

NJFEFA
NEW JERSEY EDUCATIONAL
FACILITIES AUTHORITY

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Building futures

Viewpoint

NJFEFA financial staff conquers accounting challenge

By Susan Bateman
NJFEFA Board Treasurer

NJFEFA's accounting and reporting obligations present formidable challenges that our Accounting staff manages in ways that build confidence with our clients and investors, the municipal bond market and the public we serve.



Susan Bateman

Until recently, a large portion of the Authority's bond fund accounting and investment management functions were accomplished through archaic, manual processes which required significant staff time and oversight by the Authority's Controller, Don Uyhazi. Over the past 5 years, Don, with the help of Assistant Controller, Kristen Middleton, has pursued conversion of these manual processes into an automated and integrated system in order to implement efficiencies, minimize the potential for errors, and achieve cost savings to the Authority. Following an extensive but unsuccessful search for "ready-made" accounting software to tackle the job, and a failed attempt by outside programming consultants to develop an automated program, Don and his staff took on the tremendous challenge of developing a customized program to meet the needs of the Authority's unique bond fund accounting functions.

By any stretch of the imagination, automation and integration of these responsibilities was no simple undertaking. Currently there are some 160 outstanding NJFEFA bond issues, each with an average of eight separate trustee bank accounts. Consequently, each month over 1,300 bank statements are analyzed and

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NJFEFA hosts conference on derivatives, post-closing issues



NJFEFA's 3rd annual continuing education conference, "Derivatives 302 and Post-Closing 302," was held at Rider University.

Almost 100 professionals, most of whom are involved in higher education finance in New Jersey, attended the third annual NJFEFA conference on derivatives entitled, "Derivatives 302: Quantitative Aspects of Swaps and Post Closing 302: Borrower Obligations" which took place May 7 at Rider University. More than half of those in attendance were from 15 colleges and universities.

The New Jersey State Board of Accountancy approved the Authority as a Continuing Education Sponsor for the conference which provided 6.5 CPA/CPE credits. CLE credits in Pennsylvania were also approved. Eight individuals from institutions and bond counsel firms took advantage of this opportunity.

The event aimed to provide guidance for assessing the value of derivative proposals

and to help NJFEFA clients understand their obligations as borrowers from closing to maturity of Authority financings, including continuing disclosure requirements and investment firm disclosure expectations from higher education issuers.

The NJFEFA packed four presentations and three panels into the one-day event with a keynote luncheon address by David P. Rebovich, Ph.D., of the Rider Institute for New Jersey Politics, an often-cited authority on the political scene in the Garden State.

The program included:

- A presentation by Kathryn Dick, Deputy Comptroller, Office of the Comptroller of the Currency, entitled "Bank for International Settlements' Treatment of Risk."
- A panel on "Derivatives: A Quantitative

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A look at higher education financing statistics



By Noreen White
Municipal Advisory Partners, Inc.

Since 2000, the dollar volume of financings completed by higher education institutions in the United States has doubled, from \$13 billion to a record \$26 billion in 2003. While the low interest rate environment of the last few years has facilitated several refinancing transactions, according to Securities Data Corporation the overwhelming majority of the financing volume has been for new money purposes. In 2003, when tax-exempt rates reached an all time low in June, approximately 85% of the bonds issued nationally were for new money.

