

**MEMORANDUM**

TO: The Members of the Authority

FROM: Don Guarriello
Chief Financial Officer

RE: Monthly Financial Report – December 2009

DATE: February 23, 2010

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

Authority Operating Expenses (Actual vs. Budget)

For the December 2009 year to date period, Authority operating expenses total \$44.7 million which is **\$7.3 million lower** than budget for the corresponding period. The variation of actual expenses versus budget is mainly due to:

Lower

- Employee payroll and benefits expenses (\$2.5M) – the Authority is currently 10 FTEs under budget at month end;
- Contract and professional outside services (\$2.1M) – mainly in the areas of legal and consulting services;
- Interagency payments (\$1.5M) – attributable to MOUs with DCA and DEP;
- Management information system (MIS) expenses (\$1M) – primarily due to technology projects and system hardware purchases;
- Training and professional development expenses (\$293K).

Higher

- Other (\$47K).

Authority Operating Expenses (Actual vs. Prior Year)

For the December 2009 year to date period, Authority operating expenses (\$44.7 million) have **increased \$3.7 million** as compared to the corresponding prior year. The increase in expenses year-over-year is due to:

Higher

- Employee payroll and benefits expenses (\$3.5M) – due to the increase in the number of current employees. Also, increases for required annual pension contribution (PERS) and health and prescription drug insurance;
- Temporary employee services (\$215K);
- General office & facilities (\$125K) expenses – primarily due to furniture purchases associated with the Trenton office re-stack; and
- Other (\$32K).

Partially offsetting the increases in spending are: lower interagency payments (\$164K); and lower MIS project expenses (\$20K).

School Facilities Project Expenditures (Actual vs. Prior Year)

For the December 2009 year to date period, project expenditures total \$614 million which is **\$267.2 million lower** than the spending for the corresponding prior year. The majority of the decrease is associated with the wind-down of work on various demonstration projects (\$93M); a decrease in construction work (\$90.4M); payments related to grant agreements (\$61.7M); and a reduction in site acquisition activity (\$10.9M).

Other

Since program inception, 61.8% of the funds authorized for the SDA Districts (formerly Abbott) have been disbursed. Additionally, since inception 96.7% of all SDA disbursements relate to school facilities projects and 3.3% relate to program administrative and general expenses. For the current year, program administrative and general expenses comprise about 6.6% of total disbursements.



Donald Guarriello



NJ SCHOOLS DEVELOPMENT AUTHORITY

**New Jersey Schools Development Authority
Monthly Financial Report**

December 2009

(Unaudited)

To: The Audit Committee

From: Donald Guarriello, Chief Financial Officer

The following unaudited financial statements (pages 5 & 6) and supplementary information is presented as of, and for the year-to-date ending, December 31, 2009.

Selected Financial Information:

► Overall **Cash and Cash Equivalents** has increased by \$79 million to \$410 million, as follows:

■ Receipt of bond and note proceeds (Issued by EDA)	\$ 775,000,000
■ Investment earnings	2,197,675
■ Miscellaneous revenue	260,902
■ Project costs	(613,756,613)
■ SDA operating expenses	(43,258,213)
■ SDA capital expenditures	(243,801)
■ Deposits (primarily district local shares)	(40,375,956)
Net Change in Cash	<u>\$ 79,823,994</u>

► **Prepaid Expenses** total \$365,107, as follows:

- Prepaid rents of \$205,804 for the Authority's leased office space in Trenton and Newark.
- Prepaid security deposits of \$149,572 for the Authority's leased swing space.
- Other prepaids of \$9,731.

► **Capital Assets** total \$3.7 million (net of accumulated depreciation of \$10 million), consisting of leasehold improvements (SDA offices), capitalized software, equipment, furniture and fixtures in support of SDA operations. Depreciation on capital assets is calculated using the straight-line method over the life of each asset. For the year to date, **Capital Expenditures** are \$233,969 and **Depreciation Expense** is \$1,500,778.

► **Accrued Liabilities** total \$204.3 million, as follows:

- Accrued project costs of \$109.6 million consisting of unpaid invoices (\$86.1 million); retainage (\$23.5 million).
- Pollution remediation obligations (PRO) under GASB 49 net to \$42.5 million (PRO liability \$44.3 million, offset by expected cost recoveries of \$1.8 million).
- Estimated liability for loss contingencies totaling \$41.1 million (contractor claims \$40.7 million; land matters \$.4 million).
- Payroll related liabilities of \$1.8 million.
- Post-employment benefits obligation of \$4.2 million.
- Estimated accrued rebatable arbitrage (excess profits on invested bond proceeds) of \$4.2 million.
- Other accrued liabilities of \$0.9 million.

