall act as clerk of all meetings of the Authority, record or cause to be recorded all the proceedings of the meetings of the Authority, and cause such records to be kept in such a manner as to ensure their permanence. The Secretary shall give proper notice of all meetings as described herein and shall have custody of all the books and records of the Authority, except those kept by the Treasurer. The Secretary shall keep in safe custody the seal of the Authority and shall have the power to affix such seal to all contracts and instruments authorized to be executed by the Authority. The Secretary shall in general perform all the duties incident to the office of Secretary, subject to the control of the Authority, and shall have such other powers to do and perform such other duties as the Authority may prescribe from time to time by resolution. The Secretary shall deliver and certify forthwith a true copy of the minutes of every meeting of the Authority to the Governor. The Secretary shall also keep a record, containing the names of all persons who are members of the Authority or duly appointed designees of the members, showing their places of business and dates of membership or dates of designation.

Section 4.7 Assistant Secretary. The Authority may, by resolution, appoint an Assistant Secretary, who need not be a member of the Authority, and delegate any and all of the duties and confer any and all of the powers of the Secretary to the Assistant Secretary. The Authority may, by resolution, assign responsibility for the corporate governance and compliance responsibilities of the Authority to an Assistant Secretary. If the Authority confers such responsibility to an Assistant Secretary, the Assistant Secretary shall report to both the Chief Executive Officer and the Audit Committee. In the event that the Authority does not confer such responsibility upon an Assistant Secretary, or such Assistant Secretary is unable to fulfill such responsibility, the corporate governance and compliance responsibilities shall be vested in the Chief Executive Officer.

The Authority may, by resolution, appoint additional Assistant Secretaries to serve in the event of the Assistant Secretary's absence or disability.



Section 4.8 Treasurer. The Treasurer shall have such powers and perform such duties as the Authority may prescribe from time to time.

Section 4.9 Assistant Treasurer. The Authority may, by resolution, appoint the Chief Financial Officer of the Authority to act as Assistant Treasurer, and may delegate any and all of the duties and confer any and all of the powers of the Treasurer to the Assistant Treasurer.

Section 4.10 Removal of Officers. Any officer of the Authority, other than the Chairperson, may be removed by the Authority whenever in its judgment the best interest of the Authority will be served thereby. The removal of a member of the Authority from an office thereof shall in no way constitute such member's removal as a member of the Authority.

#### ARTICLE V STAFF

Section 5.1 Chief Executive Officer. The Authority shall employ a Chief Executive Officer qualified by training and experience for the duties of the office, who shall report to the members of the Authority. Unless otherwise directed by the members of the Authority, subject to the limitations, if any, of the budget adopted by the Authority and subject to the rules and regulations of the Authority, the Chief Executive Officer shall have general supervisory and management responsibility over all activities of the Authority. The Chief Executive Officer shall have the following powers and duties in addition to any other powers conferred upon him/her or duties assigned to him/her by any other provisions of these By-Laws or by resolution of the Authority:

A. Personnel. The Chief Executive Officer ~~may~~shall:

- (1) Establish an annual staffing plan;
- (2) supervise and direct the internal organization;
- (3) when deemed necessary, establish a reorganization plan for presentation to the appropriate committee of the Board of Directors;
- (4) employ such additional personnel as may be deemed necessary to exercise the powers, duties and functions of the Authority consistent with the Board approved staffing plan;
- (5) create, determine and prescribe the duties and qualifications of new and existing positions;
- (6) assign functions and duties to any employee of the Authority and modify such assignments as needed;
- (7) appoint, assign, promote, remove, suspend, discipline and supervise employees of the Authority consistent with the rules and regulations of the Authority;
- (8) at least once per quarter, provide the Audit Committee with an update on matters related to personnel and employee compensation; and
- (9) administer a compensation plan, including salary range adjustments and merit increases, through consultation with the members of the Authority and/or consistent with the budget adopted by the members of the Authority.

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~~(1) \_\_\_\_\_ supervise and direct the internal organization and reorganization of the staff of the Authority, and, from time to time, employ such additional personnel as may be deemed necessary to exercise the powers, duties and functions of the Authority;~~

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~~(2) create, determine and prescribe the duties and qualifications of new and existing positions;~~

~~(3) assign functions and duties to any employee of the Authority and modify such assignments as needed;~~

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~~(4) appoint, promote, remove, suspend, discipline and supervise employees of the Authority consistent with the policies and practices established by the Authority; and~~

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~~(5) administer a compensation plan, including salary range adjustments and merit increases, through consultation with the members of the Authority and/or consistent with the budget adopted by the members of the Authority.~~

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~~B. Annual Budget. The Chief Executive Officer shall prepare and submit a proposed annual budget for the Authority for each ensuing year for adoption by the members of the Authority.~~

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~~C. Staffing Plan. The Chief Executive Officer shall prepare and submit a proposed annual staffing plan for the Authority for each ensuing year for adoption by the members of the Authority.~~

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~~D. Procurement. The Chief Executive Officer shall supervise the procedures for the procurement of all supplies, material, equipment and services needed for the efficient and effective operation of the Authority.~~

~~E. Contracts. The Chief Executive Officer may execute contracts for good and services required for the efficient and effective operation of the Authority as set forth in resolutions adopted by the Authority.~~

~~F. Hearings. The Chief Executive Officer or his designee may authorize and hold hearings which may be required under P.L. 2007, c. 137, and the EFCFA, or which he may otherwise deem appropriate.~~

~~G. Delegation. The Chief Executive Officer may provide appropriate staff members with grants of operating authority in accordance with resolutions adopted by the Authority. In the event of the absence or disability of the Chief Executive Officer, the Chief Executive Officer may delegate one of the Authority's Vice Presidents to exercise the functions and undertake the responsibilities of the office of Chief Executive Officer.~~

~~H. Scope of Administrative Powers. The powers vested herein in the Chief Executive Officer shall not be construed or deemed to affect the power of the members of the Authority to act in~~

any case, but where the members of the Authority exercise a power in any such case, such action shall not be construed or deemed to affect the power of the Chief Executive Officer to act in similar cases in the future.

Section 5.2 Chief Financial Officer. The Authority shall employ a Chief Financial Officer who shall be responsible for implementing adequate internal financial controls and shall provide for the custody of the funds and other property of the Authority. The Chief Financial Officer shall report to the Chief Executive Officer.

Section 5.3 Signing Authority. The members of the Authority shall designate by resolution those individual members, officers, employees (or any combination thereof) who shall be authorized (either generally or in specific transactions) to approve contracts and to execute documents legally binding on the Authority, or to sign checks and disbursements on behalf of the Authority. The authority of any such person so designated shall terminate immediately upon resignation, death, removal from office or termination of employment with the Authority, or upon the completion of the specific transaction as set forth in the authorizing resolution.

**ARTICLE VI**  
**WAIVER OF NOTICE**

**Section 6.1 Waiver of Notice.** Whenever the Authority or any officer thereof is authorized to take any action or to hold any meeting or proceeding after notice or after the lapse of a prescribed period of time, such actions may be taken, or such meeting or proceeding held, without notice and without the lapse of any period of time, if at any time before or after the action to be completed or the meeting or proceeding to be held, the notice or lapse of time requirements be waived in writing by the member, person or body entitled to said notice or entitled to the benefit of the lapse of time.

**ARTICLE VII**  
**FISCAL YEAR**

**Section 7.1 Fiscal Year.** The fiscal year of the Authority shall commence on the first day of January of each calendar year and conclude on the last day of December of the same calendar year.

**ARTICLE VIII**  
**REPORTS**

**Section 8.1 Biannual Report.** The Authority shall submit to the Governor, the Joint Budget Oversight Committee, the President of the Senate and the Speaker of the General Assembly a biannual report pursuant to the provisions of section 24 of P.L.2000, c.72 (C.18A:7G-24).

**Section 8.2 Annual Audit.** 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.

**Section 8.3 Comprehensive Annual Report.** Annually, the Authority shall prepare a comprehensive report regarding the Authority's operations in accordance with Executive Order No. 37 (Corzine). Following approval of the report by the members of the Authority, the report shall be submitted to the Governor's Authorities Unit and posted on the Authority's web site.

**ARTICLE IX**  
**AUDIT COMMITTEE**

**Section 9.1 Establishment of the Audit Committee.** There is hereby established a standing committee of the Authority, which shall be called the Audit Committee.

Section 9.2 Members. The Audit Committee shall consist of no less than three and no more than seven members, including the Chairperson of the Authority, the State Treasurer and up to five additional members of the Authority appointed by the Chairperson. The Chairperson shall select one of the members of the Audit Committee to chair the Committee. At no time shall a member of the Authority's staff be a member of the Audit Committee. Each Audit Committee member shall be independent of the Authority as required by Executive Order No. 122 (McGreevey) ("EO 122"). At least one Audit Committee member shall have accounting or related financial expertise, and all members shall have knowledge of the Authority's governmental functions and sufficient time to accomplish the responsibilities of the Audit Committee.

Section 9.3 Meetings. The times, places and agenda for the Audit Committee shall be set forth by the Chairperson of the Committee, and shall be in accordance with EO 122.

Section 9.4 Independent Auditor. The Authority shall provide for an annual audit of the financial statements of the Authority as specified by Section 7.2 hereof. The Audit Committee shall assist the Authority in retaining an independent auditor to conduct such an audit by engaging in the auditor selection process prescribed by EO 122 and making a recommendation to the members of the Authority.

Section 9.5 General Duties. The Audit Committee shall proactively assist and advise the members of the Authority in overseeing: (i) the integrity and quality of the Authority's financial statements; (ii) the independent auditor's performance and ability to perform; (iii) the performance of the Authority's internal audit and internal control functions; (iv) the Authority's compliance with legal, regulatory, and ethical requirements; and (v) personnel and compensation policies. The specific duties of the Committee shall be defined by the Audit Committee's Charter, which shall include those duties established by EO 122 and such other duties as may be prescribed from time to time by resolution, provided that the actions of the Audit Committee shall be advisory in nature and shall not bind the members of the Authority or other parties.

Section 9.6 Voting. At every meeting of the Audit Committee at which action may be taken, a majority of the sitting members shall constitute a quorum. All action may be taken and motions and resolutions adopted by the affirmative vote of a majority of the members present.

## **ARTICLE X** **SCHOOL REVIEW COMMITTEE**

Section 10.1 Establishment of the School Review Committee. There is hereby established a standing committee of the Authority, which shall be called the School Review Committee.

Section 10.2 Members. The School Review Committee shall consist of no less than three and no more than seven members of the Authority, who shall be appointed by the Chairperson. The Chairperson shall select one of the members of the School Review Committee to chair the Committee.

Section 10.3 Meetings. The times, places and agenda for the School Review Committee shall be set forth by the Chief Executive Officer in conjunction with the Chairperson of the Committee.

Section 10.4 General Duties. The School Review Committee shall proactively assist and advise the members of the Authority regarding matters related to the planning, design and construction of school facilities projects including, but not limited to, project management issues and related expenditures in accordance with the Operating Authority adopted by the Authority. The Committee shall perform such other duties as may be prescribed from time to time by resolution, provided that the actions of the School Review Committee shall be advisory in nature and shall not bind the members of the Authority or other parties.

Section 10.5 Voting. At every meeting of the School Review Committee at which action may be taken, a majority of the sitting members shall constitute a quorum. All action may be taken and motions and resolutions adopted by the affirmative vote of a majority of the members present.

#### **ARTICLE XI** **REAL ESTATE COMMITTEE**

Section 11.1 Establishment of the Real Estate Committee. There is hereby established a standing committee of the Authority, which shall be called the Real Estate Committee.

Section 11.2 Members. The Real Estate Committee shall consist of no less than three and no more than seven members of the Authority, who shall be appointed by the Chairperson. The Chairperson shall select one of the members of the Real Estate Committee to chair the Committee.

Section 11.3 Meetings. The times, places and agenda for the Real Estate Committee shall be set forth by the Chief Executive Officer of the Authority in conjunction with the Chairperson of the Committee.

Section 11.4 General Duties. The Real Estate Committee shall proactively assist and advise the members of the Authority regarding real estate matters related to the school construction program. The Committee shall perform such other duties as may be prescribed from time to time by resolution, provided that the actions of the Real Estate Committee shall be advisory in nature and shall not bind the members of the Authority or other parties.

Section 11.5 Voting. At every meeting of the Real Estate Committee at which action may be taken, a majority of the sitting members shall constitute a quorum. All action may be taken and motions and resolutions adopted by the affirmative vote of a majority of the members present.

**ARTICLE XII**  
**COMMITTEES**

Section 12.1 Establishment of Committees. The Chairperson may, at his discretion, appoint and abolish committees, other than those provided herein, as is necessary to address the affairs of the Authority. The Chairperson of the Authority shall appoint the chairs of these committees.

**ARTICLE XIII**  
**AMENDMENT OR SUSPENSION OF BY-LAWS**

Section 13.1 Amendments to By-Laws. These By-Laws may be altered, amended or repealed at any meeting of the Authority by the affirmative vote of at least eight members, after written notice of such an intention is provided by the Secretary to each member.

Section 13.2 Suspension of By-Laws. Any and all provisions of these By-Laws may be suspended by unanimous consent of the members present at any duly constituted meeting of the Authority.

## NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY AUDIT COMMITTEE CHARTER

### I. PURPOSE

Article IX of the By-Laws of the New Jersey Schools Development Authority (the "Authority") establishes the Audit Committee as a standing committee of the Authority. The purpose of this Audit Committee Charter is to set forth the authority, composition, meetings, voting, and specific responsibilities of the Audit Committee. The responsibilities of the Audit Committee shall include those duties established by *Executive Order 122*, issued July 23, 2004 (McGreevey) ("EO 122"), and such other duties as may be prescribed from time to time by resolution of the members of the Authority, provided that the actions of the Audit Committee shall be advisory in nature and shall not bind the members of the Authority or other parties.

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### II. AUTHORITY

The Audit Committee has authority to:

- A. Conduct or authorize investigations into any matters within its scope of responsibility.
- B. Retain accountants, counsel, compensation consultants or other specialists to advise the Audit Committee or assist in the conduct of investigations.
- C. Meet with the Authority's officers, independent auditor, internal auditor, or counsel, as necessary to fulfill its responsibilities.
- D. Seek any information it requires from employees – all of whom are directed to cooperate with the Audit Committee's requests – or external parties.

### III. COMPOSITION

- A. The Audit Committee shall consist of no less than three and no more than seven members, including the Chairperson of the Authority, the State Treasurer and up to five additional members of the Authority appointed by the Chairperson. The Chairperson shall select one of the members of the Audit Committee to chair the Committee. At no time shall a member of the Authority's staff be a member of the Audit Committee.
- B. Each Audit Committee member shall be independent of the Authority as required by EO 122. Independence of a member is satisfied only under the following circumstances:
  1. The member has no financial relationship with the Authority, nor is the member a partner, shareholder or officer of an organization that has a financial relationship with the Authority;
  2. Neither the member nor any member's relative is an employee of the Authority;



3. Neither the member nor any member's relative is currently employed by, or has in the past three years been affiliated with or employed by, a present or former auditor of the Authority;
  4. Neither the member nor any member's relative receives or has received in any of the past three years direct or indirect compensation from the Authority for consulting, legal or financial services, regardless of the amount received and regardless of whether it is or was paid to the member or to a firm with which the member or any member's relative was associated; and
  5. The member is in compliance with all standards regarding independence of auditors as may appear in Generally Accepted Government Auditing Standards (GAGAS) or may be established by the United States General Accounting Office.
- C. At least one Audit Committee member shall have accounting or related financial expertise, and shall be designated as the "financial expert" as defined pursuant to the provisions of the Sarbanes-Oxley Act.
- D. All Audit Committee members shall have knowledge of the Authority's governmental functions and sufficient time to accomplish the responsibilities of the Audit Committee.

#### IV. MEETINGS

- A. The Audit Committee shall meet at such times and places as set forth by the Chairperson of the Committee. The Audit Committee has the authority to convene additional meetings as circumstances require. Additional meetings shall be held upon the request of an Audit Committee member, a member of the Authority, the independent auditor, or the internal auditor, and may include such staff members as the Audit Committee determines necessary. All Audit Committee members are expected to attend each meeting, either in person or via teleconference.
- B. The Audit Committee will invite members of management, the independent auditor, the internal auditor or others to attend meetings and provide pertinent information, as necessary.
- C. At least twice each year, the Audit Committee will hold private meetings with the independent auditor. One of these meetings shall be held prior to commencement of the financial audit, and the other upon issuance of the final audit report.
- D. At least once each year, the Audit Committee will meet with the head of internal audit, who shall also report to the Audit Committee.
- E. Meeting agendas shall be prepared and provided in advance to Audit Committee members, along with appropriate briefing materials. Minutes of all Audit Committee meetings shall be prepared and retained.

## V. VOTING

At every meeting of the Audit Committee at which action must be taken, a majority of the sitting members shall constitute a quorum. All action may be taken and motions and resolutions adopted by the affirmative vote of a majority of members present.

## VI. RESPONSIBILITIES

In carrying out its duties, the Audit Committee shall proactively assist and advise the members of the Authority in overseeing (i) the integrity and quality of the Authority's financial statements; (ii) the independent auditor's performance and ability to perform; (iii) the performance of the Authority's internal audit and internal control functions; (iv) the Authority's compliance with legal, regulatory, and ethical requirements; and (v) personnel and compensation policies. The specific duties of the Audit Committee shall include, but not be limited to, the following:

### A. Financial Statements and Policies

1. Review and recommend approval of the Annual Operating Budget and Staffing Plan to the members of the Authority on an annual basis, and at least quarterly, review ~~quarterly and annual~~ comparisons of actual expenses to budgeted amounts.
2. Review major financial commitments being contemplated by the management of the Authority.
3. Review major changes in financial policies and procedures.
4. Review analyses prepared by management and/or by the independent auditor setting forth significant accounting or financial reporting issues, including complex or unusual transactions, and judgments made in connection with the preparation of the financial statements, including the effects of alternative accounting methods on the financial statements.
5. Review the audited financial statements and any interim statements and discuss them with management and the independent auditor. These discussions should include a review of particularly sensitive accounting estimates, reserves and accruals, judgmental areas, audit adjustments (recorded or not) and other such matters as the Audit Committee or independent auditor shall deem appropriate.
6. Review recent professional and regulatory pronouncements, and understand their impact on the financial statements.
7. Regularly review with the independent auditor any audit problems, any risks of material misstatements due to fraud, difficulties with management's response (including restrictions or attempts to restrict the auditor's activities, restrictions on access to information, and significant disagreements with management) and the responsibilities, budget and staffing of the Authority's internal audit and control functions.

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8. Review with management and the independent auditor all matters required to be communicated to the Audit Committee under generally accepted auditing standards, including the annual management letter.

#### **B. Selection of Independent Auditor**

1. The Audit Committee shall assist the Authority in retaining an independent auditor to conduct an audit of the Authority's financial statements, after engaging in the auditor selection process described below, which is in accordance with EO 122. The auditor selection process shall be based upon public, competitive bidding principles and shall take place no less than once every five years. The contract shall be awarded based upon the Authority's governing statute and regulations, and EO 122. The auditor selected shall report directly to the Audit Committee. At no time shall the independent auditor report to any staff member of the Authority.
2. In order to ensure the independence of the auditor selection process, the Audit Committee shall adhere to the following procedures when making a recommendation to the Authority in awarding a contract to an auditor:
  - a. An evaluation committee shall be established by the Authority to conduct the solicitation and evaluation of eligible auditors. The evaluation committee shall consist of no less than three members of the Authority.
  - b. The evaluation committee shall be responsible for drafting requests for proposals ("RFPs"), soliciting responses to such RFPs, accepting and evaluating proposals, and providing a final written report to the Audit Committee. The evaluation committee may draw upon the expertise of the Division of Purchase and Property to assist it in the drafting of the RFP, soliciting responses to the RFPs, and evaluating proposals. The role of staff of the Authority shall be limited to providing assistance with the RFP design.
  - c. The evaluation committee shall review all responses to RFPs for responsiveness and responsibility and shall evaluate such responses pursuant to criteria established by the Audit Committee, as described below, and shall rank the responses with respect to such criteria. The evaluation committee shall prepare a written report of such evaluation and shall forward the report to the Audit Committee.
  - d. Prior to the solicitation of the engagement of any independent auditor, the Audit Committee shall establish criteria for the selection of an auditor and may weigh the criteria established. The weighted criteria shall be used by the evaluation committee during the evaluation of proposals. In developing the criteria to be used by the evaluation committee, the Audit Committee shall include the following:
    - i. Proposed fee for services;
    - ii. Quality of response to RFP package;
    - iii. Demonstrated ability and qualifications to conduct governmental audits;
    - iv. Quality of relevant service to governmental entities in previous transactions; and
    - v. Familiarity with federal laws, rules and regulations relevant to governmental

audits.

- e. Upon receipt of the evaluation committee's report, the Audit Committee shall review the report and determine whether to re-rank the responses based upon interviews. In such event, the Audit Committee shall interview the firms responding to the RFP and rank the candidates after such interviews based upon the established evaluation criteria.
- f. The Audit Committee shall make a recommendation to the members of the Authority for award of an audit contract.
- g. The members of the Authority shall review the recommendation and make an award to a firm.
- h. The Audit Committee shall also issue a report to the State Treasurer within six months of making the recommendation to the Authority that sets forth the steps taken to comply with these procedures for the selection of an independent auditor.

#### **C. Oversight of Independent Auditor**

1. Review the independent auditor's proposed audit scope and approach, including the extent of coordination of audit effort with internal audit.
2. Review and evaluate audit fees.
3. Review and approve all engagements of the independent auditor with the Authority, including non-audit engagements, giving specific consideration to their effect on the independence of the auditor.
4. Review the performance of the independent auditor, and where the Audit Committee believes that the auditor's performance is not adequate in quality or independence, recommend such steps as may be necessary to elicit appropriate performance, including replacement of the independent auditor.
5. Review and confirm the independence of the independent auditor by obtaining statements from the auditor on relationships between the auditor and the Authority, and discuss any independence issues with the independent auditor.
6. At least once every three years, obtain and review a report of the independent auditor describing for the preceding year: (i) the independent auditor's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control peer review, or by reviews conducted by governmental or professional authorities; and (iii) steps taken by the independent auditor to address such issues, and discuss each of these items with the independent auditor on annual basis.

**D. Internal Audit**

1. Review and concur in the assignment, replacement or dismissal of the head of internal audit.
2. Review with management and the head of internal audit the charter, plans, activities, staffing and structure of the internal audit function.
3. Ensure there are no unjustified restrictions or limitations on the internal audit function in performing its audit activities.
4. Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

**E. Internal Control**

1. Review internal control functions such as the planned scope of audit reviews; adequacy of staffing; actions to be taken as a result of audit findings; the effectiveness of electronic data processing procedures and controls; and related security programs.
2. Understand the scope of the internal and independent auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

**F. Compliance**

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

1. 2—Review procedures for: (i) the receipt, retention and treatment of complaints received by the Authority regarding accounting, internal control or auditing matters; and (ii) the confidential, anonymous submission by employees of the Authority or other parties of concerns regarding questionable accounting or auditing matters, or other matters regarding non-compliance with the Authority's rules and regulations as defined in Section 1 of the Authority's By-laws.

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3. Review the results of any examinations conducted by regulatory agencies or auditors.
4. Review the process for communicating the New Jersey State Ethics Commission's *Uniform Ethics Code* and the Authority's *Supplemental Ethics Code* to Authority personnel, and for monitoring compliance therewith.
5. Obtain regular updates from management and counsel regarding compliance matters.

