NEW JERSEY BUILDING AUTHORITY

2003 Annual Report

A Message from . . .

The Governor

Over the past two years, the state has confronted serious challenges and we've faced many difficult decisions. But we made tough choices and we've put New Jersey on the right track.

The New Jersey Building Authority, through its outstanding professionalism and commitment, has been essential to our success. As Governor, I commend the Authority, its directors and its professional staff for their efforts to help build a better New Jersey.

The Authority consistently delivers projects on time and on budget. In 2003, the agency successfully completed the new State Police Multi-Purpose Facility and Troop C Headquarters in Hamilton. This project provides the State Police with a state-of-the-art facility which will be critical to our efforts to ensure the safety of our State and our citizens.

From new high-tech construction, such as the new State Police facilities, or detailed historic restorations at the New Jersey State House, NJBA always demonstrates the ability to keep important state projects on the right track. I look forward to working with the Authority in the coming year as we continue to invest in the future of our State. With the agency's continued support, we will provide better programs, more effective services and a better quality of life for the people of our great state.

James E. McGreevey

A Message from . . .

The Treasurer

The role of State Treasurer carries a tremendous responsibility for safeguarding taxpayer money. The New Jersey Building Authority obviously takes that responsibility as seriously as I do, as they continue to exhibit strong stewardship over the projects and budgets with which they have been entrusted.

A careful review of this Annual Report will demonstrate that stewardship in practice, as the NJBA continues to deliver on increasingly complex projects and to expand the scope and volume of work effort. Since its inception by the Legislature in 1981, the NJBA has operated as an independent authority within the Department of the Treasury. The Building Authority is repeatedly recognized for sound fiscal controls, innovative and dedicated leadership, and taking large-scale projects from a vision to a reality.

I am pleased to congratulate the NJBA on its accomplishments during 2003 and look forward to more achievements for the coming year.

John E. McCormac, CPA

State of New Jersey
NEW JERSEY BUILDING AUTHORITY
PO BOX 219
TRENTON, NJ 08625-0219

JAMES E. MCGREEVEY
Governor

JOHN H. FISHER III
Chairman

The Honorable James E. McGreevey
Governor of the State of New Jersey

The Honorable Richard J. Codey
President, New Jersey Senate

The Honorable Albio Sires
Speaker, New Jersey General Assembly

The Honorable John E. McCormac, CPA
State Treasurer

Consistent with N.J.S.A. 52:18A-78.26, I am pleased to report on the activities of the New Jersey Building Authority for calendar year 2003.

Respectfully,

John H. Fisher III
Chairman

NEW JERSEY BUILDING AUTHORITY

Chairman

Executive Director

Report from the Chairman and Executive Director of the New Jersey Building Authority

We are pleased to submit this 2003 Annual Report of the New Jersey Building Authority (NJBA). We believe this document delivers a solid summary of the history of the NJBA, our financing activity and our completed and in-process projects. As our projects continue to grow in variety, scope and complexity we enjoy the opportunity to update you on our successes for calendar year 2003 and the significant progress that has been made on a number of projects.

In 2003, the NJBA completed renovations to the Department of Transportation's Engineering and Operations Building, and made significant construction progress on the Department of Labor Building in Trenton and the renovations to the Richard J. Hughes Justice Complex. The construction of the new State Police Multi-Purpose Facility and Troop C Headquarters in Hamilton is also nearing project close-out, with troopers and civilian personnel now occupying and reaping the benefits of this state-of-the-art facility.

Our newer projects, approved by the Legislature and begun in 2002, are moving quickly through the design and development phase, including historic building renovations for the Pinelands Commission in Pemberton Township, renovations to the State Museum in Trenton to safeguard visitors and the museum collection, and the security critical new Office of Emergency Management and Emergency Operations Center for the State Police in Ewing Township.