► **Deposits** total \$23.1 million, as follows:

- \$23 million is held for local share agreements (pass-through item).
- \$0.1 million is for bond refunding costs (pass-through item).

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Financial Summary (Continued)

School Construction Highlights:

► **Bond Proceeds & School Facilities Project Disbursements**

- During the current year, the SDA has received \$775 million principal amount of bond and note proceeds, raising the total amount of proceeds received from program inception to \$8.146 billion.
- Project disbursements for the month and year-to-date periods total \$46.6 million and \$613.8 million, respectively, as follows:

<u>Category</u>	<u>Month</u>	<u>Year-To-Date</u>	<u>From Inception</u>
■ Construction Contracts	\$ 29,514,830	\$ 321,992,787	\$ 3,493,219,778
■ Grant Agreements	8,331,273	143,344,812	2,092,799,019
■ Site Acquisition Contracts	2,958,581	20,670,214	540,496,548
■ Demonstration Projects	4,772,833	105,535,264	600,744,656
■ Project Management & Construction Management Firms	862,421	23,531,963	406,957,221
■ Design/Architect Contracts	2,534,545	13,736,999	382,295,954
■ Project Insurance	42,093	8,569,880	88,448,492
■ School Furniture & Technology Purchases	1,332,990	11,833,006	87,489,525
■ Interagency Agreements	385,592	3,710,659	41,220,503
■ Temporary Classroom Units (SDA owned)	-	-	34,157,261
■ Funding Agreements	10,102	910,403	29,158,810
■ Other Project Costs	14,874	391,903	55,662,765
■ Project Credits	-	(2,146,428)	(40,141,440)
Total Project Disbursements	50,760,134	652,081,462	7,812,509,092
■ Less: Local Share Disbursements	(4,132,515)	(38,324,849)	(158,553,774)
Total Project Disbursements - State Share	\$ 46,627,619	\$ 613,756,613	\$ 7,653,955,318
■ Invoice Accruals at Month End (not included above)	\$ 88,873,059	\$ 88,873,059	

► **Program Funding & Disbursements Allocation** (From Inception)

	<u>Bonding Cap</u> ¹	<u>Available Funding</u> ²	<u>Paid to Date</u> ³	<u>% Paid to Date</u>
■ SDA Districts	\$ 8,900,000,000	\$ 9,007,407,906	\$ 5,563,542,834	61.8%
■ Regular Operating Districts	3,450,000,000	3,493,312,935	2,258,096,052	64.6%
■ Vocational Schools	150,000,000	151,730,727	89,795,729	59.2%
Totals - State Share	\$ 12,500,000,000	\$ 12,652,451,568	\$ 7,911,434,615	62.5%

► **Procurement Activity** (Current Year)

- 25 construction contracts have been awarded with an aggregate contract value of \$146,117,619.
- 44 design contracts were awarded with an aggregate contract value of \$2,648,264 (CCE \$21,928,110).
- 24 design contracts previously suspended have been restarted during 2009.
- 400 Section 15 Grant Agreements have been executed with an aggregate contract value of \$116,085,410 (State Share - Non-Abbott schools).
- 482 purchase orders have been issued for school furniture & technology (i.e., computers & related equipment) purchases with an aggregate contract value of \$18,019,859.

1 Of the \$12.5 billion authorized for the school construction program, \$8,145,929,000 principal amount of bond and note proceeds have been received to date.

2 Includes bonding cap amounts as well as other income and miscellaneous revenue earned to date, consisting primarily of interest income on invested funds and State appropriations.