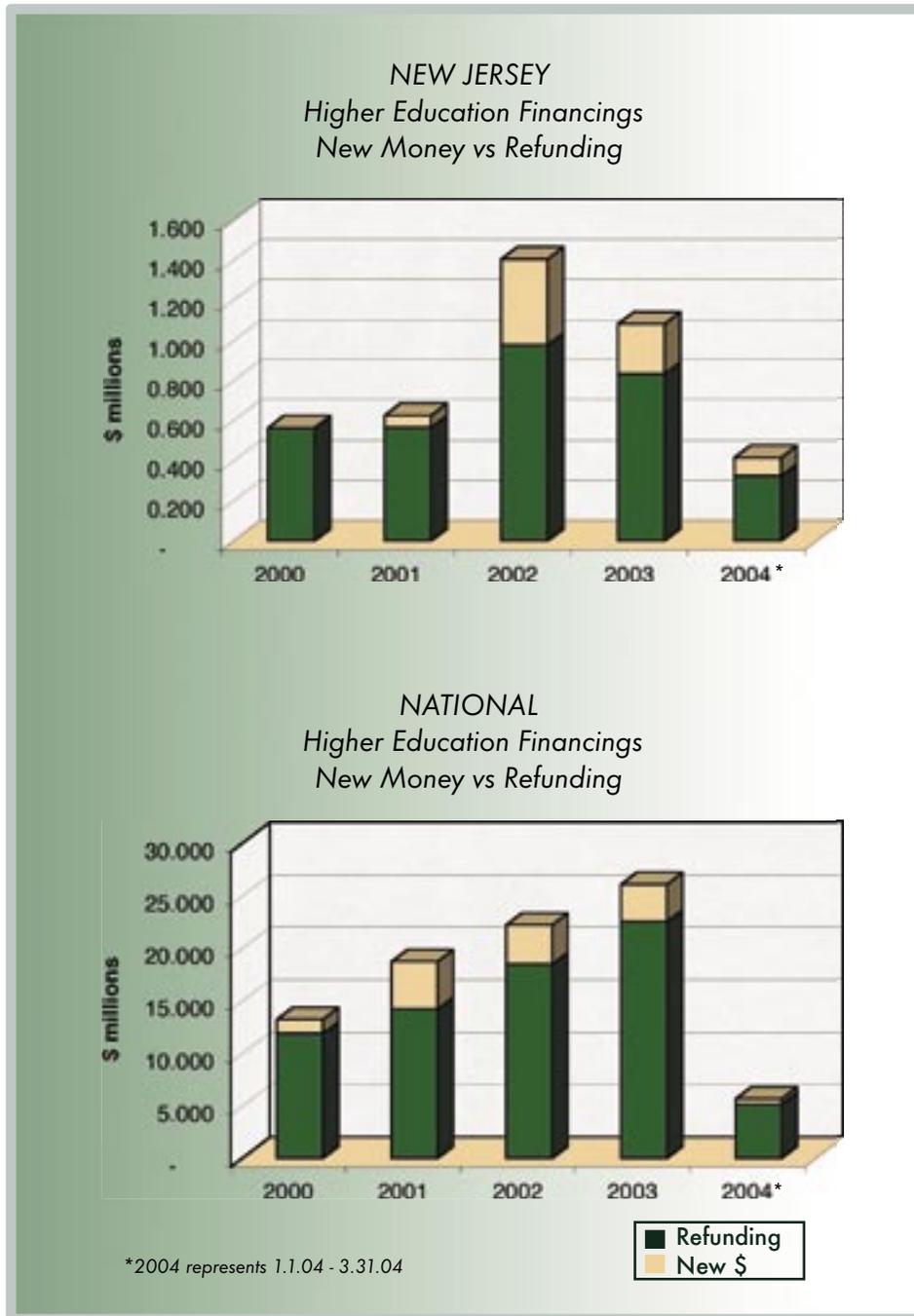
Over that period, both fixed and variable rates have been at historic lows. In New Jersey, issuers have increased their use of variable rate debt as the market for auction rate securities has developed, but most of the new bonds have been issued as fixed rate debt. In 2000, 68% of the bonds issued were fixed rate, and for the first quarter of 2004, 78% of higher education bonds that were issued carry fixed rates. There has also been an increase in

the number of higher education institutions using swaps and other derivative products.

higher education bankers believe a number of institutions that have recently-issued variable rate bonds have been swapped to fixed rate payments. Therefore, the number of pure variable rate transactions may be overstated.

Higher education institutions in New Jersey have been financing new money projects for dormitories, academic buildings, parking facilities, arts, research and athletic facilities. From 2000 to 2003, New Jersey higher education financings increased from \$565 million to \$832 million. In 2002, higher education financing volume hit a high of \$1.4 billion due in part to a \$224 million transaction by the University of Medicine and Dentistry, a \$138 million transaction for The College of New Jersey, and \$240 million for the State's Capital Improvement Fund and library programs.

Similar to the national trend, most of the financings over the period were for new money purposes and were done on a fixed rate basis. In 2003, 70% of the New Jersey volume was for new money and 79% were fixed rate bonds.



Although firm statistics on the volume of municipal swap transactions are not available,

70% of the New Jersey volume was for new money and 79% were fixed rate bonds.