Our commitment to understanding the needs of our clients and the partnerships we build with our clients continue to be the hallmark of successful projects. The leadership and stewardship

responsibilities of the NJBA would not be achievable without a solid relationship with our clients built on these fundamental requirements for success:

- A clear understanding of the client's needs, objectives and expectations;
- A strong professional commitment to achieve the client's objectives;
- An on-going, productive working relationship with the client characterized by an open line of communication throughout the process, and;
- A continuous focus on the philosophy that the client is the purpose of our work.

Our heartfelt appreciation is extended to our dedicated NJBA Board Members, the NJBA staff, the Department of Law & Public Safety's Division of Law, and the Department of the Treasury's Office of Public Finance, Division of Property Management & Construction and Division of Administration. These are talented professionals who bring commitment and effort to the job each day and they are appreciated.

The New Jersey Building Authority expects the coming year to continue to bring successes on our current projects and is prepared for the challenge of additional projects. Our resolve to serve our clients and to continue to deliver projects on time and on budget remains steadfast, and we look forward to the challenges and opportunities that lie ahead.

John H. Fisher III
Chairman

Charles Chianese
Executive Director

NEW JERSEY BUILDING AUTHORITY

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NEW JERSEY BUILDING AUTHORITY

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NEW JERSEY BUILDING AUTHORITY

Ex-Officio Board Directors

John E. McCormac, CPA
State Treasurer
Robert Smartt served in the Treasurer's absence.

Charlene Holzbaur
Comptroller of the Treasury
Gary Brune served in the Comptroller's absence.

Carol Molnar, Esquire
Chair, Commission on Capital Budgeting and Planning
John Geniesse served in the Chair's absence.

Overview of the History of the Building Authority

The New Jersey Building Authority (the "Authority"), a body corporate and politic and an instrumentality of the State of New Jersey, was created in 1981 by the State Legislature for the purpose of financing, acquiring, constructing, reconstructing, rehabilitating, or improving office buildings and related facilities to meet the needs of State agencies.

In 1992, the State Legislature amended the Authority's statute to expand the types of projects the Authority can undertake. In addition to office buildings and related facilities, the Authority can now construct or renovate State correctional facilities and restore historic public buildings. The amendment also removed the $250 million bond principal limitation.

The Authority, under a master lease with amendments for individual properties, has leased to the State the buildings constructed or renovated with the funds provided from various bonds offerings made by the Authority. The State is required to pay rent to the Authority at times and in amounts sufficient to pay (1) debt service on the bonds outstanding (to the extent such debt service is not funded from bond proceeds) and (2) administrative expenses of the Authority. The lease transactions with the State are accounted for as direct financing leases.

The State is responsible for the award and monitoring of all contracts for the design, acquisition and construction of projects as well as supervision of construction work and acceptance of the completed projects. Project costs incurred by the State are paid by the Authority's bond trustee out of the construction fund after approval by an authorized Authority representative. Pursuant to the terms of the master lease, the State is responsible for the adequacy, sufficiency and suitability of the plans and specifications of any contracts or agreements with respect to the acquisition or construction of these projects. During the master lease term, the State is responsible for all costs relating to the operation, maintenance and repair of the projects. In addition, the state pays for all utilities, taxes and governmental charges during the lease term.

At any time prior to the expiration of the master term, the State has the option to purchase the projects for a price of $1 plus an amount sufficient to provide the full payment of the bonds and accrued interest in conformity with the bond resolution. If such option has not been exercised prior to the end of the lease term, the title to the projects will be transferred by the Authority to the State at that time.

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State Legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties.

Through December 31, 2003, the Authority has undertaken projects totaling in excess of $1 billion.

Construction of State Office Buildings, State Police and Correctional Facilities

Construction of State Office Buildings, State Police and Correctional Facilities

In April 1981, the Authority submitted its first group of project reports describing five proposed building facilities to the Commission on Capital Budgeting and Planning. Those project reports were the results of a two-year planning program by the State. The five buildings were proposed as replacements for substandard and overcrowded rented space then used by the State. By consolidating office space, the State expected lower energy consumption, improved public access and increased productivity.

