

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD TELECONFERENCE MEETING
WEDNESDAY, AUGUST 5, 2020 AT 9:00 A.M.**

- 1. NOTICE OF PUBLIC MEETING**
- 2. ROLL CALL**
- 3. APPROVAL OF MEETING MINUTES**
 - a. Board Open Session Meeting Minutes of July 1, 2020
 - b. Board Executive Session Meeting Minutes of July 1, 2020
- 4. AUTHORITY MATTERS**
 - a. CEO Report
 - b. Chairman's Report
- 5. REPORT AND RECOMMENDATIONS OF THE AUDIT COMMITTEE (CHAIRMAN'S REPORT)**
 - a. Approval of Award – Internal Audit Consulting Services
 - b. 2019 Audited Financial Statements
 - c. 2019 Annual Report Pursuant to Executive Order No. 37 (2006)
 - d. Sole Source Procurement of Goods and Services - RS Means Database
- 6. REPORT AND RECOMMENDATIONS OF THE SCHOOL REVIEW COMMITTEE (CHAIRMAN'S REPORT)**
 - a. Construction Manager Award – Bridgeton Public Schools District – Bridgeton High School – Emergent Project – EP-0105-M02
- 7. 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. Diversity and Workforce Participation 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 (*no report*)
 - xi. Monthly Financial Report
 - xii. Design Contract De-Obligations Report (*no activity*)
- 8. PUBLIC COMMENTS**
- 9. EXECUTIVE SESSION**
 - a. Recommendation for Settlement of Cost Recovery Litigation Relating to Elizabeth No. 21 (Victor Mravlag) Elementary School
 - b. Amendment to May 6, 2020 Authorization Relating to NJSDA Newark Office Space Sublease

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

10. ADJOURNMENT

APPROVAL OF MEETING MINUTES

JULY 1, 2020 OPEN SESSION MINUTES

**NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS TELECONFERENCE MEETING
WEDNESDAY, JULY 1, 2020**

A teleconference meeting of the Board of Directors of the New Jersey Schools Development Authority (SDA or the Authority) was held on Wednesday, July 1, 2020 at 9:00 A.M.

Participating by teleconference were:

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

being a quorum of the Board.

At the Chairman's request, Manuel Da Silva, chief executive officer; Andrew Yosha, vice president; Jane F. Kelly, vice president and assistant secretary; Donald Guarriello, vice president and chief financial officer; Albert Barnes, chief counsel; and Gregory Voronov, managing director, of the SDA, participated in the meeting by teleconference. Joy Johnson of the Governor's Authorities Unit (GAU) also participated in the meeting by teleconference.

The meeting was called to order by the Chairman of the Board, Mr. Nixon. The Chairman asked Ms. Kelly to 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. She said that a call-in number was provided on the SDA Website so that members of the public could participate in the meeting by teleconference. She also advised the Members that the call-in number for the meeting was posted at the SDA offices earlier in the morning. Ms. Kelly then conducted a roll call and indicated that a quorum of the Members was present.

Mr. Nixon said that he hopes that everybody is doing well and that everyone's families are healthy. He added that we will continue to offer support to those in our community who are suffering or are in need of our help.

Approval of Meeting Minutes

The Chairman then presented for consideration and approval the minutes of the Board's June 3, 2020 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. Vargas and seconded by Mr. Piaia, the Open Session minutes of the June 3, 2020 SDA Board meeting were approved by the Board with the Members' unanimous vote in favor of the resolution attached hereto as ***Resolution 3a***.

Authority Matters

CEO Report

At the Chairman's request, Mr. Da Silva provided the report of the Chief Executive Officer. Mr. Da Silva began his report with an update on design-build projects in the design phase. He said that for the Perth Amboy HS project, the design-builder has commenced activities on site, including preparation for installation of temporary retaining walls, site clearing and installation of additional required temporary fencing. He reported that the design-builder, Epic Management, has submitted its initial design Package #1 for the Plainfield Woodland ES project.

He added that an award recommendation for construction management (CM) services for the Plainfield project is on today's agenda for Board consideration.

Turning to design-build projects in construction, Mr. Da Silva informed the Members that concrete slabs on deck are being placed and vapor mitigation system and under-slab utilities work is being completed for the Paterson Union Avenue MS project. For the Harrison New ES, a project anticipated to be delivered in 2020, he said that mechanical, electrical and plumbing system controls and building management system work is being finalized. He added that building enclosure and finish work activities are ongoing, with finish work on floors 2 and 3 being finalized. He noted that temporary certificate of occupancy inspections are underway.

Mr. Da Silva reported that for the Millville HS addition and renovations project that is scheduled for September occupancy, Phase II final inspections have begun and are anticipated to be completed this month. For the Passaic Dayton Avenue Educational Campus project, he said that windows are being installed and preparations are underway for curtain wall installation. He added that the Pemberton Denbo Crichton ES and East Orange George Washington Carver ES projects are also scheduled to be delivered in 2020.

Next, Mr. Da Silva gave an update on design-bid-build projects in the construction stage. He said that footings, foundations, underground utility, and masonry work is ongoing for the Orange Cleveland Street ES project. For the Orange HS project, he reported that masonry work for the addition is ongoing. He added that summer 2020 interior renovations are ongoing as well.

With respect to projects in the programming stages, Mr. Da Silva advised that site acquisition activities are ongoing for the Union City New Grade 7 to 9 School project.

In continuing, Mr. Da Silva reminded the Members that SDA released its Biannual Report in June. He explained that the report summarizes the Authority's activities for the time

period from October 1, 2019 through March 31, 2020. He added that the report is available on the Authority's website and that he recently shared the report with the Board Members.

Mr. Da Silva next reported that he participated in the State of Black New Jersey 2020 Summit sponsored by the African American Chamber of Commerce. He said that the Summit focused on opportunities and needs in New Jersey. He informed the Board that this was a successful and well attended virtual event.

Mr. Da Silva advised the Members that the New Jersey Work Environment Council with which Heather Sorge is affiliated posted an article regarding liquid applied floors and highlighted the SDA's initiative to test the school floors delivered as part of prior capital projects. He added that the work is ongoing and he thanked Heather and her team for recognizing the work that the Authority does.

In continuing, Mr. Da Silva reminded the Board that the Authority's Human Resources Consultant, Cowden Associates (Cowden), was engaged earlier in the year after a competitive procurement process to review and evaluate all SDA position descriptions; assess pay and total compensation competitiveness and internal total compensation equity; and develop a job grade structure with salary ranges that is competitive with relevant markets. He said that while the Covid-19 pandemic has required that this project be performed remotely, staff has been able to mitigate both function and schedule disruption to a great extent. He said that Cowden's work is on track to present draft reports to the SDA Executive Team in July and to the SDA Board of Directors in August. He said that staff can provide additional details later in the meeting. He added that staff is also undertaking a thorough review of the Authority's employee manual.

Mr. Da Silva reported that the Board has also authorized management to procure the services of an outside firm to assist Internal Audits with project and operational audits. He said

that 7 firms submitted proposals and, following a review of the technical proposals by a selection Committee, interviews will be held tomorrow with the 3 shortlisted firms.

Mr. Da Silva said that staff continues to work hard. He added that they are focused on the the projects to be delivered this year as well as projects the Authority has for advancement moving forward. He said that there also is a strong focus on emergent projects, noting that there are 11 ongoing with the possibility of another 18.

Mr. Nixon thanked Mr. Da Silva for the update on the Human Recourses project. He reminded the Members that staff engaged a consultant to look at the Authority's paygrade structure, pay equity and job titles. He said that this is an opportunity to ensure appropriate compensation and bring the Authority current with 2020 marketplace levels.

Audit Committee

Reallocation of Program Reserve Funds – Transfer of Funds from the Unforeseen Events Reserve to the Emergent Projects Reserve

Mr. Nixon, as Audit Committee Chairman, reported that the Audit Committee met June 15, 2020 at which time management provided the Committee with the May 2020 New Funding Allocation and Capital Plan Update. He advised that there was a \$2.2 million increase in the Emergent Projects Reserve balance due to the return of unused budgeted funds from several recently completed projects. Mr. Nixon said that there were no changes in any of the remaining reserve balances for the SDA Districts during the reporting period.

He then advised the Board that the reserve balance for the Regular Operating Districts (RODs) increased by \$2.2 million during the reporting period due to a reduction in state share for grant projects nearing completion.

Next, Mr. Nixon informed the Board that the Committee was provided with the results of one audit that was conducted to comply with the statutory requirement that capital portfolio

projects with a state share over \$10 million be reviewed to assess whether state funds were expended in accordance with contractual terms, SDA practices and state regulations. He said that the audit resulted in the issuance of 3 findings and recommendations. He reported that management has already addressed the findings and recommendations or is actively working to do so.

Next, Mr. Nixon provided the May 2020 Monthly Financial Report. He advised the Members that the Authority's operating expenses (Actual vs. Budget) for the year-to-date period total \$7.4 million, \$1.4 million lower as compared to the budget for the corresponding period. He explained that the decrease is mainly attributable to lower personnel costs. He reported that year-to-date Authority operating expenses (Actual vs. Prior Year Actual) are \$1.6 million lower as compared to the operating budget for the corresponding prior year period. He explained that this decrease is mainly attributable to SDA having 40 fewer FTEs than the previous year. Mr. Nixon then reported that school facilities project expenditures (Actual vs. Forecast) for the year-to-date period total \$113.3 million, \$19.5 million lower as compared to the capital spending forecast for the corresponding period. He advised that this variance is the result of lower than forecasted expenditures in construction activity, grants, school furniture purchases and property acquisitions. He reported that project expenditures (Actual vs. Prior Year Actual), at \$113.3 million, are \$3.6 million lower as compared to the corresponding prior year period. He explained that the variance is due to a decrease in school furniture purchases and grant activity, offset by an increase in expenditures for design and project services. Mr. Nixon then reported that, since program inception, approximately 87% of the funds authorized for SDA districts have been disbursed. Additionally, he said that, since program inception, 96% of all SDA disbursements relate to school facilities projects, while 4% relate to operating expenses. He

reported that the estimated value of active school facilities capital, emergent and regular operating district grant projects is approximately \$2 billion.

Lastly, Mr. Nixon advised that one item that the Committee discussed requires Board action. He said that management is proposing the reallocation of program reserve funds-- specifically, the transfer of funds from the Unforeseen Events Reserve (UER) to the Emergent Project Reserve (EPR). By way of background, Mr. Nixon reminded the Members that the Board-approved 2008 and 2011 New Funding Allocation and Capital Plans had, in total, allocated a reserve of \$197 million to address emergent projects throughout the SDA Districts. He reported that, as of July 1, 2020, there is approximately \$11.5 million remaining in the EPR. He informed the Members that the Authority is currently managing 15 emergent projects in various stages of advancement and that an additional 18 emergent projects for potential advancement have been identified. Mr. Nixon explained that, in order to advance this critical work, management is seeking approval to reallocate available funding contained within the UER to the EPR. He reported that, as of July 2020, the UER fund contains \$120.6 million. He said that, based on a review of the Authority's utilization of the UER over the years, management has determined that its current balance exceeds that which is required to adequately support advancement of the remainder of the Capital Program. He explained that this reallocation of reserve funds will serve to replenish the EPR while still maintaining sufficient reserve funds to address any potential unforeseen funding needs related to the remaining 14 Capital Projects being advanced within the Authority's current Capital Program. He said that this proposed action will serve to amend the Authority's 2008 and 2011 Capital Plans so this reallocation of funds requires Board approval. Mr. Nixon said that the Audit Committee and management recommend that the UER be reduced to \$65 million and that the remaining \$55.6 million be reallocated to the EPR in order to fund additional emergent projects.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon a motion duly made by Mr. Vargas and seconded by Mr. Egan, the Board approved the proposed reallocation of program reserve funds with its unanimous vote in favor of *Resolution 5a*.

School Review Committee

Release of Funds from Program Reserve, Award of Contract and Approval of Final Project Charter – Bridgeton Public Schools District – Bridgeton High School – Emergent Project – EP-0105-C01; Construction Manager Award – Plainfield School District – New Woodland Elementary School - ET-0100-M01; Notification of Completion of Pre-Design Phase Services and Authorization to Proceed with Design Phase Services – Newark School District - Shabazz High School – Emergent Project [Informational]; Reallocation of Program Reserve Funds – Transfer of Funds from the Unforeseen Events Reserve to the Emergent Projects Reserve – [Informational]

Next, the Chairman asked Mr. Luckie to provide the report of the School Review Committee (SRC). Mr. Luckie reported that the SRC met on June 15, 2020 at which time 4 items were discussed. He said that management is seeking approval of a release of funds from the program reserve, a contract award and a final project charter for the Bridgeton HS emergent project (the Project). He said that in July 2008, the Board approved the 2008 New Funding Allocation and Capital Plan which allocated \$97 million to fund emergent projects in the 31 SDA Districts. He advised that in March 2011, the Board approved the 2011 Capital Program which allocated \$100 million to fund emergent projects, creating a total reserve of \$197 million to address emergent projects throughout the SDA Districts. He said that the Bridgeton HS is an approximately 170,000 square foot facility educating approximately 1,300 students in grades 9 through 12. He explained that, upon confirmation of the existence of emergent water intrusion conditions at the School, the Authority utilized the 2017 Design Consultant Task Order Contract and obtained the necessary design services in order to address the emergent conditions. Mr. Luckie explained that, thereafter, a construction package was advertised beginning on May 4,

2020 and, upon completion of the competitive procurement process, management is recommending award of a contract for construction services in the amount of \$6,535,000 (inclusive of SDA-established allowances totaling \$450,000.00) to Ernest Bock & Sons, Inc., the responsive low bidder. He said that management also recommends that the Board approve the final charter and the release of \$9,266,755 from the emergent program reserve for the Project. Mr. Voronov explained that the variance between the contract amount and the amount to be released from the program reserve reflects the other costs associated with hiring a CM for the project (currently in procurement), along with SDA costs and costs associated with Department of Community Affairs permitting and contingencies. Mr. Da Silva advised the Board that there is a potential legal matter relevant to this procurement that he would like to discuss with the Board in Executive Session. Accordingly, it was determined that the Board would vote on the Bridgeton matter following discussion in Executive Session and upon its return to Open Session.

Next, Mr. Luckie reported that management is requesting that the Board approve a CM services award for the Plainfield New Woodland ES project (the Project). He reported that the Project involves construction of an approximately 120,000 square foot building to educate approximately 756 students in grades Kindergarten through 5. He said that in April 2018, the Board approved the preliminary charter for the Project, thereby authorizing construction of the facility and related site development work on the District-owned site using in-house design and a design-build delivery method. He reminded the Members, that in February 2020, the Board approved the final charter and the award of a design-build construction contract for the Project, and that, thereafter, the Authority issued the notice-of-award. He noted that, in March 2020, the contractor received the notice-to-proceed with the Project's design phase. Mr. Luckie advised the Members that beginning April 6, 2020, a package for CM services was advertised as a "price and other factors" solicitation, with price weighted as 40% and all non-price factors weighted as 60%

of the final combined score. He said that, upon completion of the competitive procurement process, the highest ranked firm was Cambridge Construction Management, Inc. (Cambridge) with a price for CM services in the amount of \$1,541,484 for the Project. He reported that, following review, Cambridge has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents and management recommends award of the Project to Cambridge. He said that funding for this engagement is available within the Project budget consistent with the final charter approved by the Members on February 5, 2020.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Piaia and seconded by Mr. Vargas, the construction management services award for the Plainfield New Woodland ES project was approved with the Board's unanimous vote in favor of **Resolution 6b**.

In continuing, Mr. Luckie reported that management also presented the Committee with an item for informational purposes regarding the Newark Shabazz HS emergent project (the Project). He said that management advised the Committee that SDA is advancing an emergent project to address structural slab repair conditions at the Newark Shabazz HS. He noted that the project is proceeding through the design consultant task order contract. He explained that Design Resources Group Architects AIA, Inc. (DRG) was hired to perform pre-design phase services (including investigation and testing) in order to provide SDA with recommendations for addressing the originally-identified emergent condition of cracking in the waffle slab. He said that, based upon the results of DRG's pre-design phase services and staff's review of DRG's Conditions Assessment and Options Development Reports, SDA has determined that the appropriate scope of work includes: 1) reinforcement of waffle slab ribs with fiber reinforced polymers and associated masonry repairs; and 2) installation of steel columns and footings to re-support the deflected cantilevered slab. Mr. Luckie explained that after considering other

potential solutions, it is clear that this combined scope will appropriately address the emergent conditions in the manner that is most cost-effective and efficient and that is also least disruptive to the Newark school district's activities. He added that it is expected that the design phase will be completed in the fourth quarter of 2020. He said that construction work is expected to begin in February 2021 and conclude by July 2021.

Next, Mr. Luckie informed the Members that, for informational purposes, management had also briefed the Committee regarding the proposed Reallocation of Funds from the Unforeseen Project Events Reserve to the Emergent Projects Reserve that Mr. Nixon had presented for a vote earlier in the meeting.

Public Comments

The Chairman asked if any member of the public wished to address the Board. He called on Mr. Charles Kratovil of New Brunswick who was participating telephonically. Mr. Kratovil indicated that he had a question for the Members. He asked whether it was the SDA Board's position, in light of state Department of Education Commissioner Repollet's recent announcement regarding the need for social distancing in the schools, that districts should maximize the amount of available instructional space they provide.

Mr. Nixon responded that SDA exists to provide the school districts and their students with the instructional space they need. He noted, however, that the Board cannot comment on how every district is currently deploying its available space.

Mr. Kratovil said that prompting his question is the New Brunswick School District's plan to eliminate a school (Lincoln Annex) and the additional space it would provide at a time when the Covid-19 virus is necessitating the maximization of available space for students. He said that the students and community of New Brunswick deserve the best and he urged the Members to reach out to Commissioner Repollet and to encourage him to reject the New

Brunswick District's plan for the school's closure. In response to an inquiry, he advised the Board indicated that the Lincoln Annex School was closed due to the Covid-19 virus and the plan is that it will not re-open again.

Mr. Nixon then announced that the Board would be adjourning into Executive Session. Ms. Kelly announced that the Board is adjourning into Executive Session to discuss an Amendment to the December 4, 2019 Board Authorization for Sale and Conveyance of thirty-three (33) parcels of Real Property in the Township of Irvington. She said that the Board will also discuss legal issues relevant to the Bridgeton HS project. She said that the Board will vote on this matter upon its return to Open Session. She asked that the Chairman present ***Resolution 10.***, reflecting the Members' resolve to move into Executive Session, for a vote.

Upon motion duly made by Mr. Piaia and seconded by Mr. Kanef, the Board resolved to adjourn the meeting into Executive Session to discuss the matters so described with its unanimous vote in favor of ***Resolution 10.***, as amended.