**G. Personnel and Compensation**

1. ~~1.~~ Review matters relating to the Authority's staffing needs, compensation schedules, health plans, and benefits, and make recommendations to the Authority about the same.
2. *Review the SDA Annual Staffing Plan as defined in Section 1.7 of the Authority's Bylaws.*
3. *At least once per quarter, review matters concerning personnel and compensation as presented by the Chief Executive Officer.*

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**H. Reporting Responsibilities**

1. Regularly report to the members of the Authority about Audit Committee activities, issues and related recommendations.
2. Provide an open avenue of communication between the internal auditor, the independent auditor and the members of the Authority.

**I. Other Responsibilities**

1. Discuss with management, and recommend if necessary, policies with respect to risk assessment and risk management.
2. Institute and oversee special investigations as needed.
3. Review and assess the adequacy of the Audit Committee Charter annually, requesting that the members of the Authority approve proposed changes.
4. In accordance with Executive Order 41, issued June 15, 2005 (Codey), confirm annually to the Governor's Authorities Unit that the Authority has met all requirements of EO 122.
5. Perform other duties as may be assigned by the members of the Authority.

## SDA EMPLOYEE HANDBOOK SECTIONS

**SECTION 210 EMPLOYMENT REFERENCE CHECKS****1. Purpose**

The NJSDA routinely checks the employment and educational references of applicants as well as criminal background checks. In addition to the routine background check, credit checks and fingerprint checks may be performed for employees being hired for certain positions identified by the NJSDA. Positions for which fingerprint checks may be conducted include positions in the Finance, Human Resources and Information Technology departments along with other positions at the discretion of the NJSDA.

**SECTION 405 EMPLOYMENT OF RELATIVES****1. Purpose**

The New Jersey Schools Development Authority desires...

- The Authority shall not employ a relative of the Chief Executive Officer, Chief of Staff, Chief Operating Officer, Chief Financial Officer and Vice Presidents, as applicable, or a member of the Authority's Board of Directors.
- The existence of family relationships must be disclosed to the Chief Executive Officer and Ethics Liaison Officer as defined in the Code of Ethics. Hiring of relatives must have the written approval of the Chief Executive Officer following the review and recommendation of the Executive Team and approval of the Ethics Liaison Officer who shall prepare any recusals or other documentation as appropriate.
- If employees become immediate family members or establish a romantic relationship, the NJSDA will make reasonable efforts to assign job duties so as to minimize problems of supervision, safety, security or morale. If accommodations of this nature are not feasible, after consultation with the employees, the NJSDA will decide in its sole discretion who will remain employed by the Authority. In no instance shall employees involved in a romantic relationship be permitted to function in a supervisory/subordinate capacity.

**1. SECTION 410 INTERNAL AND EXTERNAL HIRING Purpose****2. Coordinated Human Resources**

- The Hiring Manager shall notify Human Resources that a position need to be filled through submission of an Employee Requisition Form that has been reviewed and recommended by the Executive Team and approved in writing by the Chief Executive Officer.

- All status changes such as appointments, assignments, transfers, promotions, demotions, and new hires will be coordinated through Human Resources. Consistent with the process set forth below, Human Resources shall present documentation in connection with all proposed transfers, appointments, assignments, demotions, promotions and new hires to the Executive Team for review and recommendation to the Chief Executive Officer. All assignments, transfers, promotions, demotions and new hires must be approved by the Chief Executive Officer in writing.
- A NJSDA employee must be in his/her current position for no less than one year in order to be considered for another position. NJSDA reserves the right to waive the requirement if determined necessary to meet business needs. Any determination to waive the one-year requirement requires a determination and recommendation by the Executive Team that legitimate business needs warrant the granting and approval of the waiver. All waivers must be approved in writing by the Chief Executive Officer.

### 3. Process

Current NJSDA employees should submit a resume to [resumes@njsda.gov](mailto:resumes@njsda.gov) for a position if they meet...

When it's decided that there is a need to bring in someone externally, then the following process will take place under the direction of Human Resources:

- Employee referrals or networking contacts. Candidates, including employee referrals or networking contacts, must apply on-line by forwarding their resume to [resumes@njsda.gov](mailto:resumes@njsda.gov). Resumes may not be provided to Human Resources staff or hiring managers by any current employee of the NJSDA nor may any current NJSDA employee seek to interfere with the hiring process or exert influence on behalf of an applicant. Should an employee be contacted by a current employee who seeks to impact the outcome of a hiring process, the employee so contacted must report this immediately to the NJSDA Ethics Liaison Officer. Any employee who is determined to have attempted to impact a hiring process or attempted to retaliate against any other employee who is/was involved in the hiring process shall be subject to discipline up to and including termination.

### 6. Applicant Selection/Offers

When an applicant has been chosen for the position:

- Human Resources will discuss the appropriate salary offer with the Hiring Manager and obtain the appropriate review and approvals. Such approvals shall include Executive Team review of the position description, the prospective new hire's qualifications and alignment of those qualifications with the position requirements and proposed salary. A position offer must be preceded by an Executive Teams recommendation that the Chief



Executive Officer approve the hiring and written approval of the hiring by the Chief Executive Officer.

- Human Resources will then extend...

## **SECTION 905 AUTOMOBILE USAGE**

### **1. Purpose...**

### **2. Vehicle Assignments**

An SDA vehicle may be assigned to an SDA employee when management determines that such assignment is warranted and appropriate. All other vehicles are designated as pool vehicles for use by the Authority as required.

***Resolution-5bi.*****Resolution Amending the Bylaws and Audit Committee Charter  
of the New Jersey Schools Development Authority****Resolution**

**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**, Article IX, Section 9.1 of the Authority’s Bylaws establishes the Audit Committee as a standing committee of the Authority; and

**WHEREAS**, the Audit Committee Charter sets forth the authority, composition, meetings, voting, and specific responsibilities of the Audit Committee; and

**WHEREAS**, Members of the Authority have determined to amend the SDA Bylaws and Audit Committee Charter to clarify and strengthen the Board’s oversight role in matters involving personnel and compensation; and

**WHEREAS**, those specific provisions of the Authority’s Bylaws and Audit Committee Charter to be amended have been presented to the Board in detail for review on this date along with a memorandum that fully describes each proposed amendment.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby authorize and approve amendments to the Bylaws and Audit Committee Charter of the New Jersey Schools Development Authority consistent with the memorandum and proposed revisions presented to the Board on this date and incorporated herein.

**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, Amendments to SDA Bylaws and Audit Committee Charter, dated  
September 4, 2019

Dated: September 4, 2019

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

**APPROVAL OF AWARD - NETWORK, HARDWARE & SOFTWARE SUPPORT  
SERVICES CONTRACT - EXTENSION - GP-0236-R02**



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

## MEMORANDUM

**TO:** Members of the Authority

**FROM:** Anthony Gilfillan, Director, Information Systems

**DATE:** September 4, 2019

**SUBJECT:** Exercise of Option to Extend Contract for Network, Hardware & Software Support Services

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**COMPANY NAME:** Vinci Systems, LLC

**CONTRACT NUMBER:** GP-0236-R02

**AMENDMENT NO:** 2

**TERM:** Initial Contract Term – November 1, 2016 to October 31, 2019  
Proposed Extended Contract Term – November 1, 2019 to October 31, 2020

**AMOUNT:** Current and Extended Contract Value - NTE \$1,062,300.00

### INTRODUCTION

I am writing to request approval by the Members of the Authority of a one (1) year extension of the Network, Hardware & Software Support Services Contract (GP-0236-R02) awarded to Vinci Systems, LLC (Vinci Systems) in 2016. The contract provides for a one-year extension to be exercised at the sole discretion of the NJSDA. The contract extension, if approved, would have an effective date of November 1, 2019 and terminate on October 31, 2020. The total compensation for the initial three-year term and one-year extension is for a not to exceed (NTE) amount of \$1,062,300.00, which is unchanged from the current contract NTE amount. That is, the expenditure of no additional funds will be required.

Pursuant to the NJSDA Operating Authority adopted by the Board on December 1, 2010, as amended March 7, 2012, additional Board approval is required for the exercise of contract options extending the original contract term of contracts that were previously approved by the Board.

### BACKGROUND

In order to ensure that critical systems do not experience failures that lead to excessive network outages or extended system outages, the NJSDA requires the services of a firm to be on call to provide critical network, hardware and software maintenance services. Such services include on-site technical support and consulting services. At the September 7, 2016 NJSDA Board Meeting, the Members approved the award of a contract for Network, Hardware & Software Support Services Contract to Vinci Systems. The initial contract term is for three (3) years beginning November 1, 2016 and expiring on October 31, 2019. The contract also provides for a one-year extension to be exercised at the sole discretion of the NJSDA. The current total compensation for the three-year term is for a NTE amount of \$1,062,300.00.

Under the current contract, Vinci Systems assists the NJSDA Information Systems department by diagnosing computer and network related problems, isolating reported problems, and implementing repairs.

*Members of the Authority*  
*Extension of Network, Hardware & Software Support Services Contract*  
*Amendment No. 1 to Contract GP-0236-R02*  
*September 4, 2019*  
*Page 2 of 2*

The firm acts in a consultative capacity for software or system changes and provides computer components on an as-needed basis. Additionally, Vinci Systems provides IT and Communications Systems consulting services in support of the NJSDA Design Studio for the advancement of Capital Projects.

Support services through Vinci Systems are provided based upon negotiated rates for Network, Hardware, Software and Consulting. Approximately \$447,000.00 of the \$1,062,300.00 (42.1%) has been spent to date under the contract.

### **SCOPE**

NJSDA requires the services of a firm to be on call to provide critical network, hardware and software maintenance services, including on-site technical support and consulting services. More specifically, the consultant assists the NJSDA Information Systems Department with diagnosing computer and network related problems, isolating reported problems, and implementing repairs. Additionally, the consultant is required to provide repairs and support for Network, Computer Hardware, Software Support and Consulting Services. The contract was previously amended (Amendment No. 1) in July 2017 to include in the scope of services IT and Communications Systems consulting services, discussed above, and \$62,300.00 was added to the contract NTE value for this reason.

### **CALCULATIONS**

a. Original Contract NTE Amount	\$1,000,000.00
b. Amendments to Date (Excluding Proposed Amendment)	\$62,300.00
c. Proposed Amendment Amount (NTE)	\$0.00
d. Total Amendments to Date Including this Amendment (Total of Line b. and Line c.)	\$62,300.00
e. Percentage Change to Original Contract (Line d. as a Percent of Line a.)	6.2%
f. Proposed Adjusted Contract Amount (NTE)	\$1,062,300.00

### **RECOMMENDATION**

For the reasons discussed above and because the current services are necessary to meet the needs of the Authority, I am recommending the approval by the Members of the Authority of a one (1) year extension to the contract for Network, Hardware & Software Support Services (Contract GP-0236-R02). The proposed one (1) year extension would commence on November 1, 2019 and terminate on October 31, 2020. The total contract NTE value remains unchanged at \$1,062,300.00.

Prepared and Recommended by: Anthony T. Gilfillan, Director and Danielle Mrosko, Operation Manager  
 Reviewed and Recommended by: Jane Kelly, Vice President, Corporate Governance and Legal Affairs  
 Reviewed and Recommended by: Donald Guarriello, Vice President, Chief Financial Officer

***Resolution—6a.***

Approval of Award  
Package No. GP-0236-R02  
Network, Hardware and Software Support Services Contract

**Resolution**

**WHEREAS**, the Operating Authority of the New Jersey Schools Development Authority (SDA or the Authority) requires that the Members of the Authority approve the exercise of options for extensions of the original term of Board-approved contracts; and

**WHEREAS**, in 2016, in order to avoid critical systems failures that lead to excessive network or extended system outages, the SDA retained the services of Vinci Systems (Vinci), to provide critical network, hardware and software maintenance services; and

**WHEREAS**, in 2017 the contract was amended to include on-site technical support and consulting services; and

**WHEREAS**, the Authority's engagement of Vinci was for the term November 1, 2016 through October 31, 2019 with an option to extend for a one (1) year period at the discretion of SDA; and

**WHEREAS**, management has determined that the services currently provided by Vinci are necessary to meet the needs of the Authority and recommends approval by the Members of the optional one (1) year extension to the contract with Vinci for Network, Hardware & Software Support Services Contract (GP-0236-R02); and

**WHEREAS**, as proposed, the one (1) year extension would commence on November 1, 2019 and terminate on October 31, 2020; and

**WHEREAS**, the total not-to-exceed contract value shall remain unchanged at \$1,062,300.00; and

**WHEREAS**, the background and details of the Authority's contract with Vinci and a full description of the services provided are fully described in the memorandum presented to the Board on this date and incorporated herein.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby authorize and approve a one (1) year extension to the contract with Vinci Systems for Network, Hardware & Software Support Services (Contract GP-0236-R02), with the extension to commence on November 1, 2019 and terminate on October 31, 2020, with the total contract not-to-exceed value to remain at \$1,062,300.00.

**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, Extension of Network, Hardware and Software Support Services  
Contract, Package No. GP-0236-R02, dated September 4, 2019  
Dated: September 4, 2019



**APPROVAL OF AWARD - INDEPENDENT AUDITOR SERVICES - GP-0261-R01**



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

## MEMORANDUM

6

TO: Members of the Authority

FROM: Members of the Audit Committee

DATE: September 4, 2019

SUBJECT: Approval of Award  
Package No. GP-0261-R01  
Independent Auditor Services

We are seeking the Board of Directors' approval to award a contract for Independent Auditor Services to Ernst & Young, LLP. The term of the agreement is for an initial three years, and the corresponding annual lump sum fees are \$113,500, \$117,500 and \$121,500, respectively, for the fiscal years ending December 31, 2019, 2020 and 2021 financial statement audits.

### BACKGROUND

The Board of Directors of the New Jersey Schools Development Authority ("Authority" or "NJSDA"), by and through the Board's Audit Committee ("Audit Committee"), is seeking to engage a qualified Public Accounting firm ("Consultant"), registered with the Public Company Accounting Oversight Board ("PCAOB"), to provide Independent Auditor Services. This procurement for Independent Auditor Services was conducted pursuant to the auditor selection process outlined in Governor James E. McGreevey's Executive Order No. 122 ("EO 122"), effective on July 23, 2004, as supplemented by Governor Jon S. Corzine's Executive Order No. 37 ("EO 37"), effective on September 26, 2006.

### DESCRIPTION

In accordance with the Request for Proposals, the selected Consultant shall be responsible for: (1) performing an annual audit of the Authority's financial statements and issuing an opinion on whether those financial statements present a "true and fair" assessment of the Authority's financial position and performance in conformity with generally accepted accounting principles and Government Auditing Standards; (2) the issuance of a report on internal control over financial reporting and on compliance based on the firm's audit of the financial statements performed in accordance with Government Auditing Standards; and (3) if appropriate, the issuance of an annual management letter, making comments and recommendations which, when implemented, would improve the design or operation of internal control systems. The report on internal control over financial reporting and on compliance does not provide an opinion on the effectiveness of the Authority's internal control or on compliance.

Additionally, the Consultant shall be required to meet privately with the Audit Committee at least twice each year, at times to be determined by the Audit Committee, provided that one of those meetings shall be held prior to commencement of the audit, and the other shall be held upon issuance of the final audit report.

The initial term of the contract is for three years, which covers the financial statement audits for fiscal years ending December 31, 2019, 2020 and 2021. The contract may be extended for two one-year terms subject to further approval by the Board of Directors.

Members of the Authority  
 Independent Auditor Services Award  
 Package No. GP-0261-R01  
 September 4, 2019  
 Page 2 of 5

## PROCUREMENT PROCESS

This package was advertised as a “Price and Other Factors” solicitation beginning on June 24, 2019 on the NJSDA website, the New Jersey State website and in selected newspapers for interested firms to participate in the bidding process. Outreach was also performed via e-mail. For this procurement, price was weighted as 20% of the overall weight, and all non-price factors had a combined weight of 80%.

An Evaluation Committee consisting of three Audit Committee members was established.

Responsive proposals were received from five firms by July 30, 2019. Technical Proposals were evaluated by the Evaluation Committee. Evaluations were based upon the information provided by the firms in response to the Request for Proposals (“RFP”) for this project. The three Committee members independently evaluated the Technical Proposals for Independent Auditing Services based on the following criteria:

- The Bidder’s Demonstrated Ability and Qualifications to Conduct Governmental Financial Statement Audits, as Evidenced in Resumes and Case Studies;
- The Bidder’s Documented Experience in Successfully Completing Governmental Financial Statement Audits of a Similar Size and Scope to the Work Required by the RFP, as Evidenced in Case Studies;
- The Bidder’s Detailed Approach and Plans to Perform the Services Required by the Scope of Services of the RFP;
- The Bidder’s Familiarity with Federal and State Laws, Rules and Regulations Relevant to Governmental Financial Statement Audits, as Evidenced in Case Studies; and
- The Bidder’s Quality of Response to the RFP Package.

Each Evaluation Committee member evaluated each Technical Proposal, assigning a raw score for each criterion on a scale of 0 to 10 as follows:

- Outstanding (9–10): depth and quality of response offers significant advantages.
- Superior (7-8): exceeds RFP requirements with no deficiencies.
- Sufficient (5-6): meets RFP requirements with no significant deficiencies.
- Minimal (3-4): meets RFP requirements but contains some significant deficiencies.
- Marginal (1-2): comprehends intent of RFP but contains many significant deficiencies.
- Unsatisfactory (0): requirements not addressed and lack of detail precludes adequate evaluation.

Weighting factors were applied to each of the Evaluation Committee member’s raw scores for each criterion to arrive at a total weighted score as indicated in Table 1 below:

Members of the Authority  
 Independent Auditor Services Award  
 Package No. GP-0261-R01  
 September 4, 2019  
 Page 3 of 5

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**TABLE 1**

<b>Criteria</b>	<b>Weighting Factor (Applied to Raw Score)</b>	<b>Maximum Weighted Points</b>
The Bidder's Demonstrated Ability and Qualifications to Conduct Governmental Financial Statement Audits, as Evidenced in Resumes and Case Studies	4.0	40
The Bidder's Documented Experience in Successfully Completing Governmental Financial Statement Audits of a Similar Size and Scope to the Work Required by the RFP, as Evidenced in Case Studies	2.5	25
The Bidder's Detailed Approach and Plans to Perform the Services Required by the Scope of Services of the RFP	1.5	15
The Bidder's Familiarity with Federal and State Laws, Rules and Regulations Relevant to Governmental Financial Statement Audits, as Evidenced in Case Studies	1.0	10
The Bidder's Quality of Response to the RFP Package	1.0	10
<b>Total Possible Points</b>		<b>100</b>

For each firm's Technical Proposal, the individual criteria scores awarded by a particular Evaluation Committee member were added together to calculate a Non-Price Score for that firm. The maximum Non-Price Score is 100. All of the scores awarded by the Evaluation Committee members to a particular firm's Technical Proposal were added together and averaged to arrive at a Non-Price Score for each firm. The responsive firms, their scores and rankings are listed in Table 2 below:

**TABLE 2**

<b>Firm</b>	<b>Non-Price Score</b>	<b>Non-Price Rank</b>
Ernst & Young, LLP	88.000	1
PKF O'Connor Davies, LLP	69.833	2
BDO USA, LLP	69.000	3
CliftonLarsonAllen, LLP	67.833	4
Mercadien, P.C.	67.500	5

Members of the Authority  
 Independent Auditor Services Award  
 Package No. GP-0261-R01  
 September 4, 2019  
 Page 4 of 5

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Once the Non-Price Scores for all firms were determined, the Authority tabulated the Price Scores. The Fee Proposal requested lump sum fees applicable to Fiscal Years 1, 2 and 3, as well as for Optional Years 4 and 5<sup>1</sup>. The lowest responsive Fee Proposal was awarded the maximum number of points for the price component, which is 100. All other Fee Proposals were awarded points based on the percentage that each proposal exceeded the lowest Fee Proposal. The results of the NJSDA's scoring of the Fee Proposals are listed in Table 3 below:

**TABLE 3**

<b>Firm</b>	<b>Year 1 Fee</b>	<b>Year 2 Fee</b>	<b>Year 3 Fee</b>	<b>Year 4 Fee</b>	<b>Year 5 Fee</b>	<b>Price Score<sup>1</sup></b>	<b>Price Rank</b>
CliftonLarsonAllen	\$85,140	\$86,843	\$88,580	\$90,351	\$92,158	100.000	1
PKF O'Connor Davies	\$85,000	\$87,000	\$89,000	\$91,000	\$93,000	99.832	2
Mercadien	\$91,500	\$92,500	\$93,500	\$94,500	\$95,500	93.500	3
BDO USA	\$93,000	\$95,800	\$98,700	\$101,700	\$104,800	89.662	4
Ernst & Young	\$113,500	\$117,500	\$121,500	\$125,700	\$130,200	64.716	5

After the Price Scores were determined for all responsive firms, the Price Scores were adjusted by a weighting factor of 20%. The Non-Price Scores for "Other Factors" criteria were adjusted by a weighting factor of 80%. The Price Score and Non-Price Score for each responsive firm were added together for a Combined Score. The maximum Combined Score is 100. The Combined Scores and Combined Rankings are listed in Table 4 below:

**TABLE 4**

<b>Firm</b>	<b>Raw Non-Price Score</b>	<b>Raw Price Score</b>	<b>Weighted Non-Price Score (80%)</b>	<b>Weighted Price Score (20%)</b>	<b>Combined Score</b>	<b>Combined Rank</b>
Ernst & Young	88.000	64.716	70.400	12.943	83.343	1
PKF O'Connor Davies	69.833	99.832	55.867	19.966	75.833	2
CliftonLarsonAllen	67.833	100.000	54.267	20.000	74.267	3
BDO USA	69.000	89.662	55.200	17.932	73.132	4
Mercadien	67.500	93.500	54.000	18.700	72.700	5

The results of the evaluation and scoring of the Technical and Fee Proposals were reported to the Audit Committee by the Chairman of the Audit Committee on August 19, 2019. Pursuant to EO 122, upon receipt of the Evaluation Committee's report, the Audit Committee shall review the report and determine whether to re-rank the firms based upon interviews. In such event, the Audit Committee shall interview the firms responding to the RFP and rank the candidates after such interviews based upon the established criteria. In this instance, the Audit Committee determined interviews were not necessary and deemed the Combined Scores (listed in Table 4 above) to be final.

<sup>1</sup> Pricing for Optional Years 4 and 5 were not used in tabulating the Price Scores.

Members of the Authority  
Independent Auditor Services Award  
Package No. GP-0261-R01  
September 4, 2019  
Page 5 of 5

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### RECOMMENDATION

The Members of the Authority are requested to approve the award of a contract to the top ranked firm, Ernst & Young, LLP, to provide Independent Auditor Services. The firm will enter into a contract for the lump sum amounts listed in Table 3 over the three-year term of the agreement. The contract may be extended for two one-year terms if approved by the Board of Directors. Prior to execution of the contract, the contract and related documentation will be reviewed and approved by the NJSDA Division of Chief Counsel.

Pursuant to EO 122, the Audit Committee shall issue a report to the State Treasurer within six months of this recommendation that sets forth the steps taken to comply with the procedures for selection of the auditor.