3 These amounts include the allocation of SDA operating expenses and capital expenditures totaling \$257,479,297.

New Jersey Schools Development Authority
Flash Operating Report
December 31, 2009

	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Prior Yr	Variance - Favorable/(Unfavorable)		Annual Budget
				Actual vs. YTD Budget	Actual vs. Prior Yr	
Authority Operating Expenses:						
Salaries	\$ 23,683,663	\$ 25,449,113	\$ 21,291,915	\$ 1,765,450	\$ (2,391,748)	\$ 25,449,113
Employee Benefits	8,740,333	9,463,086	7,627,903	722,753	(1,112,430)	9,463,086
Total Salaries & Benefits	32,423,996	34,912,199	28,919,818	2,488,203	(3,504,178)	34,912,199
Temporary Employees	635,616	490,000	420,979	(145,616)	(214,637)	490,000
Interagency Agreements	747,322	2,206,600	911,605	1,459,278	164,283	2,206,600
Contract & Professional Outside Servic	4,349,541	6,425,500	4,291,002	2,075,959	(58,539)	6,425,500
Employee Expense Reimbursements	326,160	318,716	305,016	(7,444)	(21,144)	318,716
Training & Professional Development	134,645	427,796	159,246	293,151	24,601	427,796
Parking	372,402	409,175	361,977	36,773	(10,425)	409,175
Automobiles	57,256	68,400	59,153	11,144	1,897	68,400
Communications & Outreach	21,560	59,081	20,787	37,521	(773)	59,081
Management Information Systems	1,174,711	2,208,200	1,194,773	1,033,489	20,062	2,208,200
General Office & Facilities	4,409,562	4,376,168	4,284,180	(33,394)	(125,382)	4,376,168
Other General	54,191	108,000	92,835	53,809	38,644	108,000
Total Authority Operating Expenses	44,706,962	52,009,835	41,021,371	7,302,873	(3,685,591)	52,009,835
Reserve for Unforeseen Events & New Initiatives	-	500,000	-	500,000	-	500,000
SDA Capital Expenditures (Internal)	233,969	365,000	525,596	131,031	291,627	365,000
Total Authority Operations	<u>\$ 44,940,931</u>	<u>\$ 52,874,835</u>	<u>\$ 41,546,967</u>	<u>\$ 7,933,904</u>	<u>\$ (3,393,964)</u>	<u>\$ 52,874,835</u>

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Flash Operating Report (Continued)

SDA Headcount by Division/Unit	<u>Current Month</u>	<u>EOY Budget</u>	<u>Variance</u>
Office of Chief Executive Officer (CEO)	3	3	-
Office of Chief Operating Officer (COO)	2	2	-
COO, Contractor & Workforce Compliance Unit	13	13	-
COO, Real Estate Services Unit	42	42	-
COO, MIS/Project Services Unit	24	24	-
COO, Facilities Unit	6	6	-
COO, Human Resources Unit	9	9	-
COO, Procurement & Contract Services Unit	25	25	-
COO, Furniture, Technology & Equipment Unit	12	13	1
Office of Program Management & Planning (PMP)	2	2	-
PMP, Program Management Unit	11	11	-
PMP, Strategic Capital Planning Unit	10	10	-
Office of Project Management (PM)	9	9	-
PM, Regional Office Unit	2	2	-
PM, Newark Regional Office Unit	34	36	2
PM, Trenton Regional Office Unit	24	24	-
PM, Architecture & Engineering Unit	10	15	5
PM, Safety Unit	8	8	-
Office of Governance & Compliance	14	14	-
Office of Chief Counsel	14	14	-
Office of Chief Financial Officer (CFO)	2	2	-
CFO, Controller Unit	14	14	-
CFO, Risk Management Unit	10	10	-
CFO, Project Controls Unit	18	18	-
CFO, Contract Management Unit	14	16	2
Total Full-Time Employees	<u>332</u>	<u>342</u>	<u>10</u>
EOM Budget	<u>342</u>		

New Jersey Schools Development Authority
Statement of Net Assets and General Fund Balance Sheet
December 31, 2009