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

School Review Committee

Mr. Luckie said that the Board has discussed the School Review Committee's recommendation that the Board approve the release of funds from the program reserve, contract award and final project for the Bridgeton HS emergent 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. Piaia, the recommended release of funds from the program reserve, contract award and final project charter for the Bridgeton HS emergent project were approved with the Board's unanimous vote in favor of ***Resolution 6a.***

Real Estate Committee

Mr. Vargas said that in Executive Session the Members had discussed the Real Estate Committee's recommendation that the Board approve an amendment to the December 4, 2019 Authorization for Sale and Conveyance of thirty-three parcels of Real Property in the Township of Irvington.

A resolution pertaining to this matter was provided to the Board for review in advance of the meeting. Upon motion duly made by Mr. Luckie and seconded by Mr. Elbert, management's and the Committee's recommendation in this matter was approved by the Board with its unanimous vote in favor of ***Resolution A1***.

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 July 1, 2020 meeting.

/s/ Jane F. Kelly
Assistant Secretary

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

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

WHEREAS, pursuant to Section 3(k) of P.L. 2007, Chapter 137, the minutes of the July 1, 2020 Board meeting of the New Jersey Schools Development Authority, for the Open and Executive Sessions were forwarded to the Governor on July 1, 2020.

NOW, THEREFORE, BE IT RESOLVED, that the minutes of the New Jersey Schools Development Authority's July 1, 2020 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: August 5, 2020

AUTHORITY MATTERS

CEO REPORT

CHAIRMAN'S REPORT

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

APPROVAL OF AWARD - INTERNAL AUDIT CONSULTING SERVICES



STATE OF NEW JERSEY

SCHOOLS DEVELOPMENT AUTHORITY

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

TO: Members of the Authority

FROM: Sean Murphy
Director, Procurement

Peter Green
Director, Internal Audit

DATE: August 5, 2020

SUBJECT: Approval of Award
Package No. GP-0272-R01
Internal Audit Consulting Services

INTRODUCTION

The Members of the Authority are requested to approve the award of a contract for Internal Audit Consulting Services. Specific work assignments under the contract will be made by way of "task order" on an as needed basis. The term of agreement for this contract is three years. For any assignment(s) accepted during the term of the agreement, the firm will be allowed to complete the particular assignment(s), even if extending beyond the term of the agreement. The contract will have a not-to-exceed value of \$1,500,000; however, prior to commencement, each task order assignment under the contract will have a distinct budget that is approved by the Director of Internal Audit. Furthermore, fees associated with internal audits of school facilities projects will be charged to the specific project, whereas, fees for operational audits will be charged to the annual operating budget approved by the Board.

Pursuant to the NJSDA Operating Authority adopted by the Board on December 1, 2010, as amended March 7, 2012, Board approval is required for the award of consultant contracts greater than \$100,000.

DESCRIPTION

The consultant will perform tasks assigned on an as-needed basis in support of the NJSDA in-house auditing function. The contract will be managed by the Director of Internal Audit in tandem with the Audit Committee of the NJSDA Board.

This contract will provide for internal auditing services to supplement and support NJSDA's internal auditing staff in the performance of operational and statutorily required project audits. During the term of the engagement the NJSDA will issue individual task orders to the consultant. Compensation for specific work assignments will be based on the loaded hourly rates established in the contract.

PROCUREMENT PROCESS

This procurement was advertised beginning on May 15, 2020 on the NJSDA website, on 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.

Members of the Authority
 Approval of Award
 Package No. GP-0272-R01
 Internal Audit Consulting Services
 August 5, 2020
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A Selection Committee consisting of three NJSDA staff members and one alternate was established.

Responsive proposals were received from seven firms by June 17, 2020. The Technical Proposals were evaluated by the Selection Committee. Evaluations were based upon the information provided by the firms in response to the Request for Proposals (“RFP”) for this procurement. The Selection Committee members independently evaluated the Technical Proposals based on the following criteria:

- Understanding of the Required Services, including Access to the Firm’s Online Guidance and Audit Programs
- Approach to Providing the Scope of Services, including the Firm’s Technique for Auditing and Reporting of Active Construction Projects
- Experience in Construction and Operational Audits, including Case Studies of Assignments
- Resumes & Experience of Key Team Members

Each Selection 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 Selection Committee member’s raw scores for each criterion to arrive at a total weighted score as indicated in Table 1 below:

TABLE 1

Criteria	Weighting Factor (Applied to Raw Score)	Maximum Weighted Points
Understanding of the Required Services, including Access to the Firm’s Online Guidance and Audit Programs	2.0	20
Approach to Providing the Scope of Services, including the Firm’s Technique for Auditing and Reporting of Active Construction Project	2.0	20
Experience in Construction and Operational Audits, including Case Studies of Assignments	3.0	30
Resumes & Experience of Key Team Members	3.0	30
Total Possible Points		100

Members of the Authority
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All of the scores awarded by the Selection Committee members to a particular firm's Technical Proposal were added together and averaged to arrive at a Final Technical Proposal Score for each firm. The maximum Final Technical Proposal Score is 100. The responsive firms, their scores and rankings are listed in Table 2 below:

TABLE 2

Firm	Final Technical Proposal Score	Final Technical Proposal Rank
Baker Tilly Virchow Krause, LLP	69.667	1
Exiger, LLC	69.000	2
Experis Finance	63.667	3
Guidepost Solutions, LLC	62.667	4
Smolin, Lupin & Co., P.A.	59.333	5
CBIZ, Inc.	47.000	6
Crowe, LLP	44.000	7

The RFP stipulated that a shortlist of the three highest-ranked firms would be determined based on the Final Technical Proposal Scores. The shortlisted firms participated in interviews with the Selection Committee on July 2, 2020. The interviews allowed the firms to expand and detail their experience with respect to NJSDA requirements. The Selection Committee interviewed each of the shortlisted firms and evaluated each firm on Interview Criteria and Weighting Factors that were the same as those used in the evaluation of the Technical Proposals, as detailed above.

All of the Interview Scores awarded to a particular firm by the Selection Committee members were added together and averaged to arrive at a Final Interview Score for each firm. The maximum Final Interview Score is 100. The shortlisted firms, their scores and rankings are listed in Table 3 below:

TABLE 3

Firm	Final Interview Score	Final Interview Rank
Baker Tilly Virchow Krause, LLP	82.667	1
Exiger, LLC	73.000	2
Experis Finance	65.000	3

The Final Interview Score for each shortlisted firm was added to the Final Technical Proposal Score for each such firm, and the two scores were averaged to arrive at a Final Combined Score for each shortlisted firm. The maximum Final Combined Score is 100. The shortlisted firms, their scores and rankings are listed in Table 4 below:

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TABLE 4

Firm	Final Combined Score	Final Combined Rank
Baker Tilly Virchow Krause, LLP	76.167	1
Exiger, LLC	71.000	2
Experis Finance	64.333	3

The Fee Proposals, which had been kept separate and sealed, were then opened on July 2, 2020. The fee schedule requested firms to list appropriate job titles and loaded hourly rates for those positions. The proposed loaded hourly rates are listed in Table 5 below:

TABLE 5¹

Job Title	Baker Tilly Virchow Krause	CBIZ	Crowe	Exiger	Experis Finance	Guidepost Solutions	Smolin, Lupin
Partner/Principal	\$380.00	\$290.00	\$400.00	\$330.00	\$175.00	\$375.00	\$275.00
Manager	\$210.00	\$220.00	\$275.00	\$280.00	\$160.00	\$325.00	\$225.00
Senior Auditor (3+ years at position)	\$210.00	\$195.00	\$210.00	\$195.00	\$150.00	\$275.00	\$225.00
Senior Auditor (0-3 years at position)	\$190.00	\$180.00	\$175.00	\$195.00	\$140.00	\$200.00	\$200.00
Staff Auditor (3+ years at position)	\$175.00	\$170.00	\$155.00	\$185.00	\$130.00	\$160.00	\$180.00
Staff Auditor (0-3 years at position)	\$155.00	\$160.00	\$155.00	\$185.00	\$130.00	\$150.00	\$165.00

After reviewing the hourly rates proposed by all firms, it was determined on the basis of comparison that the loaded hourly rates proposed by the highest-ranked firm, Baker Tilly Virchow Krause, LLP, were excessive. Therefore, NJSDA staff negotiated reductions to the firm's proposed loaded hourly rates. The negotiated loaded hourly rates are listed in Table 6 below:

¹ In order to provide a basis of comparison, the NJSDA assigned the loaded hourly rates proposed by each bidder to the standardized job titles listed in Table 5. Exhibit 1 to the board memo provides a recap of the actual job titles and associated loaded hourly rates proposed by each bidder.

Members of the Authority
 Approval of Award
 Package No. GP-0272-R01
 Internal Audit Consulting Services
 August 5, 2020
 Page 5

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TABLE 6

Baker Tilly Virchow Krause, LLP	
Job Title	Loaded Hourly Rate
Partner/Principal	\$250.00
Manager	\$205.00
Senior Auditor (3+ years at position)	\$185.00
Senior Auditor (0-3 years at position)	\$170.00
Staff Auditor (3+ years at position)	\$160.00
Staff Auditor (0-3 years at position)	\$150.00

RECOMMENDATION

The Members of the Authority are requested to approve the NJSDA contracting with Baker Tilly Virchow Krause, LLP to provide Internal Audit Consulting Services at the hourly rates listed in Table 6 above. The firm would enter into a contract for a not-to-exceed amount of \$1,500,000 over the three-year term of the agreement.

Prior to execution of the contract, the contract and related documentation will be reviewed and approved by the NJSDA Division of Chief Counsel.

Sean Murphy

Digitally signed by Sean Murphy
 Date: 2020.07.20 10:22:00 -04'00'

Sean Murphy, Director, Procurement

Peter Green

Digitally signed by Peter Green
 Date: 2020.07.20 11:23:11 -04'00'

Peter Green, Director, Internal Audit

Reviewed and Recommended by: Manuel Da Silva, Chief Executive Officer

Reviewed and Recommended by: Jane Kelly, Vice President, Corporate Governance and Legal Affairs

Reviewed and Recommended by: Donald Guarriello, Vice President and Chief Financial Officer

Members of the Authority
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EXHIBIT 1

Baker Tilly Virchow Krause, LLP	
Job Title	Loaded Hourly Rate
Partner	\$380.00
Manager (3+ years at position)	\$210.00
Senior Auditor (3+ years at position)	\$210.00
Senior Auditor (0-3 years at position)	\$190.00
Staff Auditor (3+ years at position)	\$175.00
Staff Auditor (0-3 years at position)	\$155.00

CBIZ, Inc.	
Job Title	Loaded Hourly Rate
Managing Director	\$290.00
Director	\$220.00
Senior Manager	\$195.00
Manager	\$180.00
Senior Associate	\$170.00
Associate	\$160.00

Crowe, LLP	
Job Title	Loaded Hourly Rate
PDO	\$400.00
Senior Manager	\$275.00
Manager	\$210.00
Senior Staff	\$175.00
Staff	\$155.00

Exiger, LLC	
Job Title	Loaded Hourly Rate
Partner/Principal	\$330.00
Manager	\$280.00
Senior Auditor	\$195.00
Staff Auditor	\$185.00

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Experis Finance	
Job Title	Loaded Hourly Rate
Director: Risk Advisory Services	\$175.00
Manager: Risk Advisory Services	\$160.00
Subject Matter Expert: Construction Audit	\$150.00
Subject Matter Expert: Technology Audit	\$150.00
Senior Auditor; Risk Advisory Services	\$140.00
Staff Auditor: Risk Advisory Services	\$130.00

Guidepost Solutions, LLC	
Job Title	Loaded Hourly Rate
Principal	\$375.00
Manager	\$325.00
Senior Auditor	\$275.00
Staff Auditor	\$150.00
Investigations Manager	\$200.00
Field Investigator	\$160.00

Smolin, Lupin & Co., P.A.	
Job Title	Loaded Hourly Rate
Partner	\$275.00
Manager	\$225.00
Senior Auditor	\$200.00
Senior Auditor	\$200.00
Senior Auditor	\$200.00
Senior Auditor	\$225.00
Senior Auditor	\$200.00
Staff Auditor	\$180.00
Staff Auditor	\$165.00
Staff Auditor	\$165.00
Staff Auditor	\$180.00
Staff Auditor	\$180.00

Resolution—5a.

Approval of Award
Package No. GP-0272-R01
Internal Auditing Consultant 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, the SDA has identified the need to procure contractual internal auditing consultant services to support and supplement the work of the Authority's internal auditing function in performing operational audits and certain project audits required by statute; and

WHEREAS, specific work assignments under the contract will be made by way of "task order" on an as needed basis pursuant to a budget to be established by the SDA Director of Internal Audit; and

WHEREAS, a comprehensive overview of the two-step competitive process followed by management in procuring the services and management's recommendation for award are set forth in the memorandum presented to the Board on this date; and

WHEREAS, the Members of the Authority are requested to approve the award of a contract for internal auditing consultant services to Baker Tilly Vichow Krause, LLP at the hourly rates and upon such terms as are set forth in the memorandum presented to the Board on this date and incorporated herein, for the not-to-exceed amount of \$1,500,000 over the three year term of the agreement; and

WHEREAS, prior to execution of each contract, the contract and related documentation shall be reviewed and approved by the SDA Division of Chief Counsel.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve the award of a contract for internal auditing consultant services (Package No. GP-0272-R01) to Baker Tilly Virchow Krause, at the hourly rates set forth in the memorandum presented to the Board on this date and incorporated herein, for a not-to-exceed amount of \$1,500,000 over the three-year term of the agreement.

BE IT FURTHER RESOLVED, that prior to execution of the contract, the contract and related documentation will be reviewed and approved by the SDA Division of Chief Counsel.

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

Attachment: Memorandum—Internal Auditing Consultant Services (Package No. GP-0272-R01), dated August 5, 2020

Dated: August 5, 2020

2019 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: August 5, 2020

SUBJECT: 2019 Audited Financial Statements

Background

Pursuant to Executive Order 122 (2004), as amended by Executive Order 37 (2006), the Office of the Chief Financial Officer is pleased to present the attached draft of the 2019 audited financial statements to the Members of the Authority for their review and, if accepted, approval.

The 2019 financial statement audit was performed by Ernst & Young LLP (EY). EY performed their audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States in accordance with U.S. Generally Accepted Auditing Standards.

On July 15, 2020, following the completion of audit fieldwork, EY issued an unmodified or "clean" audit opinion (pages 1-2) on the 2019 financial statements. An unmodified opinion is the highest level of assurance an auditor can give in a financial statement audit. Separately, in accordance with *Government Auditing Standards*, EY issued a report on internal control over financial reporting and on compliance and other matters (pages 44-45). In this report, EY determined that during the performance of their audit they did not identify any deficiencies in internal control that they considered to be material weaknesses, and the results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Audit Committee Review

On July 20, 2020, the Audit Committee was provided a draft of the 2019 audited financial statements, accompanied by a financial analysis, prepared by staff, of key amounts including sensitive accounting estimates, reserves and accruals, and judgmental areas. Independently, EY presented their audit results and required communications in accordance with Statement of Auditing No. 114. At the conclusion of EY's presentation, the Audit Committee agreed to advance the 2019 financial statements to the Members of the Authority for final approval.

Recommendation

The Members of the Authority are recommended to approve the attached 2019 audited financial statements as required by Executive Order 122, as amended by Executive Order 37. Following approval, a copy of the 2019 financial statements will be included in the Authority's 2019 Annual Report.

Attachment

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



FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019

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, 2019

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Report of Independent Auditors

Management and Members of the Authority
New Jersey Schools Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey Schools Development Authority (the "Authority"), a component unit of the State of New Jersey, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019, and the changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated July 15, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

July 15, 2020

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, 2019

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, 2019. 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, 2019, the Authority has received \$11.5 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 87.6% of the currently authorized program funding, as follows:

	<u>Bonding Cap</u>	<u>Program Funding¹</u>	<u>Disbursements</u>	<u>% Paid</u>
SDA Districts	\$ 8,900,000,000	\$ 9,024,961,156	\$ 7,746,902,538	85.8%
Regular Operating Districts	3,450,000,000	3,499,438,424	3,237,384,351	92.5%
Vocational Schools	150,000,000	151,975,676	121,605,451	80.0%
Totals	<u>\$ 12,500,000,000</u>	<u>\$ 12,676,375,256</u>	<u>\$ 11,105,892,340</u>	87.6%

¹ Program funding includes the amounts authorized under the respective bonding caps in addition to approximately \$176 million of interest income and miscellaneous revenue earned through December 31, 2019.

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 2019, the SDA celebrated the opening of four capital plan school facilities projects directly benefitting more than 3,800 students in the SDA Districts. The total State investment in these four projects was more than \$306 million.

As of December 31, 2019, the SDA has 9 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 6 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, 2019, the School Construction Program has completed 695 projects in the SDA Districts. The completed projects consist of: 87 new schools, including 6 demonstration projects; 47 extensive addition, renovation and/or rehabilitation projects; 31 rehabilitation projects; 354 health and safety projects; and 176 Section 13 Grants for SDA District-managed projects. The demonstration projects 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. Also, state funding was provided through Section 15 Grants for 4,998 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				
	2019	2018	2017	2016	2015
EFCFA funding received from State	\$ 350,000	\$ 350,000	\$ 350,000	\$ 342,574	\$ 500,000
Investment earnings, net	9,341	7,204	3,787	1,730	560
Administrative and general expenses	15,910	18,466	19,821	22,256	18,924
Capital expenditures	628	312	25	124	475
School facilities project costs	306,967	333,271	341,480	388,133	429,684
Employee count at end of year	183	222	211	229	230

2019 Financial Highlights

- At year end, the Authority's net position is \$434.3 million.
- At year end, cash and cash equivalents total \$570.9 million.
- For the year, revenues total \$359.4 million, \$350.0 million of which is from EFCFA funding received from the State (or 97.4%).
- For the year, expenses total \$323.1 million, \$307.0 million (95.0%) of which is for school facilities project costs.
- For the year, general fund revenues exceed general fund expenditures by \$34.6 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 \$434.3 million at year-end, primarily due to 2019 State funding under EFCFA (\$350.0 million) exceeding expenditures for school facilities projects (\$307.0 million) and administrative and general expenses (\$15.9 million).

The following table summarizes the Authority's net position at December 31, 2019 and 2018.