/s/ Robert Nixon  
Robert Nixon  
Chairman, Audit Committee

***Resolution—6b.***

Approval of Award  
Package No. GP-0261-R01  
Independent Auditor Services

**Resolution**

**WHEREAS**, the Operating Authority of the New Jersey Schools Development Authority (SDA or the Authority) requires that the Members of the Authority authorize and approve the award of contracts for certain professional goods and services; and

**WHEREAS**, pursuant to Executive Order No. 122 (2004), SDA, through its Audit Committee, is required to engage a qualified public accounting firm to provide independent auditor services; and

**WHEREAS**, it has been determined necessary to procure independent auditor services to audit the Authority's financial statements for fiscal years ending December 2019, 2020 and 2021; and

**WHEREAS**, Section 9.4 of the SDA Bylaws requires that the SDA Audit Committee shall assist the Authority in retaining an independent auditor to conduct such an audit by engaging in the auditor selection process described in Executive Order No. 122 (McGreevey); and

**WHEREAS**, Section VI.(B)(1) of the SDA Audit Committee Charter sets forth in detail the process to be followed by the SDA Audit Committee in procuring independent auditor services; and

**WHEREAS**, the SDA Audit Committee, through a selection committee comprised of three Members of the Board, conducted a procurement for independent auditor services in a process consistent with the requirements of Executive Order No. 122, the SDA Bylaws and the SDA Audit Committee Charter as described in detail in the memorandum presented to the Board on this date and incorporated herein; and

**WHEREAS**, upon completion of the procurement process, the SDA Audit Committee recommends the award of a contract to the highest ranked firm, Ernst & Young, LLP to provide independent auditor services to the Authority for an initial three year term, which engagement may be extended for two one-year terms at the sole discretion of the Board of Directors; and

**WHEREAS**, relevant background, an overview of the services to be provided by the independent auditor, the fee schedule for the term of the engagement, a detailed description of the procurement process followed and the Audit Committee's recommendation for the contract award are set forth in the memorandum presented to the Board on this date and incorporated herein.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby authorize and approve the award of a contract for independent auditor services (Package No. GP-0261-R01) to Ernst & Young, LLP, consistent with the provisions of the memorandum presented to the Board on this date and incorporated herein.

**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.

Attachment: Memorandum—Independent Auditor Services (Package No. GP-0261-R01), dated  
September 4, 2019  
Dated: September 4, 2019



**2018 AUDITED FINANCIAL STATEMENTS**



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

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## MEMORANDUM

TO: The Members of the Authority

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

DATE: September 4, 2019

SUBJECT: 2018 Audited Financial Statements

The Office of the Chief Financial Officer is providing the attached draft report of the 2018 audited financial statements to the Members of the Authority for their review and approval as required pursuant to Executive Order 122 (2004), as amended by Executive Order 37 (2006).

The 2018 financial statement audit was performed by Ernst & Young LLP (EY). EY has informed management that it will be issuing an unmodified or "clean" opinion, the highest level of assurance an auditor can give in a financial statement audit. EY performed the 2018 financial statement audit in accordance with U.S. Generally Accepted Auditing Standards.

EY will be issuing a separate audit report which includes a report on internal control over financial reporting and on compliance and other matters in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S. Though the purpose for the report on internal control and on compliance is not for expressing an opinion on the effectiveness of the Authority's internal control, or for providing an opinion on compliance, nevertheless EY has indicated to management that it did not identify any deficiencies in internal control considered to be a material weakness, nor did its tests disclose any instances of noncompliance.

### Audit Committee Review

Previously on August 26, 2019, the Authority's financial management presented the draft 2018 financial statements to the Audit Committee for their review and recommendation for approval by the Members of the Authority. Following management's presentation and review of key amounts, sensitive accounting estimates, reserves and accruals, EY discussed its audit results and required communications in accordance with Statement of Auditing No. 114. At the conclusion of both presentations, the Audit Committee agreed to advance the 2018 financial statements to the Members of the Authority for final approval.

### Recommendation

The Members of the Authority are recommended to approve the attached 2018 audited financial statements pursuant to Executive Order 122, as amended by Executive Order 37. The 2018 financial statements, along with EY's signed audit report, will be included in the Authority's 2018 Annual Report.

Attachment

**DRAFT 08-13-19**

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



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

For the Year Ended December 31, 2018

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, 2018

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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, 2018

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, 2018. This management discussion and analysis should be read in conjunction with the Authority's financial statements and accompanying notes.

**Nature of the Authority**

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

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

**School Construction Program Authorized Funding and Disbursements**

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

Through December 31, 2018, the Authority has received \$11.1 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 85.1% of the currently authorized program funding, as follows:

	<u>Bonding Cap</u>	<u>Program Funding</u> <sup>1</sup>	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$ 8,900,000,000	\$ 9,018,405,818	\$ 7,473,814,372	82.9%
Regular Operating Districts	3,450,000,000	3,496,723,050	3,187,570,842	91.2%
Vocational Schools	150,000,000	151,867,060	117,134,943	77.1%
Totals	<u>\$ 12,500,000,000</u>	<u>\$ 12,666,995,928</u>	<u>\$ 10,778,520,157</u>	85.1%

<sup>1</sup> Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$167 million of interest income and miscellaneous revenue earned through December 31, 2018.

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 2018, the SDA celebrated the opening of four capital plan school facilities projects directly benefitting nearly 2,500 students in the SDA Districts. The total State investment in these four projects was \$198 million.

As of December 31, 2018, the SDA has 11 active construction projects in the SDA Districts. In addition, pre-construction activity has commenced on several other projects. Furthermore, the Authority is currently in construction on 5 emergent needs projects in the SDA Districts. Emergent need projects most often address roof repairs or replacements; deteriorating façades; water infiltration; heating and cooling system issues; and plumbing, electrical, mechanical and security systems. The Authority maintains separate program reserves to address such emergent conditions as well as unforeseen events.

From inception through December 31, 2018, the School Construction Program has completed 691 projects in the SDA Districts. The completed projects consist of: 83 new schools, including 6 demonstration projects; 47 extensive additions, renovations and/or rehabilitations; 31 rehabilitation projects; 354 health and safety projects; and 176 Section 13 Grants for SDA District-managed projects. The demonstration projects are intended to serve as a cornerstone of revitalization efforts and were 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 partially funded and managed for the districts, including 8 new schools, and state funding was provided through Section 15 Grants for 4,699 school projects throughout the 21 counties of New Jersey.

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

	\$ In thousands				
	2018	2017	2016	2015	2014
EFCFA funding received from State	\$ 350,000	\$ 350,000	\$ 342,574	\$ 500,000	\$ 585,000
Investment earnings, net	7,204	3,787	1,730	560	170
Administrative and general expenses	18,466	19,821	22,256	18,924	17,293
Capital expenditures	312	25	124	475	115
School facilities project costs	333,271	341,480	388,133	429,684	282,023
Employee count at end of year	222	211	229	230	227

### 2018 Financial Highlights

- At year end, the Authority's net position is \$398.0 million.
- At year end, cash and cash equivalents total \$539.8 million.
- For the year, revenues total \$357.2 million, \$350.0 million of which is from EFCFA funding received from the State (or 98.0%).
- For the year, expenses total \$351.9 million, \$333.3 million (94.7%) of which is for school facilities project costs.
- For the year, general fund revenues exceed general fund expenditures by \$2.2 million.

### Overview of the Financial Statements

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

individual line items of general fund financial data to government-wide data in a separate column on the face of the financial statement.

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

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

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

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

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

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

The Authority's net position increased to \$398.0 million at year-end, primarily due to 2018 State funding under EFCFA (\$350.0 million) exceeding expenditures for school facilities projects (\$333.3 million) and administrative and general expenses (\$18.5 million).

The following table summarizes the Authority's net position at December 31, 2018 and 2017.



	<b>\$ In thousands</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
Current assets	\$ 539,912	\$ 540,143	\$ (231)	(0.0)%
Capital assets-net	635	523	112	21.4%
Total assets	<u>540,547</u>	<u>540,666</u>	<u>(119)</u>	<u>(0.0)%</u>
Deferred outflows of resources	<u>14,327</u>	<u>19,537</u>	<u>(5,210)</u>	<u>(26.7)%</u>
<b>Total assets and deferred outflows of resources</b>	<b><u>\$ 554,874</u></b>	<b><u>\$ 560,203</u></b>	<b><u>\$ (5,329)</u></b>	<b><u>(1.0)%</u></b>
Current liabilities	\$ 50,536	\$ 53,000	\$ (2,464)	(4.6)%
Non-current liabilities	82,116	98,667	(16,551)	(16.8)%
Total liabilities	<u>132,652</u>	<u>151,667</u>	<u>(19,015)</u>	<u>(12.5)%</u>
Deferred inflows of resources	<u>24,206</u>	<u>15,795</u>	<u>8,411</u>	<u>53.2%</u>
Net position:				
Net investment in capital assets	635	523	112	21.4%
Restricted for schools construction	397,381	392,218	5,163	1.3%
Total net position	<u>398,016</u>	<u>392,741</u>	<u>5,275</u>	<u>1.3%</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 554,874</u></b>	<b><u>\$ 560,203</u></b>	<b><u>\$ (5,329)</u></b>	<b><u>(1.0)%</u></b>

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

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

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

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

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

*Current liabilities:* The decrease is due mostly to the reduction in accrued school facilities project costs for amounts billed but not paid for services rendered in 2018.

*Non-current liabilities:* The decrease is due primarily to the lower net pension liability and lower accrued school facilities project costs related to contractor claims.

*Deferred inflows of resources:* The increase is due mainly to higher deferred inflows of resources associated with pensions.

The following table summarizes the change in net position for the years ended December 31, 2018 and 2017.

	<b>\$ In thousands</b>			
	<b>2018</b>	<b>2017</b>	<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
<b>Revenues</b>				
EFCFA funding received from State	\$ 350,000	\$ 350,000	\$ -	0.0%
Investment earnings	7,204	3,787	3,417	90.3%
Rental property income	6	41	(35)	(86.2)%
Other revenue	2	16	(14)	(83.7)%
Total revenues	<u>357,212</u>	<u>353,844</u>	<u>3,368</u>	<u>1.0%</u>
<b>Expenses</b>				
Administrative and general expenses	18,466	19,821	(1,355)	(6.8)%
Depreciation	200	209	(9)	(4.4)%
School facilities project costs	333,271	341,480	(8,209)	(2.4)%
Total expenses	<u>351,937</u>	<u>361,510</u>	<u>(9,573)</u>	<u>(2.6)%</u>
Change in net position	<u>5,275</u>	<u>(7,666)</u>	<u>12,941</u>	<u>168.8%</u>
Beginning net position	<u>392,741</u>	<u>400,407</u>	<u>(7,666)</u>	<u>(1.9)%</u>
Ending net position	<u>\$ 398,016</u>	<u>\$ 392,741</u>	<u>\$ 5,275</u>	<u>1.3%</u>

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

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

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

The increase is due to higher investment return rates during 2018.

*Rental property income:* The decrease is due mainly to the expiration of a cell tower land lease.

*Other revenue:* The decrease is due mostly to lower forfeited flexible spending account balances.

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

*School facilities project costs:* The decrease is due mainly to lower spending in construction, partially offset by an increase in project insurance expense.

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

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

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

Statement of Net Position and General Fund Balance Sheet

December 31, 2018

6

	General Fund Total	Adjustments (Note 8)	Statement of Net Position
<b>Assets</b>			
Cash and cash equivalents	\$ 539,794,555	\$ -	\$ 539,794,555
Receivables	29,828	-	29,828
Prepaid expenses	87,623	-	87,623
Capital assets-net	-	634,982	634,982
Total assets	<u>539,912,006</u>	<u>634,982</u>	<u>540,546,988</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount for pensions	-	13,840,493	13,840,493
Deferred amount for other postemployment Benefits	-	486,464	486,464
Total deferred outflows of resources	<u>-</u>	<u>14,326,957</u>	<u>14,326,957</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 539,912,006</b></u>	<u><b>\$ 14,961,939</b></u>	<u><b>\$ 554,873,945</b></u>
<b>Current Liabilities</b>			
Accrued school facilities project costs	\$ 45,906,381	\$ -	\$ 45,906,381
Other accrued liabilities	1,013,742	-	1,013,742
Escrow deposits	3,616,136	-	3,616,136
Total current liabilities	<u>50,536,259</u>	<u>-</u>	<u>50,536,259</u>
<b>Non-Current Liabilities</b>			
Accrued school facilities project costs	-	4,415,103	4,415,103
Net pension liability	-	49,778,974	49,778,974
Total postemployment benefits liability	-	23,738,116	23,738,116
Other accrued liabilities	-	4,183,138	4,183,138
Total non-current liabilities	<u>-</u>	<u>82,115,331</u>	<u>82,115,331</u>
<b>Deferred Inflows of Resources</b>			
Deferred amount for pensions	-	19,275,093	19,275,093
Deferred amount for other postemployment Benefits	-	4,930,862	4,930,862
Total deferred inflows of resources	<u>-</u>	<u>24,205,955</u>	<u>24,205,955</u>
<b>Fund Balance/Net Position</b>			
Net investment in capital assets	-	634,982	634,982
Nonspendable:			
Prepaid expenses	87,623	(87,623)	-
Restricted for schools construction	489,288,124	(91,906,706)	397,381,418
Total fund balance/net position	<u>489,375,747</u>	<u>(91,359,347)</u>	<u>398,016,400</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position</b>	<u><b>\$ 539,912,006</b></u>	<u><b>\$ 14,961,939</b></u>	<u><b>\$ 554,873,945</b></u>

*See accompanying notes.*

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

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

For the Year Ended December 31, 2018

6

	<b>General Fund Total</b>	<b>Adjustments (Note 8)</b>	<b>Statement of Activities</b>
<b>Revenues</b>			
School Construction Program:			
EFCFA funding received from State	\$ 350,000,000	\$ -	\$ 350,000,000
General:			
Investment earnings	7,204,224	-	7,204,224
Rental property income	5,678	-	5,678
Other revenue	2,602	-	2,602
Total revenues	<u>357,212,504</u>	<u>-</u>	<u>357,212,504</u>
<b>Expenditures/Expenses</b>			
Administrative and general expenses	16,528,163	1,938,319	18,466,482
Capital expenditures	311,832	(311,832)	-
Capital depreciation	-	199,765	199,765
School facilities project costs	338,140,570	(4,869,979)	333,270,591
Total expenditures/expenses	<u>354,980,565</u>	<u>(3,043,727)</u>	<u>351,936,838</u>
Excess of revenues over expenditures/Change in net position	2,231,939	3,043,727	5,275,666
<b>Fund Balance/Net Position</b>			
Beginning of year, January 1, 2018	487,143,808	(94,403,074)	392,740,734
End of year, December 31, 2018	<u>\$ 489,375,747</u>	<u>\$ (91,359,347)</u>	<u>\$ 398,016,400</u>

*See accompanying notes.*

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

**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 Schools Construction Program, and transferred to the Authority. Of this amount, \$8.9 billion is allocated to 31 urban school districts referred to as the "SDA Districts" (formerly Abbott Districts), \$3.45 billion is for non-SDA districts ("Regular Operating Districts") and \$150 million is reserved for vocational schools.

**2. Summary of Significant Accounting Policies**

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

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

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

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

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

Notes to Financial Statements (Continued)

6

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

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

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

**(c) Revenue Recognition**

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

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

The Authority allocates employee salaries and benefits costs between operating expense (i.e., administrative and general expenses) and school facilities project costs on the Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance. The allocation of employee salaries to school facilities project costs is supported by weekly time sheet data; employee benefits costs are allocated to projects based on a projected annual fringe benefit rate determined by the Authority. The fringe benefit rate utilized for 2018 is 40.36%.

For the year ended December 31, 2018, employee salary and benefit costs are allocated as follows:

Employee salary and fringe benefits costs:	
Charged to administrative and general expenses	\$ 14,111,469
Charged to school facilities project costs	<u>13,585,731</u>
Total employee salary and benefits costs	<u>\$ 27,697,200</u>

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**(e) Rebate Arbitrage**

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

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

Rebate arbitrage calculations have been performed for all series of School Facilities Construction Bonds up through 2018 Series FFF. As of December 31, 2018, no rebate arbitrage liabilities exist.

**(f) Cash and Cash Equivalents**

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

**(g) Prepaid Expenses**

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

**(h) Capital Assets**

Capital assets are reported in the governmental activity column in the government-wide financial statements and are recorded at historical cost or estimated historical cost if purchased and constructed. The Authority’s current capitalization threshold is \$10,000 for individual items meeting all other capitalization criterion. As of December 31, 2018, the Authority’s capital assets consist of leasehold improvements, automobiles, equipment, computer software



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

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

**(i) Taxes**

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

**(j) Use of Estimates**

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

**(k) Pensions**

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

**(l) New Accounting Standards Adopted**

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

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statements prepared using the current financial resources measurement focus, and classifying employer-paid member contributions for OPEB. The Authority adopted this statement in fiscal year 2018 and there was no significant impact on the Authority's financial statements.

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

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued in April 2018. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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The statement is effective for fiscal years beginning after June 15, 2018. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued in June 2018. The primary objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1980 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, was issued in August 2018. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that ownership of a majority equity interest in a legally separate organization results in the government

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being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The statement is effective for fiscal years beginning after December 15, 2018. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

### 3. Deposits and Investments

#### (a) Cash Flows

Cash and cash equivalents decreased during the year by \$45,068 to \$539.8 million as follows:

Cash and cash equivalents, beginning of year	\$ 539,839,623
Changes in cash:	
EFCFA funding received from State	350,000,000
Investment and interest income	7,204,224
Miscellaneous revenue	8,280
School facilities project costs	(341,112,915)
Administrative and general expenses	(16,146,615)
Capital expenditures	(216,540)
Escrow deposits	218,498
Cash and cash equivalents, end of year	<u>\$ 539,794,555</u>

#### (b) Cash and Cash Equivalents

Operating cash, in the form of Negotiable Order of Withdrawal (“NOW”) accounts, is held in the Authority’s name by two commercial banking institutions. At December 31, 2018, the carrying amount of operating cash is \$2,889,231 and the bank balance is \$3,224,200. Deposits of up to \$250,000 at each commercial banking institution are 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

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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, 2018, all of the Authority's deposits were insured or collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The Authority does not have a policy for custodial credit risk.

**(c) Investments**

In order to maximize liquidity, the Authority utilizes the NJCMF as its sole investment. All investments in the NJCMF are governed by the regulations of the State of New Jersey, Department of Treasury, Division of Investment, which prescribes specific standards designed to ensure the quality of investments and to minimize the risks related to investments. The NJCMF invests pooled monies from various State and non-State agencies in primarily short-term investments. These investments include: U.S. Treasury Notes and Bills; short-term commercial paper; U.S. Agency Bonds; corporate bonds; and certificates of deposit. Agencies that participate in the NJCMF typically earn returns that mirror short-term investment rates. Monies can be freely added or withdrawn from the NJCMF on a daily basis without penalty. At December 31, 2018, the Authority's investments in the NJCMF total \$536,905,324. Of this amount, \$3,616,136 relates to district local share funding requirements (see Note 5).

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

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

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

**4. Prepaid Expenses**

As of December 31, 2018, the Authority's prepaid expenses are as follows:

Service contracts	\$ 86,718
Other	905
Total prepaid expenses	<u>\$ 87,623</u>

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Notes to Financial Statements (Continued)

**5. Escrow Deposits**

The Authority has received funds from several local school districts as required by Local Share Agreements for the funding of the local share portion of Regular Operating District school facility projects, or to cover certain ineligible costs pertaining to projects in the SDA Districts. These deposits, including investment earnings, are reflected as liabilities in the accompanying financial statements. As of December 31, 2018, deposits held in SDA bank accounts, inclusive of interest earned but not yet refunded to the district, are as follows:

Harrison	\$ 20,286
Millville	966
Newark	507,720
Passaic City	24,780
Pemberton	197,638
Perth Amboy	2,819,746
Other	<u>45,000</u>
Total escrow deposits	<u>\$ 3,616,136</u>

**6. Rental of Office Space**

The Authority rents commercial office space for its headquarters facility in Trenton, as well as other office space in Newark. The remaining terms of these leases are 5 years. Total rental expense for the year ended December 31, 2018 amounted to \$1,618,492.

Future rent commitments under operating leases as of December 31, 2018 are as follows:

2019	\$ 1,205,487
2020	1,234,460
2021	1,250,629
2022	1,267,041
2023	<u>1,283,699</u>
Total future rent expense	<u>\$ 6,241,316</u>

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**7. Capital Assets**

Capital asset activity for the year ended December 31, 2018 is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Depreciable capital assets:				
Leasehold improvements	\$ 502,679	\$ 51,499	\$ (420,029)	\$ 134,149
Office furniture and Equipment	5,926,803	43,793	-	5,970,596
Computer software	568,993	-	-	568,993
Automobiles	321,658	53,996	-	375,654
Construction in progress	-	162,544	-	162,544
Capital assets-gross	7,320,133	311,832	(420,029)	7,211,936
Less: accumulated Depreciation	(6,797,218)	(199,765)	420,029	(6,576,954)
Capital assets-net	\$ 522,915	\$ 112,067	\$ -	\$ 634,982

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

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

“Total fund balances” for the Authority’s general fund (\$489,375,747) differs from the “net position” reported on the statement of net position (\$398,016,400). This difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the fund balance sheet. When capital assets that are to be used in the Authority’s activities are constructed or acquired, the costs of those assets are reported as expenditures in the fund financial statements. However, the statement of net position includes those capital assets among the assets of the Authority as a whole. In addition, expenses associated with depreciation, accrued school facilities project costs not currently due for payment and non-current other postemployment benefits and compensated absences are not recorded in the fund financial statements until paid.

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Notes to Financial Statements (Continued)

A summary of these differences at December 31, 2018 is as follows:

Fund balances	\$ 489,375,747
Capital assets, net of accumulated depreciation of \$(6,576,954)	634,982
Deferred outflows of resources for pensions and other postemployment benefits	14,326,957
Accrued school facilities project costs	(4,415,103)
Net pension liability	(49,778,974)
Total other postemployment benefits liability	(23,738,116)
Accrued compensated absences	(1,318,397)
OPEB payable	(350,000)
Accrued pension payable	(2,514,741)
Deferred inflows of resources for pensions and other postemployment benefits	(24,205,955)
Net position	<u>\$ 398,016,400</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between excess of revenues over expenditures and changes in net position as reported in the government-wide statement of activities. Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. A summary of these differences for the year ended December 31, 2018 is as follows:

Excess of revenues over expenditures	\$ 2,231,939
School facilities project costs	4,869,979
Pension expense (GASB 68)	(35,633)
Other postemployment benefits expense (GASB 75)	(1,871,648)
Compensated absences expense	(31,038)
Capital asset acquisitions	311,832
Depreciation expense	(199,765)
Changes in net position	<u>\$ 5,275,666</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 position



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a pollution remediation obligation (“PRO”) liability (net of environmental cost recoveries not yet realized) in the amount of \$1,307,138 as of December 31, 2018. This liability is included in accrued school facilities project costs reported on the statement of net position. The Authority’s PRO liability and asset are charged or credited to school facilities project costs in the statement of activities. The Authority’s PRO liability is measured based on the current cost of future activities. Also, the PRO liability was estimated using “the expected cash flow technique,” which measures the liability as the sum of probability weighted amounts in a range of possible estimated outcomes.

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

	<b>Estimated Cost</b>	<b>Payments to Date</b>	<b>PRO at 12-31-2018</b>
Pre-cleanup activities	\$ 1,347,345	\$ 1,233,930	\$ 113,415
Site remediation work	15,399,052	12,705,247	2,693,805
Post-remediation monitoring	244,948	53,643	191,305
Asbestos and lead based paint removal	4,309,774	4,309,774	-
Sub-total	21,301,119	18,302,594	2,998,525
Less: Estimated environmental cost recoveries (ECR) not yet realized	1,691,387	-	1,691,387
Liability for pollution remediation Obligations	<u>\$ 19,609,732</u>	<u>\$ 18,302,594</u>	<u>\$ 1,307,138</u>

The following table summarizes the changes in the Authority’s PRO liability during the year ended December 31, 2018:

<b>PRO at 12-31-2017</b>	<b>Decrease in Expected Cash Outlays</b>	<b>PRO Payments</b>	<b>Decrease in ECR Not Yet Realized</b>	<b>PRO at 12-31-2018</b>
\$1,999,849	\$(579,492)	\$(434,404)	\$321,185	\$1,307,138

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**10. Commitments and Contingencies**

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**(a) Contractual Commitments**

At December 31, 2018, the Authority has approximately \$734 million of unaccrued contractual commitments relating to future expenditures associated with school facilities projects.