	<u>General Fund Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>	
			<u>Current Yr</u>	<u>Prior Yr End</u>
ASSETS				
Cash and Cash Equivalents	\$ 410,084,560		\$ 410,084,560	\$ 330,260,566
Receivables	2,721,937		2,721,937	846,681
Prepaid Expenses	365,107		365,107	368,627
Capital Assets (Net of Accumulated Depreciation of \$10,006,739)		\$ 3,730,881	3,730,881	4,997,690
Total Assets	<u>413,171,604</u>	<u>3,730,881</u>	<u>416,902,485</u>	<u>336,473,564</u>
LIABILITIES				
Accrued Project Costs	152,036,211		152,036,211	250,723,274
Accrued Liability for Project Loss Contingencies	41,119,820		41,119,820	45,011,535
Other Post-Employment Benefits Obligation		4,160,040	4,160,040	2,858,504
Other Accrued Liabilities	1,836,835	5,112,893	6,949,728	6,804,090
Deposits	<u>23,138,607</u>		<u>23,138,607</u>	<u>63,514,563</u>
Total Liabilities	<u>218,131,473</u>	<u>9,272,933</u>	<u>227,404,406</u>	<u>368,911,966</u>
FUND BALANCE/NET ASSETS				
Invested in Capital Assets		3,730,881	3,730,881	4,997,690
Nonspendable:				
Prepaid Expenses	365,107	(365,107)		
Restricted:				
Schools Construction Special Revenue Fund	<u>194,675,024</u>	<u>(8,907,826)</u>	<u>185,767,198</u>	<u>(37,436,092)</u>
Total Fund Balance/Net Assets (Deficit)	<u>195,040,131</u>	<u>(5,542,052)</u>	<u>189,498,079</u>	<u>(32,438,402)</u>
Total Liabilities and Fund Balance/Net Assets	<u>\$ 413,171,604</u>	<u>\$ 3,730,881</u>	<u>\$ 416,902,485</u>	<u>\$ 336,473,564</u>

New Jersey Schools Development Authority
Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balances
December 31, 2009 Year-To-Date

	<u>General Fund Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	
			<u>Current Yr</u>	<u>Prior Yr</u>
Revenues				
Program Revenues:				
Bond and Note Proceeds (Issued by EDA)	\$ 775,000,000		\$ 775,000,000	\$ 450,000,000
Bidding Fees-Plans & Specs	51,700		51,700	32,650
General Revenues:				
Investment Earnings	2,342,412	2,478	2,344,890	12,059,959
Rental Income	201,815		201,815	78,367
Other Revenue-OPRA	7,387		7,387	111,777
Total Revenues	<u>777,603,314</u>	<u>2,478</u>	<u>777,605,792</u>	<u>462,282,753</u>
Expenditures/Expenses				
Employee Salaries & Benefits	31,055,472	\$ 1,368,524	32,423,996	28,919,818
Administrative & General Expenses	12,282,966		12,282,966	12,101,553
Capital Expenditures	233,969	(233,969)	-	-
Capital Depreciation		1,500,778	1,500,778	1,672,235
School Facilities Project Costs	<u>509,461,571</u>		<u>509,461,571</u>	<u>922,823,460</u>
Total Expenditures/Expenses	<u>553,033,978</u>	<u>2,635,333</u>	<u>555,669,311</u>	<u>965,517,066</u>
Excess of Revenues Over Expenditures	224,569,336	(2,632,855)		
Change in Net Assets			221,936,481	(503,234,313)
Fund Balance/Net Assets (Deficit)				
Beginning of Year	<u>(29,529,205)</u>	<u>(2,909,197)</u>	<u>(32,438,402)</u>	<u>470,795,911 *</u>
End of Period	\$ <u>195,040,131</u>	\$ <u>(5,542,052)</u>	\$ <u>189,498,079</u>	\$ <u>(32,438,402)</u>

* Includes an adjustment of \$(6,912,571) for the effects of Governmental Accounting Standards Board Statement No. 49 on 2008 beginning of year net assets.

**New Jersey Schools Development Authority
Summary of Cash Receipts & Disbursements
From Inception through December 31, 2009**

Cash Receipts - State Share

Cash Disbursements - State Share

Year	Principal Amount ¹ of Bond and Note Proceeds	Appropriations ² from State	Investment Earnings	Miscellaneous ³ Revenue	Project Costs	Operating Expenses	Gross Capital ⁴ Expenditures	Deposits ⁵	Totals
2000	-	\$1,510,975	\$5,013	-	-	\$639,406	\$1,150	-	\$875,432
2001	\$508,600,000	47,125,988	18,862,686	\$10	\$18,967,828	6,705,756	1,735,148	-	547,179,952
2002	629,400,000	(43,500,000)	9,991,010	221,897	460,970,915	11,318,973	1,440,184	\$11,453,239	133,836,074
2003	607,929,000	-	5,488,373	305,596	1,096,480,983	19,983,448	7,609,761	13,612,751	(496,738,472)
2004	1,700,000,000	-	8,098,130	356,167	1,289,801,167	28,882,347	844,489	6,299,119	395,225,413
2005	2,075,000,000	-	17,472,686	638,597	1,332,923,106	27,460,855	194,394	53,393,712	785,926,640
2006	600,000,000	-	39,701,591	446,994	1,069,330,378	30,483,062	349,158	(9,559,780)	(469,573,793)
2007	800,000,000	-	28,304,347	541,065	890,787,821	35,055,800	572,252	(24,223,201)	(121,793,662)
2008	450,000,000	-	13,584,070	837,796	880,936,507	39,760,922	940,178	12,538,723	(444,677,018)
2009	775,000,000	-	2,197,675	260,902	613,756,613	43,258,213	243,801	(40,375,956)	79,823,994
Totals	8,145,929,000	\$5,136,963	\$143,705,581	3,609,024	7,653,955,318	243,548,782	13,930,515	23,138,607	
Cash & Cash Equivalents									\$410,084,560