	\$ In thousands			
	2019	2018	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Current assets	\$ 571,633	\$ 539,912	\$ 31,721	5.9%
Capital assets-net	1,083	635	448	70.5%
Total assets	<u>572,716</u>	<u>540,547</u>	<u>32,169</u>	<u>6.0%</u>
Deferred outflows of resources	<u>9,153</u>	<u>14,327</u>	<u>(5,174)</u>	<u>(36.1)%</u>
Total assets and deferred outflows of resources	<u>\$ 581,869</u>	<u>\$ 554,874</u>	<u>\$ 26,995</u>	<u>4.9%</u>
Current liabilities	\$ 47,643	\$ 50,536	\$ (2,893)	(5.7)%
Non-current liabilities	72,914	82,116	(9,202)	(11.2)%
Total liabilities	<u>120,557</u>	<u>132,652</u>	<u>(12,095)</u>	<u>(9.1)%</u>
Deferred inflows of resources	<u>26,973</u>	<u>24,206</u>	<u>2,767</u>	<u>11.4%</u>
Net position:				
Net investment in capital assets	1,083	635	448	70.5%
Restricted for schools construction	433,256	397,381	35,875	9.0%
Total net position	<u>434,339</u>	<u>398,016</u>	<u>36,323</u>	<u>9.1%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 581,869</u>	<u>\$ 554,874</u>	<u>\$ 26,995</u>	<u>4.9%</u>

Note: All percentages are calculated using unrounded figures.

Significant Account Variances for Net Position

Current assets: The increase is due to higher cash and cash equivalents, and prepaid expenses.

Capital assets-net: The increase is due to capital asset additions for computer software in development, 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 2019, and lower local share deposits.

Non-current liabilities: The decrease is due primarily to the lower net pension liability and total other postemployment benefits liability.

Deferred inflows of resources: The increase is due mainly to higher deferred inflows of resources associated with other postemployment benefits.

The following table summarizes the change in net position for the years ended December 31, 2019 and 2018.

	\$ In thousands			
	2019	2018	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Revenues				
EFCFA funding received from State	\$ 350,000	\$ 350,000	\$ -	0.0%
Investment earnings	9,341	7,204	2,137	29.7%
Rental property income	36	6	30	531.9%
Other revenue	3	2	1	(1.6)%
Total revenues	359,380	357,212	2,168	0.6%
Expenses				
Administrative and general expenses	15,910	18,466	(2,556)	(13.8)%
Depreciation	180	200	(20)	(9.9)%
School facilities project costs	306,967	333,271	(26,304)	(7.9)%
Total expenses	323,057	351,937	(28,880)	(8.2)%
Change in net position	36,323	5,275	31,048	588.5%
Beginning net position	398,016	392,741	5,275	1.3%
Ending net position	\$ 434,339	\$ 398,016	\$ 36,323	9.1%

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 the 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 2019.

Rental property income: The increase is due to the rental of an SDA-owned property not currently being used for a school facilities project.

Administrative and general expenses: The decrease is due primarily to lower employee salaries and benefit costs. Also contributing to the decrease are lower spending for temporary staffing services, and facilities and general office expenses. This decrease is partially offset by an increase in outside legal services.

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

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.

DRAFT

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, 2019

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	General Fund Total	Adjustments (Note 8)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 570,947,546	\$ -	\$ 570,947,546
Receivables	26,957	-	26,957
Prepaid expenses	659,130	-	659,130
Capital assets-net	-	1,082,884	1,082,884
Total assets	<u>571,633,633</u>	<u>1,082,884</u>	<u>572,716,517</u>
Deferred Outflows of Resources			
Deferred amount for pensions	-	9,026,833	9,026,833
Deferred amount for other postemployment benefits	-	125,967	125,967
Total deferred outflows of resources	<u>-</u>	<u>9,152,800</u>	<u>9,152,800</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 571,633,633</u>	<u>\$ 10,235,684</u>	<u>\$ 581,869,317</u>
Current Liabilities			
Accrued school facilities project costs	\$ 43,922,086	\$ -	\$ 43,922,086
Other accrued liabilities	959,322	-	959,322
Escrow deposits	2,761,982	-	2,761,982
Total current liabilities	<u>47,643,390</u>	<u>-</u>	<u>47,643,390</u>
Non-Current Liabilities			
Accrued school facilities project costs	-	3,809,730	3,809,730
Net pension liability	-	44,045,377	44,045,377
Total postemployment benefits liability	-	21,461,300	21,461,300
Other accrued liabilities	-	3,597,808	3,597,808
Total non-current liabilities	<u>-</u>	<u>72,914,215</u>	<u>72,914,215</u>
Deferred Inflows of Resources			
Deferred amount for pensions	-	19,423,097	19,423,097
Deferred amount for other postemployment benefits	-	7,549,942	7,549,942
Total deferred inflows of resources	<u>-</u>	<u>26,973,039</u>	<u>26,973,039</u>
Fund Balance/Net Position			
Net investment in capital assets	-	1,082,884	1,082,884
Nonspendable:			
Prepaid expenses	659,130	(659,130)	-
Restricted for schools construction	523,331,113	(90,075,324)	433,255,789
Total fund balance/net position	<u>523,990,243</u>	<u>(89,651,570)</u>	<u>434,338,673</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	<u>\$ 571,633,633</u>	<u>\$ 10,235,684</u>	<u>\$ 581,869,317</u>

See accompanying notes.

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

For the Year Ended December 31, 2019

	General Fund Total	Adjustments (Note 8)	Statement of Activities
Revenues			
School Construction Program:			
EFCFA funding received from State	\$ 350,000,000	\$ -	\$ 350,000,000
General:			
Investment earnings	9,340,889	-	9,340,889
Rental property income	35,879	-	35,879
Other revenue	2,560	-	2,560
Total revenues	<u>359,379,328</u>	<u>-</u>	<u>359,379,328</u>
Expenditures/Expenses			
Administrative and general expenses	16,564,833	(654,502)	15,910,331
Capital expenditures	627,916	(627,916)	-
Depreciation expense	-	180,014	180,014
School facilities project costs	307,572,083	(605,373)	306,966,710
Total expenditures/expenses	<u>324,764,832</u>	<u>(1,707,777)</u>	<u>323,057,055</u>
Excess of revenues over expenditures/Change in net position	34,614,496	1,707,777	36,322,273
Fund Balance/Net Position			
Beginning of year, January 1, 2019	489,375,747	(91,359,347)	398,016,400
End of year, December 31, 2019	<u>\$ 523,990,243</u>	<u>\$ (89,651,570)</u>	<u>\$ 434,338,673</u>
<i>See accompanying notes.</i>			

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1. Nature of the Authority

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

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

2. Summary of Significant Accounting Policies

(a) Government-Wide and Fund Financial Statements

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

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

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.

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Notes to Financial Statements (Continued)

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(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 by the Authority under various lease occupancy agreements. Additionally, properties acquired for the construction of school facilities projects may 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 2019 is 40.35%.

For the year ended December 31, 2019, employee salary and benefit costs are allocated as follows:

Employee salary and fringe benefits costs:	
Charged to administrative and general expenses	\$ 11,364,010
Charged to school facilities project costs	<u>13,220,772</u>
Total employee salary and benefits costs	<u>\$ 24,584,782</u>

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Notes to Financial Statements (Continued)

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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 2019 Series JJJ. As of December 31, 2019, 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 the 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 as follows: \$5,000 for equipment; \$30,000 for vehicles; \$100,000 for software; and \$50,000 for leasehold improvements for individual items meeting all other capitalization criterion. As of December

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Notes to Financial Statements (Continued)

31, 2019, the Authority's capital assets consist of leasehold improvements, automobiles, equipment, computer software and furniture and fixtures. Depreciation is provided by the straight-line method over the shorter of the life of the lease or the useful life of the related asset.

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

(i) Taxes

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

(j) Use of Estimates

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

(k) Pensions

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

(l) Accounting Standards Issued But Not Yet Adopted

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017. The primary objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The statement, as amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95) 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. 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, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2021. 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 2019. 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

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with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

The statement, as amended by GASB 95, is effective for fiscal years beginning after June 15, 2020. 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 2019. 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, as amended by GASB 95, is effective for fiscal years beginning after December 15, 2020. 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

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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 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, as amended by GASB 95, 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. 91, *Conduit Debt Obligations*, was issued in May 2019. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The statement, as amended by GASB 95, is effective for reporting periods beginning after December 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued in January 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended,

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and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements related to all other items, as amended by GASB 95, are effective for fiscal years beginning after June 15, 2021. The Authority is in the process of evaluating the impact of its adoption on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued in March 2020. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement, as amended by GASB 95, are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the

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operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the previous pronouncements are postponed by one year. The effective date for GASB 87 is postponed by 18 months.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

3. Deposits and Investments

(a) Cash Flows

Cash and cash equivalents increased during the year by \$31.1 million to \$570.9 million as follows:

Cash and cash equivalents, beginning of year	\$ 539,794,555
Changes in cash:	
EFCFA funding received from State	350,000,000
Investment and interest income	9,340,889
Miscellaneous revenue	38,439

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Notes to Financial Statements (Continued)

School facilities project costs	(309,614,143)
Administrative and general expenses	(17,044,605)
Capital expenditures	(713,435)
Escrow deposits	(854,154)
Cash and cash equivalents, end of year	\$ 570,947,546

(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, 2019, the carrying amount of operating cash is \$1,495,279 and the bank balance is \$1,630,993. 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 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, 2019, 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 the 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, 2019, the Authority’s investments in the NJCMF total \$569,452,267. Of this amount, \$2,761,982 relates mainly 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.

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Notes to Financial Statements (Continued)

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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, 2019, the Authority's prepaid expenses are as follows:

Insurance	\$ 466,796
Office rents	124,152
Service contracts	37,744
Other	30,438
Total prepaid expenses	<u>\$ 659,130</u>

5. Escrow Deposits

The Authority has received funds from several local school districts as required by Local Share Agreements for the funding of the local share portion of Regular Operating District school facility projects, or to cover certain ineligible costs pertaining to projects in the SDA Districts. These deposits, including investment earnings, are reflected as liabilities in the accompanying financial statements. As of December 31, 2019, deposits held in SDA bank accounts, inclusive of interest earned but not yet refunded to the district, are as follows:

Harrison	\$ 368,627
Millville	987
Newark	476,876
Orange	6,958
Passaic City	304,216
Pemberton	121,798
Perth Amboy	1,467,520
Other	15,000
Total escrow deposits	<u>\$ 2,761,982</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 4 years. Total rental expense for the year ended December 31, 2019 amounted to \$1,535,217.

Future rent commitments under operating leases as of December 31, 2019 are as follows:

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Notes to Financial Statements (Continued)

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2020	\$ 1,234,460
2021	1,250,629
2022	1,267,041
2023	<u>1,283,699</u>
Total future rent expense	<u>\$ 5,035,829</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets:				
Leasehold improvements	\$ 134,149	\$ -	\$ -	\$ 134,149
Office furniture and Equipment	5,970,596	-	-	5,970,596
Computer software	568,993	-	-	568,993
Automobiles	375,654	-	(45,779)	329,875
Computer software in development	162,544	627,916	-	790,460
Capital assets-gross	7,211,936	627,916	(45,779)	7,794,073
Less: accumulated Depreciation	(6,576,954)	(180,014)	45,779	(6,711,189)
Capital assets-net	<u>\$ 634,982</u>	<u>\$ 447,902</u>	<u>\$ -</u>	<u>\$ 1,082,884</u>

8. Reconciliation of Government-Wide and Fund Financial Statements

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

“Total fund balances” for the Authority’s general fund (\$523,990,243) differs from the “net position” reported on the statement of net position (\$434,338,673). 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.

A summary of these differences at December 31, 2019 is as follows:

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Fund balances	\$ 523,990,243
Capital assets, net of accumulated depreciation of \$(6,711,189)	1,082,884
Deferred outflows of resources for pensions and other postemployment benefits	9,152,800
Accrued school facilities project costs	(3,809,730)
Net pension liability	(44,045,377)
Total other postemployment benefits liability	(21,461,300)
Accrued compensated absences	(1,220,073)
Accrued pension payable	(2,377,735)
Deferred inflows of resources for pensions and other postemployment benefits	(26,973,039)
Net position	<u>\$ 434,338,673</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, 2019 is as follows:

Excess of revenues over expenditures	\$ 34,614,496
School facilities project (costs)/credits	605,373
Pension (expense)/credit (GASB 68)	908,939
Other postemployment benefits expense (GASB 75)	(352,761)
Compensated absences (expense)/credit	98,324
Capital expenditures	627,916
Depreciation expense	(180,014)
Changes in net position	<u>\$ 36,322,273</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 a pollution remediation obligation (“PRO”) liability (net of environmental cost recoveries not yet realized) in the amount of \$1,414,460 as of December 31, 2019. This liability is included in accrued school facilities project costs reported on the statement of net position. The

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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.

	Estimated Cost	Payments to Date	PRO at 12-31-2019
Pre-cleanup activities	\$ 1,347,345	\$ 1,233,930	\$ 113,415
Site remediation work	15,389,802	12,771,293	2,618,509
Post-remediation monitoring	224,199	55,409	168,790
Asbestos and lead based paint removal	4,190,142	4,190,142	-
Sub-total	21,151,488	18,250,774	2,900,714
Less: Estimated environmental cost recoveries (ECR) not yet realized	1,486,254	-	1,486,254
Liability for pollution remediation Obligations	\$ 19,665,234	\$ 18,250,774	\$ 1,414,460

The following table summarizes the changes in the Authority's PRO liability during the year ended December 31, 2019:

PRO at 12-31-2018	Increase in Expected Cash Outlays	PRO Payments	Decrease in ECR Not Yet Realized	PRO at 12-31-2019
\$1,307,138	\$22,878	\$(120,689)	\$205,133	\$1,414,460

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10. Commitments and Contingencies

(a) Contractual Commitments

At December 31, 2019, the Authority has approximately \$538 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, 2019, the Authority's potential loss from all claims has been estimated at approximately \$2.4 million, which represents a decrease of \$0.7 million from the prior year end accrual. Accordingly, as of December 31, 2019, an accrued liability of \$2.4 million is reflected in the statement of net position as a component of accrued school facilities project costs and, for the year then ended, \$0.7 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, 2019, 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, 2019. 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 \$4.5 million 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, 2019, the Authority has open reserves for general liability and workers' compensation claims totaling approximately \$87,400, \$303,600, \$617,900 and \$51,900, 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. This policy was extended to expire June 30, 2025 to allow for all projects in the Authority's current portfolio to reach substantial completion.

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

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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, 2019, employees are required to contribute 7.50% of their annual 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.

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

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

At December 31, 2019, the Authority reported a liability of \$44.0 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The actuarial valuation was rolled forward to June 30, 2019 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, 2019, the Authority’s proportionate share was estimated to be 0.24445%. The change in proportion since the prior measurement date was a decrease of 0.01366%.

In accordance with GASB 68, for the year ended December 31, 2019, the Authority recognized pension expense of \$1,605,802, of which \$2,514,741 (the amount of the Authority’s 2019 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, 2020 is \$2,377,735. 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, 2019 was \$2,514,741, 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, 2019 valuation was 7.30% per annum. The Department of the Treasury recommendation also calls for the rate to be reduced further 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, 2019, the Authority’s reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 695,273
Differences between expected and actual experience	790,557	194,573
Changes in assumptions or other inputs	4,398,093	15,288,011
Changes in proportion	1,460,448	3,245,240
Contributions subsequent to the measurement date	2,377,735	-
Total deferred outflows and inflows of resources	<u>\$ 9,026,833</u>	<u>\$ 19,423,097</u>

Deferred outflows of resources of \$2,377,735 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, 2019. 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 (2020)	\$ (1,828,705)
Year 2 (2021)	(4,319,397)
Year 3 (2022)	(4,151,342)
Year 4 (2023)	(2,220,251)
Year 5 (2024)	(254,304)
Total	<u>\$ (12,773,999)</u>

Actuarial methods and assumptions

The collective total pension liability in the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. The key actuarial assumptions are summarized as follows:

Rate of inflation	
Price	2.75%
Wage	3.25%
Salary increase:	
Through 2026	2.00% - 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return	7.00%
Cost of living adjustment	None assumed

Mortality rates were based on the SOA's Scale MP-2019 mortality improvement scale.

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Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019, 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 2057. Accordingly, the long-term expected rate on Plan investments was applied to projected benefit payments through 2057 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

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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 6.28% 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 (5.28%, 6.28%, 7.28%)	\$56,023,514	\$44,045,377	\$34,516,704

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

For the year ending December 31, 2019, the Authority had 6 active employees enrolled in the DCRP and made matching contributions totaling \$3,896. Employer matching contributions relating to 2018, 2017 and 2016 totaled \$5,837, \$9,705, and \$12,019, 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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Retirees and employees covered by OPEB Plan

At December 31, 2019, the following employees were covered by the benefit terms:

Retired employees and/or beneficiaries currently receiving benefit payments	27
Active employees	183
Total	210

Total OPEB liability

The Authority's total OPEB liability of \$21,461,300 was measured as of January 1, 2019, and was based upon an actuarial valuation as of January 1, 2019. The Authority has fully recognized this liability in the statement of net position as of December 31, 2019 in accordance with GASB 75.

Actuarial methods and assumptions

The total OPEB liability in the January 1, 2019 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	4.50%
Annual salary increases	3.00%
Discount rate	3.81%
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 Bond Buyer 20 Bond GO, S&P Municipal Bond 20 Year High Grade and Fidelity GA AA-20 Year published yields.

The mortality tables used for this valuation is based on the Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables using Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2019.

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The annual healthcare cost inflation (trend) rate for all retiree health benefits is 7% beginning in 2021 for both pre-65 retirees (pre-Medicare) and post-65 retirees (integrated with Medicare). The trend increase assumption will decrease by 0.25% per year until an ultimate annual trend rate increase assumption of 4.5% in 2031 and later.

This valuation excludes the Cadillac tax in its entirety based on recent legislation signed into law by President Trump on December 20, 2019, HR 1865 "Further Consolidated Appropriations Act, 2020" repealing the "Cadillac Tax".

The decrement assumptions (i.e., retirement, turnover and disability) and age-based costs for the Authority were estimated using information from the New Jersey Public Employees Retirement System ("PERS"). Decrement tables are based on the July 1, 2018 Annual Report of the Actuary for PERS.

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	\$ 449,157
Interest cost	762,995
Changes in assumptions	(3,257,030)
Benefit payments	(231,938)
Net change in total OPEB liability	(2,276,816)
Total OPEB liability – beginning of year	23,738,116
Total OPEB liability – end of year	<u>\$ 21,461,300</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.