**(b) Contractor and Other Claims**

Numerous contractor and other claims, the vast majority of which are not in litigation, have been filed with the Authority by design consultants, general contractors, project management firms and school districts relating to disputes concerning school construction matters (e.g., delays, labor and material price increases). The Authority resolves contractor claims by following the administrative process noted in the relevant contract. As of December 31, 2018, the Authority's potential loss from all claims has been estimated at approximately \$3.1 million, which represents a decrease of \$4.2 million from the prior year end accrual. Accordingly, as of December 31, 2018, an accrued liability of \$3.1 million is reflected in the statement of net position as a component of accrued school facilities project costs and, for the year then ended, \$4.2 million is charged to school facilities project costs on the statement of activities.

**(c) Insurance**

The Authority maintains commercial insurance coverage for, among other things, workers' compensation, tort liability (including public liability and automobile) and property damage. Additionally, in support of its construction operations the Authority has implemented an Owner Controlled Insurance Program ("OCIP") and has also purchased Builders Risk and Owners Protective Professional Indemnity Insurance ("OPPI"), all of which are discussed below. As of December 31, 2018, management is not aware of any insurable claim that is expected to exceed its commercial insurance coverage.

The Authority has implemented an OCIP that "wraps up" multiple types of insurance coverage into one program. The Authority initially implemented a three-year OCIP, effective December 31, 2003 ("OCIP I"), to provide workers' compensation, commercial general liability and umbrella/excess liability insurance for all eligible contractors performing labor on school facilities projects. OCIP I was subsequently extended to March 31, 2009. Policy limits for OCIP I vary depending upon, among other things, the type of insurance coverage; a \$300 million umbrella/excess liability program provides additional protection against potentially catastrophic losses resulting from workers' compensation and commercial general liability claims. Losses are subject to a \$250,000 per claim deductible. Although OCIP I is no longer enrolling new projects into the program since its expiration, completed operations coverage continues for 10 years for claims that arise after the completion of construction.

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In 2009, the Authority approved the purchase of a succeeding five-year OCIP (“OCIP II”) program to coincide with the expiration of the OCIP I enrollment period for new projects. OCIP II, as originally purchased, provided coverage for projects commencing construction between March 31, 2009 and March 31, 2012. The OCIP II enrollment period was extended to March 31, 2014 at no additional cost to the Authority. The extension also provided an additional two years for the completion of enrolled projects. Subsequently, the Authority authorized the purchase of a new three-year OCIP (“OCIP III”) with an effective date of March 1, 2015 and an OCIP IV with an effective date of March 1, 2018. Similar to OCIP I, policy limits for OCIP II, III and IV 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 “clash” deductible in the event that both a workers’ compensation and general liability claim occur from the same incident. Additionally, OCIPs II, III and IV each provide 10 years of completed operations coverage for claims that arise after the completion of construction. Premiums for each OCIP are adjustable based upon actual construction values for enrolled contractors (not all trades are eligible for enrollment) on insured projects.

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

Concurrent with the Authority’s purchase of OCIP II, the insurer agreed to transfer a portion of the remaining available funds from the Authority’s DRF to a new Loss Reimbursement Fund (“LRF”). The LRF for OCIP II was initially established at approximately \$18.9 million to partially fund a maximum deductible obligation of \$26 million. Approximately \$9.9 million remained in the LRF for OCIP I. In connection with the OCIP II extension, discussed above, the maximum deductible obligation was reduced to \$16 million. In 2015, concurrent with the purchase of OCIP III with a new insurer, the Authority was required to fund a new LRF in the amount of approximately \$4.5 million to partially fund a maximum deductible obligation of \$12.4 million. Likewise, the purchase of OCIP IV with a new insurer required the Authority to partially fund a new LRF in the amount of \$4,455,000 with a maximum obligation of \$10.9 million. All monies deposited in the respective LRFs accrue interest to the benefit of the Authority and are available to pay claim costs arising from construction projects enrolled in a specific OCIP.

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As of December 31, 2018, the Authority has open reserves for general liability and workers' compensation claims totaling approximately \$101,000, \$441,000, \$1,031,292 and \$2,000, under OCIPs I, II III and IV, respectively. All monies deposited in the LRF and not used to pay claims will be refunded to the Authority along with accrued interest, as applicable. Under the terms of the contract, the Authority has no claim or interest in the LRF until six (6) months after the expiration of the program. Since their respective enrollment periods have expired, the DRF for OCIP I and the LRF for OCIP II are reviewed annually and the deductible obligation re-determined; if the respective deductible fund is determined to be overfunded based on the annual re-determination, the Authority is entitled to a refund of the difference.

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

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

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

## **11. Employee Benefits**

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

*Plan description and benefits provided.* All active, full-time employees of the Authority are required as a condition of employment to participate in the Public Employees' Retirement System of New Jersey ("PERS" or "Plan"), a cost-sharing, and multiple-employer defined benefit plan administered by the State. The contribution policy is established by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Currently as of July 1, 2018, employees are required to contribute 7.50% (up from 7.34%) of their annual

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Notes to Financial Statements (Continued)

compensation to the Plan. All Plan participants are categorized within membership Tiers in accordance with their enrollment date in the PERS, as follows: Tier 1 includes those members enrolled in the PERS prior to July 1, 2007; Tier 2 includes those members enrolled in the PERS on or after July 1, 2007 and prior to November 2, 2008; Tier 3 includes those members enrolled in the PERS on or after November 2, 2008 and on or before May 22, 2010; Tier 4 includes those members enrolled in the PERS after May 22, 2010 and prior to June 28, 2011; and Tier 5 includes those members enrolled in the PERS on or after June 28, 2011. Depending on the Tier, other factors including minimum base salary amounts and/or minimum hours worked, among other things, may impact an employee's eligibility in the PERS. As discussed below, members enrolled in the PERS on or after July 1, 2007, and who earn an annual salary in excess of established limits, are eligible to participate in a Defined Contribution Retirement Program ("DCRP") administered by Prudential Financial on behalf of the State.

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

Tier 1 members who have 25 years or more of credited service may elect early retirement without penalty at or after age 55, and receive full retirement benefits; however, the retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 2 members with 25 years or more of credited service the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 60 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. For Tier 3 and Tier 4 members the retirement allowance is reduced by 1% per year (1/12 of 1% per month) for each year the member is under age 62 (until age 55) and 3% per year (1/4 of 1% per month) for each year the member is under age 55. Lastly, for Tier 5 members the retirement allowance is reduced by 3% per year (1/4 of 1% per month) for each year the member is under age 65.

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

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

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

6

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

At December 31, 2018, the Authority reported a liability of \$49.8 million in the statement of net position for its proportionate share of the net pension liability for the PERS. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The actuarial valuation was rolled forward to June 30, 2018 using update procedures. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the Plan relative to the projected contributions of all participating State agencies, actuarially determined. At June 30, 2018, the Authority’s proportionate share was estimated to be 0.25282%. The change in proportion since the prior measurement date was a decrease of 0.00529%.

In accordance with GASB 68, for the year ended December 31, 2018, the Authority recognized pension expense of \$2,426,738, of which \$2,391,105 (the amount of the Authority’s 2018 contractually required pension contribution to the PERS) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The amount of the Authority’s pension contribution due on April 1, 2019 is \$2,514,741. Pension expense is reported in the Authority’s financial statements as a component of administrative and general expenses.

The Authority’s contractually required contribution to the PERS for the year ended December 31, 2018 was \$2,391,105, which is 13.7% of annual covered payroll. Based on the recommendation of the State of New Jersey Department of the Treasury, the investment rate of return used to calculate the actuarially determined contribution effective with the July 1, 2018 valuation was 7.50% per annum. The Department of the Treasury recommendation also calls for the rate to be reduced further to 7.30% per annum effective with the July 1, 2019 valuation, and to 7.00% per annum effective with the July 1, 2021 valuation. The actuarially determined employer contribution amount, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

At December 31, 2018, the Authority’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 466,929
Differences between expected and actual experience	949,292	256,677
Changes in assumptions or other inputs	8,202,750	15,916,669
Changes in proportion	2,173,710	2,634,818
Contributions subsequent to the measurement date	2,514,741	-
Total deferred outflows and inflows of resources	\$ 13,840,493	\$ 19,275,093

Deferred outflows of resources of \$2,514,741 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year 1 (2019)	\$ (468,966)
Year 2 (2020)	(568,875)
Year 3 (2021)	(3,059,567)
Year 4 (2022)	(2,891,512)
Year 5 (2023)	(960,421)
Total	\$ (7,949,341)

***Actuarial methods and assumptions***

The collective total pension liability in the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The key actuarial assumptions are summarized as follows:

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

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

***Discount rate***

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension

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

plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The contribution percentage is the average percentage of the annual actual contribution paid over the annual actuarially determined contribution during the most recent five-year period. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current Plan members through June 30, 2046. Accordingly, the long-term expected rate on Plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

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

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



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

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 5.66% as well as the proportionate share of the net pension liability using a 1.00% increase or decrease from the current discount rate:

	1% Point Decrease	Discount Rate Assumption	1% Point Increase
PERS (4.66%, 5.66%, 6.66%)	\$62,591,325	\$49,778,974	\$39,030,232

***Pension plan fiduciary net position***

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

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

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

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Notes to Financial Statements (Continued)

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

For the year ending December 31, 2018, the Authority had 9 active employees enrolled in the DCRP and made matching contributions totaling \$5,837. Employer matching contributions relating to 2017, 2016 and 2015 totaled \$9,705, \$12,019 and \$11,485, respectively.

**(c) Deferred Compensation**

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

**(d) Other Postemployment Benefits**

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

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Notes to Financial Statements (Continued)

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

At December 31, 2018, the following employees were covered by the benefit terms:

Retired employees and/or beneficiaries currently receiving benefit payments	27
Active employees	<u>222</u>
Total	<u>249</u>

***Total OPEB liability***

The Authority's total OPEB liability of \$23,738,116 was measured as of January 1, 2018, and was based upon an actuarial valuation as of January 1, 2018. The Authority has fully recognized this liability in the statement of net position as of December 31, 2018 in accordance with GASB 75.

***Actuarial methods and assumptions***

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Rate of inflation	2.50%
Annual salary increases	3.00%
Discount rate	3.23%
Retirees' share of benefit related premium costs	None for retirees with at least 20 years of service credit as of June 30, 2010. All other retirees to contribute based on the applicable percentage of premium as determined by the annual retirement allowance. A minimum contribution of 1.5% of the retirement allowance is required.

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

The actuarial valuation included the use of the latest available mortality improvement scale published by the Society of Actuaries ("SOA"). The assumed mortality is the SOA RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted mortality with Scale MP-2018 full generational improvement.

The annual healthcare cost inflation rate for retiree benefits is 8% for prescription drug and 5.8% for Medical-Pre Medicare for 2018. The trend on prescription drug costs is assumed

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Notes to Financial Statements (Continued)

to reach an ultimate rate of 6% in 2026. The trend on medical-pre Medicare costs is assumed to reach an ultimate rate of 5% in 2027. A flat trend of 4.5% to ultimate is assumed to apply to medical-post Medicare costs and Medicare Part B premium reimbursements.

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

The decrement assumptions (i.e., retirement, turnover and disability) and age based costs for the Authority were estimated using information from the State of New Jersey Health Benefits Program OPEB report dated June 30, 2017. The age-based costs include medical and prescription drug with a reduction in prescription drug costs for the Employer Group Waiver Plan (“EGWP”) for those on Medicare.

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

***Changes in total OPEB liability***

Service cost	\$ 1,606,120
Interest cost	1,004,490
Changes in benefit terms	-
Differences between actual and expected experience	146,961
Changes in assumptions	(3,947,479)
Benefit payments	<u>(362,050)</u>
Net change in total OPEB liability	(1,551,958)
Total OPEB liability – beginning of year	<u>25,290,074</u>
Total OPEB liability – end of year	<u><u>\$ 23,738,116</u></u>

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

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

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

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

	1% Point Decrease	Discount Rate Assumption	1% Point Increase
Total OPEB liability (2.23%, 3.23%, 4.23%)	\$29,034,057	\$23,738,116	\$19,634,843

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

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

	1% Point Decrease	Healthcare Cost Trend Assumption	1% Point Increase
Total OPEB liability (3.5%, 4.5%, 5.5%)	\$18,978,574	\$23,738,116	\$30,141,397

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

For the year ended December 31, 2018, the Authority recognized OPEB expense of \$2,160,031, of which \$288,383 (the amount of contributions for retiree health insurance in 2018) was recorded in the General Fund Revenues, Expenditures and Changes in Fund Balance. The accumulated amount of deferred outflows of resources and deferred inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual		
Experience	\$ 136,464	\$ -
Changes in assumptions	-	4,930,862
Contributions subsequent to the measurement date and prior to reporting date	350,000	-
Total deferred outflows and inflows of resources	\$ 486,464	\$ 4,930,862

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

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Notes to Financial Statements (Continued)

Year 1 (2019)	\$ (376,912)
Year 2 (2020)	(376,912)
Year 3 (2021)	(376,912)
Year 4 (2022)	(376,912)
Year 5 (2023)	(376,912)
Year 6 (2024) and thereafter	(2,909,838)
Total	<u>\$ (4,794,398)</u>

## 12. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority has recorded a liability in the amount of \$1,318,397 as of December 31, 2018 in the statement of net position. The liability is the value of employee accrued vacation time as of the balance sheet date and vested sick leave benefits that are probable of payment to employees upon retirement. The vested sick leave benefit to future retirees for unused accumulated sick leave is calculated at the lesser of ½ the value of earned time or \$15,000. The payment of sick leave benefits, prior to retirement, is dependent on the occurrence of sickness as defined by the Authority's policy; therefore, such unvested benefits are not accrued.

## 13. Long-Term Liabilities

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
Accrued school facilities project costs	\$ 9,285,082	\$ 321,185	\$ (5,191,164)	\$ 4,415,103
Net pension liability	60,083,669	-	(10,304,695)	49,778,974
Total other postemployment benefits liability	25,290,074	(1,551,958)	-	23,738,116
Accrued OPEB payable	330,000	350,000	(330,000)	350,000
Accrued pension payable	2,391,105	2,514,741	(2,391,105)	2,514,741
Compensated absences	1,287,359	33,021	(1,983)	1,318,397
Total long-term liabilities	<u>\$ 98,667,289</u>	<u>\$ 1,666,989</u>	<u>\$ (18,218,947)</u>	<u>\$ 82,115,331</u>

For further information, see Notes 11 and 12.

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

**14. Net Position**

The Authority's net position is categorized as either invested in capital assets, or restricted for schools construction. At December 31, 2018, the Authority's net position is \$398.0 million. Net investment in capital assets includes leasehold improvements, automobiles, furniture and fixtures, equipment and computer software used in the Authority's operations, net of accumulated depreciation.

The changes in net position during 2017 and 2018 are as follows:

	<b>Net Investment in Capital Assets</b>	<b>Restricted for Schools Construction</b>	<b>Totals</b>
Net position, January 1, 2017	\$ 707,104	\$ 399,699,740	\$ 400,406,844
(Loss)/excess before receipt of EFCFA funding and transfers	(208,888)	(15,977,531)	(16,186,419)
Capital assets acquired	24,699	(24,699)	-
EFCFA funding received from State	-	350,000,000	350,000,000
School facilities project costs	-	(341,479,691)	(341,479,691)
Net position, December 31, 2017	522,915	392,217,819	392,740,734
(Loss)/excess before receipt of EFCFA funding and transfers	(199,765)	(11,253,978)	(11,453,743)
Capital assets acquired	311,832	(311,832)	-
EFCFA funding received from State	-	350,000,000	350,000,000
School facilities project costs	-	(333,270,591)	(333,270,591)
Net position, December 31, 2018	<u>\$ 634,982</u>	<u>\$ 397,381,418</u>	<u>\$ 398,016,400</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**



New Jersey Schools Development Authority  
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Schedule of Authority's Proportionate  
Share of the Net Pension Liability

6

	2018 *	2017	2016	2015
Authority's proportion of the net pension liability	0.25282%	0.25811%	0.24459%	0.26024%
Authority's proportionate share of the net pension liability	\$ 49,778,974	\$ 60,083,669	\$ 72,439,355	\$ 58,417,776
Authority's covered employee payroll	\$ 17,849,263	\$ 18,573,489	\$ 18,574,888	\$ 18,072,739
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	278.9%	323.5%	390.0%	323.2%
Plan fiduciary net position as a percentage of the total pension liability	40.4%	36.8%	31.2%	38.2%

\* The amounts presented in the table above were determined as of June 30, 2018.

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

New Jersey Schools Development Authority  
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Schedule of Authority's Contributions  
to the Public Employees' Retirement System

6

Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency (Excess)	Authority's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2018	\$2,514,741	\$2,514,741	\$ -	\$18,394,015	13.7%
2017	\$2,391,105	\$2,391,105	\$ -	\$18,157,354	13.2%
2016	\$2,172,867	\$2,172,867	\$ -	\$18,666,335	11.6%
2015	\$2,237,332	\$2,237,332	\$ -	\$18,078,345	12.4%
2014	\$2,102,418	\$2,102,418	\$ -	\$18,549,600	11.3%
2013	\$1,960,286	\$1,960,286	\$ -	\$18,329,051	10.7%
2012	\$2,163,895	\$2,163,895	\$ -	\$18,472,472	11.7%
2011	\$2,673,145	\$2,673,145	\$ -	\$19,904,178	13.4%
2010	\$2,545,016	\$2,545,016	\$ -	\$23,961,013	10.6%
2009	\$1,793,292	\$1,793,292	\$ -	\$23,683,663	7.6%

**Notes to Schedule:**

Valuation Date Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine the actuarially determined employer contributions are as follows:

Actuarial Cost Method	Projected Unit Credit Method
Amortization Method	Level Dollar Amortization
Remaining Amortization Period	30 years
Asset Valuation Method	A five year average of market values
Investment Rate of Return	7.00% for 2018 through 2017, 7.65% for 2016, 7.90% for 2015 through 2013, 7.95% for 2012, 8.25% for 2011 through 2008
Inflation	2.25% for 2018 through 2017, 3.08% for 2016, 3.01% for 2015 through 2008
Salary Increases	1.65% – 4.15% for 2018 through 2016, 2.15% – 5.40% for 2015 through 2013, 4.52% for 2012, 5.45% for 2011 through 2008

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

Mortality

RP-2000 Employee Preretirement Mortality Table for male and female active participants. Mortality tables are set back 2 years for males and 7 years for females for 2017 through 2013. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Plan actuary's modified MP-2014 projection scale. The RP-2000 Employee Preretirement Mortality table was used and was set back 2 years for males and 7 years for females for 2012, and was set back 4 years for females prior to 2012.

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

6

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service cost	\$ 1,606,120	\$ 1,634,702	\$ 1,578,355
Interest cost	1,004,490	927,740	849,309
Changes in benefit terms	-	-	-
Differences between actual and expected experience	146,961	-	-
Changes in assumptions	(3,947,479)	(1,476,238)	-
Benefit payments	<u>(362,050)</u>	<u>(297,093)</u>	<u>(277,001)</u>
Net change in total OPEB liability	(1,551,958)	789,111	2,150,663
Total OPEB liability – beginning of year	<u>25,290,074</u>	<u>24,500,963</u>	<u>22,350,300</u>
Total OPEB liability – end of year	<u>\$ 23,738,116</u>	<u>\$ 25,290,074</u>	<u>\$ 24,500,963</u>
Covered employee payroll	\$ 18,487,788	\$ 18,451,700	\$ 17,954,600
Total OPEB liability as a percentage of covered employee payroll	128.40%	137.06%	136.64%

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

**Notes to Schedule:**

For 2018, there is a deferred inflow of resources resulting from a change in the discount rate from 3.76% to 3.23%.

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

**Resolution—6c.****Resolution Approving the 2018 SDA Audited Financial Statements**

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

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

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

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

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

**WHEREAS**, the independent accounting firm of Ernst & Young (E&Y) has completed an audit of the Authority’s financial statements for 2018; and

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

**WHEREAS**, pursuant to Article IX, Section 9.5 of the Authority’s bylaws and Article VI of the SDA Audit Committee Charter, the Audit Committee met on August 26, 2019 to review and discuss the integrity and quality of the Authority’s financial statements and E&Y’s audit of the Authority’s 2018 financial statements; and

**WHEREAS**, following presentation of the 2018 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 2018 financial statements are presented as an attachment hereto.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby approve the Authority's 2018 financial statements as presented by executive management and the accounting firm Ernst & Young and as recommended by the SDA Audit Committee and appended hereto.

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

Attached: Memorandum 2018 Audited Financial Statements, dated September 4, 2019

Dated: September 4, 2019

**2018 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER NO. 37 (2006)**

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**New Jersey Schools  
Development Authority**

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**Annual Report  
2018**





# NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY

# 2018 YEAR IN REVIEW



# 4

New or Renovated schools opened

More than **\$198 Million** invested by the State of New Jersey in schools opened this year alone

# More than 2,000

new seats provided for children throughout New Jersey

# \$369 Million

value of contracts awarded

# 11

ROD Grants Executed



## About the Annual Report

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The 2018 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 2018.

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

For more information, please refer to the SDA website at [www.njsda.gov](http://www.njsda.gov) or the most recent Biannual Report on the School Construction Program (for the period April 1 through September 30, 2018) at:

[https://www.njsda.gov/NJSDA/Content/public/Biannual\\_Report/2018\\_2.PDF](https://www.njsda.gov/NJSDA/Content/public/Biannual_Report/2018_2.PDF).

## Mission Statement

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

## SDA Executive Staff

**Manuel M. Da Silva**

Interim Chief Executive Officer

**Andrew D. Yosha**

Vice President – Program Operations and Strategic Planning

**Donald R. Guarriello, Jr.**

Vice President & Chief Financial Officer

**Jane F. Kelly, Esq.**

Vice President - Corporate Governance & Legal Affairs

## Board Members

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### Public Members

Robert Nixon  
SDA Chairman

*Director of Government Affairs, NJ State Policeman's Benevolent Association*

Kevin Egan

*Business Representative, I.B.E.W. Local 456*

Richard Elbert, AIA

*General Counsel, Americas Bjarke Ingels Group*

Lester Lewis-Powder

*Executive Director, Let's Celebrate, Inc.*

Loren Lemelle

*Retired Executive, Johnson & Johnson*

Michael Maloney

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

Mario Vargas

*Farmers Insurance*

### Ex-Officio Members

Dr. Lamont Repollet

*Commissioner, New Jersey Department of Education*

Lieutenant Governor Sheila Oliver

*Commissioner, New Jersey Department of Community Affairs*

Tim Sullivan

*Chief Executive Officer, New Jersey Economic Development Authority*

Elizabeth Maher Muoio

*State Treasurer, New Jersey Department of Treasury*

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## Message From the Interim CEO

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The New Jersey Schools Development Authority made significant contributions to the State's educational infrastructure in 2018 with the opening of four schools. The SDA's impact on the State's school facilities is widespread. In fact, since the program's inception, more than one million students have been positively impacted by completed projects in both SDA and Regular Operating Districts.

In 2018 alone, the SDA opened four new or renovated facilities in Garfield, New Brunswick, Newark and Vineland. In all of these communities, these schools will help to reduce overcrowding and ensure that students have the facilities they need to succeed. These schools represent an investment not only in New Jersey's school children, but represent our dedication to improving the quality of life and the quality of education in our State.