¹ Pursuant to the provisions of the Educational Facilities Construction and Financing Act (C.18A:7G-14a), as amended, the aggregate principal amount of bonds, notes or other obligations the EDA may issue to finance school facilities projects, and the costs related thereto, shall not exceed \$12.5 billion. This limitation excludes indebtedness incurred for refunding purposes.

² Represents funds received prior to the first bond issuance in 2001.

³ Consists of rental income and cash receipts for bidding fees and OPRA requests.

⁴ Consists of leasehold improvements (SDA offices), capitalized software, furniture, fixtures & equipment for SDA operations.

⁵ Consists of deposits held for Section 13(B) Local Share Agreements (\$23,112,515), and bond proceeds received for the payment of bond refunding closing costs (\$26,092).

<u>State of New Jersey Department / Agency</u>	<u>Service(s) Provided to SDA</u>	<u>Current Yr Payments</u>	<u>Payments from Inception through December 31, 2008</u>	<u>Total Payments</u>
<u>Included in Project Costs:</u>				
Department of Community Affairs	Provide code inspections, plan reviews and permits for schools.	\$ 649,638	\$ 17,426,758	\$ 18,076,396
Department of Labor and Workforce Development	Provide training in construction trades to women and minorities pursuant to the Educational Facilities Construction & Financing Act (EFCFA). Also, provide enforcement of prevailing wage requirements on SDA projects.	1,408,930	8,341,597	9,750,527
Office of the Attorney General - Division of NJ State Police (services formerly provided by the Bureau of Fiscal Oversight and, prior to that, the Office of Government Integrity)	Perform prequalifying review and investigative services related to vendor integrity as required by the EFCFA.	552,392	3,696,755	4,249,147
Department of Education	Perform educational adequacy reviews for Abbott district schools.	2,381	3,273,303	3,275,684
New Jersey Institute of Technology	High Performance Schools guideline development and program implementation costs.	737,251	3,350,776	4,088,027
Rutgers University, The Department of Industrial and Systems Engineering	Perform studies on the potential cost savings that could be realized through the use of standardized design elements, components, and construction materials.	8,637	-	8,637
Department of Environmental Protection	Provide expedited environmental remediation review and support services.	351,430	899,702	1,251,132
Department of Transportation (terminated)	Provide relocation assistance services.	-	355,875	355,875
Other	Primarily for fees paid to NJ Small Business Development Centers.	-	165,078	165,078
Payments Included in Project Costs		<u>3,710,659</u>	<u>37,509,844</u>	<u>41,220,503</u>

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Interagency Agreements (Continued)

<u>State of New Jersey Department / Agency</u>	<u>Service(s) Provided to SDA</u>	<u>Current Yr Payments</u>	<u>Payments from Inception through December 31, 2008</u>	<u>Total Payments</u>
<u>Included in Administrative & General:</u>				
Office of the Attorney General - Division of Law (TRE009)	Provide legal services and contract reviews. Also, provide legal support for environmental cost recoveries.	477,975	8,673,904	9,151,879
Governor's Authorities Unit	Annual assessment (not all years)	-	109,388	109,388
Office of the Inspector General (TRE030)	Salaries & benefits for Assistant Inspector Generals assigned to SDA.	263,417	319,322	582,739
Rutgers University, Center for Organizational Development and Leadership (RUT009)	Assist SDA in the development of a mission statement, vision statement and statement of values.	-	8,300	8,300
Department of Community Affairs (terminated)	Salaries & benefits for DCA employee assigned to SDA.	-	349,471	349,471
Payments Included in Administrative & General		<u>741,392</u>	<u>9,460,385</u>	<u>10,201,777</u>
Total Interagency Payments		<u>\$ 4,452,051</u>	<u>\$ 46,970,229</u>	<u>\$ 51,422,280</u>