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:

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	1% Point Decrease	Discount Rate Assumption	1% Point Increase
Total OPEB liability (2.81%, 3.81%, 4.81%)	\$26,964,503	\$21,461,300	\$17,369,240

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%)	\$17,098,508	\$21,461,300	\$27,244,134

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

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$548,249, of which \$195,489 (the amount of contributions for retiree health insurance in 2019) 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	\$ 125,967	\$ -
Changes in assumptions	-	7,549,942
Total deferred outflows and inflows of resources	\$ 125,967	\$ 7,549,942

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

Year 1 (2020)	\$ (627,453)
Year 2 (2021)	(627,453)
Year 3 (2022)	(627,453)
Year 4 (2023)	(627,453)
Year 5 (2024)	(627,453)
Year 6 (2025) and thereafter	(4,286,710)
Total	\$ (7,423,975)

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

Notes to Financial Statements (Continued)

5

12. Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, the Authority has recorded a liability in the amount of \$1,220,073 as of December 31, 2019 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:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued school facilities project costs	\$ 4,415,103	\$ 205,133	\$ (810,506)	\$ 3,809,730
Net pension liability	49,778,974	-	(5,733,597)	44,045,377
Total other postemployment benefits liability	23,738,116	-	(2,276,816)	21,461,300
Accrued OPEB payable	350,000	-	(350,000)	-
Accrued pension payable	2,514,741	2,377,735	(2,514,741)	2,377,735
Compensated absences	1,318,397	-	(98,324)	1,220,073
Total long-term liabilities	\$ 82,115,331	\$ 2,582,868	\$ (11,783,984)	\$ 72,914,215

For further information, see Notes 11 and 12.

14. Net Position

The Authority's net position is categorized as either invested in capital assets or restricted for schools construction. At December 31, 2019, the Authority's net position is \$434.3 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 2018 and 2019 are as follows:

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

Notes to Financial Statements (Continued)

5

	Net Investment in Capital Assets	Restricted for Schools Construction	Totals
Net position, January 1, 2018	\$ 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 expenditures	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	634,982	397,381,418	398,016,400
(Loss)/excess before receipt of EFCFA funding and transfers	(180,014)	(6,531,003)	(6,711,017)
Capital expenditures	627,916	(627,916)	-
EFCFA funding received from State	-	350,000,000	350,000,000
School facilities project costs	-	(306,966,710)	(306,966,710)
Net position, December 31, 2019	<u>\$ 1,082,884</u>	<u>\$ 433,255,789</u>	<u>\$ 434,338,673</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

	2019 *	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.24445%	0.25282%	0.25811%	0.24459%	0.26024%
Authority's proportionate share of the net pension liability	\$ 44,045,377	\$ 49,778,974	\$ 60,083,669	\$ 72,439,355	\$ 58,417,776
Authority's covered payroll	\$ 19,098,021	\$ 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 payroll	230.6%	278.9%	323.5%	390.0%	323.2%
Plan fiduciary net position as a percentage of the total pension liability	42.0%	40.4%	36.8%	31.2%	38.2%

Notes to Schedule:

* The amounts presented in the table above were determined as of June 30, 2019.

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

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

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

Year	Contractually Required Contribution (CRC)	Contributions in Relation to the CRC	Contribution Deficiency (Excess)	Authority's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$2,377,735	\$2,377,735	\$ -	\$18,055,097	13.2%
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%

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
Amortization Period	30 years
Asset Valuation Method	A five-year average of market values
Investment Rate of Return	7.00% for 2019 through 2017, 7.65% for 2016, 7.90% for 2015 through 2013, 7.95% for 2012, 8.25% for 2011 through 2008
Inflation	2.75% for 2019, 2.25% for 2018 through 2017, 3.08% for 2016, 3.01% for 2015 through 2008
Salary Increases	2.00% - 6.00% for 2019, 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

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

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

Mortality

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

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

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

	2019	2018	2017	2016
Service cost	\$ 449,157	\$ 1,606,120	\$ 1,634,702	\$ 1,578,355
Interest cost	762,995	1,004,490	927,740	849,309
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	-	146,961	-	-
Changes in assumptions	(3,257,030)	(3,947,479)	(1,476,238)	
Benefit payments	(231,938)	(362,050)	(297,093)	(277,001)
Net change in total OPEB liability	(2,276,816)	(1,551,958)	789,111	2,150,663
Total OPEB liability – beginning of year	23,738,116	25,290,074	24,500,963	22,350,300
Total OPEB liability – end of year	<u>\$ 21,461,300</u>	<u>\$ 23,738,116</u>	<u>\$ 25,290,074</u>	<u>\$ 24,500,963</u>
Covered payroll	\$ 15,838,600	\$ 18,487,788	\$ 18,451,700	\$ 17,954,600
Total OPEB liability as a percentage of covered payroll	135.50%	128.40%	137.06%	136.64%

Notes to Schedule:

For 2019, the increase in the total OPEB liability is driven by the following: 1) changes in the discount rate from 3.23% to 3.81%, and 2) changes in the mortality table and mortality improvement scale.

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

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



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and Members of the Authority
New Jersey Schools Development Authority

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New Jersey Schools Development Authority (the "Authority"), a component unit of the State of New Jersey, which comprise the statement of net position and general fund balance sheet as of December 31, 2019, and the related statement of activities and general fund revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist, that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

July 15, 2020

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Resolution—5b.**Resolution Approving the 2019 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 LLP (E&Y) has completed an audit of the Authority’s financial statements for 2019; 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 July 20, 2020 to review and discuss the integrity and quality of the Authority’s financial statements and E&Y’s audit of the Authority’s 2019 financial statements; and

WHEREAS, following presentation of the 2019 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.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve the Authority's 2019 financial statements as presented by executive management and the accounting firm of Ernst & Young LLP and as recommended by the SDA Audit Committee.

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 2019 Audited Financial Statements, dated August 5, 2020

Dated: August 5, 2020

2019 ANNUAL REPORT PURSUANT TO EXECUTIVE ORDER NO. 37 (2006)

**New Jersey Schools
Development Authority**

**Annual Report
2019**



New Jersey Schools Development Authority

2019 Year in Review

4 New Schools Opened

4 School Facility Projects Broke Ground

5 ROD Grants Executed

3,800 New seats provided for children throughout the State of New Jersey

\$306 MILLION Invested by the State of New Jersey in schools that were opened this year alone

\$75 Million Valued in Contracts Awarded

\$293 Million Advertised for new Capital Construction Projects

About the Annual Report

The 2019 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 2019.

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 or the most recent Biannual Report on the School Construction Program at:

<https://www.njsda.gov/NJSDA/Public/AnnualAndOtherReports>.

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
Chief Executive Officer

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

Donald R. Guarriello
Vice President and Chief Financial Officer

Jane F. Kelly
Vice President – Corporate Governance and Legal Affairs

Board Members

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
*Founding Principal/Owner, Senior Health Navigators
Owner/Agent, The Vargas Group Insurance Agency*

Ex-Officio Members

Kevin Dehmer
Interim 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 CEO

The State of New Jersey has consistently delivered on its commitment to provide safe and modern learning facilities for our state's most vulnerable and disadvantaged children through the work of the Schools Development Authority. The significant accomplishments of the Authority in 2019 further demonstrate the high standard set and met by the SDA in delivering much-needed school facility projects.

In 2019, the SDA opened four new schools that benefit more than 3,800 New Jersey students. Through the important investment of \$306 million, the construction of these four schools provide more than 680,000 square-feet of new, state-of-the-art educational spaces for generations of young scholars. Another four school facility projects broke ground and commenced construction activities this year and the SDA advanced several more into design and constructability reviews.

Our grant program for the Regular Operating Districts continues to provide State-share funding for important school facility work and, in so doing, serves as a vehicle to help local municipalities keep property taxes stable. This work continued throughout 2019 with the execution of new grants and the close-out of 168 grant projects that represent more than \$161 million in total project costs.

The SDA continues to advance statewide initiatives in close collaboration with our State partners. In concert with activities of the New Jersey Department of Education, the SDA advanced compliance review activities for New Jersey's School Districts to address Alyssa's Law. Secondly, exemplifying our commitment to building healthy and safe schools, SDA worked in partnership with the New Jersey Department of Health to address potential hazards presented by flooring of a certain type which may contain mercury.

Consistent with statutory requirements to update our Strategic Plan every five years, the SDA issued the 2019 Statewide Strategic Plan during this reporting period, approved by the SDA board of directors early in 2020. The 2019 Statewide Strategic Plan establishes an approach to address the entirety of the need identified in DOE's 2019 Educational Facilities Needs Assessment (EFNA). It is also noteworthy that the 2019 Statewide Strategic Plan supports the ongoing conversations regarding funding reauthorization to continue the important and necessary work of the SDA.

The accomplishments of the SDA in 2019 would not be possible without the hard-working and dedicated staff of the Authority. The New Jersey Schools Development Authority has the expertise on staff to deliver quality schools for the students of New Jersey on time and on budget. SDA staff's adaptability, attention to detail, responsibility and diligence enable the Authority's continuing success in managing the State's school construction program.

The work of the SDA has positively impacted every county and every legislative district throughout New Jersey. We expect the Authority's achievements to continue into 2020 and beyond with the support of the Administration and our partners in the Legislature, school districts, construction industry and community stakeholders. We stand ready to continue our important mission and ensure that the state moves forward with its unprecedented commitment to these districts and our students.

Manuel Da Silva
Chief Executive Officer

Project Accomplishments

SEPTEMBER SCHOOL OPENINGS

Each September, thousands of students benefit from the opening of new facilities throughout the State. The SDA opened four new schools in September 2019, delivering more than 680,000 square feet of new school construction representing a state investment of \$306 million toward the education of New Jersey's young scholars. More than 3,800 students were able to access and utilize these four new school facilities, starting their year in modern educational spaces and with the important resources they need to help them succeed and thrive.

The completed projects included the new Madison Avenue Elementary School in Irvington, the Sonia Sotomayor School No. 22 in Passaic City, the Rose M. Lopez Elementary School in Perth Amboy and Trenton Central High School in Trenton.

In a September 2019 release, Governor Murphy said, "New Jersey is proud to offer its students the best public school system in the nation. With that privilege comes the responsibility of ensuring best-in-class educational facilities across all our communities that serve the needs of all our state's students. With the opening of four new schools this year, our administration has made good on that promise."

Madison Avenue Elementary School, Irvington

After celebrating at the ribbon cutting ceremony for the new Madison Avenue Elementary School in Irvington, officials had an opportunity to tour the facility. As the recess bell rang, students streamed onto the track/basketball court/playground. The smiles on their faces as they enjoyed their play spaces were representative of the smiles students had throughout the new school. Whether it was the bright and inviting classrooms, the technology available in the computer lab, the large multipurpose room or the welcoming media center, students were taking advantage of all of the spaces available to them.



The new Madison Avenue Elementary School is a 73,000-square-foot elementary school facility designed to educate approximately 500 students in grades pre-kindergarten through five. The school includes 26 general education classrooms, small group instruction rooms, a cafeteria, a multipurpose room with stage, music and art rooms, a science/computer lab, and a media center.

The \$38.6 million Madison Avenue Elementary School replaced the former facility which did not meet educational adequacy requirements. The school is on track to receive LEED (United States Green Building Council – Leadership in Energy and Environmental Design) silver certification.

Sonia Sotomayor School No. 21, Passaic City



SDA was present to welcome students on their first day at the new Sonia Sotomayor School No. 21. The new school is a 105,000 square foot facility designed to educate approximately 700 students in grades Kindergarten to 8th. It includes 30 general classrooms, five small group instruction classrooms, two science classrooms, instrumental and vocal music rooms,

an art room, a multipurpose room with a stage, a gymnasium, a cafeteria, and a media center. As a result of SDA's commitment to building energy-efficient buildings that take the surrounding environment into consideration, this school was built to be LEED certified.

The \$55.9 million school was constructed on the SDA-acquired Leonard Place site and is located across the street from another SDA-built school. A portion of the site not needed for the school will be developed through Passaic City oversight, providing an important necessary buffer between the school site and a busy commercial thoroughfare. It will also contribute to the community's redevelopment efforts.

Rose M. Lopez Elementary School, Perth Amboy

At the dedication ceremony for the new Rose M. Lopez Elementary School, officials and stakeholders gathered to celebrate the opening of the newest educational facility in Perth Amboy and dedicate the building to a transformative educator and former principal in the district.

The District will utilize the facility as a dual language elementary school. “Henceforth the Rose M. Lopez Elementary School Stands as an insignia etched into the imprint of the State and exemplifies how a school district seeks to collaboratively and collegially lead vibrant educational pathways for other districts throughout the state and nation to emulate,” said Dr. David Roman, Superintendent.

“I believe that public education is the backbone of the middle class and the middle class is the backbone of this state and this great nation. So therefore, this school and schools like this are the backbone of the future of this great country. And today we take an important step forward for that.”

Assembly Speaker Craig Coughlin at the Ribbon Cutting Ceremony for the Rose M. Lopez Elementary School

The new \$56.4 million Rose M. Lopez Elementary School is a 128,000 square-foot facility designed to educate approximately 800 students and is being utilized by the district for students in grades Kindergarten through second. The 3-story building includes 38 classrooms, six Small Group Instruction Rooms, four Basic skills/ESL/Resource rooms, a Science Demonstration Room, a speech room, vocal and instrumental music rooms, a computer lab, a gymnasium, a media center, and a cafeteria, a multipurpose room with stage, as well as outdoor play and learning areas. The SDA anticipates that the new Rose Lopez Elementary School building will achieve LEED Silver certification.

Trenton Central High School, Trenton

“You want the high? You got the High!” That was the cheer in the packed gymnasium as students kicked off their school year in the new Trenton Central High School. After walking down a red carpet that ran the length of the main corridor, lined on both sides by teachers and community leaders cheering, students were welcomed to their new home!

The new Trenton Central High School is a 374,000 square-foot school designed to educate approximately 1,850 students in grades 10 through 12. The new \$155.4 million high school includes five Small Learning Communities (SLC) and provides Career Technical Education

programs related to Health Sciences, Culinary Arts, Construction, Physical Fitness, and Automotive Technology. The school is on track to receive LEED silver certification.

In recognition of the community's connection with the former High School facility, the new Trenton Central High School incorporates items preserved from the previous building. These include four mosaics by Monty Lewis that were in the main entranceway, Travertine marble panel from the old auditorium walls,



portions of a column from the front of the building, the weathervane, a pinecone pediment, two of the auditorium chandeliers, and the concrete steps from the front of the school.

At a ceremonial ribbon cutting prior to the opening of the school, SDA joined State and local officials to celebrate the opening of the Capital City's new high school. On that day, Senator Shirley Turner said, "They say good things come to those who wait. And when you look at this facility it is all that we could have asked for."

2019 SDA School Openings				
District	Project Name	Project Type	Total Estimated Project Cost	Approx. Student Capacity
Irvington	Madison Avenue E.S.	New School	\$38.6 Million	500
Passaic City	Sonia Sotomayor School No. 21	New School	\$55.9 Million	700
Perth Amboy	Rose M. Lopez E.S.	New School	\$56.4 Million	800
Trenton	Trenton Central High School	New School	\$155.4 Million	1,850

CAPITAL PROJECTS STARTING CONSTRUCTION

The SDA and Governor Murphy advanced several new school facility projects this year. While construction on four new schools reached completion, four more projects entered into the construction phase. Schools in Camden, Millville, Passaic and Paterson initiated footings and foundations activities in 2019. Upon completion, these schools will benefit nearly 8,000 students.

All four projects that entered construction in 2019 have advanced 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 **Camden**, the SDA is constructing a new approximately 270,000 square-foot, two-story Camden High School, designed to educate approximately 1,200 students in grades 9 through 12. Through the construction of the \$132.6 million new school, SDA advanced an initiative to preserve Camden High

School's rich history, while delivering a state-of-the-art facility designed to provide Camden students with a thorough and efficient education.

In **Millville**, the SDA broke ground on the addition to the west side of Millville High School, the first of three additions to the high school. The \$137.5 million Millville High School addition/renovation project will consist of approximately 230,000 square-feet of additions and more than 55,000 square-feet of renovations



that will increase student capacity to accommodate more than 2,000 students in grades nine through 12. This approximately 82,000 square-foot west side addition will provide 32 classrooms, a cafeteria, faculty dining room, kitchen, two culinary art labs, eight small group instruction rooms, two self-contained special education classrooms and one life skills classroom.

In **Passaic City**, The Dayton Avenue Educational Campus consists of the construction of an approximately 448,000 square foot, 4-story educational campus that will include four school facilities located in a unified structure, with shared central facilities. The campus has been designed to educate a maximum of approximately 3,000 students in grades Pre-Kindergarten through eight. Each of



the Dayton Avenue facilities will include a complement of instructional spaces, large group spaces, as well as administrative and support areas. The new \$240.9 million educational campus will go a long way toward addressing the significant overcrowding that exists in the Passaic City School District.



Finally, in **Paterson**, the SDA broke ground for the new Middle School on Union Avenue. The new Middle School at Union Avenue will be an approximately 163,000 square-foot facility designed to educate a maximum of 1,100 students in grades six to eight. The project also

included the demolition of the former Don Bosco School, a facility that served as swing space while the SDA constructed other new facilities in the District.

CAPITAL CONSTRUCTION PROJECT PROGRESS STATEWIDE

SDA Capital Projects in Construction (As of December 31, 2019)				
District	School	Project Type	Max Student Capacity	Total Project Costs
Camden	Camden High School	New Construction	1,468	\$132.6 Million
East Orange	Sheila Y. Oliver Academy	New Construction	512	\$41.2 Million
Harrison	Kennedy E.S.	New Construction	432	\$36.1 Million
Millville	Millville Sr. H.S.	Addition/Renovation	2,384	\$137.5 Million
Passaic City	Dayton Avenue Educational Campus	New Construction	3,020	\$240.9 Million
Paterson	Union Avenue M.S.	New Construction	1,107	\$113.9 Million
Pemberton	Denbo-Crichton E.S.	New Construction	930	\$58.7 Million
Total (7 Projects)			9,853	\$760.9 Million

The SDA maintains a robust portfolio of active construction projects throughout the state. At the end of 2019, significant construction activities were ongoing on seven major Capital Construction projects. Another three projects initiated the Constructability Review phase at the end of December, poised to enter into construction in 2020.

In addition to the groundbreaking ceremony held earlier in the year, the SDA also celebrated the progress of the \$132.6 million **Camden** High School with a beam signing ceremony in October 2019. As the steel framework was nearly complete, community stakeholders joined to celebrate the building taking shape and the hope that the new building will bring to generations of students. Students from the three different schools that will come together in the new high school were there to pen their names to a piece of steel that was then hoisted into place in the facility.



The new Sheila Oliver Academy in **East Orange** made significant progress in 2019, with steel framing and building enclosure completed during the year and with interior mechanical, electrical and plumbing finish work ongoing. Interior finishes will proceed in 2020 to ready the building for a September 2020 opening. The \$41.2 million, 77,000 square-foot facility will include 26 classrooms, four small group instruction rooms, a science lab, a multi-purpose room, an art room, a music room, a technology lab, a media center, and a cafeteria.

In **Harrison**, work on the new Kennedy Elementary School continued. As of the end of the year MEP rough-in and building enclosure, exterior masonry veneer construction, and roofing and window installation activities were ongoing. The new 67,800 square-foot Kennedy Elementary School will provide the Harrison School District with space to educate a maximum of approximately 430 students in Pre-Kindergarten to first grade. The school will include 20 general classrooms, two self-contained special education classrooms, as well as a cafetorium, gymnasium and necessary support spaces. The project remains on track to open to students in September 2020.