The SDA also continued its work to address health and safety issues in the SDA Districts through the advancement of emergent projects. In Camden, SDA completed a multi-year \$3.8 million project at the Cramer Elementary School.

In the Regular Operating Districts, the SDA executed 11 new grants and achieved final close-out on hundreds of other grant projects, disbursing millions of dollars to school districts throughout the State. These grants leverage millions of additional dollars towards the upkeep and/or renovation of existing school facilities, and/or the construction of additions and/or school facilities throughout our State.

While the SDA is proud of its successes achieved in 2018, the mission continues into 2019 and beyond, with work on 18 capital projects, 15 emergent projects and hundreds of grants ongoing. Although much has been accomplished, there remain over 20,000 students who are in facilities where there is severe overcrowding, and 7 million square-feet of schools that are more than 90 years old-- many of which do not conform to current educational standards.

The accomplishments are not possible and the need cannot be fulfilled without the hard work, cooperation and commitment of the SDA staff and our partners to improving educational opportunities for our youngsters. The SDA team is comprised of diligent professionals committed to the mission and to improving the lives of school children in New Jersey. Their efforts, professionalism and commitment is evident in all of the school projects delivered during this and past years. Our Board members are committed to the mission and the students of this State. The Members of the Legislature advocate on the behalf of their youngest constituents and future leaders of this State. We look forward to continued partnerships with our stakeholders as we work to ensure that students in New Jersey have the school facilities they need to achieve academic success.



Manuel M. Da Silva  
Interim Chief Executive Officer

## Project Accomplishments

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### SCHOOL OPENINGS

The positive impact of SDA's work throughout the State was felt by approximately 2,500 students at four schools in 2018. The SDA opened four new or renovated facilities in September, representing a state investment of more than \$198 million toward the education of New Jersey's youth. These schools will provide students with the state-of-the-art educational spaces they need to succeed in today's competitive world.

The completed projects include the new James Madison Elementary School No. 10 in Garfield, the addition/renovation project at the Paul Robeson Community Theme School for the Arts in New Brunswick, the new South Street Elementary School in Newark and the new Sgt. Dominick Pilla Middle School (formerly known as the Lincoln Avenue Middle School) in Vineland.

#### *Sgt. Dominick Pilla Middle School, Vineland*

In August, Governor Phil Murphy was on hand to help cut the ribbon for the new Sgt. Dominick Pilla Middle School in Vineland. At that event he commented: "I cannot think of a more important investment that we can make as a state than in the education of the next generation." More than 600 students in Vineland now have access to the \$49.8 million, 99,000 square-foot facility that includes the spaces they need to realize their educational potential.

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***The 600-plus children who will enter this school next Thursday are the latest of the more than ONE MILLION children who have benefitted from the SDA's efforts to ensure safe, secure and modern centers of learning for New Jersey's kids.***

*-Governor Phil Murphy at the Vineland Ribbon Cutting Event*

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The Sgt. Dominick Pilla Middle School will help alleviate the overcrowding experienced by the Vineland School District. The school is also on track to receive LEED (United States Green Building Council – Leadership in Energy and Environmental Design) certification — a result of including features such as geothermal heating, a rain garden, and significant daylight throughout the building.

### ***Paul Robeson Community Theme School for the Arts, New Brunswick***

SDA was present to welcome students at the New Brunswick Paul Robeson Community Theme School for the Arts on the first day back at their “new” school. The 60,500 square-foot addition and numerous renovations to the original building excited the nearly 900 students in Pre-kindergarten to 8<sup>th</sup> grade. This school for the arts was already on full and festive display for the first day of school, with musicians, dancers, jugglers and stilt-walkers creating a joyful, carnival-themed atmosphere.



With many Spanish-speaking students in attendance, former Ms. Delgado Polanco welcomed the children to their new school on a more personal level, by speaking in Spanish. She encouraged them to study, learn and dream so that they can achieve whatever they want in their lives.

The three-story addition provided a new multi-purpose room, 30 new classrooms, four small group instruction rooms, and two Basic Skills/ESL classrooms. A fire sprinkler system was added and renovations/rearrangements were completed in the food service area, media center, nurse’s office, main office and student services suite. The \$48.5 million project nearly doubled the student capacity for the school. The school is LEED Gold certified.

### ***South Street Elementary School, Newark***



“South Street School! South Street School!” This was the chant heard by attendees of the ribbon-cutting for the South Street School in Newark as they walked through the student-lined halls giving high-fives to the dignitaries in attendance. Signs created by students read – “I love my school to pieces,” “I love South Street a lot because it is amazing,” and “#I love the new school.”

The new \$69.9 million, 103,000 square-foot facility can accommodate up to 657 students in Pre-Kindergarten through 8<sup>th</sup> grade. Some of the unique features of the school include a computer/technology lab, world language room and a roof-top play/reading area. Students shared that they were amazed by their new facility, a sharp contrast to the 130+ year-old facility where they were previously educated.

Mayor Ras Baraka and the State legislative delegation shared the excitement of the day with the community. Senator Theresa Ruiz encouraged the SDA to continue their work in Newark saying, “Whenever you’re thinking about creating a new initiative, start right here in the city of Newark. We need new schools.” The South Street Elementary School is the eighth new facility built by the SDA in Newark.

***James Madison School No. 10, Garfield***

“I can feel it, I’m the world’s greatest,” sang the chorus of the James Madison School No. 10 at the ceremonial ribbon cutting for their new school. Thanks to the educational spaces available to them at their new school, they will now have the resources needed to be their greatest in school.



The \$29.7 million, three-story James Madison Elementary School No. 10 is approximately 53,000 square-feet and designed to educate approximately 300 students in Kindergarten to 5th grade. The new school includes 13 general use classrooms, two special education classrooms, four small group instruction rooms, a cafeteria, a multipurpose room with stage (that will be utilized as the gymnasium and for large group assembly), a music room, an art room, a computer room and a media center.

The SDA continues to use the design-build approach with the kit of parts as the design foundation for many projects. Two of the new schools and the addition/renovation project all used design-build.

2018 SDA School Openings				
District	Project Name	Project Type	Total Estimated Project Cost	Max Student Capacity
Garfield	James Madison E.S.	New School	\$29.7 Million	305
New Brunswick	Paul Robeson E.S.	Addition/ Renovation	\$48.5 Million	893
Newark	South Street E.S.	New School	\$69.9 Million	657
Vineland	Lincoln Avenue M.S.	New School	\$49.8 Million	624

**PROJECTS STARTING CONSTRUCTION**

While four schools opened to students in 2018, another four school projects entered into the construction phase. Schools in Harrison, East Orange, Pemberton and Passaic City are now in construction. Once these schools are completed they will benefit nearly 4,900 students.

All four projects that entered construction in 2018 will advance utilizing a design-build approach. This method has proven very successful for the SDA and allows the SDA to contract with one firm for both design and construction of a school facilities project. The design-build method also allows for some



design and construction activities to proceed concurrently through phased advancement, an approach that allows for improvement upon the original overall schedule.



In **Harrison**, the SDA is constructing the new 65,500 square-foot Kennedy Elementary School to accommodate a maximum of 432 students in Pre-kindergarten through 1<sup>st</sup> grade. With the construction of this new elementary school, the SDA is working to address the overcrowding that exists in the district at the lower grade levels. The \$36 million facility will be the second new facility built by the SDA in Harrison.

In **East Orange**, the SDA broke ground on a new Elementary School in May for approximately 500 students in Pre-kindergarten through 5<sup>th</sup> grade. The SDA had previously demolished the former George Washington Carver Elementary School to make room for the new school, which was officially named the Sheila Y. Oliver Academy in December 2018. The \$41.2 Million, 77,000 square-foot facility will be the third new school built by the SDA and 9<sup>th</sup> Capital project completed.



The Denbo-Crichton Elementary School project will provide a new, 126,000 square-foot facility in the **Pemberton** School District. The school will benefit 930 students in Pre-Kindergarten through 5<sup>th</sup> grade. The new school will replace the existing Denbo and Crichton buildings in order to provide the Facilities Efficiency Standards (FES) spaces needed to educate Pemberton students. The demolition of the Crichton School was completed to allow for construction of the new school. Upon completion of the new school, the Denbo Elementary School facility will then undergo abatement and demolition. Two unique features of this \$58.7 million school are a natural turf field and outdoor planting boxes.

Finally, in **Passaic**, the SDA embarked on its largest project to date – the \$240.9 million, 448,000 square-foot Dayton Avenue Educational Campus. This educational campus in Passaic will provide a quality educational environment for approximately 2,760 students in Pre-kindergarten through 8<sup>th</sup> grade. The four-story educational campus, that includes four school facilities located in a unified structure with shared central facilities, will go a long way toward addressing the significant classroom overcrowding that exists in the Passaic School District.

The project's history includes the \$27 million acquisition of the Beth Israel Hospital in 2003 and its demolition in 2005. Temporary classroom units (TCUs) — that were placed on the site and previously

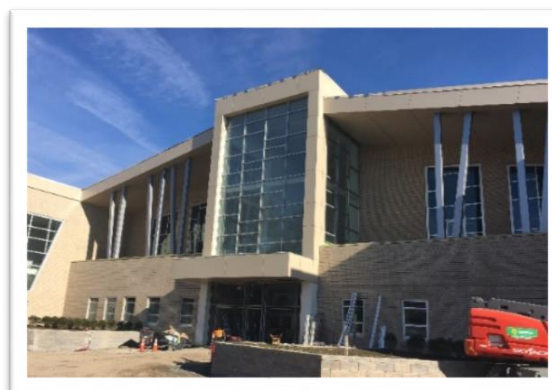
educated approximately 400 students in Pre-Kindergarten to 2<sup>nd</sup> grade — were demolished in May 2018 to ready the site for construction. Pile driving activities were initiated in November 2018.

## CAPITAL CONSTRUCTION PROGRESS

As students entered new schools and shovels broke ground to begin projects, significant construction work continued on capital construction projects throughout the State in 2018.

<b>SDA Capital Projects in Construction (As of December 31, 2018)</b>				
<b>District</b>	<b>School</b>	<b>Project Type</b>	<b>Max Student Capacity</b>	<b>Total Project Costs</b>
East Orange	Sheila Y. Oliver Academy	New Construction	512	\$41.2 Million
Harrison	Kennedy E.S.	New Construction	432	\$36.1 Million
Irvington	Madison Avenue E.S.	New Construction	504	\$38.6 Million
Millville	Millville Sr. H.S.	Addition/Renovation	2,384	\$137.5 Million
Passaic City	E.S. at Leonard Place	New Construction	698	\$55.9 Million
Passaic City	Dayton Avenue Educational Campus	New Construction	3,020	\$240.9 Million
Pemberton	Denbo-Crichton E.S.	New Construction	930	\$58.7 Million
Perth Amboy	Rose M. Lopez E.S.	New Construction	804	\$56.4 Million
Trenton	Trenton Central H.S.	New Construction	2,176	\$155.4 Million
<b>Total (9 Projects)</b>			<b>11,460</b>	<b>\$820.7 Million</b>

The new **Trenton** Central High School, the State Capital's High School, made substantial progress throughout the year. By the end of 2018, the school had really taken shape. Many of the classrooms were in the final stages, with paint colors designating the different small learning communities throughout the building. Historic items salvaged from the old school were installed in the new facility – including the travertine marble from the auditorium, columns and entrance porticos. The swimming pool had tile installed, the gymnasium floor was about to be installed and the outdoor amphitheater looked ready for student events. The \$155.4 million, 374,000 square-foot school is on schedule to open to students in September 2019.





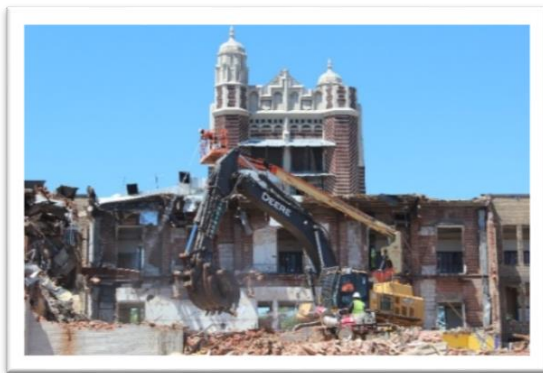
In **Irvington**, SDA joined local officials and students in February to celebrate the ceremonial beam signing for the new Madison Avenue Elementary School. This ceremony marked the end of steel erection for the new school and allowed students and stakeholders an opportunity to sign a piece of steel that will become part of their future school. The \$38.6 million Madison Avenue Elementary School is being constructed on the site of the former school, which was demolished by the SDA in 2016. The new 73,000-

square-foot elementary school is designed to educate approximately 500 students in pre-kindergarten through 5<sup>th</sup> grade. In addition to the excellent interior educational spaces that will be available to students in September 2019, the school will also have an outdoor play space that includes a basketball/volleyball court and a running track.

A similar ceremony took place in **Perth Amboy** in May 2018, when SDA was joined by Mayor Wilda Diaz, local officials and students to celebrate the construction progress of the new Rose M. Lopez Elementary School (formerly known as the Seaman Avenue Elementary School). With the steel structure nearly complete, the students and stakeholders in attendance were able to envision the educational facility that will provide generations of Perth Amboy students a 21<sup>st</sup> century education.



The \$56.4 million investment in a new 128,000 square-foot facility is designed to educate approximately 800 students in kindergarten through fifth grade and will provide students with the spaces they need to learn and fulfill their dreams.



Another significant project in the State is the new **Camden** High School. In 2018, the SDA completed the demolition of the former school. During demolition activities, the contractor uncovered a time capsule in the 1916 cornerstone of the building. Together with Camden School District officials, the Camden County Historical Society, Camden High School students and alumni, SDA opened the 102-year-old time capsule on site. Copies of the Camden Argus and Camden Daily Post newspapers were among the items discovered in the cornerstone.

The demolition of the former Camden High School was completed in September 2018. A design-build contract for the new Camden High School was issued in August 2018. Design activities are ongoing for the new 242,000 square-foot facility, being designed to educate approximately 1,200 students in 9th through 12th grade. The start of footings and foundation work is anticipated for the Summer of 2019.

## **SDA CONTINUES INVESTMENT IN NEW JERSEY'S CONSTRUCTION INDUSTRY**

During 2018, the SDA issued contracts for work related to 11 capital and emergent projects, resulting in awards of more than \$369 million. This included design-build contracts for the 448,000 square-foot Dayton Avenue Educational Campus in Passaic, the Denbo-Crichton Elementary School in Pemberton, the Union Avenue Middle School in Paterson and the new 242,000 square-foot Camden High School.

At the end of the year, the SDA also issued advertisements for addition/renovation projects at the Cleveland Street Elementary School and Orange High School in Orange, which combined will provide another \$55 million educational investment in the city.

The work of the SDA benefits the students of New Jersey while providing countless economic opportunities for the State's construction industry. New Jersey's vital investment in its education infrastructure creates jobs and lifts up the communities in which SDA builds.

In 2019, the SDA will continue to invest in New Jersey schools and businesses. The 2019 forecast includes advertisements for three capital projects, including the largest project ever undertaken by the SDA: the new Perth Amboy High School will have a construction cost estimate of \$210-\$230 million. There are also procurements on the horizon for a new elementary school in Plainfield and a middle school in Union City as well as several emergent projects.

The SDA's 2019 construction forecast is available on our website at:  
<https://www.njsda.gov/NJSDA/Business/ProjectProcurementsForecast>.

## EMERGENT PROJECTS

The SDA's Emergent Project Program provides assistance to SDA District school facilities in need of repair and rehabilitation. Examples of such projects are repair or replacement of roofs, windows, exterior masonry, heating and cooling stems, and plumbing, electrical, mechanical and security systems and water infiltration issues.

At the end of 2018, the SDA was managing 17 emergent projects. Two were in construction and the remainder were in the design phase. These projects will help to remedy building envelope, structural, roofing, water infiltration and HVAC conditions at SDA District schools.



In 2018, the SDA completed an emergent repair project at the Camden Cramer Elementary School. Work to address water infiltration conditions included masonry repairs, brick replacement, repair and replacement of select windows, replacement of lintels, waterproofing the courtyard area and a minor roof replacement. During performance of the original scope of approved work, additional safety and other window conditions were identified. This included improperly installed windows, protection gates attached to the windows (causing the windows to become loosened from the structure) and many inoperable windows. As a result of this finding, the SDA approved an additional scope of work to remove and replace approximately 360 windows at the school.

Work was also completed on five emergent projects delegated to school districts for management during 2018. These projects – totaling \$9.3 million – addressed water infiltration issues in schools in Asbury Park and Newark. As of December 2018, 168 emergent projects (both SDA-managed and district-delegated) have been completed since the program inception.

## REGULAR OPERATING DISTRICTS

The SDA's Regular Operating District (ROD) grant program continues to be a cornerstone for the improvement of learning environments within the State. ROD grants fund at least 40 percent of eligible costs for projects in New Jersey's ROD Districts, addressing health and safety issues and other critical needs. In 2018, the SDA executed 11 grants to five school districts for school improvement projects. This state investment totaling more than \$1.16 million leverages a local contribution of an additional \$1.74 million.

Examples of ROD Grant project executions in 2018 include:

- Mount Laurel School District – Countryside E.S., Fleetwood E.S., Hillside E.S., Larchmont E.S., Parkway E.S. and Springville School (Burlington County): Installation of CCTV security system. State share: \$96,496; Estimated total project costs: \$241,241.
- Red Bank School District – Red Bank Primary School (Monmouth County): HVAC replacement throughout the building. State share \$485,810; Estimated total project costs: \$1,214,526.
- Montclair School District - Montclair High School/George Inness H.S. Annex (Essex County): Roof replacement and storm drainage piping. State share: \$52,238; Estimated total project costs: \$130,595.

REGULAR OPERATING DISTRICT GRANTS			
2018 Grant Executions		Grant Executions Since Inception	
No. of Grants Executed	11	No. of Grants Executed	5,409
State Share	\$1,162,459	State Share	\$3,015,332,655
Local Share	\$1,743,691	Local Share	\$5,946,167,761
Total Est. Costs	\$2,906,150	Total Est. Costs	\$8,961,500,416
No. of Districts Impacted	5	No. of Districts Impacted	524
No. of Counties Impacted	4	No. of Counties Impacted	21

During the year, the SDA Grants Department also closed out over 260 grants in more than 92 districts, disbursing over \$85 million.

## Commitment to New Jersey Businesses

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### SDA TRAINS SMALL BUSINESSES

The SDA's Small, Minority, and Women-Owned Business Enterprise Contractor Training Program remains a bright light among the SDA's efforts to increase small business participation in the State's school construction program. The SDA is committed to providing these firms with the training needed so that they can become a viable part of our prequalified universe of vendors.

The SDA held its eighth Contractor Training Program, beginning on March 20, 2018. In May, 31 firms successfully graduated from the program. The eight week program included speakers from the SDA, New Jersey Division of Property Management & Construction and the Department of Labor. As in previous years, participants also had an opportunity to benefit from a Finance Forum – “Finding the Funding” – to assist them with where they could find the resources to grow their businesses. At the graduation ceremony, participants also heard from guest speaker Hester Agudosi, State of New Jersey Chief Diversity Officer. It is clear that the SDA is committed to diversity within SDA and on our project sites.

To date, the SDA has trained 173 firms through this in-house SMWBE Contractor Training Program that utilizes SDA's staff as subject matter experts. Participating firms routinely express their appreciation for the program and commend the knowledge and professionalism that is displayed by the SDA instructors.

*“The SDA’s 2018 SMWBE program was a crash course in all the areas a small business owner must focus on to succeed! From Procurement to Contract Law, Marketing to Accounting, each week brought a new area to focus on, with different presenters and educational material to help us learn each skill. Thank you for helping my company, SnD Partners, with the fundamental skills every small business needs!”*

Sarah DeAlmeida, SnD Partners

## **SMALL BUSINESS PARTICIPATION**

At the end of 2018, the SDA had 1,687 firms pre-qualified to do business on school projects in SDA and the Regular Operating Districts. The New Jersey Department of the Treasury certified 759 of these firms (or 45% of all firms) as SBE firms. With an interest in increasing the number of businesses prequalified to do business with the SDA, the SDA has refocused its efforts on making outreach to the contracting community, including small, minority, women, and veteran-owned businesses. SDA is confident that through increased proactive outreach, a greater number of new contractor applications will be forthcoming in 2019.

The SDA is committed to meeting and exceeding the State's SBE participation goal. The total SDA contract dollars awarded through December 31, 2018 was \$361,631,097. The total contract dollars awarded to all SBE contractors was \$83,385,916 (including minorities and women). This represents 23.06 percent of all SDA contracts.

## **SCHOLARSHIPS TO ENCOURAGE PARTICIPATION IN CONSTRUCTION JOBS**

In the 5<sup>th</sup> full year of the program, SDA continued to provide funding through the Governor's Industry Vocations Scholarship for Women and Minorities (NJ-GIVS). The NJ-GIVS program is in support of the SDA's effort to provide funding for on-the-job or off-the-job outreach and training programs for minority group members and women in construction trade occupations or other occupations – including engineering and management occupations. The program is administered by the New Jersey Higher Education Student Assistance Authority.

NJ-GIVS pays up to \$2,000 per year to women and minority students who reside in New Jersey towards the cost of enrollment in a NJ-GIVS eligible program at one of New Jersey's approved county colleges or vocational schools. During the 2017-2018 academic year, SDA provided \$216,731 to 119 qualifying students throughout New Jersey. Grant recipients are attending programs at schools including Morris County School of Technology, Hohokus School of Trade & Tech Sciences, Middlesex County College and Atlantic Cape Community College. Some of the programs of study include welding, electrical trades, plumbing, HVAC and engineering. The grants benefit women and minority students who are pursuing programs that will prepare them for careers in the construction industry.



## Financial Information

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<b>2018 PROJECT EXPENDITURES</b>	
SDA District Capital Projects	\$222.2 Million
SDA District Emergent Projects	\$18.1 Million
ROD Grant Projects	\$93.7 Million
Other Project Costs – Program	\$7.7 Million
<b>TOTAL PROJECT EXPENDITURES</b>	<b>\$341.7 Million</b>

### 2018 BOND SALES

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

In November 2018, EDA sold bonds that provided an additional \$350 million to SDA to support the state's school construction program. To date, EDA has issued \$11.152 billion of School Facilities Construction Bonds and Notes to fund the program, leaving approximately \$1.348 billion remaining under the current bonding authority.

### COST RECOVERY AND AVOIDANCE

In 2018, the SDA settled \$3,885,364 in contract claims for \$1,357,605, with claim settlements equaling 35% of amounts claimed.

The SDA also reached settlement in connection with cost recovery litigation relating to the Egg Harbor Township High School Project. Under the settlement, the SDA received a total of \$750,000 from the project Design Professional and Project Management Firm arising from a defective roofing system design for the new school.

## **BUDGETARY AND FINANCIAL CONTROLS**

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

### ***Budgetary Controls***

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

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

### ***Financial Controls***

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

Additionally, the Authority has implemented effective financial controls in key risk areas as documented in numerous written policies, procedures, standard operating procedures (SOPs), processes, guidelines, checklists and standards. The Authority has implemented policies and procedures (or other analogous documents) in the areas of accounting, accounts payable, procurement, information technology,

corporate governance and program operations. The Board of Directors has also adopted an Ethics Code for all employees, which is intended to foster a strong ethical climate at the Authority. Together, these policies and procedures (or other analogous documents) provide a system of internal controls and accountability designed to safeguard the Authority's assets. The Authority's internal auditors conduct periodic reviews to ensure the Authority's adherence to internal control policies and procedures.

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

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

I certify that, to the best of my knowledge, the financial information provided to the Authority's independent auditors in connection with their audit of the 2018 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2018, 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 2018 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2018 and for the year then ended.