A Blueprint for Excellence: New Jersey's Long-Range Plan for Higher Education

By Dr. Jeanne M. Oswald

Executive Director, Commission on Higher Education

The Commission on Higher Education is the state coordinating agency for higher education. Among the Commission's primary responsibilities is planning for the system of 57 public and private colleges and universities in this state. In November 2003, the Commission adopted *A Blueprint for Excellence*, Stage 1 of New Jersey's new long-range plan for higher education. The following vision guided the development of the plan:

New Jersey and its colleges and universities embrace their shared responsibility to create and sustain a higher education system that is among the best in the world, enabling all people to achieve their maximum potential, fostering democratic principles, improving the quality of life, and supporting the state's success in a global economy.

To achieve this vision, the plan proposes an unprecedented new compact calling for a significant state investment in higher education

and a measurable return on that investment by colleges and universities.

Stage 1 of the plan is the product of 18 months of work involving more than 500 stakeholders. Broadly representative teams framed the core issues facing New Jersey higher education under four areas: quality, capacity, resources, and collaboration. An initial statewide conference, the Governor's Higher Education Summit, and public forums held throughout the state provided opportunities for broad-based stakeholder input.

The long-range plan's recommendations address seven principal state objectives that were formulated to achieve the plan's vision. The objectives have multiple components, and the plan includes initial action plans. Implementation responsibilities are shared among the Commission on Higher Education, the colleges and universities, the Presidents' Council, and other entities. For example,

the plan calls for the Educational Facilities Authority to work with the State Treasurer and other stakeholders on possible options to help colleges and universities "lower their financing costs without incurring additional cost or debt for the state."

A Blueprint for Excellence was conceived as a dynamic, evolving plan, and as Stage 1 implementation proceeds apace, Stage 2 is taking shape. In Stage 2, performance measures will be further developed and action plans related to research universities and economic development will be integrated. Stage 1 of New Jersey's long-range plan for higher education, the centerpiece of all the Commission's work and a major focus of our regular monthly meetings, is available on our website (www.state.nj.us/highereducation/lrp.htm). Addendums to the plan will be provided periodically and posted on the website as well. ✂

NJEFA workshop on derivatives, *continued from page 1*

- A panel entitled "Derivatives: A Quantitative Review" with panelists Matthew Roggenburg, J.P. Morgan, and Keith Shultis, Goldman, Sachs & Co.
- A presentation by Robert Taylor, Director of Municipal Derivatives, Lehman Brothers, addressing "How Do Swap Providers Make a Profit?"
- "Swap Monitoring" a presentation by Gary Gray, Ph.D., Pennsylvania State University
- A panel concerning "Post-closing Borrower Obligations" moderated by Mary Jane Darby, NJEFA Director of Project Management, with panelists Lisa Gorab, Esq., Wilentz, Goldman & Spitzer, P.A., John Nelson, Moody's Investor Service, and Gary Walsh, Esq., Riker, Danzig, Scherer, Hyland & Perretti
- "Fundraising and Restrictions" presented by Charles Toto, Esq., Hawkins,

Delafield & Wood

- A panel titled "Investor Relations and the Buy Side Perspective" moderated by

Rafael Perez, Esq., Cozen & O'Connor, with panelists John Carbone, The Vanguard Group, and John Nelson. ✂



State Treasurer John McCormac (center) joined Executive Director Anderson (third from left), Chair Altman and workshop attendees at lunch highlighted by a speech by political commentator David P. Rebovich, Ph.D.

Authority's 2004 issues have been fixed-rate transactions

NJEFA 2004 Issues Closed Through 7-1-04			
Institution	Project	Closing	Amount
Private			
Rider Univesity	New Residence Hall and other Capital Improvements	6-17-04	\$14,735,000
Stevens Institute of Technology	Renovation and Conversion of Apartment Buildings	7-1-04	\$13,265,000
Public			
Montclair State University	New Academic Building/Capital Improvements/Partial Refunding	1-15-04	\$94,540,000
William Paterson University	New Residence Hall and other Capital Improvements	1-22-04	\$30,035,000
Ramapo College of New Jersey	Refunding	1-29-04	\$18,930,000
New Jersey Institute of Technology	Refunding	4-5-04	\$73,530,000
State-Backed			
H.E. Capital Improvement Fund	Capital Improvements	4-14-04	\$14,735,000
Grand Total			\$259,770,000

Since January 2004, as shown in the chart at the left, NJEFA has closed \$259,770,000 in total par amount of bonds representing 6 stand-alone transactions for 6 institutions and 1 state-backed transaction benefiting an additional 7 colleges and universities. All of the Authority's issues completed this year have been fixed rate transactions, and of the total par amount issued, \$163,160,000 in bonds provided new funds for construction and renovation projects. Three of the transactions were refundings or partial refundings totaling \$96,610,000, and provided \$9,826,094 in net present value savings to the participating institutions.