A brick signing ceremony took place in **Pemberton** in July 2019 when the SDA was joined by students and officials to celebrate the construction progress of the new \$58.7 million Denbo-Crichton Elementary School. When the school opens to students in September 2020, it will be a 126,000 square-foot facility that will accommodate approximately 900 students

from Pre-K through the fifth grade. The school will have 47 classrooms, a multi-purpose room with a stage, a gymnasium, a science demonstration room, an art room, a technology lab, a vocal music room, and a computer lab. At the end of 2019, work was ongoing on mechanical, electrical and plumbing as well as finish work on the first floor areas.

INVESTING IN NEW JERSEY'S CONSTRUCTION INDUSTRY THROUGH SCHOOL FACILITY PROJECTS

The work of the SDA continues to be an economic driver for New Jersey's construction industry while providing the State's youth with quality educational facilities that will help them reach their full academic potential. Through the State's continued investment in facilities that best serve all of its students, this Administration is delivering on its promise to both public education and the creation of infrastructure jobs.

During 2019, the SDA issued contracts for work related to seven capital and emergent projects, resulting in awards of more than \$75 million. This included construction contracts for the addition/renovation projects at the Cleveland Street Elementary School in Orange, Orange High School and Port Monmouth Road School in Keansburg. The SDA also issued construction management contracts for projects in Camden, Keansburg, Orange and Paterson.

SDA-issued design-build advertisements included those for the largest project ever undertaken by the Authority, the new Perth Amboy High School as well as the new Woodland Elementary School in Plainfield. Together, these two projects will provide another \$293 million investment in school facility projects in New Jersey.

In 2020, the SDA and Murphy Administration will continue to invest in New Jersey schools and businesses. The 2020 forecast includes advertisements for construction management services for the new Perth Amboy High School and Plainfield Woodland Elementary School.

The SDA's 2020 construction forecast is available on our website at:

<https://www.njsda.gov/NJSDA/Business/ProjectProcurementsForecast>.

EMERGENT PROJECTS IN SDA DISTRICTS

The SDA's Emergent Project Program addresses SDA District school facilities in need of repair and rehabilitation. Examples of such projects are roof repair or replacement, windows, exterior masonry, and plumbing, electrical, mechanical and security systems and water infiltration

issues. At the end of 2019, the SDA was managing 13 emergent projects, with three in construction and the remainder in the planning and design phase.

Work was also completed on seven emergent projects delegated to school districts for management during 2019. These projects totaling \$11 million addressed water infiltration, structural and HVAC issues in Camden, Newark and Paterson

As of December 2019, 176 emergent projects (both SDA-managed and district-delegated) have been completed since the program's inception.

REGULAR OPERATING DISTRICT GRANTS

The SDA's Regular Operating District (ROD) grant program continues to be a cornerstone for the improvement of learning environments across 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 2019, the SDA executed five grants to three school districts for school improvement projects. This state investment, totaling more than \$1.2 million, leverages a local contribution of an additional \$1.5 million.

ROD Grant project executions in 2019 include:

- Bergenfield School District – Bergenfield High School (Bergen County): Toilet room renovations.
- Bergenfield School District – Bergenfield High School (Bergen County): Roof replacement and repairs.
- Montclair School District – Edgemont Elementary School (Essex County): Toilet room upgrades.
- Wharton Borough School District – Alfred C. MacKinnon Middle School (Morris County): Renovations to fire alarm system, HVAC system in gym, and locker rooms.
- Wharton Borough School District – Marie V. Duffy Elementary School (Morris County): New ceramic tile in corridors.

REGULAR OPERATING DISTRICT GRANTS			
2019 Grant Executions		Grant Executions Since Inception	
No. of Grants Executed	5	No. of Grants Executed	5,406
State Share	\$1,259,650	State Share	\$3,005,911,064
Local Share	\$1,540,275	Local Share	\$5,940,870,417
Total Est. Costs	\$2,799,925	Total Est. Costs	\$8,946,781,481
No. of Districts Impacted	3	No. of Districts Impacted	524
No. of Counties Impacted	3	No. of Counties Impacted	21

During the year, the SDA Grants Department closed out 188 grants in 64 school districts in 20 counties throughout the State. These closed-out projects represent more than \$161.8 million in total project costs.

As the SDA continues to impact Regular Operating School Districts throughout the State, SDA disbursed a total of nearly \$42 million.

ALYSSA'S LAW

Throughout 2019, significant work took place to advance compliance activities related to Alyssa's Law. The law states that each public elementary and secondary school building in New Jersey shall be equipped with at least one panic alarm that is directly linked to local law enforcement authorities. In December 2019, the SDA adopted regulations addressing Procedures for Compliance with Alyssa's Law and, in collaboration with NJDOE, issued Preliminary Guidance on Alyssa's Law Compliance and School Security Grants. The School Security Grants are authorized by the Securing the Children's Future Bond Act, P.L. 2018 c.119.

ADDRESSING POTENTIAL FLOORING CONCERNS

In 2019, the SDA worked with the New Jersey Department of Health to establish consistent and clear guidance for the identification of potential hazards presented by flooring of a certain type which may contain mercury – an issue of concern throughout the State and Country. Addressing the issue with appropriate seriousness, the SDA has implemented a requirement

for certifications to ensure that all ongoing and future rubberized and/or urethane floors installed on SDA projects do not contain mercury. In addition, the SDA initiated an approach for the identification and testing of flooring in previously delivered school construction projects.

Commitment to New Jersey Businesses

CONTRACTOR TRAINING PROGRAM PROVIDES VALUABLE RESOURCES TO SMALL BUSINESSES

The SDA's Contractor Training Program is designed to provide small, minority, women and disabled veteran-owned business enterprises with valuable instruction in business basics, management practices, and knowledge on how to do business with the SDA and other State agencies. The 2019 program continued to build on the success of previous years and once again served as a valuable tool to New Jersey's small businesses.

The SDA held its ninth Contractor Training Program, beginning in October 2019. In December, 19 firms successfully graduated from the program. The eight weeks of instructional classes were largely taught by SDA employees who are subject matter experts in construction-related fields. In addition, this year's instructors included Hester Agudosi, State of New Jersey Chief Diversity Officer, representatives from the New Jersey Department of Treasury Division of Property Management and Construction and the New Jersey Department of Labor, Division of Wage and Hour Compliance. At the graduation ceremony, participants had a valuable opportunity to network with many of the firms that have obtained general contracting and design-build contracts for the State's school construction program.

This year's graduates included firms engaged in architecture, carpentry, electrical, environmental consulting, general contracting, landscaping, masonry, microbial remediation, pest control, project/construction management and telecommunication / IT. To date, the SDA has trained 192 firms through this in-house SMWBE Contractor Training Program, providing important training and opportunities that assist in connecting small, minority, women and disabled veteran-owned business enterprises with school facility work and broadening SDA's network of businesses that make our projects successful.



COMMITTED TO SMALL BUSINESS PARTICIPATION

Small Businesses are vital to New Jersey's economy and play a substantial role in the construction of school facility projects throughout the State in both SDA Districts and Regular Operating Districts. At the end of 2019, the SDA had 1,613 firms pre-qualified to do business on school projects in SDA and the Regular Operating Districts. The New Jersey Department of the Treasury certified 891 of these firms (or 55% of all firms) as SBE firms.

SDA's commitment to the participation of Small Businesses is evident in the percentage of contract dollars awarded to these firms. The SDA remains committed to meeting and exceeding the State's SBE participation goal of 25 percent. The total SDA contract dollars awarded through December 31, 2019 was \$47,762,642. The total contract dollars awarded to all SBE contractors was \$14,378,022 (including minorities and women). This represents 30.10 percent of all SDA contracts.

In May 2019, the New Jersey Department of Treasury promulgated regulations that require firms to make a good faith effort to ensure that at least 3% of the total dollar value of all publicly advertised contracts awarded by the SDA during a fiscal year go to Disabled Veteran-owned businesses. This is similar to the SBE goals for school construction projects. The SDA is committed to increasing the participation of DVOBs in the school construction program to meet the 3 percent goal in the coming years. Our partnership with the New Jersey State Veterans Chamber of Commerce is particularly meaningful in SDA's effort to meet the State goal.

SCHOLARSHIPS TO ENCOURAGE INCREASED PARTICIPATION IN CONSTRUCTION JOBS

During 2019, the SDA continued to provide funding for the Governor's Industry Vocations Scholarship for Women and Minorities (NJ-GIVS). The program supports SDA's effort to fund on-the-job or off-the-job outreach and training programs for minority groups and women in construction trade occupations or other related occupations – including engineering and management. Specifically, this scholarship benefits women and minority students pursuing a postsecondary certificate or degree program in a construction-related field. The scholarship pays up to \$2,000 per academic year to women and minority students who reside in New Jersey

and are enrolled in a NJ-GIVS eligible program at one of New Jersey's approved county colleges, county vocational, technical or trade schools. NJ-GIVS is administered by the New Jersey Higher Education Student Assistance Authority.

During the 2018-2019 academic school year, SDA provided \$222,698 to 148 qualifying students throughout New Jersey. Grant recipients are attending programs in Atlantic Cape Community College, Bergen County Community College, Eastwick College, Essex County College, HoHoKus School of Trade & Technology Science, Hudson County Community College, Union County College, among others. Some of the programs of study include Carpentry, Construction Management Technology, Electrical, Engineering, HVAC, Mechanical Science, Plumbing, and Welding.

OUTREACH TO SMALL BUSINESSES

Throughout 2019, the SDA participated in multiple seminars, meetings and outreach activities with organizations geared toward elevating small business opportunities. Manuel Da Silva participated in a panel discussion and SDA staff networked with conference attendees at the first annual NJ Connects event at NJIT in September. In October, SDA participated in the Associated Construction Contractors of New Jersey Diversity Conference. SDA was pleased to present its upcoming procurement opportunities at the Alliance for Action's Annual Construction Forecast. SDA was also on hand to speak with members of the Bricklayers & Allied Craftworker Locals 4 & 5 in December.



The SDA welcomes opportunities to share the important work of the Authority with program stakeholders throughout the State. Through these opportunities, SDA seeks to increase the number of prequalified vendors and prospective bidders.

Operational Information

In May 2019, Governor Murphy named Manuel M. Da Silva as Interim Chief Executive Officer. The Board of Directors unanimously voted to elect Mr. Da Silva permanent CEO in December 2019. Upon his election as CEO, Governor Murphy said, "I've been thankful for Manny's able stewardship of this crucial agency over the past seven months and look forward to continuing to work with him to deliver modern, high-quality school facilities all across New Jersey." This sentiment was echoed by SDA Chairman Robert Nixon - "It has been an extraordinary year for the SDA and Manny's election as CEO is key to stabilizing this much needed Authority."

Following widely reported events that happened under previous Authority leadership, the SDA Board of Directors took significant action in 2019 to strengthen SDA's controls, processes and procedures in an effort to ensure that recent events will never reoccur. This included revisions to the Authority's Bylaws and Audit Committee Charter to strengthen hiring practices. These changes ensure that management must directly and routinely report and receive Board input regarding CEO actions relative to personnel needs, salary levels, employee promotions, salary increases, etc.

Additional changes to the SDA Policies, Program and Benefits Manual (Employee Handbook) have been and will continue to be made by management following the SDA policy revision process. Some of the changes to the SDA's employee handbook include an amendment that expressly stipulates that the Authority shall not employ relatives of any member of the Executive Team, in addition to those of the CEO and SDA Board Members.

Further, the SDA Board of Directors authorized the procurement of a consultant to further address the findings of the recent reports pertaining to the Authority's Human Resources policies and procedures. The SDA initiated this procurement in October 2019. The work of the HR consultant will be ongoing throughout the 2nd and 3rd quarter of 2020 and will comprehensively review and recommend enhancements for the SDA's Human Resources functions.

Responding to a time of extraordinary challenge for the Authority, the SDA Board of Directors and current executive leadership moved swiftly to address concerns and institute controls to

respond to the issues identified and will continue to be proactive in this regard. While this occurred, the work of the Authority continued without disruption.

Financial Information

2019 PROJECT EXPENDITURES	
SDA District Capital Projects	\$245.3 Million*
SDA District Emergent Projects	\$7.6 Million
ROD Grant Projects	\$47.8 Million
Other Project Costs – Program	\$9.7 Million
TOTAL PROJECT EXPENDITURES	\$310.4 Million

* Includes district local share contributions totaling \$0.8 million.

2019 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 total, the New Jersey State Legislature has authorized \$12.5 billion in funding for SDA projects (\$8.9 billion for SDA Districts, \$3.45 billion for RODs and \$150 million for vocational schools). In November 2019, EDA sold bonds that provided an additional \$350 million to SDA to support the state's school construction program. To date, EDA has issued \$11.502 billion of School Facilities Construction Bonds and Notes to fund the program, leaving approximately \$1 billion remaining under the current bonding authority, the amount estimated to complete SDA's current project portfolio.

COST RECOVERY AND AVOIDANCE

The SDA also reached settlements of litigation brought against design professionals relating to the Long Branch High School Project (\$2,500,000), the Newark Science Park High School Project

(\$1,387,500) and the Newark South Street and Oliver Street Elementary School Projects (\$184,000). As a result, the SDA received a total of \$4,071,500 through its cost recovery efforts during 2019.

In 2019, the SDA settled \$2,223,642 in contract claims for \$703,825, with claim settlements equaling 32% of amounts claimed.

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.

FUNDING REAUTHORIZATION

The SDA's 2019 Statewide Strategic Plan for SDA Districts provides the framework needed for further discussions regarding additional funding authorization. As detailed in the NJDOE's Educational Facilities Needs Assessment, great need still remains in SDA districts even after the current Capital Plan portfolio projects are delivered. In fact, the 2019 Statewide Strategic Plan identifies a need of an additional 18,000 new students seats and seven million square-feet of schools that are more than 90 years old in SDA Districts alone. It is anticipated that approval of additional funding for school construction to address these needs would provide over three million square feet of school facilities and support the creation of more than 40,000 job-years (one job year equals one full-time job lasting one year). SDA's current funding allocation sees through to completion everything in our existing Capital Plan portfolio with the last project delivering in 2025. Reauthorization funding the new Statewide Strategic Plan would ideally occur in late 2020 or early 2021 to prevent delays in future project delivery and to continue steady job creation. SDA is committed to ongoing conversations regarding funding reauthorization to advance the important work of the SDA.

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 2019 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2019 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 2019 financial statements is accurate, and that such information fairly presents the financial condition and operational results of the Authority as of December 31, 2019 and for the year then ended.

Manuel M. Da Silva
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") 2019 comprehensive report of Authority operations, (the "2019 Annual Report"). This report highlights the significant actions of the Authority for the year ending December 31, 2019, 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 2019 Annual Report. With the issuance of the audit report, the Authority is in compliance with the 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 that have been implemented or will 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 approximately August 1, 2018 through approximately April 30, 2019.

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, 2019 to December 31, 2019, the Authority has, to the best of my knowledge, followed all of its standards, procedures and internal controls.

Manuel M. Da Silva
Chief Executive Officer

2018-2019 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 that have been implemented or will 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. The first of these actions was the Governor's appointment of Manuel Da Silva as interim Chief Executive Officer in May 2019.

Observations:

1. The Authority's hiring practices, policies and procedures were not consistently observed during the period from approximately August 1, 2018 through April 30, 2019. 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 were 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 for a period of up to approximately nine months beginning in August of 2018. To appropriately address the numerous concerns related to the Authority's hiring practices, policies and procedures, the Authority is in the process of reviewing and updating, as appropriate, its policies and procedures as set forth in the SDA Employee Handbook, and has also retained a reputable Human Resources 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 is committed to implementing the necessary steps to address any identified concerns or deficiencies.

Notwithstanding the audit observations, Executive Management wishes to recognize that its hiring practices, policies and procedures that were formally in place during the nine-month period in question, while not perfect, had 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 has undertaken a full updating of employment policies inclusive of maintenance of personnel files and the promulgation of procedures for Human Resource staff.

3. Although not specifically identified as a finding in any audit or investigative report, the SDA Board of Directors has adopted 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.

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, 2019

Resolution—5c.**Resolution Approving the SDA 2019 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, procurements and other financial matters and transactions; and

WHEREAS, the Authority’s financial statements were presented to the SDA Audit Committee on July 20, 2020 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 2019 SDA Annual Report has been prepared by executive management consistent with Executive Order No. 37 and is presented to the Members of the Authority on this date with a recommendation for approval.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby approve the New Jersey Schools Development Authority’s 2019 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 2019 SDA Annual Report, dated August 5, 2020

Dated: August 5, 2020

**SOLE SOURCE PROCUREMENT OF GOODS AND SERVICES - RS MEANS
DATABASE**



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

5

TO: Members of the Authority

FROM: Anthony Gilfillan, Director - Information Systems
Sean Murphy, Director - Procurement

DATE: August 5, 2020

SUBJECT: Sole Source Procurement of Goods and Services
RS Means Database

INTRODUCTION

The NJSDA Operating Authority adopted by the Board on December 1, 2010, as amended on March 7, 2012, requires Board approval for goods and services contracts awarded pursuant to a sole source exemption from advertising under NJAC 19:38D-6.2(a)1. As discussed below, the RS Means online library is the leading publisher of current comprehensive information on construction material, labor and equipment costs, and is the preferred construction estimating database of the SDA Program Operations and Contract Management staff.

A sole source procurement is necessary when only one vendor is capable of or available to provide the goods or services at the time they are required. RS Means is the sole source provider of the Direct Database Licenses of the RS Means Database providing access to its proprietary construction estimating database.

BACKGROUND

For more than fifty years, RS Means has been the leading publisher of current comprehensive information on construction material, labor and equipment costs in the United States and Canada. The company's cost publications, professional reference material and seminars are used by over a quarter-million design, construction and facility management professionals annually.

This request is for the purchase of two (2) licenses for the purpose of accessing the RS Means online library for a one (1) year term. The cost for this purchase is \$6,979.98. This annual cost is included in the 2020 Operating Budget submitted to the Board, and will be requested in future operating budgets, as applicable.

SDA Program Operations and Contract Management staff have been utilizing the RS Means product since at least 2008 in support of project and change management cost analysis in order to:

- Plan and budget with accurate construction costs
- Create estimates with unit costs assemblies or square foot models
- Validate costs for scopes of work

SOLE SOURCE JUSTIFICATION

RS Means has verified that they are the sole source provider of the Direct Database Licenses of the RS Means Database. A copy of RS Means' sole source letter is attached.