Manuel M. Da Silva  
Interim 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") 2018 comprehensive report of Authority operations, (the "2018 Annual Report"). This report highlights the significant actions of the Authority for the year ending December 31, 2018, 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 & Young LLP is included within the financial statements section of the 2018 Annual Report. The completion of the audit report fulfills the Authority's requirements of Executive Order 122 (2004).

### Executive Order 37 Section 2 Certification:

Management has knowledge of certain internal control deficiencies identified in internal audit or investigative reports. In regard to these known deficiencies, below is a summary of the actions to be implemented by management to enhance internal processes related to the Authority's hiring practices, policies and procedures, which were not consistently observed during the period from August 1, 2018 through December 31, 2018.

Aside from these known deficiencies that occurred prior to my appointment as Interim Chief Executive Officer on May 1, 2019, I, Manuel M. Da Silva, certify that, from January 1, 2018 to December 31, 2018, the Authority has, to the best of my knowledge, followed all of its standards, procedures and internal controls.

Manuel M. Da Silva  
Interim Chief Executive Officer

### 2018 Executive Order 37 Corrective Actions:

In compliance with Executive Order 37 (2006), the New Jersey Schools Development Authority (“SDA”) presents the following summary of actions to be implemented by management to enhance internal processes related to the Authority’s hiring practices, policies and procedures and the maintenance and appropriate organizational structure of various Human Resources files.

### **Observations:**

1. The Authority’s hiring practices, policies and procedures were not consistently observed during the period from August 1, 2018 through December 31, 2018. Changes must be made to insure that the Authority’s hiring practices, policies and procedures are adhered to and all current and prospective employees are afforded the appropriate opportunity to compete for available positions. Specific observations related to non-compliance with policies and procedures include:
  - Job Requisitions were not prepared in accordance with the Human Resources Department Recruitment Advertising/Job Position Candidate Selection Process SOP.
  - Job Descriptions and Position Description Questionnaires (PDQ) were not prepared in accordance with Human Resource Department Recruitment Advertising/Job Posting Candidate Selection Process SOP.
  - Jobs were not posted internally and externally in accordance with the Human Resources Department Recruitment Advertising/Job Position Candidate Selection Process SOP.
  - Candidates were not sourced through the Human Resources Department in accordance with the Human Resources Department Recruitment Advertising/Job Position Candidate Selection Process SOP.
  - Candidate resumes were not screened and panel interviews were not performed in accordance with the Human Resources Department Recruitment Advertising/Job Position Candidate Selection Process SOP and the SDA Policies, Programs and Benefits Manual.
  - Background checks were either not performed or were performed after the hire date.
  - New hire salaries were not in alignment with the SDA Salary Range Information document as referred to per the Human Resources Department Recruitment Advertising/Job Position Candidate Selection Process SOP.
  - New hire salaries are significantly higher than the salaries of employees previously in the same role.

### **Management Response:**

Executive Management acknowledges that the Authority’s hiring practices, policies and procedures were not routinely followed after August 1, 2018 concurrent with the appointment of its new Chief Executive Officer (“CEO”). To appropriately address the numerous concerns related to the Authority’s hiring practices, policies and procedures, the Authority is in the process of updating those policies and procedures and will also retain a Consultant to review and analyze functional responsibilities and make recommendations regarding staff job

descriptions, compensation and grade level structure. Executive Management will review the recommendations of the Consultant and implement the necessary steps to address any identified concerns or deficiencies.

Notwithstanding the audit observations, Executive Management wishes to recognize that its existing hiring practices, policies and procedures, while not perfect, served the organization very well for many years because they were routinely followed, as recognized in the Carmagnola & Ritardi, LLC investigation. In its report dated July 18, 2019, Carmagnola & Ritardi determined, based on numerous staff interviews, that prior to the appointment of a new CEO in August 2018, “Policy 410 [*Internal and External Hiring*] was generally followed when job vacancies arose. Specifically, requisition forms were completed and included job descriptions. Requests to fill positions were reviewed among the Executive Team and included a review of the budget. When approved, Human Resources would post the position (internally, externally, or both, as appropriate), screen resumes, and coordinate interviews. Applicants were interviewed by panels, and the hiring manager remained involved in the process. The Executives overseeing the positions would be given the opportunity to interview the top candidates.”

2. The Authority should adopt written policies and guidelines regarding what files are appropriate to be maintained within the Human Resources Department and how those files are to be organized to insure uniformity of practice and general consistency.

**Management Response:**

The Authority will adopt written policies and guidelines regarding what files are appropriate to be maintained within the Human Resources Department and how those files are to be organized to insure uniformity of practice and general consistency based on Human Resources best practices.

3. Although not specifically identified as a finding in any audit or investigative report, the SDA Board of Directors will adopt revisions to the Authority’s By-Laws and Audit Committee Charter in order to establish processes and reporting requirements to enhance both management transparency and Board oversight in matters involving personnel and compensation.

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

6



**FINANCIAL STATEMENTS AND REQUIRED  
SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2018



***Resolution—6d.*****Resolution Approving the SDA 2018 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 August 26, 2019 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 2018 SDA Annual Report has been prepared by executive management consistent with Executive Order No. 37 and is presented as an attachment hereto with a recommendation for Board approval.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby approve the New Jersey Schools Development Authority’s 2018 Annual Report as presented by executive management on this date.

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

Attached: Memorandum and 2018 SDA Annual Report, dated September 4, 2019

Dated: September 4, 2019

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

**APPROVAL OF AWARDS - GENERAL CONSTRUCTION SERVICES TASK ORDER  
CONTRACT - GP-0259-C01**



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

## MEMORANDUM

TO: Members of the Authority

FROM: Sean Murphy  
Procurement Director

DATE: September 4, 2019

RE: Approval of Awards  
Package No. GP-0259-C01  
General Construction Services Task Order Contract

### BACKGROUND

The Authority is requesting the Members' approval to enter into a new three-year term General Construction Services Task Order Contract ("GC Task Order") with twelve (12) firms. During the current three year GC Task Order, which is set to expire on November 15, 2019, the Authority issued twelve (12) Task Orders valued at approximately \$9,700,000.

The GC Task Order is structured to quickly initiate two types of work through a pool of contractors available to the Authority and able to perform the work. First, the GC Task Order can be used by the Authority to address emergent projects, as designated by the New Jersey Department of Education, pursuant to regulations at N.J.A.C. 6A:26-1.2. Second, the GC Task Order can be used in situations determined to constitute an "emergency," consistent with the public exigency exception to the public bidding requirements of N.J.S.A. 52:18A-243i, as determined by NJSDA's Division of Chief Counsel.

As with the current GC Task Order, no individual Task Order can exceed \$3 million and no individual firm can receive more than \$5 million of work per region (Northern and Southern) during the three year term.

Task Orders assigned or awarded under the terms of the Contract may be compensated on either a time and materials basis (for Task Orders assigned rotationally); on a lump sum basis (for Task Orders awarded following the conclusion of a competitive bidding process among the field of Task Order Contractors); or a combination of both, for certain Task Orders assigned rotationally on a time and materials basis for investigative and predesign work, which may then be converted to a negotiated fixed fee once the scope of work is defined by the preliminary investigation. It shall be entirely within the Authority's discretion whether to issue any Task Order or any number of Task Orders to a firm during the three-year term of the agreement.

The awarded firms will be expected to perform all phases of general construction and be able to mobilize and commence construction in a maximum of 14 calendar days, if requested by the Authority.

Below are listed the details relating to this procurement.

Members of the Authority  
 Approval of Awards  
 Package No. GP-0259-C01  
 General Construction Services Task Order Contract  
 September 4, 2019  
 Page 2

### PROCUREMENT PROCESS

In accordance with current New Jersey Schools Development Authority (“NJSDA”) regulations, the Request for Proposals was advertised beginning June 13, 2019 on the NJSDA website, NJ State website and in selected newspapers for interested firms to participate in the bidding process.

The Authority intends to award separate contracts under the General Construction Services Task Order Contract to each responsive contractor. However, to be considered for award, the contractor is required to: (1) accept the defined Cost Multiplier of 1.15, as selected by the Authority, for use in establishing compensation for those rotationally assigned Task Orders that are to be performed on a time and materials basis; and (2) have a Project Rating Limit of \$1,000,000 or greater. Additionally, bidders were required to identify, in their bid, whether the bid is submitted for the Northern New Jersey region, the Southern New Jersey region, or both.

Responsive Price Proposals and Project Rating Proposals were received by July 19, 2019 from twelve (12) firms. The Contractors, Project Rating Limits and Regions are as follows:

<b>Contractor</b>	<b>Project Rating Limit</b>	<b>Region(s)</b>
APS Contracting, Inc	\$ 15,000,000	North
Brockwell & Carrington Contractors, Inc.	\$ 73,518,931	North
Catcord Construction Company, Inc.	\$ 5,176,313	Both
Delric Construction Company, Inc.	\$ 125,605,602	Both
Epic Management, Inc.	\$ 254,540,000	Both
Ernest Bock & Sons, Inc.	\$ 160,454,097	Both
Grafas Painting Contractors, Inc. t/a GPC, Inc.	\$ 18,981,773	Both
Hall Building Corporation	\$ 55,433,849	Both
Integrated Construction Enterprises, Inc.	\$ 15,000,000	North
Joseph A. Natoli Construction Corporation	\$ 117,675,180	North
Paul Otto Building Company, Inc.	\$ 32,235,449	Both
T.N. Ward Company	\$ 688,500,000	South

### RECOMMENDATION

The Authority is requesting approval to award GC Task Order contracts to the twelve (12) firms listed in the table above.

During the term of the engagement Task Orders will be assigned as follows:

1. Lump Sum Basis - Whenever possible and practical (meaning: whenever plans and specifications exist for Task Order work, or when a scope of work for a Task Order is otherwise sufficiently defined as to support competitive bidding based on lump-sum bids) Task Orders will be awarded on a competitive basis after advertisement of the Task Order Work to the Task Order pool. Depending on the region in which the project site is located, the NJSDA shall advertise an individual Task Order assignment to either the Northern or Southern regional Task Order Contractors. The Task Order assignment will be awarded to the Task Order Contractor submitting the lowest responsive price proposal, after competitive bidding among all Task Order Contractors participating in that specific region. Examples of such Task Orders include, but are not limited to, emergent projects with defined scopes, the completion of punchlist work under a prior contract when the original contractor is unable or unwilling to complete such work, repairs

Members of the Authority  
 Approval of Awards  
 Package No. GP-0259-C01  
 General Construction Services Task Order Contract  
 September 4, 2019  
 Page 3

to existing facilities and “change order” work when the original contractor is unable or unwilling to perform such work that is outside the scope of an existing contract.

2. Time & Materials Basis - In certain circumstances, plans and specifications for proposed work cannot be prepared prior to assignment or award of a Task Order because the scope of work is not defined with real specificity. In all likelihood this would be due to the cause and/or extent of the damage, deterioration or defective condition to be addressed by the Task Order cannot be immediately ascertained. In such circumstances, and when the nature of the Task Order work is consistent with the definition of “emergent condition” and “emergent project” contained in N.J.A.C. 6A:26-1.2, and the need for such Task Order Work is supported by the public exigency exception to the public bidding requirements of N.J.S.A. 52:18A-243i, Task Orders may be assigned on a rotational basis among all Task Order Contractors.
  - a. Task Order Contractors will be assigned a place in the rotation based on random selection. NJSDA staff will randomly generate a rotation list using a computerized program, and the first Task Order to be assigned under the Task Order Contract will be offered to the first Task Order Contractor on that randomly-generated rotation list. The next Task Order to be assigned will be offered to the next Task Order Contractor in the randomly-generated list, and this procedure will apply to all subsequent rotationally-assigned Task Orders.
  - b. When assigning Task Orders rotationally, the next Task Order Contractor on the list for the relevant region will be offered the Task Order assignment, as long as the Task Order Contractor:
    - i. operates in the relevant region;
    - ii. has a Project Rating Limit equal to or greater than the Construction Cost Estimate for the Task Order assignment; and
    - iii. confirms, in writing, that it is able to perform the requested work in the time frame specified by the NJSDA.
  - c. If a Task Order Contractor does not operate in the relevant region, lacks a sufficient Project Rating Limit, or does not or cannot provide a confirmation that it can complete the assignment in the time frame set by the Authority, the Task Order assignment will be offered to the next Task Order Contractor on the list that:
    - i. operates in the relevant region;
    - ii. has a Project Rating Limit equal to or greater than the Construction Cost Estimate for the Task Order assignment; and
    - iii. confirms, in writing, that it is able to perform the requested work in the time frame specified by the NJSDA.
  - d. A firm that is passed over for an assignment because it does not operate in the relevant region for the particular Task Order in question will be offered the next Task Order assignment, but must again satisfy all requirements for region, Project Rating Limit and confirmation of availability and ability to perform the work in the time frame specified.
  - e. A firm that is passed over for an assignment because of an insufficient Project Rating Limit for the particular Task Order in question will be offered the next Task Order assignment, but must again satisfy all requirements for region, Project Rating Limit and confirmation of availability and ability to perform the work in the time frame specified.

Members of the Authority  
Approval of Awards  
Package No. GP-0259-C01  
General Construction Services Task Order Contract  
September 4, 2019  
Page 4

- f. A firm that is otherwise qualified for an assignment in terms of region and Project Rating Limit, but which fails to confirm the ability to perform the work within the time frame requested by the Authority will forfeit its turn to receive an assignment in that rotation.
  - g. It is the intent of the NJSDA that, to the extent possible, all Task Order Contractors for a specific region will receive a rotational Task Order assignment before any Task Order Contractor receives a second rotational Task Order assignment for that region (exclusive of Task Orders assigned in accordance with competitive bidding procedures described in numbered paragraph 1, above).
3. Task Orders assigned rotationally may, at the discretion of the Authority, be converted from a “time and materials” invoicing basis into a negotiated fixed-fee contract with the assigned Contractor, if the preliminary investigation work of the Task Order assignment supports the establishment of a defined scope of work for completion of the Task Order that may be accomplished on a fixed-fee, lump sum basis.
  4. No Task Order Contractor will be assigned or awarded a Task Order for work which constitutes uncompleted or rejected work on another NJSDA Project on which the Task Order Contractor had previously performed work as a General Contractor engaged by the Authority.

/s/ Sean Murphy  
Sean Murphy, Procurement Director

Reviewed and Recommended by: Donald Guarriello, Vice President and CFO

***Resolution—7a.***

Approval of Award  
Package No. GP-0259-C01  
General Construction Services Task Order Contract

**7****Resolution**

**WHEREAS**, the Operating Authority of the New Jersey Schools Development Authority (SDA or the Authority) requires that the Members of the Authority authorize and approve the award of contracts for certain professional goods and services; and

**WHEREAS**, the Authority's General Construction Services Task Order Contract (GCTOC), pursuant to which the Authority issued twelve (12) Task Orders valued at approximately \$9,700,000, is due to expire on November 15, 2019; and

**WHEREAS**, SDA executive management and associated program staff recommend that the Members of the Authority approve the execution of a new three year GCTOC with twelve (12) firms consistent with the provisions of the memorandum presented to the Board on this date and incorporated herein; and

**WHEREAS**, under the GCTOC, as proposed, two types of work may be performed by the firms, namely, certain work on emergent projects as designated by the New Jersey Department of Education and in situations determined to constitute an "emergency" consistent with the public exigency exception to statutory public bidding requirements as determined by the SDA Division of Chief Counsel; and

**WHEREAS**, the GCTOC has been structured so that the SDA can quickly initiate work through a pool of contractors and with the awarded firms expected to perform all phases of general construction and to mobilize and commence construction in a maximum of fourteen (14) calendar days; and

**WHEREAS**, the details, compensation, term and parameters of the proposed GCTOC, along with the names of the twelve (12) firms and particulars of the procurement process followed are set forth in detail in the memorandum presented to the Board on this date and incorporated herein.

**NOW, THEREFORE, BE IT RESOLVED**, that the Members of the Authority hereby authorize and approve the Authority's execution of a General Construction Services Task Order Contract (GP-0259-C01) with twelve (12) firms consistent with the provisions of the memorandum presented to the Board on this date and incorporated herein.



**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, Approval of Award, Package No. GP-0259-C01, General Construction Services Task Order Contract, dated September 4, 2019

Dated: September 4, 2019

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

**ACTIVE PROJECTS STATUS REPORT**



STATE OF NEW JERSEY

# SCHOOLS DEVELOPMENT AUTHORITY

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## MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director

DATE: September 4, 2019

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

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

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



2011 & 2012 Portfolio Projects Activities Summary

as of 8/6/19

2011 Portfolio Projects - sorted by District

1

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

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

8



2011 & 2012 Portfolio Projects Activities Summary

as of 8/6/19

2012 Portfolio Projects - sorted by District

1

District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Gloucester City	Elementary/Middle School	4-8	687	763	\$65.3	Kit of Parts/ Design-Build	School occupied Sep. 2017. (Terminal)	3/4/14
Keansburg	Caruso ES	K-4	758	842	\$50.9	Kit of Parts/ Design-Build	School occupied Sep. 2016. (Hall Construction)	10/20/11 6/27/13
Keansburg	Port Monmouth Road School	PK	318	318	\$25.8	Design-Bid-Build	Construction Advertisement 6/24/19. Proposals Due Sep. 2019.	6/24/19
New Brunswick	Robeson ES	PK-5	823	893	\$48.5	Kit of Parts/ Design-Build	School occupied Sep. 2018 (Hall Construction)	4/22/15
Newark	Elliot Street ES	PK-8	848	932	\$46.7	Kit of Parts/ Design-Build	School occupied Jan. 2016. (Hall Construction)	12/27/12
Newark	South Street ES	PK-8	597	657	\$69.9	Kit of Parts/ Design-Build	School occupied Sep. 2018. (Bock)	6/28/13 6/29/15
Passaic	Dayton Ave. Campus	PK-8	2,760	3,020	\$240.9	Kit of Parts/ Design-Build	Award for D-B approved Nov. 2017 Board. (Terminal)	6/13/17
Phillipsburg	High School	9-12	1,846	2,172	\$127.5	Existing Design	School occupied Sep. 2016. (Epic Management)	9/27/12
West New York	Memorial HS	9-12	1,859	2,194	\$16.0	Alternative Delivery (acquisition) & Renovation	Acquisition of Existing St. Joseph's HS complete. Renovation work delegated to District via Grant.	n/a

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

8



2011 & 2012 Portfolio Projects Activities Summary

as of 8/6/19

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

1								
District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
East Orange	Sheila Y. Oliver Academy (GW Carver ES)	PK-5	470	512	\$41.2	Kit of Parts/ Design-Build	Award for D-B approved Jun. 2017 Board. (Dobco)	4/26/16 1/20/17
Elizabeth	New ES @ Halloran PS #22 ES Site	2-8	860	956	\$55.3	Kit of Parts/ Design-Build	School occupied Sep. 2017. (Torcon)	6/9/14
Garfield	James Madison ES	K-5	275	305	\$29.7	Existing Design	School occupied Sep. 2018. (Brockwell & Carrington)	2/19/14 6/30/15
Harrison	New ES	PK - 1	392	432	\$36.1	Kit of Parts/ Design-Build	Award for D-B approved Nov. 2016 Board. (Brockwell and Carrington)	11/10/15 7/13/16
Irvington	Madison Avenue ES	PK-5	463	504	\$38.6	Kit of Parts/ Design-Build	Award for D-B approved Dec. 2016 Board. (Bock)	11/19/15 8/16/16
Millville	Senior HS Addition/Renovation	HS	2,026	2,384	\$137.5	Design-Build	Award for D-B approved Apr. 2017 Board. (Hall Construction)	9/30/16
Passaic	Sonia Sotomayor ES (New ES @ Leonard Place)	K-5	628	698	\$55.9	Kit of Parts/ Design-Build	Substantial Completion Achieved 5/22/19. (Dobco, Inc.)	8/13/15
Paterson	New MS @ Union Ave.	6-8	996	1107	\$113.9	Design-Build	Award for D-B approved Sep. 2018 Board. (Epic Management)	3/2/17 4/26/18
Pemberton	Denbo-Crichton ES	PK-5	846	930	\$58.7	Design-Build	Award for D-B approved Jan. 2018 Board. (Bock)	3/1/17 9/13/17
Perth Amboy	High School	HS	2,800	3,304	\$234.4	Design-Build	Advertisement for D-B 3/26/19. Proposals Due September 2019.	3/26/19
Perth Amboy	Rose M. Lopez ES (Seaman Avenue ES)	K-5	724	804	\$56.4	Kit of Parts/ Design-Build	Award for D-B approved Jul. 2016 Board. (Epic Management).	2/3/16
Plainfield	New Woodland ES	K-5	756	839	\$62.0	Kit of Parts/ Design-Build	ESP ROA approved Aug. 2018 Board.	5/23/18 3 QTR 19
Union City	New Grade 7 to 9 School	7-9	756	840	\$64.2	Kit of Parts/ Design-Build	Preliminary Charter approved Mar. 2017 Board.	TBD
Vineland	Lincoln Ave. MS (New MS)	6-8	562	624	\$49.8	Kit of Parts/ Design-Build	School occupied Sep. 2018. (Bock).	9/24/15

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



**2011 & 2012 Portfolio Projects Activities Summary**

as of 8/6/19

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

1								
District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)	Design Status	Advancement Status	Projected Construction Advertisement Date*
Camden	High School	9-12	1,244	1,468	\$132.6	Design-Build	Award for D-B approved Aug. 2018 Board. (Bock)	6/9/17 3/23/18
Hoboken	Demarest ES	ES	TBD	TBD	TBD	Design-Bid-Build	Pre-Design Services ongoing.	TBD
Orange	Cleveland St. ES	PK-6	316	348	\$33.2	Design-Bid-Build	Award for GC approved Mar. 2019 Board. (Brockwell & Carrington)	9/10/18 11/14/18
Orange	High School	9-12	1,440	1,694	\$51.9	Design-Bid-Build	Award for GC approved Mar. 2019 Board. (Terminal)	10/12/18
Trenton	Central HS	10-12	1,850	2,176	\$155.4	Design-Build	Award for D-B approved Mar. 2016 Board. (Terminal)	12/19/14 9/29/15

**\*PLEASE NOTE** - Dates in the Past are ACTUAL. Includes Advertisement dates for Early Site Preparation Construction & School Construction where applicable.

**NOTE # 1** - Estimated Costs, Grade Alignment and Capacity are based upon approved Project Charters where applicable. For projects without an approved charter, Estimated Costs, Grade Alignment and Capacity are based upon Planning Assumptions.  
Recommendations of DOE/SDA/District Working Groups may impact this information in the future.