Among the larger project components financed with Authority bonds were construction of a new student recreation center and expansion of existing residence halls to add 165 new beds at Rider University. Bond funds also financed a new 270,000 square foot academic building at Montclair State University to serve as the University's information technology hub with high-tech classrooms, teaching laboratories and lecture halls. William Paterson University used bond proceeds to finance a new 372-bed residence hall along with other capital improvements, and Stevens Institute of Technology used Authority bonds to renovate and convert 6 brownstone apartment buildings into student dormitory-style residences. ✍



The above rendering shows a computer lab in a new 270,000 square foot academic building at Montclair State University which will be the University's information technology hub.

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classified into GAAP-based accounting entries for posting to NJEFA's bond fund general ledger. This extensive network of accounts contains in excess of \$1 billion and comprises over 1,100 investment records in trustee accounts held to benefit the Authority's college and university borrowers. During the year as securities mature, the funds must be reinvested and then reviewed at year-end to value accrued interest and year-end market value, which is a substantial fiduciary responsibility and accounting challenge.

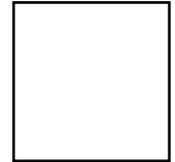
As NJEFA's Treasurer, I am pleased to report that the Authority has completed its efforts to develop and implement a successful system of bond fund accounting programs.

This achievement was realized through a three-phase program implemented over the past five years. The entire effort included development of an investment management and reporting module; creation of a bond fund general ledger accounting and reporting module; integration of the two modules, and automation of the year-end closing process and annual opening of the new year's books. What once required many weeks of staff time and significant outside accounting expenses, now enables the Authority to complete its year-end auditing functions in record time with minimal or no errors, and direct cost savings to the Authority of over \$20,000 per year.

On behalf of the entire Board, I am pleased to express our profound appreciation to the Authority's Accounting staff, in particular to Don Uyhazi, who bore the lion's share of responsibility for developing the specifications and writing the programs. He spent many hours in the evenings and over weekends to do whatever was necessary in order to get the job done. Not only is the completion of this project a testament to his foresight and dedicated pursuit of improving the way we do business, but also Don's efforts will no doubt have lasting benefit to the Authority, its college and university clients, and the citizens of New Jersey. ✍



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NJEFA Board elects new officers at May meeting and Authority welcomes three new staff members

BOARD OFFICERS ELECTED

At its annual meeting in May, the NJEFA Board re-elected Vivian Altman as Chair for the next year. The Board also elected Robert Medina as Vice Chair and re-elected Susan Bateman as Treasurer. ✂

NEW STAFF MEMBERS APPOINTED

NJEFA welcomed **Catherine Singer** as a new member of the Communications Staff. Ms. Singer's responsibilities will include support in legislative and regulatory affairs, assistance with web site maintenance and development, and production support for publications and events.

Ms. Singer previously served the Authority as an intern from 2002 until her graduation this past spring from Rutgers College at Rutgers University. As an intern, she provided administrative support for Project Management and assisted Communications in a number of special projects.

Ms. Singer has a B.A in English Literature and Art History.

Robert Lynn has joined NJEFA's staff as a Project Manager. Under the direction of Director Mary Jane Darby, Mr. Lynn will assist in the management of debt issuance by the State's colleges and universities as well as state-supported issues for higher education programs.

Mr. Lynn brings over 12 years experience in corporate and public finance to NJEFA, including service as a Principal in R. Lynn Marketing and Risk Analytics, LLC. He has served as Vice President of BancBoston Robertson Stephens, Inc, as a Senior Associate in the area of Municipal Financial Advisory Services at P.G. Corbin & Company, Inc., and as a Municipal Finance Associate in the Global Derivatives Division of Citicorp Securities, Inc.

Mr. Lynn is a graduate of Harvard College and has an MBA in Finance from The Wharton School of the University of Pennsylvania.

Rachel Elgawly has joined the Authority's Accounting Staff. Ms. Elgawly has more than four years experience in accounting and finance. As Accountant, her responsibilities will include assisting the Assistant Controller in all aspects of bond fund administration as well as data collection and entry into DBC Debt Manager.

Ms. Elgawly has held recent positions with The Vanguard Group including Mutual Fund Analyst in Bonds as well as Fund Accountant in the area of Equity/Foreign Derivatives. Ms. Elgawly is a graduate of the University of Delaware with a B.S. in Business Administration. ✂