*Members of the Authority
Approval of Sole Source Award
August 5, 2020
Page 2*

RECOMMENDATION

Pursuant to regulations, we are seeking the Board's approval to waive advertisement of this procurement and award a contract to RS Means based on the sole source exemption set forth at NJAC 19:38D-6.2(a)1. The Authority is also seeking the Board's approval to renew the software license annually without further Board approval so long as RS Means remains the sole source provider and the cost remains below the threshold requiring Board approval in accordance with the NJSDA Operating Authority. In accordance with standard practice prior to upgrade or renewal, the Authority will evaluate the continued need for RS Means and that the RS Means product remains the preeminent industry standard application.

Anthony Gilfillan Digitally signed by Anthony Gilfillan
Date: 2020.07.15 11:30:43 -04'00'

Anthony Gilfillan
Director - Information Systems

Sean Murphy Digitally signed by Sean Murphy
Date: 2020.07.15 11:13:18 -04'00'

Sean Murphy
Director - Procurement

CHIEF EXECUTIVE OFFICER CERTIFICATION

Consistent with Executive Order #37, I hereby certify that the circumstances of this procurement warrant application of the sole source exemption set forth in Section 16c of EO #37.

Manuel Da Silva Digitally signed by Manuel Da Silva
Date: 2020.07.15 11:34:07 -04'00'

Manuel Da Silva
Chief Executive Officer



RSMeans COMPANY LLC SOLE SOURCE QUALIFICATIONS

RSMeans has been in the business for over six decades of cost estimating and is considered the industry standard for construction cost estimating in its various print and electronic versions. RSMeans has been the leading publisher of current, comprehensive information on construction material, labor and equipment costs in the US and Canada. The company's products include 27 Cost Data Guide titles, 48 reference books, RSMeans CostWorks CD, CostWorks Estimator, RSMeans Online, seminars, on-site training and consulting services.

Additionally, RSMeans develops reference titles, offer its data to other third parties as part of the MeansData™ library, consults with clients and involved in research in specific areas of material and labor costs. RSMeans offer extensive services in predictive cost modeling applying the RSMeans data to various client situations. RSMeans offers various distribution options including purchasing through the internet and our own RSMeans bookstore.

Many federal government agencies are customers including the DOE, the Bureau of Labor Statistics, Pentagon, GSA, various Military Installations, and the Institute of Water Resources. RSMeans is also specified through the federal government when agencies indicate that a national resource for construction cost information or training of RSMeans must be applied.

Copyright: RSMeans cost information is copyrighted information and solely owned by RSMeans Company LLC.

Electronic Database Formats: RSMeans currently publishes all of their cost book titles in various electronic database formats. The formats are as follows:

- CostWorks CD Rom
- RSMeans Online
- Means Data Authorized Resellers
- Direct Database Licenses (provided in ASCII Format)
- RSMeans is sole source for training on all RSMeans products

Direct Database Licenses: RSMeans is the sole source provider of the Direct Database Licenses of the RSMeans database. All sales, distribution and authorized CostWorks CD and RSMeans Online training is being done directly through our Norwell, MA office.

Resolution—5d.**Sole Source Procurement of Goods and Services
RS Means Database****Resolution**

WHEREAS, a sole source procurement is necessary when only one vendor is capable of or available to provide certain goods or services at the time they are required; and

WHEREAS, the Operating Authority of the New Jersey Schools Development Authority (SDA or the Authority) requires that goods and services contracts awarded pursuant to a sole source exemption from advertising under NJAC 19:38D-6.2(a)1 receive the approval of the Members of the Authority; and

WHEREAS, the RS Means online library is the leading publisher of current comprehensive information on construction material, labor and equipment costs; and

WHEREAS, RS Means has verified that they are the sole source provider of the Direct Database Licenses of the RS Means Database; and

WHEREAS, SDA's Design Studio and Contract Management staff have been utilizing the RS Means product since at least 2008 in support of project and change management cost analysis in order to plan and budget with accurate construction costs, create estimates with unit costs assemblies or square foot models, and validate costs for scopes of work; and

WHEREAS, SDA management is seeking to purchase 2 licenses for the purpose of accessing the RS Means online library for a 1 year term at a cost of \$6,979.98; and

WHEREAS, pursuant to regulations, management recommends that the Board authorize a waiver of advertisement of this procurement and approve a contract award to RS Means based on the sole source exemption set forth at NJAC 19:38D-6.2(a)1; and

WHEREAS, management further recommends that the Board authorize management to renew the software license annually without further Board approval so long as RS Means remains the sole source provider and the cost remains below the threshold requiring Board approval in accordance with the SDA Operating Authority; and

WHEREAS, in accordance with standard practice, prior to upgrade or renewal, the Authority will evaluate the continued need for the RS Means product and take all necessary steps to determine that the RS Means product remains the preeminent industry standard application; and

WHEREAS, the basis for this sole source procurement, comprehensive details as to the product's intended use by SDA staff, information as to RS Means' sole source provider status and information as to price are set forth in the memorandum presented to the Board on this date and incorporated herein; and

WHEREAS, the annual cost for this engagement is included in the 2020 Operating Budget submitted to the Board, and will be requested in future operating budgets, as applicable; and

WHEREAS, the Chief Executive Officer of the SDA has certified that the circumstances of this procurement warrant application of the sole source exemption set forth in Section 16c of EO #37.

NOW, THEREFORE, BE IT RESOLVED, that, consistent with the sole source exemption set forth in NJAC 19:38D-6.2(a)1, the Members of the Authority hereby authorize and approve a waiver of advertisement of this procurement and authorize award of a contract to RS Means for the goods and services described in detail in the memorandum presented to the Board on this date.

BE IT FURTHER RESOLVED, that the Members of the Authority further authorize and approve management's renewal of this software license annually without further Board approval so long as RS Means remains the sole source provider and the cost remains below the threshold requiring Board approval in accordance with the SDA Operating Authority.

BE IT FURTHER RESOLVED, 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, Sole Source Procurement of Goods and Services, RS Means Database,
dated August 5, 2020

Dated: August 5, 2020

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

**CONSTRUCTION MANAGEMENT SERVICES AWARD - BRIDGETON PUBLIC
SCHOOLS DISTRICT - BRIDGETON HIGH SCHOOL - EMERGENT PROJECT**



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

MEMORANDUM

6

TO: Members of the Authority

FROM: Sean Murphy
Director, Procurement

RE: District: Bridgeton Public Schools
School: Bridgeton High School
Description: Construction Management Services
Package No.: EP-0105-M02
Estimated Fee: \$755,000
Award: \$677,400
Contractor: Ernest Bock & Sons, Inc.

DATE: August 5, 2020

SUBJECT: Construction Manager Award

INTRODUCTION

I am writing to recommend approval by the Members of the Authority of the award of a contract for Construction Management (“CM”) Services. This contract is for services to manage corrective construction work to address an emergent condition at the Bridgeton High School in the Bridgeton Public School District.

Pursuant to the NJSDA Operating Authority adopted by the Board on December 1, 2010, as amended March 7, 2012, Board approval is required for the award of consultant contracts greater than \$100,000. Funding for this engagement is available within the Project Budget, in accordance with the Final Project Charter approved by the Members on July 1, 2020.

BACKGROUND

The Bridgeton High School, built in 1958, is an approximately 170,000 square foot facility in the Bridgeton Public School District educating approximately 1,298 students in grades 9 through 12.

Upon confirmation of the existence of emergent water intrusion conditions at the school, the NJSDA engaged USA Architects, Planners + Interior Designers, PA (“USA”) on June 14, 2018 to perform needed design services to provide for roofing replacement, masonry repairs, and other associated aspects related to the emergent conditions. USA was engaged through utilization of the NJSDA’s 2017 Design Consultant Task Order Contract.

On July 1, 2020, the Members of the Authority approved the Final Project Charter and the award of a construction contract to Ernest Bock & Sons, Inc. On July 17, 2020, Ernest Bock & Sons, Inc. was issued a Notice of Award for corrective construction work to address an emergent condition at the Bridgeton High School.

PROCUREMENT PROCESS

This package for CM Services was advertised as a “Price and Other Factors” solicitation beginning on May 19, 2020 on the NJSDA website, NJ State website, and in selected newspapers for interested firms registered as Small Business Enterprises to participate in the bidding process. In addition, the advertisement was distributed to those

Members of the Authority
 Package No. EP-0105-M02
 Bridgeton High School
 Construction Manager Award
 August 5, 2020
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firms that are pre-qualified in the area of Construction Management (P029) by both the Department of Treasury-Division of Property Management and Construction and the NJSDA. For this procurement, price was weighted as 40% of the Final Combined Score, and all non-price factors were weighted as 60% of the Final Combined Score.

A Selection Committee consisting of five (5) NJSDA staff members was established.

Proposals were received from four (4) firms by June 19, 2020. Qualifications and Technical Proposals were evaluated by the Selection Committee. Evaluations were based upon the information provided by the firms in response to the Request for Qualifications and Proposals (“RFQ/RFP”) for this project. The committee members evaluated the Qualifications and Technical Proposals for Construction Management Services separately based on the following criteria:

- Firm’s CM Experience on Similarly Sophisticated Projects
- Staffing Proposal
- Key Team Members’ Experience on Similarly Sophisticated Projects

Each Selection Committee member evaluated each Qualifications and 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 RFQ/RFP requirements with no deficiencies.
- Sufficient (5-6): meets RFQ/RFP requirements with no significant deficiencies.
- Minimal (3-4): meets RFQ/RFP requirements but contains some significant deficiencies.
- Marginal (1-2): comprehends intent of RFQ/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 Selection Committee member’s raw scores for each criterion to arrive at a total weighted score as indicated in Table 1 below:

TABLE 1

Criteria	Weighting Factor (Applied to Raw Score)	Maximum Weighted Points
Firm’s CM Experience on Similarly Sophisticated Projects	2.0	20
Staffing Proposal	3.0	30
Key Team Members’ Experience on Similarly Sophisticated Projects	5.0	50
Total Possible Points		100

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

Members of the Authority
 Package No. EP-0105-M02
 Bridgeton High School
 Construction Manager Award
 August 5, 2020
 Page 3

TABLE 2

Firm	Final Qualifications and Technical Proposal Score	Qualifications and Technical Proposal Rank
New Road Construction Management Co., Inc.	74.560	1
Greyhawk North America, LLC	74.300	2
ACB Consulting Services, LLC	64.800	3
The McCloud Group, LLC	60.600	4

The RFQ/RFP stipulated that a shortlist of the six (6) highest-ranked firms would be determined based on the Final Qualifications and Technical Proposal Scores. Since proposals were received from four (4) firms, all four (4) responding firms were shortlisted. The shortlisted firms participated in interviews with the Selection Committee on July 13, 2020. The interviews allowed the firms to expand and detail their firm and team experience with respect to NJSDA requirements for construction management services. The Selection Committee interviewed each of the shortlisted firms and evaluated each firm on Interview Criteria and Weighting Factors that were the same as those used in the evaluation of the Qualifications and Technical Proposals, as detailed above.

The individual criteria scores awarded by a particular Selection Committee member were added together to calculate an Interview Score for that firm. The maximum Interview Score is 100. All of the Interview Scores awarded to a particular firm by the Selection Committee members were added together and averaged to arrive at a Final Interview Score for each firm. The shortlisted firms, their scores and rankings are listed in Table 3 below:

TABLE 3

Firm	Final Interview Score	Interview Rank
New Road Construction Management Co., Inc.	81.150	1
Greyhawk North America, LLC	72.950	2
The McCloud Group, LLC	63.850	3
ACB Consulting Services, LLC	60.100	4

The Final Interview Score for each shortlisted firm was added to the Final Qualifications and Technical Proposal Score for each such firm, and the two scores were averaged to arrive at a Non-Price Score for each shortlisted firm. The maximum Non-Price Score is 100. The shortlisted firms, their scores and rankings are listed in Table 4 below:

TABLE 4¹

Firm	Non-Price Score	Non-Price Rank
Qualified and Responsive Bidders		
New Road Construction Management Co., Inc.	77.855	1
Greyhawk North America, LLC	73.625	2
ACB Consulting Services, LLC	62.450	3
Non-Responsive Bidder – Bid Rejected		
The McCloud Group, LLC	62.225	4

¹ Following the determination of Non-Price Scores, the Proposal submitted by The McCloud Group, LLC was rejected for being non-responsive to the RFQ/RFP requirements.

Members of the Authority
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 Bridgeton High School
 Construction Manager Award
 August 5, 2020
 Page 4

Once all of the Non-Price Scores for all shortlisted firms were calculated, the NJSDA opened the sealed Price Proposals of the three (3) remaining firms and reviewed them for responsiveness. The Price Proposals were publicly opened on July 20, 2020 and the bids were read aloud as required by law.

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

The results of the NJSDA's review and scoring of the Price Proposals are listed in Table 5 below:

TABLE 5²

Firm	Bid Price	Price Score	Price Rank
Qualified and Responsive Bidders			
Greyhawk North America, LLC	\$677,400.00	100.000	1
New Road Construction Management Co., Inc.	\$799,300.00	82.005	2
Non-Responsive Bidder – Bid Rejected			
ACB Consulting Services, LLC	\$896,462.42	67.661	3

As stipulated in the RFQ/RFP, each Bid Price is inclusive of NJSDA-established Allowances totaling \$120,000, as follows: \$100,000 for Testing and Inspection Services and \$20,000 for Cleaning Services.

After the Price Scores were determined, the Price Scores were adjusted by a weighting factor of 40%. The Non-Price Scores for "Other Factors" criteria were adjusted by a weighting factor of 60%. The weighted Price Score and weighted Non-Price Score for each of the two (2) remaining firms were added together for a Final Combined Score. The maximum Final Combined Score is 100. The Final Combined Scores and Final Rankings are listed in Table 6 below:

TABLE 6

Firm	Raw Non-Price Score	Raw Price Score	Weighted Non-Price Score (60%)	Weighted Price Score (40%)	Final Combined Score	Final Rank
Greyhawk North America, LLC	73.625	100.000	44.175	40.000	84.175	1
New Road Construction Management	77.855	82.005	46.713	32.802	79.515	2

The highest ranked firm was Greyhawk North America, LLC ("Greyhawk").

The bid submitted by Greyhawk was less than the NJSDA estimate. In order to ensure the firm's Price Proposal was inclusive of all scope elements, a conference was conducted on July 22, 2020 with Greyhawk and staff from Procurement, Construction Operations, Program Operations and Financial Operations to review the bid. At the time of the review, Greyhawk confirmed to the satisfaction of staff that its Price Proposal is inclusive of all scope elements contained in the Contract Documents.

The Construction Operations Director and the Financial Operations Director recommend award of the project to Greyhawk.

² Following the opening of the Price Proposals, the Price Proposal submitted by ACB Consulting Services, LLC was rejected for being non-responsive to the RFQ/RFP requirements.

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Package No. EP-0105-M02
Bridgeton High School
Construction Manager Award
August 5, 2020
Page 5

RECOMMENDATION

The Members of the Authority are requested to approve the award of a contract to the firm with the highest Final Combined Score, Greyhawk North America, LLC, in the amount of \$677,400 for Construction Management Services for the corrective construction work to address an emergent condition at the Bridgeton High School in the Bridgeton Public School District.

Prior to execution of the contract, the contract and related documentation will be reviewed and approved by the NJSDA Division of Chief Counsel.

/s/ Sean Murphy
Sean Murphy
Director, Procurement

- Reviewed and Recommended by: Manuel Da Silva, Chief Executive Officer
- Reviewed and Recommended by: Andrew Yosha, Vice President, Program Operations and Strategic Planning
- Reviewed and Recommended by: Donald Guarriello, Vice President and Chief Financial Officer
- Reviewed and Recommended by: Gregory Voronov, Managing Director, Planning and Program Operations
- Reviewed and Recommended by: Andrew Oakley, Director, Construction Operations
- Reviewed and Recommended by: Robert Carney, Director, Financial Operations

Resolution—6a.

Construction Manager Services Award

District:	Bridgeton Public Schools
School:	Bridgeton High School
Description:	Construction Management Services
Package No.:	EP-0105-M02
Estimated Fee:	\$755,000
Award:	\$677,400
Contractor:	Ernest Bock & Sons, Inc.

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 award of consultant contracts greater than \$100,000; and

WHEREAS, the Bridgeton High School (School), built in 1958, is an approximately 170,000 square foot facility in the Bridgeton Public Schools District educating approximately 1,298 students in grades 9 through 12; and

WHEREAS, upon confirmation of the existence of emergent water intrusion conditions at the School, the SDA utilized the 2017 Design Consultant Task Order Contract and, in June 2018, engaged a firm to perform needed design services to provide for roofing replacement, masonry repairs, and other associated aspects related to the emergent conditions; and

WHEREAS, on July 1, 2020, the Members of the Authority approved the final charter and on July 17, 2020, Ernest Bock & Sons, Inc. was issued a notice of award for corrective construction work to address the emergent condition at the School (the Project); and

WHEREAS, beginning May 19, 2020, a package for construction management (CM) services was advertised as a “price and other factors” solicitation, with price weighted as 40% and all non-price factors weighted as 60% of the final combined score; and

WHEREAS, the details of the CM services procurement process conducted by management are comprehensively set forth in the memorandum presented to the Board on this date; and

WHEREAS, upon completion of the competitive procurement process for CM services, the highest ranked firm was Greyhawk North America, LLC (Greyhawk), with a price in the amount of \$677,400 for the Project; and

WHEREAS, following review, Greyhawk has confirmed that its price proposal is inclusive of all scope elements contained in the contract documents; and

WHEREAS, the SDA construction operations director and financial operations director recommend award of the project to Greyhawk; and

WHEREAS, funding for this engagement is available within the project budget in accordance with the final project charter approved by the Members on July 1, 2020; and

WHEREAS, prior to execution of the contract, the contract and related documentation will be reviewed and approved by the SDA Division of Chief Counsel.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby authorize and approve the award of a contract to the firm with the highest Final Combined Score, Greyhawk North America, LLC, in the amount of \$677,400 for Construction Management Services for corrective construction work to address an emergent condition at the Bridgeton High School in the Bridgeton Public Schools District consistent with the memorandum presented to the Board on this date and incorporated herein.

BE IT FURTHER RESOLVED that, prior to execution of the contract, the contract and related documentation will be reviewed and approved by the SDA Division of Chief Counsel.

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

Attached: Memorandum, Construction Manager Award, (Package No. EP-0105-M02), Bridgeton Public Schools District, Bridgeton High School, dated August 5, 2020

Dated: August 5, 2020

MONTHLY REPORTS
(For Informational Purposes)

ACTIVE PROJECTS STATUS REPORT



STATE OF NEW JERSEY
SCHOOLS DEVELOPMENT AUTHORITY

MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director

DATE: August 5, 2020

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

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

The 2nd 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 7/20/20

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.

7



2011 & 2012 Portfolio Projects Activities Summary

as of 7/20/20

2012 Portfolio Projects - sorted by District		1				Design Status	Advancement Status	Projected Construction Advertisement Date*
District	Project	Grade Alignment	FES Capacity	Max. Capacity	Total Estimated Cost (millions)			
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	\$28.4	Design-Bid-Build	Award for D-B approved Nov. 2019 Board. (Niram)	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.