## Active Project Status Report Status as of 8/1/2019

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

#	District	Project Name	Project Scope	Project Status	Substantial Completion	Status Substantial Completion	School Opening	Status of School Opening	Total Estimated Project Cost
1	Camden	New Camden High School	New Construction	Construction	3Q 2021	On-target	Sep-21	On-target	\$ 132,569,255
2	City of Orange	Cleveland Street ES	Addition/Renovation	Constructability Review	2Q 2021	On-target	Sep-21	On-target	\$ 33,243,608
3	City of Orange	Orange High School	Addition/Renovation	Constructability Review	1Q 2022	On-target	Phased	On-target	\$ 51,931,218
4	East Orange	New GW Carver ES	New Construction	Construction	4Q 2019	On-target	Sep-20	On-target	\$ 41,179,670
5	Harrison	New Elementary School	New Construction	Construction	1Q 2020	On-target	Sep-20	On-target	\$ 36,115,640
6	Irvington	New Madison Ave ES	New Construction	Construction	3Q 2019	On-target	Sep-19	On-target	\$ 38,589,795
7	Millville	Millville Senior High School	Addition/Renovation	Construction	3Q 2022	On-target	Phased	On-target	\$ 137,503,832
8	Passaic City	New ES at Leonard Place	New Construction	Substantially Complete	2Q 2019	Achieved	Sep-19	On-target	\$ 55,884,039
9	Passaic City	New Dayton Avenue Educational Campus	New Construction	Construction	2Q 2022	On-target	Sep-22	On-target	\$ 240,923,270
10	Paterson	New Union Ave MS	New Construction	Design-Build Design Phase	2Q 2021	On-target	Sep-21	On-target	\$ 113,902,274
11	Perth Amboy	New Seaman Ave ES	New Construction	Construction	3Q 2019	On-target	Sep-19	On-target	\$ 56,435,971
12	Pemberton	New Denbo ES	New Construction	Construction	1Q 2021	On-target	Sep-20	On-target	\$ 58,703,414
13	Trenton	New Central HS	New Construction	Construction	3Q 2019	On-target	Sep-19	On-target	\$ 155,404,000



**Active Project Status Report  
Status as of 8/1/2019**

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

#	District	Project Name	Project Scope	Project Phase	Substantial Completion	Status Substantial Completion	Final Completion	Status of Final Completion	Total Estimated Project Cost
1	Newark	Chancellor Ave Annex	Building Envelope & Structural Repairs	Construction	Q4 2019	On-Target	Q1 2020	On-Target	\$ 1,221,437
2	Newark	Dr. E. Alma Flagg ES	Exterior Doors & Roofing	Construction	3Q 2019	On-Target	3Q 2019	On-Target	\$ 654,000
3	Newark	Hawkins School	Chimney Repairs	GC TO w/ Design	3Q 2019	On-Target	3Q 2019	On-Target	\$ 637,888
4	Newark	Lafayette Street School	Exterior Doors & Roofing	Construction	3Q 2019	On-Target	3Q 2019	On-Target	\$ 658,129
5	Newark	Wilson School Annex	Chimney Repairs	GC TO w/ Design	3Q 2019	On-Target	3Q 2019	On-Target	\$ 211,386
6	Plainfield	Plainfield High School	Structural Repairs - Stairs	Construction	3Q 2019	On-Target	4Q 2019	On-Target	\$ 1,202,774

**PROJECT CLOSEOUT STATUS REPORT**



STATE OF NEW JERSEY

# SCHOOLS DEVELOPMENT AUTHORITY

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

To: Members of the Authority  
From: /s/ Ayisha Cooper, Vendor Services Analyst  
Date: September 4, 2019  
Subject: Project Close-Out Status Report

8

The attached report provides a status of the following:

- All SDA managed Capital Plan projects which have achieved school occupancy but have not yet been contractually and administratively closed
- All SDA managed Emergent projects which are either (1) currently active, or (2) complete yet have not been contractually and administratively closed
- Projects which have achieved project transfer to the district yet have outstanding open contracts
- A running total of all school facilities projects, health and safety contracts, and suspended design contracts which have been closed

Projects closed since the last report will appear highlighted.

**PROJECT STATUS REPORT - As of August 1, 2019**

Year of Occupancy	DOE #	School	Disposition	Project Transfer Date	Outstanding Issues Preventing Complete Close-out
<b>Bridgeton</b>					
2016	0540-050-13-0ACN	Buckshutem Road Elementary School			
2017	0540-100-13-0ACO	Quarter Mile Lane Elementary School			
<b>Burlington City</b>					
2007	0600-020-01-0957	New High School	Project Transferred	12/29/11	Open contract(s) - Legal matter pending
<b>Camden</b>					
2007	0680-140-01-0939	Octavius V. Catto Community School - Demonstration Project	Project Transferred	01/09/12	Open contract(s) - Pending audit completion
2009	0680-350-01-0938	HB Wilson Elementary School	Project Transferred	04/14/10	Open contract(s)
2009	0680-190-01-0927	Dudley Elementary School	Project Transferred	02/06/12	Open contract(s)
<b>Cumberland</b>					
2009	0997-030-02-0926	Cumberland Regional High School	Project Transferred	06/25/10	Open contract(s) - Legal matter pending
<b>Egg Harbor City</b>					
2010	1300-X01-04-0ADY	New Middle School	Project Transferred	01/01/12	Open contract(s)
<b>Egg Harbor Township</b>					
2011	1310-005-04-0AEB	Egg Harbor Township High School			
<b>Elizabeth</b>					
Legacy	1320-X06-01-0866	#30 Ronald Reagan Academy	Project Transferred	07/09/12	Open contract(s) - Legal matter pending
2017	1320-N20-13-0AEG	Halloran Elementary School	Project Transferred	06/12/18	Open contract(s)
2016	1320-x07-01-0867	Frank J. Cicarell Academy (New Academic HS)	Project Transferred	07/18/19	Open contract(s)
2013	1320-240-03-0339	Victor Mravlag Elementary School # 21			
<b>Garfield</b>					
2018	1700-205-03-0315	James Madison Elementary School #10			
<b>Gloucester City</b>					
Legacy	1770-160-01-0245	Cold Springs Elementary School	Project Transferred	06/05/09	Open contract(s)
2017	1770-N01-03-0188	Gloucester City Middle School	Project Transferred	04/17/18	Open contract(s)
<b>Jersey City</b>					
Legacy	2390-N01-99-0227	New Elementary School #3 (Frank R. Conwell ES #3)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
Legacy	2390-N02-99-0228	Jersey City Middle School # 4 (Frank R. Conwell MS #4)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
2016	2390-190-01-0581	New Public School #20	Project Transferred	08/11/17	Open contract(s) - Legal matter pending
2017	2390-X03-01-0587	Patricia M. Noonan ES (New PS #3)	Project Transferred	12/14/17	Open contract(s) - Legal matter pending
2007	2390-N03-99-0147	Heights Middle School #7			
<b>Keansburg</b>					
2016	2400-E01-02-0116	New Caruso Elementary School	Project Transferred	08/13/18	Open contract(s)
<b>New Brunswick</b>					
2018	3530-123-03-1034	Paul Robeson Community Elementary School	Project Transferred	10/23/18	Open contract(s)

<b>PROJECT STATUS REPORT - As of August 1, 2019</b>					
<b>Year of Occupancy</b>	<b>DOE #</b>	<b>School</b>	<b>Disposition</b>	<b>Project Transfer Date</b>	<b>Outstanding Issues Preventing Complete Close-out</b>
<b>Newark</b>					
Legacy	3570-X01-01-0617	Science Park	Project Transferred	05/03/13	Open contract(s) - Legal matter pending
2008	3570-X03-01-0665	Central High School	Project Transferred	03/28/12	Open contract(s)
2010	3570-X07-01-0693	Speedway Elementary School	Project Transferred	10/21/15	Open contract(s)
2016	3570-590-02-0315	Oliver Street Elementary School	Project Transferred	05/18/17	Open contract(s)
2018	3570-640-02-0311	South Street ES			
<b>Passaic</b>					
2015	3970-X01-01-X760	New Henry Street Elementary School			
<b>Paterson</b>					
Legacy	4010-N02-02-0393	Roberto Clemente Elementary School	Project Transferred	04/12/13	Needed repairs being addressed
2016	4010-N09-04-00HP	New Public School #16	Project Transferred	07/31/17	Open Contract(s)
2016	4010-N01-02-0169	Dr. Hami Awadallah School (New Marshall Street ES)	Project Transferred	03/15/18	Open Contract(s)
2008	4010 -S01-02-0101	International High School			
2008	4010-270-02-0608	#24 Elementary School			
<b>Pemberton</b>					
2011	4050-E01-02-0082	Pemberton Early Childhood Education Center	Project Transferred	02/01/13	Open contract(s)
<b>Phillipsburg</b>					
2016	4100-X01-99-0464	New High School	Project Transferred	06/07/18	Open contract(s)
<b>Vineland</b>					
2018	5390-N02-02-0245	Lincoln Avenue Middle School			
<b>West New York</b>					
2009	5670-065-01-0559	Elementary School #2	Project Transferred	05/14/13	Open contract(s) - Legal matter pending
2012	5670-070-01-0556	West New York #3	Project Transferred	01/29/14	
2017	5670-100-12-0AEE	Harry L. Bain E.S.			
<b>Capital and Demonstration Projects Totals</b>					
<b>Total Capital and Demonstration</b>			<b>151</b>		
<b>Closed Capital and Demonstration Projects</b>			<b>111</b>		
<b>Capital and Demonstration Projects Not Closed</b>			<b>44</b>		
<b>Capital and Demonstration Projects Not Closed, Project Transferred</b>			<b>26</b>		
			<b>Legal Matter</b>	<b>9</b>	
			<b>Pending Audit</b>	<b>1</b>	
			<b>Miscellaneous</b>	<b>16</b>	

<b>PROJECT STATUS REPORT - As of August 1, 2019</b>					
<b>Year of Occupancy</b>	<b>DOE #</b>	<b>School</b>	<b>Disposition</b>	<b>Project Transfer Date</b>	<b>Outstanding Issues Preventing Complete Close-out</b>
<b>Emergent Projects</b>					
<b>Camden</b>					
	0680-170-12-0ACF	Cramer Elementary School			
<b>Irvington</b>					
	2330-090-12-0ACT	Chancellor Avenue Elementary School	Project Transferred	3/20/2018	Open contract(s)
<b>Paterson</b>					
	4010-N02-12-0ABX	Roberto Clemente ES			
<b>Salem</b>					
	4630-090-17-0AEQ	Salem Middle School	Project Transferred	10/18/18	Open contract(s)
<b>Trenton</b>					
	5210-080-12-0ABZ	Hedgepeth-Williams School	Closed		
<b>Vineland</b>					
	5390-050-12-0ACK	Vineland High School South			
<b>Emergent Project Totals</b>					
<b>Total Emergent Projects</b>			78		
<b>Emergent Projects Closed</b>			68		
<b>Emergent Projects Not Closed</b>			10		
<b>Emergent Projects Not Closed but Transferred</b>			2		
<b>Health and Safety Contract Totals</b>					
<b>Total Contracts</b>			399		
<b># of Contracts Closed</b>			394		
<b># of Open Contracts</b>			5		
<b>Open Design Contracts</b>					
<b>Total Contracts</b>			109		
<b># of Contracts Closed</b>			98		
<b># of Open Contracts</b>			11		

**PROJECT STATUS REPORT**





**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director – Program Operations

DATE: September 4, 2019

SUBJECT: Executive Summary – Monthly Project Status Reports

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**MONTHLY PROJECT STATUS REPORT**

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

No activity during the reporting period

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

No activity during the reporting period

**Revisions to Project Charters:**

No activity during the reporting period



**Projects that have Expended 75% or More of Board Approved Contingency**  
 Reporting Period: Jan. 1, 2008 to July 31, 2019

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

NO DATA TO REPORT

**Substantially Complete & Building Occupied**

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

Camden	Dudley E.S.	\$3,215,000	\$2,615,168	\$599,832	81.3%	99%	1. Installation of IT/AV systems	Project complete and building occupied. Working towards project close-out.
Newark	Speedway Avenue E.S.	\$1,826,000	\$1,754,119	\$71,881	96.1%	99%	1. Removal of unforeseen impacted materials	Project complete and building occupied. Working towards project close-out.
New Brunswick	Paul Robeson Community ES	\$1,599,650	\$2,180,000	\$0	100.0%	99%	Unforeseen structural repairs. On Oct. 4, 2017 Change Order No. 1 for the value of \$2,180,000 was approved by the Member to address unforeseen structural repairs to the existing Robeson ES which served to fully exhaust the project contingency.	Project complete and building occupied. Working towards project close-out.
Paterson	E.S. #24	\$4,616,120	\$4,313,389	\$302,731	93.4%	99%	1. Unforeseen soil remediation and clean fill.	Project complete and building occupied. Working towards project close-out.
West New York	West New York P.S. #2	\$2,708,883	\$2,708,883	\$0	100.0%	99%	1. Unforeseen site foundation issues	Project complete and building occupied. Working towards project close-out.

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



**Projects Greater than 90 Days Behind Schedule or with Occupancy Date in Jeopardy**

Reporting Period: July 2019

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



### Revisions to Project Charters

Reporting Period: July 2019

#	District	Project	Financial & Schedule Impacts	Additional Funds Approved	Additional Funds as % of Total Project Budget	Operating Authority Approval Requirement	Description of Revision
No Activity During the Reporting Period							

**CONTRACTS EXECUTED REPORT**



**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director, Program Operations

DATE: September 4, 2019

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

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**Contracts Executed Report**

This report contains the activity of Contracts executed during the period July 1 through July 31, 2019.

**Noteworthy Items during the reporting period:**

- Execution of 1 contract for Construction Management Services for the Paterson New Union Avenue MS project – Cambridge Construction Management - \$1,788,346
- Execution of 2 contracts for Construction Services:
  - Gloucester City New ES/MS corrective fence repairs – J Ferry Fence - \$31,000
  - Newark Chancellor Ave Emergent project – Catcord Construction - \$493,300

**Amendments & Change Orders Report**

This report contains the activity of Amendments and Change Orders executed during the period July 1 through July 31, 2019.

**Noteworthy Items during the reporting period:**

- Execution of 5 Design Amendments totaling a credit of \$103k, of the 5 executed amendments none required board approval.
- Execution of 8 Construction Services Change Orders totaling \$127k, of the 8 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 Members on December 1, 2010 as amended on March 7, 2012, the Members are to be provided a report of any change order which received delegated approval by the CEO due to the fact that they are valued at less than \$10,000 yet require Board approval due the total change orders exceeding 10% of the contract value.

- No Activity to Report



### Contracts Executed Report

Reporting Period: 7/1/2019 through: 7/31/2019

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	
<b>Part 1. Professional Services</b>											
<b>Others</b>											
Paterson	New Union Avenue Middle School	Reno	ConstrMgmt	PA-0011-M01	Cambridge Construction Management, Inc.	W	\$1,788,346	7/1/2019	-		
<b>Others</b>											
<b>Part 1. Professional Services</b>							<b>\$1,788,346</b>				



### Contracts Executed Report

Reporting Period: 7/1/2019 through: 7/31/2019

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
<b>Part 2. Construction Services</b>										
<b>Contractor</b>										
Gloucester City	New Elementary/Middle School	New	Construction	ST-0014-C02	J Ferry Fence, Inc.		\$31,000	7/10/2019	\$39,970	\$39,970
Newark	Chancellor Avenue E.S.	Emergent	Construction	EP-0104-C01	Catcord Construction Co., Inc.		\$493,300	7/22/2019	\$525,134	\$525,134
<b>Contractor</b>										
<b>Part 2. Construction Services</b>							<b>\$524,300</b>			<b>\$565,104</b>





### Contracts Executed Report

Reporting Period: 7/1/2019 through: 7/31/2019

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
<b>Part 4. Other Contracts &amp; Services</b>										
<b>Others</b>										
Irvington Township	Madison Avenue E.S.	New	FFE	ES-0027-K19	Turn-Key Technologies, Inc.		\$136,561	7/29/2019	-	
Irvington	Madison Avenue E.S.	New	FFE	ES-0027-Q12	Krueger International, Inc.		\$16,513	7/23/2019	-	
Millville	High School	RenoAdd	FFE	ST-0046-K01	Keyboard Consultants		\$34,762	7/10/2019	-	
Millville	High School	RenoAdd	FFE	ST-0046-K02	Washington Computer Services		\$100,436	7/10/2019	-	
Millville	High School	RenoAdd	FFE	ST-0046-K06	Apple Inc.		\$26,225	7/30/2019	-	
Millville	High School	RenoAdd	FFE	ST-0046-Q03	Krueger International, Inc.		\$11,001	7/10/2019	-	
Millville	High School	RenoAdd	FFE	ST-0046-Q05	Krueger International, Inc.		\$12,038	7/15/2019	-	
Passaic City	New ES at Leonard Place	New	FFE	NT-0050-F10	Schuylkill Valley Sporting Goods, Inc.		\$13,447	7/29/2019	-	
Perth Amboy	Seaman Avenue School	New	FFE	ET-0031-Q16	Grafco		\$50,449	7/17/2019	-	
Perth Amboy	Seaman Avenue School	New	FFE	ET-0031-Q17	Community Products LLC dba Community Playthings		\$21,040	7/25/2019	-	
Trenton	Trenton Central H.S.	New	FFE	WT-0022-F35	Trillamed LLC		\$36,259	7/19/2019	-	
Trenton	Trenton Central H.S.	New	FFE	WT-0022-F37	Medline Industries, Inc.		\$16,223	7/29/2019	-	
Trenton	Trenton Central H.S.	New	FFE	WT-0022-F38	Epilog Laser		\$20,568	7/29/2019	-	
<b>Others</b>										
<b>Part 4. Other Contracts &amp; Services</b>							<b>\$495,520</b>			
							<b>Total Contract Award</b>			<b>Total Contracts Awarded</b>
<b>Grand Totals - Professional and Construction Services Combined</b>							<b>\$2,808,166</b>			<b>16</b>

\*\* Contracts less than \$10,000 are not displayed



## Contracts Executed Report

Reporting Period: 7/1/2019 through: 7/31/2019

### Project Types Legend

HS Health & Safety  
New New Constuction  
Add Addition  
RenoAdd Addition & Renovation  
Reno Renovation

### Contract Types Legend

Aquisition 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  
Title Title Services  
Utilities Utilities Services

### MWSBE CERTIFICATIONS

M = Minority Business Enterprise  
W = Women Business Enterprise  
S = Small Business Enterprise



### Amendments & Change Orders Report

Reporting Period: 7/1/2019 through: 7/31/2019

District	School Name(s)	Contract Number	Contract Execution Date	CO #	Vendor Name	CO Execution Date	Contract Award Amount	Prior CO's (cumulative)	Current CO Amount	Board Approval Required	Board Approval Date	Revised Contract Amount	Cumulative CO %	
<b>Professional Services</b>														
<b>Design Consultant</b>														
Bridgeton	Bridgeton Senior H.S.	EP-0105-A01	6/14/2018	1	USA Architects, Planners + Interior Designers, PA	7/2/2019	\$223,775	\$0	(\$100,000)			\$123,775	-44.68%	
Keansburg Borough	Port Monmouth Road School	ET-0098-A01	3/9/2016	6	Lan Associates, Engineering, Planning, A	7/18/2019	\$2,205,745	(\$11,803)	\$14,840			\$2,208,782	0.14%	
Newark	Chancellor Avenue E.S.	EP-0069-A01	4/1/2014	2	NV5, Inc.	7/31/2019	\$123,810	(\$3,962)	(\$21,735)			\$98,113	-20.75%	
Newark	Malcolm X. Shabazz H.S.	EP-0114-A01	10/29/2018	1	Design Resources Group, Architects, AIA	7/31/2019	\$175,120	\$0	\$14,870			\$189,990	8.49%	
Trenton	Hedgepeth-Williams M.S.	EP-0073-A01	4/8/2014	2	Design Collaborative, Architects And Planners	7/22/2019	\$181,420	\$45,406	(\$11,290)			\$215,536	18.80%	
<b>Design Consultant</b>														
<b>Professional Services</b>														
									(\$103,315)					
<b>Construction Services</b>														
<b>Contractor</b>														
Elizabeth	New Academic HS	EL-0006-C01	12/20/2012	60	Patock Construction Co.	7/2/2019	\$42,977,700	\$2,183,155	(\$12,915)			\$45,147,940	5.04%	
Harrison	New E.S.	HU-0027-B01	12/15/2016	3	Brockwell & Carrington Contractors, Inc.	7/29/2019	\$25,899,600	\$304,029	\$287,487			\$26,491,116	2.28%	
Harrison	New E.S.	HU-0027-B01	12/15/2016	5	Brockwell & Carrington Contractors, Inc.	7/29/2019	\$25,899,600	\$591,516	\$287,261			\$26,778,377	3.39%	
Jersey City	Patricia M. Noonan E. S. (formerly New ES#3)	JE-0021-B01	7/16/2013	14	Dobco, Inc.	7/29/2019	\$33,487,500	\$342,141	(\$286,905)			\$33,542,736	0.16%	
New Brunswick	Paul Robeson Community E.S.	ET-0073-B01	10/14/2015	9	Hall Construction Co., Inc.	7/11/2019	\$31,993,000	\$2,130,107	(\$50,906)			\$34,072,201	6.49%	
New Brunswick	Paul Robeson Community E.S.	ET-0073-B01	10/14/2015	10	Hall Construction Co., Inc.	7/11/2019	\$31,993,000	\$2,079,201	(\$6,979)			\$34,065,222	6.47%	
New Brunswick	Paul Robeson Community E.S.	ET-0073-B01	10/14/2015	11	Hall Construction Co., Inc.	7/11/2019	\$31,993,000	\$2,072,222	(\$36,500)			\$34,028,722	6.36%	
New Brunswick	Paul Robeson Community E.S.	ET-0073-B01	10/14/2015	12	Hall Construction Co., Inc.	7/29/2019	\$31,993,000	\$2,035,722	(\$53,405)			\$33,975,318	6.19%	
<b>Contractor</b>														
<b>Construction Services</b>														
									\$127,138					
										<b>Total Change Order</b>		<b>Total Change Orders</b>		
										\$23,823		13		
<b>Grand Totals</b>														
<b>Column Description Legend</b>														
<b>CO Execution Date</b>			<b>Date the Change Order was entered into the SIMS system</b>											
<b>Revised Contract Amount</b>			<b>Current value of the contract (excluding additional assignments) including current change order</b>											

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

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

**CONTRACTOR AND WORKFORCE COMPLIANCE REPORT**



### MEMORANDUM

TO: Members of the Authority

DATE: September 4, 2019

SUBJECT: Contractor and Workforce Compliance Monthly Update for June 2019

The Business & Diversity Management staff continues to participate at mandatory pre-bid and pre-construction meetings to instruct and inform bidders regarding SDA's SBE goals, policies and procedures, including:

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

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

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

The SDA regularly exceeds the State-mandated 25% SBE goal. The total SDA contract dollars awarded through June 30, 2019 was \$24,640,156. The figures below demonstrate compliance with this requirement.

#### **SBE Breakdown**

The total contract dollars awarded to all SBE contractors was \$7,852,078 (including minorities, women and veterans). This represents 31.87% of all SDA contracts.

<b>Type of Business Enterprise</b>	<b>Contract Amount</b>	<b>% of Total SDA Contracts</b>
Small Business Enterprises	\$ 5,854,900	23.76%
Small/ Minority Business Enterprises	\$ 458,000	1.86%
Small/Women Business Enterprises	\$ 1,539,178	6.25%
Small/Veteran Owned Business Enterprises	\$ -0-	0.00%
Small/Minority/Women Business Enterprises	\$ -0-	0.00%
<b>TOTAL SBE CONTRACTS</b>	<b>\$ 7,852,078</b>	<b>31.87%</b>

Members of the Authority  
 Contractor and Workforce Compliance Monthly Update  
 September 4, 2019  
 Page 2 of 3

### WORKFORCE COMPLIANCE MONITORING

For the month of June 2019, there was a contractor workforce of 909 on SDA projects. This represents a total of 69,236 contractor workforce hours as follows:

<b>Contractor Workforce Breakdown (All Trades/Districts/Counties)</b>			
<b>Ethnicity</b>	<b>Total Workforce</b>	<b>Total Workforce Hours</b>	<b>Workforce Hours Percentage</b>
Black	75	8,250	11.92%
Hispanic	184	12,300	17.77%
American Indian	1	160	0.23%
Asian	6	411	0.59%
<b>Total Minority Participation</b>	<b>266</b>	<b>21,121</b>	<b>30.51%</b>
Total Non-Minority Participation	643	48,115	69.49%

There was a contractor workforce of 410,164 total workforce hours and 6,868 total female workforce hours on SDA projects for the period of January 1, 2019 through June 30, 2019. The following table highlights the *Local County Contractor Workforce* participation for that period:

<b>Local County Workforce Participation</b>	<b>Workforce Hours</b>	<b>Percentage</b>
*Total Workforce Hours	410,164	100.00%
<b>*Total Local County Workforce Hours</b>	<b>43,129</b>	<b>10.52%</b>
<b>Total Local County Non-Minority Workforce Hours</b>	<b>19,700</b>	<b>4.80%</b>
<b>Total Local County Female Workforce Hours</b>	<b>975</b>	<b>0.24%</b>
<b>Total Local County Minority Workforce Hours</b>	<b>23,429</b>	<b>5.71%</b>
<b>**Local County Workforce Hours by Ethnicity:</b>		
Black	13,925	3.40%
Hispanic	9,488	2.31%
American Indian	0	0.00%
Asian	16	0.00%

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

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



Members of the Authority  
 Contractor and Workforce Compliance Monthly Update  
 September 4, 2019  
 Page 3 of 3

The following table represents contractor and female workforce for all SDA active Capital Projects and all active and completed Emergent Projects for the period of January 1, 2019 through June 30, 2019.