7



2011 & 2012 Portfolio Projects Activities Summary

as of 7/20/20

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	School occupied Sep. 2019. (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	School occupied Sep. 2019. (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	3,295	\$283.8	Design-Build	Award for D-B approved Nov. 2019 Board. (Terminal)	3/26/19
Perth Amboy	Rose M. Lopez ES (Seaman Avenue ES)	K-5	724	804	\$56.4	Kit of Parts/ Design-Build	School occupied Sep. 2019. (Epic Management).	2/3/16
Plainfield	New Woodland ES	K-5	756	840	\$59.4	Kit of Parts/ Design-Build	Award for D-B approved Feb. 2020 Board. (Epic Management)	5/23/18 8/29/19
Union City	New Grade 7 to 9 School	7-9	756	840	\$75.5	Kit of Parts/ Design-Build	Revised Preliminary Charter approved Dec. 2019 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.

7



2011 & 2012 Portfolio Projects Activities Summary

as of 7/20/20

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	School occupied Sep. 2019. (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.

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Active Project Status Report Status as of 7/1/2020

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	Construction	3Q 2021	On-target	Sep-21	On-target	\$ 33,243,608
3	City of Orange	Orange High School	Addition/Renovation	Construction	2Q 2022	On-target	Phased	On-target	\$ 51,931,218
4	East Orange	New GW Carver ES	New Construction	Construction	2Q 2020	On-target	Sep-20	On-target	\$ 41,179,670
5	Harrison	New Elementary School	New Construction	Construction	2Q 2020	On-target	Sep-20	On-target	\$ 36,115,640
6	Keansburg	Port Monmouth Road School	Addition/Renovation	Constructability Review	2Q 2022	On-target	Sep-22	On-target	\$ 28,440,130
7	Millville	Millville Senior High School	Addition/Renovation	Construction	3Q 2022	On-target	Phased	On-target	\$ 137,503,832
8	Passaic City	New Dayton Avenue Educational Campus	New Construction	Construction	2Q 2022	On-target	Sep-22	On-target	\$ 240,923,270
9	Paterson	New Union Ave MS	New Construction	Construction	2Q 2021	On-target	Sep-21	On-target	\$ 113,902,274
10	Pemberton	New Denbo ES	New Construction	Construction	1Q 2021	On-target	Sep-20	On-target	\$ 58,703,414
11	Perth Amboy	New High School	New Construction	Design-Build Design Phase	2Q 2024	On-target	Sep-24	On-target	\$ 283,830,000
12	Plainfield	New Woodland ES	New Construction	Design-Build Design Phase	3Q 2022	On-target	Sep-22	On-target	\$ 59,440,000

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**Active Project Status Report
Status as of 7/1/2020**

Emergent Projects - With Contract for Construction Awarded

#	District	Project Name	Project Scope	Project Phase	Substantial Completion	Status Substantial Completion	Final Completion	Status of Final Completion	Total Estimated Project Cost
1	Camden	Hatch MS (New Camden HS Temporary Space)	Roof Repairs	Construction	3Q 2020	On-Target	3Q 2020	On-Target	\$ 480,049
2	Newark	Chancellor Ave Annex	Building Envelope & Structural Repairs	Construction	1Q 2020	Achieved	2Q 2020	Achieved	\$ 1,221,437
3	Newark	Lafayette Street School	Exterior Doors & Roofing	Construction	2Q 2020	Achieved	3Q 2020	On-Target	\$ 658,129

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: August 5, 2020
Subject: Project Close-Out Status Report

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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 July 1, 2020

Year of Occupancy	DOE #	School	Disposition	Project Transfer Date	Outstanding Issues Preventing Complete Close-out
Bridgeton					
2016	0540-050-13-0ACN	Buckshutem Road Elementary School			
2017	0540-100-13-0ACO	Quarter Mile Lane Elementary School			
Burlington City					
2007	0600-020-01-0957	New High School	Project Transferred	12/29/11	Open contract(s)
Camden					
2009	0680-350-01-0938	HB Wilson Elementary School	Project Transferred	04/14/10	Open contract(s)
Egg Harbor City					
2010	1300-X01-04-0ADY	New Middle School	Project Transferred	01/01/12	Open contract(s)
Egg Harbor Township					
2011	1310-005-04-0AEB	Egg Harbor Township High School			
Elizabeth					
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	Project Transferred	08/27/19	Open contract(s) - Legal matter pending
Garfield					
2018	1700-205-03-0315	James Madison Elementary School #10			
Gloucester City					
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)
Irvington					
2019	2330-120-03-0755	Madison Avenue Elementary School			
Jersey City					
Legacy	2390-N01-99-0227	New Elementary School #3 (Frank R. Conwell ES #3)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
Legacy	2390-N02-99-0228	Jersey City Middle School # 4 (Frank R. Conwell MS #4)	Project Transferred	12/19/15	Open contract(s) - Legal matter pending
2016	2390-190-01-0581	New Public School #20	Project Transferred	08/11/17	Open contract(s)
2017	2390-X03-01-0587	Patricia M. Noonan ES (New PS #3)	Project Transferred	12/14/17	Open contract(s)
2007	2390-N03-99-0147	Heights Middle School #7			

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PROJECT STATUS REPORT - As of July 1, 2020					
Year of Occupancy	DOE #	School	Disposition	Project Transfer Date	Outstanding Issues Preventing Complete Close-out
Keansburg					
2016	2400-E01-02-0116	New Caruso Elementary School	Project Transferred	08/13/18	Open contract(s)
Newark					
Legacy	3570-X01-01-0617	Science Park	Project Transferred	05/03/13	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			
Passaic					
2015	3970-X01-01-X760	New Henry Street Elementary School			
2019	3970-N11-07-0DAY	Leonard Place Elementary School			
Paterson					
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			
Pemberton					
2011	4050-E01-02-0082	Pemberton Early Childhood Education Center	Project Transferred	02/01/13	Open contract(s)
Perth Amboy					
2019	4090-N01-98-0325	Seaman Avenue Elementary School			
Phillipsburg					
2016	4100-X01-99-0464	New High School	Project Transferred	06/07/18	Open contract(s)
Trenton					
2019	5210-050-13-0AEH	Trenton Central High School			
Vineland					
2018	5390-N02-02-0245	Lincoln Avenue Middle School			
West New York					
2009	5670-065-01-0559	Elementary School #2	Project Transferred	05/14/13	Open contract(s)
Capital and Demonstration Projects Totals					
Total Capital and Demonstration Projects			155		
Closed Capital and Demonstration Projects			121		
Capital and Demonstration Projects Not Closed			34		
Capital and Demonstration Projects Not Closed, Project Transferred			20		
			Legal Matter	3	
			Miscellaneous	17	

PROJECT STATUS REPORT - As of July 1, 2020

Year of Occupancy	DOE #	School	Disposition	Project Transfer Date	Outstanding Issues Preventing Complete Close-out
Emergent Projects					
Camden					
	0680-170-12-0ACF	Cramer Elementary School			
Irvington					
	2330-090-12-0ACT	Chancellor Avenue Elementary School	Project Transferred	3/20/2018	Open contract(s)
Newark					
	3570-301-17-0AES	Marin - HVAC			
	3570-415-17-0AER	Dr. E. Alma Flagg E.S. - Doors and Roofing			
	3570-460-17-0AEZ	Hawkins ES - Chimney Repairs			
	3570-480-17-0AET	Lafayette - Doors and roofing			
	3570-750-17-0BBC	Wilson School Annex - Chimney			
Paterson					
	4010-N02-12-0ABX	Roberto Clemente ES			
Plainfield					
	4160-050-17-0BBD	Plainfield High School			
Vineland					
	5390-050-12-0ACK	Vineland High School South			
Emergent Project Totals					
Total Emergent Projects			79		
Emergent Projects Closed			69		
Emergent Projects Not Closed			10		
Emergent Projects Not Closed but Transferred			1		
Health and Safety Contract Totals					
Total Contracts			399		
# of Contracts Closed			394		
# of Open Contracts			5		
Open Design Contracts					
Total Contracts			109		
# of Contracts Closed			98		
# of Open Contracts			11		

PROJECT STATUS REPORT



MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director – Program Operations

DATE: August 5, 2020

SUBJECT: Executive Summary – Monthly Project Status Reports

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: January 2008 to June 2020

District	Project	Board Approved Project Charter Contingency	Contingency Expended/Committed	Contingency Remaining ¹	% 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

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. Project close-out pending resolution of open contracts.
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. Project close-out pending resolution of open contracts.
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. Project close-out pending resolution of open contracts.

¹ Does not include expended contingency or contingency funds allocated for change orders, amendments



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

Reporting Period: June 2020

#	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
No Activity During the Reporting Period									



Revisions to Project Charters

Reporting Period: June 2020

#	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: August 5, 2020

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

Contracts Executed Report

This report contains the activity of Contracts executed during the period June 1 through June 30, 2020.

Noteworthy Items during the reporting period:

- Execution of 1 Design Consultant Task Order Contract for pre-design services for an emergent project at the Camden Veteran's Memorial School – NK Architects – \$784,275

Amendments & Change Orders Report

This report contains the activity of Amendments and Change Orders executed during the period June 1 through June 30, 2020.

Noteworthy Items during the reporting period:

- 3 Professional Services Amendments totaling a credit of \$65k were executed during the reporting period, of the 3 executed amendments none required board approval.
- 5 Construction Services Change Orders totaling \$1.8M were executed during the reporting period, of the 5 executed change orders 1 required board approval totaling \$1.5M.

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: 6/1/2020 through: 6/30/2020

District	School Name(s)	Project Type	Contract Type	Contract Number	Vendor	MWSBE Cert(s)	Contract Award Amount	Contract Execution Date	Per School CCE	Total CCE
Part 1. Professional Services										
	Design Consultant									
Camden City	Veterans Memorial M.S.	Emergent	Design	EP-0116-A01	NK Architects, P.A.		\$784,275	6/12/2020	-	
	Design Consultant									
Part 1. Professional Services							\$784,275			

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Contracts Executed Report

Reporting Period: 6/1/2020 through: 6/30/2020

District	School Name(s)	Project Type	Contract Type	Contract Number	Vendor	MWSBE Cert(s)	Contract Award Amount	Contract Execution Date	Per School CCE	Total CCE
Part 4. Other Contracts & Services										
Others										
East Orange	New George Washington Carver E.S.	New	FFE	ES-0021-Q21	Community Products LLC dba Community Playthings		\$24,795	06/01/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-K10	Washington Computer Services		\$25,571	06/01/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-K11	Apple Inc.		\$24,924	06/04/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-K12	Washington Computer Services		\$43,697	06/05/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-K13	SHI International, Inc	MW	\$10,185	06/15/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-K14	MRA International, Inc.		\$39,543	06/26/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q04	Krueger International, Inc.		\$17,592	06/01/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q06	Brodart Co		\$71,920	06/04/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q07	Krueger International, Inc.		\$121,880	06/04/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q08	Krueger International, Inc.		\$167,572	06/05/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q09	Krueger International, Inc.		\$51,080	06/05/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q11	Toledo Furniture Inc.		\$25,084	06/08/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q12	Academia Furniture Industries		\$22,624	06/08/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q13	Krueger International, Inc.		\$173,751	06/09/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q14	Indiana Furniture Industries, Inc.		\$16,542	06/11/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q15	Community Products LLC dba Community Playthings		\$188,714	06/12/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q16	Krueger International, Inc.		\$27,453	06/12/2020	-	
Harrison	Harrison Kennedy E.S.	New	FFE	HU-0027-Q17	Krueger International, Inc.		\$12,397	06/24/2020	-	
Millville	High School	RenoAdd	FFE	ST-0046-K19	Computer Logic Group, Inc.		\$175,038	06/29/2020	-	
Millville	High School	RenoAdd	FFE	ST-0046-Q19	Krueger International, Inc.		\$20,772	06/04/2020	-	

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Contracts Executed Report

Reporting Period: 6/1/2020 through: 6/30/2020

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	
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-K09	Turn-Key Technologies, Inc.		\$71,877	06/10/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-K10	Washington Computer Services		\$139,362	06/29/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q21	Krueger International, Inc.		\$20,542	06/08/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q22	Krueger International, Inc.		\$51,366	06/10/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q23	Toledo Furniture Inc.		\$16,438	06/12/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q24	Krueger International, Inc.		\$29,889	06/22/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q25	Academia Furniture Industries		\$41,769	06/22/2020	-		
Pemberton Township	Denbo Crichton E.S.	New	FFE	WT-0023-Q26	Toledo Furniture Inc.		\$12,414	06/22/2020	-		
Others											
Part 4. Other Contracts & Services								\$1,644,793			
								Total Contract Award			Total Contracts Awarded
Grand Totals - Professional and Construction Services Combined								\$2,429,068			29

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

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: 6/1/2020 through: 6/30/2020

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 %
Professional Services													
Design Consultant													
Keansburg Borough	Port Monmouth Road School	ET-0098-A01	3/9/2016	7	Lan Associates, Engineering, Planning, A	6/11/2020	\$2,205,745	\$3,037	\$20,335			\$2,229,117	1.06%
Design Consultant													
Construction Management Services													
Harrison	Harrison Kennedy E.S.	HU-0027-M01	6/12/2017	1	Joseph Jingoli & Son, Inc.	6/17/2020	\$1,445,000	\$0	(\$150,000)			\$1,295,000	-10.38%
Harrison	Harrison Kennedy E.S.	HU-0027-M01	6/12/2017	2	Joseph Jingoli & Son, Inc.	6/17/2020	\$1,445,000	(\$150,000)	\$64,914			\$1,359,914	-5.88%
Construction Management Services													
Professional Services													
												(\$64,751)	
Construction Services													
Contractor													
City Of Orange Township	Orange H.S.	ES-0042-C01	4/29/2019	4	Terminal Construction Corp.	6/25/2020	\$37,000,000	\$1,105,094	\$300,000			\$38,405,094	3.79%
Elizabeth	New ES	EL-0042-B01	12/16/2014	17	Torcon, Inc.	6/19/2020	\$44,456,800	\$931,863	\$1,500,000	Y	5/6/2020	\$46,888,663	5.47%
Newark	South Street E.S.	NE-0003-B01	11/20/2015	6	Ernest Bock & Sons, Inc.	6/9/2020	\$36,885,000	(\$81,811)	\$33,090			\$36,836,279	-0.13%
Newark	South Street E.S.	NE-0003-B01	11/20/2015	7	Ernest Bock & Sons, Inc.	6/9/2020	\$36,885,000	(\$48,721)	\$16,187			\$36,852,466	-0.08%
Passaic City	Dayton Ave. Educational Campus	NT-0052-B01	1/2/2018	17	Terminal Construction Corp.	6/4/2020	\$163,560,000	\$258,160	(\$49,249)			\$163,768,911	0.12%
Contractor													
Construction Services													
												\$1,800,028	
										Total Change Order Summary		Total Change Orders	
										\$1,735,277		8	
Grand Totals													
Column Description Legend													
CO Execution Date			Date the Change Order was entered into the SIMS system										
Revised Contract Amount			Current value of the contract (excluding additional assignments) including current change order										

CONTRACT TERMINATIONS REPORT *(no activity)*

SETTLEMENT CLAIMS *(no activity)*

DIVERSITY AND WORKFORCE PARTICIPATION REPORT



MEMORANDUM

7

TO: Members of the Authority

FROM: Karon L. Simmonds, Director, Risk Management

DATE: August 5, 2020

SUBJECT: Diversity and Workforce Participation Monthly Update for May 2020

The Risk Management staff continues to participate at mandatory pre-bid and pre-construction meetings to instruct and inform bidders regarding SDA's Small Business Enterprise (SBE) and Workforce goals, policies and procedures, including:

- SBE subcontracting goal of 25% of all contracts
- County workforce goals for minorities and females
- Local 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 ATTAINMENT

The SDA regularly exceeds the State-mandated 25% SBE goal. The total SDA contract dollars awarded through May 31, 2020 was \$19,828,969.00. The figures below demonstrate compliance with this requirement.

Diversity Breakdown

The total contract dollars awarded to all SBE contractors was \$4,197,238 (including minorities, women and veterans). This represents 21.17% of all SDA contracts.

Type of Business Enterprise	Contract Amount	% of Total SDA Contracts
Small Business Enterprises	\$ 3,626,325	18.29%
Small/ Minority Business Enterprises	\$ -0-	0.00%
Small/Women Business Enterprises	\$ 430,913	2.17%
Small/Veteran Owned Business Enterprises	\$ 140,000	0.71%
Small/Minority/Women Business Enterprises	\$ -0-	0.00%
TOTAL DIVERSITY CONTRACTS	\$ 4,197,238	21.17%

Members of the Authority
 Diversity and Workforce Participation Monthly Update for May 2020
 August 5, 2020
 Page 2 of 3

WORKFORCE PARTICIPATION

For the month of May 2020, there was a contractor workforce of 883 on SDA projects. This represents a total of 73,908 contractor workforce hours as follows:

Contractor Workforce Breakdown (All Trades/Districts/Counties)			
Ethnicity	Total Workforce	Total Workforce Hours	Workforce Hours Percentage
Black	71	6,702	9.07%
Hispanic	143	10,628	14.38%
American Indian	5	648	0.88%
Asian	2	48	0.06%
Total Minority Participation	221	18,026	24.39%
Total Non-Minority Participation	662	55,882	75.61%
Total Contractor Workforce	883	73,908	100.00%

There was a contractor workforce of 330,368 total workforce hours and 5,362 total female workforce hours on SDA projects for the period of January 1, 2020 through May 31, 2020. The following table highlights the *Local County Contractor Workforce* participation for this period:

Local County Contractor Workforce Participation	Workforce Hours	Percentage
*Total Workforce Hours	330,368	100.00%
*Total Local County Workforce Hours	25,731	7.79%
Total Local County Non-Minority Workforce Hours	9,891	2.99%
Total Local County Female Workforce Hours	0	0.00%
Total Local County Minority Workforce Hours	15,840	4.80%
**Local County Workforce Hours by Ethnicity:		
Black	10,510	3.18%
Hispanic	5,330	1.61%
American Indian	0	0.00%
Asian	0	0.00%

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

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

Members of the Authority
 Diversity and Workforce Participation Monthly Update for May 2020
 August 5, 2020
 Page 3 of 3

The following table represents contractor minority and female workforce for all SDA active Capital Projects and all active and completed Emergent Projects for the period of January 1, 2020 through May 31, 2020.

SDA Managed Project	Total Workforce Hours	Minority Workforce Hours & Percentage		Local County Workforce Hours & Percentage	
Camden HS	61,670	19,332	31.35%	6,392	10.37%
GW Carver ES	2,666	337	12.64%	66	2.48%
Harrison ES	31,715	8,263	26.05%	0	0.00%
Millville HS	71,752	20,814	29.01%	11,060	15.41%
Dayton Ave Campus	109,336	37,338	34.15%	3,955	3.62%
Union Ave MS	13,727	2,021	14.72%	2,320	16.90%
Denbo-Crichton ES	26,280	3,134	11.93%	983	3.74%
Cleveland ES	1,709	410	23.99%	0	0.00%
Orange HS	10,859	3,864	35.58%	939	8.65%
Emergent Projects	462	150	32.47%	0	0.00%

Prepared by: Charlotte Brooks
 Zaida Olszak

REGULAR OPERATING DISTRICTS (RODs) ACTIVITY REPORT



MEMORANDUM

TO: Members of the Authority

FROM: Gregory Voronov
Managing Director, Program Operations

DATE: August 5, 2020

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

This report summarizes the Regular Operating District Grant activity from inception to date and for the month of June 2020. 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.
- 21 grants impacting 10 districts were closed out during the reporting period representing \$27.2M in total project costs and state share of \$10.1M.
- Since inception, over \$2.9B 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

June 2020

ROD Grant Summary Since Program Inception				
	Offered ¹	Executed	Closed-Out	Active
Districts Impacted	-	524	517	93
Number of Grant Projects	-	5,406	5,079	327
Total Project Cost Estimate	\$ -	\$ 8,947,728,755	\$ 8,621,064,781	\$ 326,663,973
Grant Amount	\$ -	\$ 3,006,145,761	\$ 2,855,575,627	\$ 150,570,134
Amount Disbursed	N/A	\$ 2,928,069,106	\$ 2,855,575,627	\$ 72,493,479

Total Funding Offered to School Districts via Grant Program	\$ 3,342,209,450
Total ROD Grant Funding remaining for new Grant Projects	\$ 81,642,092

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	-	10
Number of Grant Projects	-	21
Total Project Cost Estimate	\$ -	\$ 27,206,527
Grant Amount	\$ -	\$ 10,119,816
Amount Disbursed	NA	\$ 10,119,816

* 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 *(no report)*

MONTHLY FINANCIAL REPORT

MEMORANDUM

TO: The Members of the Authority

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

DATE: August 5, 2020

SUBJECT: Monthly Financial Report – June 2020

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

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

For June 2020 year to date, Authority operating expenses, **\$7.8M**, are **\$2.0M** lower than budget for the corresponding period. The variance is primarily related to lower year to date personnel costs, **\$1.4M**, professional & other contracted services, **\$472K**, facilities and general office expenses, **\$225K**, and information systems, **\$163K**, offset by a lower payroll allocation to project expenditures, **\$325K**.

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

For June 2020 year to date, Authority operating expenses, **\$7.8M**, are **\$1.9M** lower when compared to the corresponding prior year. The variance is mainly attributable to decreases in personnel expenses, **\$1.7M**, which is a result of having 39 less employees (FTEs) than last year.

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

For June 2020 year to date, project expenditures, **\$138.2M**, are **\$21.9M** lower than the capital spending forecast for the corresponding period. This variance is primarily the result of lower than forecasted expenditures for construction activity **\$10.1M**, grants **\$7.5M**, school furniture & fixtures **\$1.9M**, and property acquisitions **\$1.7M**.

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

For June 2020 year to date, project expenditures, **\$138.2M**, are lower by **\$11.7M** when compared to the corresponding prior year. The variance is attributable mainly to a decrease in grant activity **\$6.5M**, school furniture & fixture **\$4.9M**, construction activity **\$4.0M offset** by an increase in design services **\$2.8M**, and project insurance **\$1.5M**.

Members of the Authority
August 5, 2020
Page 2

Other

Since program inception, 87.2% 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
June 2020
(Unaudited)

New Jersey Schools Development Authority

Overview of Financial Position

June 30, 2020

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, June 30, 2020.

► Overall **Cash and Cash Equivalents** have decreased by \$141.1 million to \$429.8 million, as follows:

■ Receipt of bond and note proceeds (Issued by EDA)	\$ -
■ Investment earnings	2,551,201
■ Miscellaneous revenue	21,000
■ Project costs	(138,217,442)
■ SDA operating expenses	(8,009,297)
■ SDA capital expenditures	(98,482)
■ Deposits (primarily district local shares)	2,612,807
Net Change in Cash	\$ (141,140,213)

► **Prepaid Expenses** total \$394,930 as follows:

- Prepaid insurance of \$233,398.
- Prepaid rents of \$102,220 for the Authority's leased office space in Trenton and Newark.
- Prepaid MIS maintenance service contracts of \$29,035.
- Other prepaids of \$30,277.

► **Capital Assets** total \$1,089,141 (net of accumulated depreciation of \$6,793,641), 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 \$88,709 and **Depreciation Expense** is \$82,452.

► **Accrued Liabilities** total \$93.5 million, as follows:

- Accrued project costs of \$22.2 million consisting of unpaid invoices (\$3.3 million) and retainage (\$18.9 million).
- Accrued net pension liability of \$44.0 million.
- Other post-employment benefits obligation of \$21.7 million.
- Pollution remediation obligations (PRO) under GASB 49 net to \$1.4 million (PRO liability \$2.9 million, offset by expected cost recoveries of \$1.5 million).
- Estimated liability for loss contingencies totaling \$2.4 million.
- Payroll related liabilities of \$1.7 million.
- Other accrued liabilities of \$0.1 million.

► **Deposits** total \$5.4 million, as follows:

- \$5.4 million is held for local share agreements (pass-through item).

► The Authority's **Net Position** at month end is \$312.3 million.

New Jersey Schools Development Authority School Facilities Project Expenditures & Funding Allocation June 30, 2020

► 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 \$11.498 billion.
- Project expenditures for the month and year-to-date periods total \$25.0 million and \$138.2 million, respectively, as follows:

<u>Category</u>	<u>Current Month</u>	<u>Current Year-To-Date</u>	<u>Since Program Inception</u>
Construction	\$ 19,355,526	\$ 100,967,125	\$ 5,171,533,568
Design Services	120,676	1,019,500	412,075,992
PMF/CM Services	522,896	2,953,397	465,534,397
SDA Project Management	1,381,762	6,492,611	104,939,339
Property Acquisition, Relocation & Enviro	84,970	1,151,900	581,323,354
School Furniture, Fixtures & Equipment	840,433	2,570,813	189,001,066
Project Insurance	307,075	3,312,039	112,457,702
NJ State Inter-Agency Transfers	-	77,470	50,361,676
SDA District Grant & Funding Agreements	4,195	881,002	877,386,733
Regular Operating District Grant Agreements	2,291,625	17,898,483	2,936,772,568
Real-Time Project Audits	-	-	628,000
Property Management, Maintenance & Utils	28,885	155,437	18,397,831
Outside Legal & Claims Resolution Services	22,558	348,731	11,096,247
Temporary Staffing	5,985	76,523	10,536,864
Other Project Costs	268	571,077	61,901,012
Project Credits	-	-	(54,902,944)
Total Project Expenditures	24,966,854	138,476,108	10,949,043,405
Less: Local Share Contributions	-	(258,666)	(184,599,081)
Project Expenditures (State Share)	<u>\$ 24,966,854</u>	<u>\$ 138,217,442</u>	<u>\$ 10,764,444,324</u>
2020 Capital Spending Forecast	<u>\$ 27,367,849</u>	<u>\$ 160,069,137</u>	

Allocations Since Program Inception

► Program Funding & Expenditures

- SDA Districts
- Regular Operating Districts
- Vocational Schools
- Total - State Share

	<u>Bonding Caps</u> ¹	<u>Total Funding</u> ²	<u>Paid to Date</u> ³
SDA Districts	\$ 8,900,000,000	\$ 9,026,762,064	\$ 7,872,086,532
Regular Operating Districts	3,450,000,000	3,500,180,053	3,258,384,345
Vocational Schools	150,000,000	152,005,340	121,746,684
Total - State Share	<u>\$ 12,500,000,000</u>	<u>\$ 12,678,947,457</u>	<u>\$ 11,252,217,561</u>

► Percentage of Total Funding Paid to Date

- SDA Districts 87.2%
- Regular Operating Districts 93.1%
- Vocational Schools 80.1%
- Total - State Share 88.7%

- 1 Of the \$12.5 billion authorized for the school construction program, \$11,497,702,648 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 \$487,773,237.

New Jersey Schools Development Authority Fund Reporting Operating Expenses vs Budget June 30, 2020

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<u>Category</u>	<u>Actual Year-To-Date</u>	<u>Budget Year-To-Date</u>	<u>Over/ (Under)</u>
Personnel Expenses:			
Employee Salaries	\$ 7,898,670	\$ 8,800,198	\$ (901,528)
Employee Benefits	4,401,797	4,826,831	(425,034)
Direct Hire Temporary Employee Costs	2,561	24,222	(21,661)
Total Employee Salaries & Benefits Costs	12,303,028	13,651,251	(1,348,223)
<u>Less:</u> Employee Salaries & Benefits Costs Charged to Projects			
	6,492,611	6,818,000	(325,389)
Salaries & Benefits Charged to Operating Expense	5,810,417	6,833,251	(1,022,834)
Temporary Staffing Services	-	37,500	(37,500)
Travel & Expense Reimbursements	6,446	13,971	(7,525)
Training & Professional Development	12,301	34,998	(22,697)
Total Personnel Expenses	5,829,164	6,919,720	(1,090,556)
Non-Personnel Operating Expenses:			
Facilities & General Office Expenses	1,066,177	1,290,960	(224,783)
Information Systems	417,020	580,381	(163,361)
Professional & Other Contracted Services	257,419	729,381	(471,962)
Property & Casualty Insurance	176,064	182,598	(6,534)
SDA-Owned Automobiles	32,640	49,998	(17,358)
Communications & Outreach	-	1,500	(1,500)
Reserve for Unforeseen Events & New Initiatives	-	25,002	(25,002)
Total Authority Operating Expenses	\$ 7,778,484	\$ 9,779,540	\$ (2,001,056)

2020 Annual Operating Budget

\$ 17,436,021

**New Jersey Schools Development Authority
Capital Expenditures
June 30, 2020**

Description of Capital Item:	Budget Year	Budget Amount	Capital Expenditures		
			2020	Pre-2020	Total
Leasehold Improvements		\$ -	\$ -	\$ -	-
Office Furniture & Equipment		-	-	-	-
CM Computer Software System:					
Estimated SDA Staff Time	2020	150,000	-	-	-
Estimated SDA Staff Time	2019	450,000	-	211,192	211,192
Purchase & Development	2019	1,000,000	-	-	-
Purchase & Development	2018	1,500,000	88,709	579,268	667,977
Total Capital Items		\$ 3,100,000	\$ 88,709	\$ 790,460	\$ 879,169

New Jersey Schools Development Authority Fund Reporting Operating Expenses vs Prior Year June 30, 2020

7

<u>Category</u>	<u>Actual</u> <u>Year-To-Date</u>	<u>2019</u> <u>Year-To-Date</u>	<u>Over/</u> <u>(Under)</u>
Personnel Expenses:			
Employee Salaries	\$ 7,898,670	\$ 9,604,313	\$ (1,705,643)
Employee Benefits	4,401,797	5,057,855	(656,058)
Direct Hire Temporary Employee Costs	2,561	19,936	(17,375)
Total Employee Salaries & Benefits Costs	12,303,028	14,682,104	(2,379,076)
Less: Employee Salaries & Benefits Costs Charged to Projects	6,492,611	7,181,432	(688,821)
Salaries & Benefits Charged to Operating Expense	5,810,417	7,500,672	(1,690,255)
Temporary Staffing Services	-	2,003	(2,003)
Travel & Expense Reimbursements	6,446	8,879	(2,433)
Training & Professional Development	12,301	16,396	(4,095)
Total Personnel Expenses	5,829,164	7,527,950	(1,698,786)
Non-Personnel Operating Expenses:			
Facilities & General Office Expenses	1,066,177	1,206,426	(140,249)
Information Systems	417,020	576,683	(159,663)
Professional & Other Contracted Services	257,419	180,615	76,804
Property & Casualty Insurance	176,064	174,887	1,177
SDA-Owned Automobiles	32,640	45,166	(12,526)
Communications & Outreach	-	6,515	(6,515)
Reserve for Unforeseen Events & New Initiatives	-	-	-
Total Authority Operating Expenses	\$ 7,778,484	\$ 9,718,242	\$ (1,939,758)

New Jersey Schools Development Authority

Employee Headcount

June 30, 2020

	<u>Current Month End</u>	<u>Budget</u>	<u>Over/ (Under)</u>
Office of Chief Executive Officer	4	4	-
Human Resources	3	6	(3)
Communications	2	3	(1)
Information Systems	15	15	-
Central Records Management	3	3	-
Legislative Affairs	1	1	-
Office of Program Operations & Strategic Planning	2	2	-
Capital Planning & Program Operations	7	4	3
Design Studio	18	20	(2)
Grants Administration	11	13	(2)
Real Estate Services & Predevelopment	8	10	(2)
Vendor Development	5	5	-
Office of Construction Operations	0	2	(2)
Project Teams	28	35	(7)
Office of Corporate Governance & Legal Affairs	5	5	-
Chief Counsel	10	11	(1)
Safety	6	6	-
Internal Audit	3	4	(1)
Office of Chief Financial Officer	2	2	-
Financial Operations	8	11	(3)
Financial Accounting & Disbursements	12	13	(1)
Procurement	10	9	1
Risk Management	8	9	(1)
Property Management	4	4	-
Facilities	4	4	-
Total Full-Time Employees at Month End	<u>179</u>	<u>201</u>	<u>(22)</u>
Total Full-Time Employees at Year End		<u>205</u>	

New Jersey Schools Development Authority

Statement of Net Position

June 30, 2020

7

	<u>Current Month End</u>	<u>2019 Year End</u>	<u>Over/ (Under)</u>
ASSETS			
Cash and Cash Equivalents	\$ 429,807,333	\$ 570,947,546	\$ (141,140,213)
Receivables	129,933	26,957	102,976
Prepaid Expenses	394,930	659,130	(264,200)
Capital Assets (Net of Accumulated Depr.)	1,089,141	1,082,884	6,257
Total Assets	431,421,337	572,716,517	(141,295,180)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount for Pensions & OPEB	6,775,065	9,152,800	(2,377,735)
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$ 438,196,402	\$ 581,869,317	\$ (143,672,915)
LIABILITIES			
Accrued Project Costs	\$ 26,019,938	\$ 47,731,816	\$ (21,711,878)
Net Pension Liability	44,045,377	44,045,377	-
Accrued Other Post-Employment Benefits	21,659,441	21,461,300	198,141
Other Accrued Liabilities	1,783,601	4,557,130	(2,773,529)
Deposits	5,374,789	2,761,982	2,612,807
Total Liabilities	98,883,146	120,557,605	(21,674,459)
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount for Pensions & OPEB	26,973,039	26,973,039	-
NET POSITION			
Invested in Capital Assets	1,089,141	1,082,884	6,257
Restricted for Schools Construction:			
Special Revenue Fund	311,251,076	433,255,789	(122,004,713)
Net Position	312,340,217	434,338,673	(121,998,456)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	\$ 438,196,402	\$ 581,869,317	\$ (143,672,915)

New Jersey Schools Development Authority
Statement of Activities
June 30, 2020

7

	<u>Current</u> <u>Year-To Date</u>	<u>2019</u> <u>Year-To Date</u>	<u>Over/</u> <u>(Under)</u>
REVENUES			
Program Revenues:			
Bond and Note Proceeds (Issued by EDA)	\$ -	\$ -	\$ -
Bidding Fees-Plans & Specs	-	-	-
General Revenues:			
Investment Earnings	2,551,201	5,508,839	(2,957,638)
Rental Income	21,000	14,629	6,371
Other Revenue-OPRA	-	-	-
Total Revenues	<u>2,572,201</u>	<u>5,523,468</u>	<u>(2,951,267)</u>
EXPENSES			
Administrative & General Expenses	7,976,625	10,852,535	(2,875,910)
Capital Depreciation	82,452	90,171	(7,719)
School Facilities Project Costs	116,511,580	126,486,660	(9,975,080)
Total Expenses	<u>124,570,657</u>	<u>137,429,366</u>	<u>(12,858,709)</u>
CHANGE IN NET POSITION	(121,998,456)	(131,905,898)	9,907,442
Beginning of Period Net Position	<u>434,338,673</u>	<u>398,016,400</u>	<u>36,322,273</u>
NET POSITION END OF PERIOD	<u>\$ 312,340,217</u>	<u>\$ 266,110,502</u>	<u>\$ 46,229,715</u>

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.

RESOLUTION TO ADJOURN INTO EXECUTIVE SESSION

Resolution—9.

Resolution to Adjourn into Executive Session

Resolution

WHEREAS, the “Senator Byron M. Baer Open Public Meetings Act” (OPMA), N.J.S.A. 10:4-6, declares “the right of the public to be present at all meetings of public bodies” except as expressly provided in the Act; and

WHEREAS, N.J.S.A. 10:4-12 (b) provides that a public body may exclude the public from that portion of a meeting at which the public body discusses, among other things, any matter involving the lease... of real property with public funds...or any pending or anticipated litigation or contract negotiations in which the public body is or may become a party...falling within the attorney-client privilege, to the extent that confidentiality is required to preserve the attorney-client relationship; and

WHEREAS, the Members of the Authority have before them on this date three matters that, pursuant to N.J.S.A. 10:4-12, are appropriate for consideration in Executive Session consistent with the provisions of the OPMA; and

WHEREAS, the first matter for consideration pertains to a proposed settlement of Cost Recovery Litigation Relating to Elizabeth No. 21 (Victor Mravlag) Elementary School project; and

WHEREAS, the second matter for discussion involves a recommended amendment to the Board’s May 6, 2020 authorization relating to the potential sub-lease of SDA office space located at 375 McCarter Highway in Newark; and

WHEREAS, the third matter for discussion pertains to a contract matter related to the Orange Cleveland Street Elementary School project; and

WHEREAS, the minutes of the Board’s August 5, 2020 Executive Session meeting will be available for release for public review upon the full and final conclusion of all negotiations, legal proceedings, and settlements, and the execution of all documentation, agreements and leases associated therewith.

NOW, THEREFORE, BE IT RESOLVED, that the Members of the Authority hereby resolve to adjourn into Executive Session to consider and deliberate with regard to the matters described herein and to subsequently vote on Agenda Items No. A1. and A2. upon the Board’s return to Open Session.

BE IT FURTHER RESOLVED, that the minutes of the Board’s August 5, 2020 Executive Session meeting will be available for release for public review upon the full and final conclusion of, among other things, all negotiations, legal proceedings, settlements, and the execution of all documentation, agreements and leases associated therewith.

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: Resolution to Adjourn into Executive Session, dated August 5, 2020

Dated: August 5, 2020