<b>SDA Managed Project</b>	<b>Total Workforce Hours</b>	<b>Minority Workforce Hours &amp; Percentage</b>		<b>Local County Workforce Hours &amp; Percentage</b>	
Camden, HS	21,376	5,780	<b>27.04%</b>	1,092	<b>5.11%</b>
East Orange, George W Carver ES	56,031	23,489	<b>41.92%</b>	10,451	<b>18.65%</b>
Harrison, ES	30,170	9,699	<b>32.15%</b>	0	<b>0.00%</b>
Irvington, Madison Avenue ES	25,022	7,252	<b>28.98%</b>	6,730	<b>26.90%</b>
Millville, HS	44,630	12,812	<b>28.71%</b>	7,493	<b>16.79%</b>
Passaic, Leonard Place ES	14,098	1,679	<b>11.91%</b>	1,784	<b>12.65%</b>
Passaic, Dayton Avenue Campus	60,936	16,999	<b>27.90%</b>	2,940	<b>4.82%</b>
Pemberton, Denbo-Crichton ES	34,564	7,694	<b>22.26%</b>	741	<b>2.14%</b>
Perth Amboy, Seaman Avenue ES	38,121	5,990	<b>15.71%</b>	5,385	<b>14.13%</b>
Trenton, Central HS	75,568	21,842	<b>28.90%</b>	7,488	<b>9.91%</b>
Emergent Projects	9,624	5,46	<b>56.17%</b>	0	<b>0.00%</b>

Prepared by: Charlotte Brooks

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



**MEMORANDUM**

TO: Members of the Authority

FROM: Gregory Voronov  
Managing Director, Program Operations

DATE: September 4, 2019

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

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This report summarizes the Regular Operating District Grant activity from inception to date and for the month of July 2019. Also included is a detailed list of grants executed and grants offered during the reporting period.

**Monthly Update:**

- No grants were offered during the reporting period.
- No grants were executed during the reporting period.
- 25 grants impacting 11 districts were closed out during the reporting period representing \$12.7M in total project costs and state share of \$5.8M.
- Since inception, over \$2.8B has been disbursed to 524 regular operating districts through the grant program.
- Since inception over \$3.3B in funding has been approved by the Department of Education and offered to regular operating districts through the grant program.


**STATE OF NEW JERSEY**  
**SCHOOLS DEVELOPMENT AUTHORITY**  
 Monthly Regular Operating District Grant Report - Summary  
 July 2019

ROD Grant Summary Since Program Inception				
	Offered <sup>1</sup>	Executed	Closed-Out	Active
Districts Impacted	2	524	514	136
Number of Grant Projects	4	5,405	4,936	469
Total Project Cost Estimate	\$ 4,624,267	\$ 8,950,998,060	\$ 8,424,625,463	\$ 526,372,596
Grant Amount	\$ 1,849,708	\$ 3,008,870,858	\$ 2,776,613,735	\$ 232,257,123
Amount Disbursed	N/A	\$ 2,889,772,568	\$ 2,776,613,735	\$ 113,158,833

Total Funding Offered to School Districts via Grant Program	\$ 3,342,209,450
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Total ROD Grant Funding remaining for new Grant Projects	\$ 80,763,087
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1. Includes grants that have been offered to District's but have not yet been executed.

Monthly Activity ROD Grant Summary		
	Executed	Closed-Out
Districts Impacted	-	11
Number of Grant Projects	-	25
Total Project Cost Estimate	\$ -	\$ 12,749,138
Grant Amount	\$ -	\$ 5,754,235
Amount Disbursed	NA	\$ 5,754,235

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

**COMMUNICATIONS MONTHLY REPORT**

**MEMORANDUM**

TO: Members of the Authority

FROM: /s/ Edey Maier, Deputy Director of Communications

DATE: September 4, 2019

SUBJECT: Monthly Communications Report

**SDA Staff and Board members Tour Completed Trenton Central High School**

With the construction of the new Trenton Central High School nearing completion, SDA Staff and Board Members took time to tour the new school and see first-hand, the high quality educational facility that is about to be delivered through the work of the Authority.

The new Trenton Central High School is designed to educate a maximum capacity of approximately 2,180 students in 10th to 12th grade. The school includes five Small Learning Communities (SLC) and provide Career Technical Education programs related to Health Sciences, Culinary Arts, Construction, Physical Fitness, and Automotive Technology. Each SLC will consist of 10 classrooms, two science labs, one art/project lab, five specialized instructional areas, a learning resource center and support areas. In addition, the school includes a gymnasium, auxiliary gymnasium, swimming pool, dance studio, fitness center, weight room, cafeteria, media center, auditorium, and two ROTC classrooms.



Communications Report  
September 4, 2019  
Page 2 of 2

## **SDA Celebrates Construction Progress of the New Dayton Avenue Educational Campus in Passaic**

On August 8, SDA joined students, school district, State and local officials at a beam signing event for the new Dayton Avenue Educational Campus in Passaic. The event highlighted the construction progress of the facility, with the steel structure nearly complete.

Once complete, the Dayton Avenue Educational Campus project will consist of an approximately 448,000 square-foot, four-story educational campus that includes four school facilities located in a unified structure with shared central facilities. The campus is designed to educate a maximum of approximately 3,000 students in grades Pre-Kindergarten through 8.



Reviewed by: Colleen Connolly



**MONTHLY FINANCIAL REPORT**

**MEMORANDUM**

**TO:** Members of the Authority

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

**DATE:** September 4, 2019

**SUBJECT:** Monthly Financial Report – July 2019

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, 3-1 and 4 of the report is a summary of the Authority’s operating and capital expenditures. Page 5 contains a breakdown of the Authority’s headcount information by department. The basic financial statements follow on pages 6 and 7.

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

For July 2019 year to date, Authority operating expenses, **\$11.0 million**, are **\$1.3M** lower than budget for the *corresponding period*. The variance is primarily related to lower year to date personnel costs, **\$685K**, the largest portion of which decrease is attributable to lower payroll and benefits costs, net of amounts allocated to school facilities projects, due to the Authority having 48 fewer FTEs than budgeted. Additionally, lower than anticipated spending related to facilities & general office expenses **\$164K**, professional & contracted services **\$133K**, information systems **\$174K**, and SDA-owned automobiles **\$95K**, contributed to the variance.

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

For July 2019 year to date, Authority operating expenses, **\$11.0 million**, are **\$999K** higher when compared to the *corresponding prior year*. This variance is attributable to an increase in personnel costs, **\$859K**, primarily due to the 2018 Authority restructuring. Additionally, spending related to the fit-out of the Newark space (removal and replacement of information systems wiring and cabling) and computer system maintenance expenses **\$125K**, as well as outside legal services **\$62K**, contributed to the variance.

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

For July 2019 year to date, project expenditures, **\$174.8 million**, are **\$10.8 million** lower than the capital spending forecast for the *corresponding period*. This variance is primarily a result of lower than forecasted expenditures for grant activity **\$23.4M**, design services (net of cost recovery settlement) **\$2.9M**, property acquisitions, **\$1.5M**, and other project related cost **\$2.4M**. These reductions are partially offset by an increase in construction activity **\$19.3M**.

Members of the Authority  
September 4, 2019  
Page 2

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

For July 2019 year to date, project expenditures, **\$174.8 million**, are lower by **\$13.7 million** when compared to the *corresponding prior year*. The variance is attributable to decreases in grant activity **\$32.1M**, project insurance costs **\$4.0M**, design services (net of cost recovery settlement) **\$3.2M** and other project related cost **\$3M**. These decreases are partially offset by increases in construction activity **\$22.9M** and school furniture purchases **\$6.3M**.

**Other**

Since program inception, 84.6% of the funds authorized for the SDA Districts have been disbursed. Additionally, since program inception, 96% of all SDA disbursements relate to school facility projects and 4% relate to operating expense.

The *estimated value* of active school facilities capital, emergent and ROD grant projects is approximately \$2B.

Attachment

**New Jersey Schools Development Authority**  
**Monthly Financial Report**  
**July 2019**  
**(Unaudited)**

## New Jersey Schools Development Authority Overview of Financial Position July 31, 2019

**To:** The Audit Committee

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

The information contained in this monthly financial report is for the period as of, and for the year-to-date ending, July 31, 2019.

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► Overall **Cash and Cash Equivalents** have decreased by \$181.3 million to \$358.5 million, as follows:

■ Receipt of bond and note proceeds (Issued by EDA)	\$ -
■ Investment earnings	6,228,974
■ Miscellaneous revenue	18,129
■ Project costs	(174,846,871)
■ SDA operating expenses	(11,581,812)
■ SDA capital expenditures	(389,372)
■ Deposits (primarily district local shares)	(750,824)
Net Change in Cash	\$ (181,321,776)

► **Prepaid Expenses** total \$397,639 as follows:

- Prepaid insurance of \$190,526.
- Prepaid rents of \$124,952 for the Authority's leased office space in Trenton and Newark.
- Prepaid MIS maintenance service contracts of \$53,156.
- Other prepaids of \$29,005.

► **Capital Assets** total \$823,864 (net of accumulated depreciation of \$6,636,374), consisting of leasehold improvements (SDA offices), and capitalized software, equipment, furniture and fixtures in support of SDA operations. Depreciation on capital assets is generally calculated using the straight-line method over the life of each asset. For the year to date, **Capital Expenditures** are \$294,080 and **Depreciation Expense** is \$105,198.

► **Accrued Liabilities** total \$101.7 million, as follows:

- Accrued project costs of \$19.8 million consisting of unpaid invoices (\$2.3 million) and retainage (\$17.5 million).
- Accrued net pension liability of \$49.8 million.
- Post-employment benefits obligation of \$25.1 million and Accrued OPEB payable of 0.4M.
- Pollution remediation obligations (PRO) under GASB 49 net to \$1.3 million (PRO liability \$3.0 million, offset by expected cost recoveries of \$1.7 million).
- Estimated liability for loss contingencies totaling \$3.3 million.
- Payroll related liabilities of \$1.9 million.
- Other accrued liabilities of \$0.1 million.

► **Deposits** total \$2.9 million, as follows:

- \$2.8 million is held for local share agreements (pass-through item).

► The Authority's **Net Position** at month end is \$242.8 million.

## New Jersey Schools Development Authority School Facilities Project Expenditures & Funding Allocation July 31, 2019

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

- During the current year to date, the SDA has received \$0 million bond and note proceeds. The total amount of proceeds received since program inception is \$11.148 billion.
- Project expenditures for the month and year-to-date periods total \$24.9 million and \$174.8 million, respectively, as follows:

<u>Category</u>	<u>Current Month</u>	<u>Current Year-To-Date</u>	<u>Since Program Inception</u>
Construction	\$ 15,448,741	\$ 120,392,683	\$ 4,978,809,140
Design Services	90,885	(1,675,874)	411,995,434
PMF/CM Services	465,289	3,349,316	459,790,103
SDA Project Management	1,024,437	8,205,869	93,431,825
Property Acquisition, Relocation & Enviro	146,950	858,364	579,185,884
School Furniture, Fixtures & Equipment	3,479,792	10,929,926	177,160,834
Project Insurance	307,075	2,074,973	108,289,377
NJ State Inter-Agency Transfers	-	243,751	50,209,744
SDA District Grant & Funding Agreements	526,774	2,358,079	874,259,223
Regular Operating District Grant Agreements	3,309,278	26,786,572	2,898,206,656
Real-Time Project Audits	-	-	628,000
Property Management, Maintenance & Utils	41,329	714,266	18,088,566
Outside Legal & Claims Resolution Services	40,519	581,733	10,163,206
Temporary Staffing	63,351	576,447	10,309,371
Other Project Costs	41	188,650	60,150,849
Project Credits	-	-	(54,902,944)
<b>Total Project Expenditures</b>	<b>24,944,461</b>	<b>175,584,755</b>	<b>10,675,775,268</b>
Less: Local Share Contributions	-	(737,884)	(184,254,021)
<b>Project Expenditures (State Share)</b>	<b>\$ 24,944,461</b>	<b>\$ 174,846,871</b>	<b>\$ 10,491,521,247</b>
 2019 Capital Spending Forecast	 \$ 29,022,910	 \$ 185,664,492	

### Allocations Since Program Inception

### ► Program Funding & Expenditures

	<u>Bonding Caps</u> <sup>1</sup>	<u>Total Funding</u> <sup>2</sup>	<u>Paid to Date</u> <sup>3</sup>
■ SDA Districts	\$ 8,900,000,000	\$ 9,022,769,743	\$ 7,629,196,828
■ Regular Operating Districts	3,450,000,000	3,498,533,798	3,218,483,241
■ Vocational Schools	150,000,000	151,939,490	117,658,143
Total - State Share	<b>\$ 12,500,000,000</b>	<b>\$ 12,673,243,031</b>	<b>\$ 10,965,338,212</b>

### ► Percentage of Total Funding Paid to Date

■ SDA Districts	84.6%
■ Regular Operating Districts	92.0%
■ Vocational Schools	77.4%
Total - State Share	86.5%

1 Of the \$12.5 billion authorized for the school construction program, \$11,147,702,648 principal amount of bond and note proceeds have been received to date.

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

3 These amounts include the allocation of SDA operating expenses and capital expenditures totaling \$473,816,965.

## New Jersey Schools Development Authority Fund Reporting Operating Expenses vs Budget July 31, 2019

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<u>Category</u>	<u>Actual</u> <u>Year-To-Date</u>	<u>Budget</u> <u>Year-To-Date</u>	<u>Over/</u> <u>(Under)</u>
<b>Personnel Expenses:</b>			
Employee Salaries	\$ 11,254,323	\$ 11,985,986	\$ (731,663)
Employee Benefits	5,450,652	5,969,260	(518,608)
Direct Hire Temporary Employee Costs	22,718	94,192	(71,474)
Total Employee Salaries & Benefits Costs	16,727,693	18,049,438	(1,321,745)
<b>Less: Employee Salaries &amp; Benefits Costs</b>			
Charged to Projects	8,205,869	9,013,464	(807,595)
Salaries & Benefits Charged to Operating Expense	8,521,824	9,035,974	(514,150)
Temporary Staffing Services	2,003	87,500	(85,497)
Travel & Expense Reimbursements	10,324	26,259	(15,935)
Training & Professional Development	19,381	89,210	(69,829)
Total Personnel Expenses	8,553,532	9,238,943	(685,411)
<b>Non-Personnel Operating Expenses:</b>			
Facilities & General Office Expenses	1,418,081	1,581,811	(163,730)
Information Systems	610,871	785,331	(174,460)
Professional & Other Contracted Services	194,751	327,375	(132,624)
Property & Casualty Insurance	203,438	202,412	1,026
SDA-Owned Automobiles	51,726	147,081	(95,355)
Communications & Outreach	6,565	58,338	(51,773)
Reserve for Unforeseen Events & New Initiatives	-	29,169	(29,169)
<b>Total Authority Operating Expenses</b>	<b>\$ 11,038,964</b>	<b>\$ 12,370,460</b>	<b>\$ (1,331,496)</b>
<b>2019 Annual Operating Budget</b>		<b>\$ 19,224,222</b>	

**New Jersey Schools Development Authority  
Capital Expenditures  
July 31, 2019**

Description of Capital Item:	Budget Year	Budget Amount	Capital Expenditures		
			2019	Pre-2019	Total
Leasehold Improvements		\$ -	\$ -	\$ -	\$ -
Office Furniture & Equipment		-	-	-	-
CM Computer Software System:					
Estimated SDA Staff Time	2019	450,000	-	-	-
Purchase & Development	2019	1,000,000	-	-	-
Purchase & Development	2018	1,500,000	294,080	162,544	456,624
<b>Total Capital Items</b>		<b>\$ 2,950,000</b>	<b>\$ 294,080</b>	<b>\$ 162,544</b>	<b>\$ 456,624</b>



**New Jersey Schools Development Authority**  
**Fund Reporting Operating Expenses vs Prior Year**  
**July 31, 2019**

<u>Category</u>	<u>Actual</u> <u>Year-To-Date</u>	<u>2018</u> <u>Year-To-Date</u>	<u>Over/</u> <u>(Under)</u>
<b>Personnel Expenses:</b>			
Employee Salaries	\$ 11,254,323	\$ 10,385,571	\$ 868,752
Employee Benefits	5,450,652	5,237,652	213,000
Direct Hire Temporary Employee Costs	22,718	59,217	(36,499)
Total Employee Salaries & Benefits Costs	16,727,693	15,682,440	1,045,253
<b>Less: Employee Salaries &amp; Benefits Costs</b>			
Charged to Projects	8,205,869	8,060,480	145,389
Salaries & Benefits Charged to Operating Expense	8,521,824	7,621,960	899,864
Temporary Staffing Services	2,003	44,563	(42,560)
Travel & Expense Reimbursements	10,324	10,074	250
Training & Professional Development	19,381	18,320	1,061
Total Personnel Expenses	8,553,532	7,694,917	858,615
<b>Non-Personnel Operating Expenses:</b>			
Facilities & General Office Expenses	1,418,081	1,441,389	(23,308)
Information Systems	610,871	538,181	72,690
Professional & Other Contracted Services	194,751	128,431	66,320
Property & Casualty Insurance	203,438	198,668	4,770
SDA-Owned Automobiles	51,726	38,288	13,438
Communications & Outreach	6,565	459	6,106
Reserve for Unforeseen Events & New Initiatives	-	-	-
<b>Total Authority Operating Expenses</b>	<b>\$ 11,038,964</b>	<b>\$ 10,040,333</b>	<b>\$ 998,631</b>

# New Jersey Schools Development Authority

## Employee Headcount

### July 31, 2019

	<u>Current Month End</u>	<u>Budget</u>	<u>Over/ (Under)</u>
<b>Office of Chief Executive Officer</b>	2	3	(1)
<b>Office of Chief of Staff</b>	2	5	(3)
Human Resources	1	5	(4)
Communications	2	5	(3)
Legislative Affairs	1	2	(1)
Community Engagement	1	3	(2)
Business Compliance & Capacity Building	3	3	-
Business and Workforce Diversity	5	11	(6)
<b>Office of Chief Operating Officer</b>	3	3	-
Capital Planning & Program Operations	8	9	(1)
Design Studio	15	20	(5)
Safety	6	6	-
Real Estate Service & Predevelopment	7	8	(1)
<b>Office of Construction Operations</b>	0	1	(1)
Project Teams	34	38	(4)
<b>Office of Corporate Governance &amp; Legal Affairs</b>	5	5	-
Chief Counsel	11	13	(2)
Policy	0	2	(2)
Internal Audit	4	4	-
<b>Office of Administrative Operations</b>	1	3	(2)
Information Systems	15	15	-
Grants Administration	11	13	(2)
Property Management	4	5	(1)
Central Records Management	3	3	-
Facilities	4	7	(3)
<b>Office of Chief Financial Officer</b>	1	1	-
Financial Operations	10	11	(1)
Financial Accounting & Disbursements	13	13	-
Procurement	9	9	-
Risk Management	6	9	(3)
<b>Total Full-Time Employees at Month End</b>	<b><u>187</u></b>	<b><u>235</u></b>	<b><u>(48)</u></b>
<b>Total Full-Time Employees at Year End</b>		<b><u>257</u></b>	

## New Jersey Schools Development Authority

### Statement of Net Position

### July 31, 2019

	<u>Current Month End</u>	<u>2018 Year End</u>	<u>Over/ (Under)</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 358,472,779	\$ 539,794,555	\$ (181,321,776)
Receivables	26,271	29,828	(3,557)
Prepaid Expenses	397,639	87,623	310,016
Capital Assets (Net of Accumulated Depr.)	823,864	634,982	188,882
Total Assets	<u>359,720,553</u>	<u>540,546,988</u>	<u>(180,826,435)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount for Pensions & OPEB	<u>11,812,216</u>	<u>14,326,957</u>	<u>(2,514,741)</u>
<b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u><b>\$ 371,532,769</b></u>	<u><b>\$ 554,873,945</b></u>	<u><b>\$ (183,341,176)</b></u>
<b>LIABILITIES</b>			
Accrued Project Costs	\$ 24,451,932	\$ 50,321,484	\$ (25,869,552)
Net Pension Liability	49,778,974	49,778,974	-
Accrued Other Post-Employment Benefits	25,061,978	23,738,116	1,323,862
Other Accrued Liabilities	2,353,604	5,196,880	(2,843,276)
Deposits	2,865,312	3,616,136	(750,824)
Total Liabilities	<u>104,511,800</u>	<u>132,651,590</u>	<u>(28,139,790)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amount for Pensions & OPEB	<u>24,205,955</u>	<u>24,205,955</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in Capital Assets	823,864	634,982	188,882
Restricted for Schools Construction:			
Special Revenue Fund	<u>241,991,150</u>	<u>397,381,418</u>	<u>(155,390,268)</u>
Net Position	<u>242,815,014</u>	<u>398,016,400</u>	<u>(155,201,386)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; NET POSITION</b>			
	<u><b>\$ 371,532,769</b></u>	<u><b>\$ 554,873,945</b></u>	<u><b>\$ (183,341,176)</b></u>

**New Jersey Schools Development Authority**  
**Statement of Activities**  
**July 31, 2019**

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	<u>Current</u> <u>Year-To Date</u>	<u>2018</u> <u>Year-To Date</u>	<u>Over/</u> <u>(Under)</u>
<b>REVENUES</b>			
Program Revenues:			
Bond and Note Proceeds (Issued by EDA)	\$ -	\$ -	\$ -
Bidding Fees-Plans & Specs	-	-	-
General Revenues:			
Investment Earnings	6,228,974	4,095,598	2,133,376
Rental Income	18,129	677	17,452
Other Revenue-OPRA	-	2,592	(2,592)
Total Revenues	<u>6,247,103</u>	<u>4,098,867</u>	<u>2,148,236</u>
<b>EXPENSES</b>			
Administrative & General Expenses	12,362,826	11,304,295	1,058,531
Capital Depreciation	105,198	121,929	(16,731)
School Facilities Project Costs	148,980,465	162,711,501	(13,731,036)
Total Expenses	<u>161,448,489</u>	<u>174,137,725</u>	<u>(12,689,236)</u>
<b>CHANGE IN NET POSITION</b>	<b>(155,201,386)</b>	<b>(170,038,858)</b>	<b>14,837,472</b>
Beginning of Period Net Position	<u>398,016,400</u>	<u>392,740,734</u>	<u>5,275,666</u>
<b>NET POSITION END OF PERIOD</b>	<b><u>\$ 242,815,014</u></b>	<b><u>\$ 222,701,876</u></b>	<b><u>\$ 20,113,138</u></b>

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

**PUBLIC COMMENT STATEMENT**

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

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

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