The facilities proposed in those initial project reports are:

Environmental Protection Building
Project Cost: $50,721,808

The Environmental Protection Building is located on 3.6 acres in Trenton on East State Street, across from the Federal Court and Office Building and near City Hall. This building provides approximately 400,000 square feet of office space and accommodates approximately 2,000 employees. The completion of this building permitted the consolidation of Department of Environmental Protection employees located in 15 separate office locations.

Mary Roebling Building
Project Cost: $50,879,841

The Mary Roebling Building is located in Trenton on a .75 acre site on West State and North Warren Streets. The building provides approximately 300,000 square feet of space and accommodates approximately 1,500 employees. The building is occupied by the Department of Banking and Insurance, Commerce and Economic Growth Commission, the Commission on Higher Education and the Bureau of Risk Management.

Community Affairs Building
Project Cost: $29,464,376

The Community Affairs Building is located in Trenton on a .75 acre site on South Broad and Front Streets. The building of approximately 160,000 square feet accommodates approximately 900 employees. The building is occupied by the Department of Community Affairs and permitted the consolidation of employees previously occupying seven separate office locations.

Department of Transportation Annex
Project Cost: $35,148,027

The Department of Transportation Annex is located in Ewing Township on a two acre site immediately to the rear of the Department's headquarters building on Parkway Avenue. The Annex provides approximately 270,000 square feet of space and accommodates an estimated 1,400 employees of the Department, permitting consolidation of employees across 14 locations in the Trenton area and eliminating overcrowding in the headquarters building.

Pest Control Laboratory
Project Cost: $4,887,050

The one-story laboratory building is located on a 5.2 acre site in Ewing Township on State Police Road, near the State Police headquarters. This facility provides approximately 22,000 square feet and includes laboratories and a greenhouse to breed beneficial insect parasites as an alternative to chemical pesticides in controlling harmful insects. The laboratory building replaced previously rented space in Trenton.

These five buildings are completed and fully occupied.

Bank Street Garage
Project Cost: $9,000,000

Due to lower than projected contract prices, the Construction Fund for the initial projects had a residual balance. At the option of the State, $9 million of this surplus was transferred to a Construction Fund account for a multi-story structural parking garage in Trenton to service State employees in the State capital area. The six-level garage accommodates approximately 1,000 vehicles.

South Woods State Prison, Bridgeton
Project Cost: $234,490,427

In June 1993, the Legislature authorized the Authority to proceed with financing and constructing several new projects. Among these projects was the construction of a medium security state prison in Bridgeton, New Jersey. Situated on an 85-acre site at South Burlington Road and Andrews Avenue, South Woods State Prison is a 3,000 bed prison with administrative, technical and vocational support units. The facility has minimum and medium security, with modern security design features. This project is the single largest construction project that the State has ever orchestrated. The design/build contracting method was used in order to expedite the design and construction process. The project was brought in $29.5 million under budget. This major project was completed in a timely manner, with only minor weather related time extensions to the schedule.

Also in Bridgeton, construction was completed on a new regional diesel fueling station on a 3.3-acre site directly across the street from the new South Woods State Prison. This station was funded out of the budget surplus of the prison. In February 1999 the construction contract was awarded $100,000 below the design estimate. Construction was completed in September 1999 and the station was opened for business on November 30, 1999. In June 2000 a Memorandum of Understanding relating to the operation and maintenance of the new facility was signed between the Department of Corrections and the Treasury Department. Closeout activities were completed in August 2000.

Division of Revenue/State Police Facility

In February 1999, planning began on a new facility to house the Department of Treasury's Division of Revenue and a State Police Troop C headquarters. A location in Hamilton Township was selected and land acquisition negotiations began. In anticipation of acquiring the land, a design consultant-architect and construction management firm were engaged and several bid packages were awarded for the Revenue facility.

In February 2000, the purchase of the land for the facility was completed. Construction for the Revenue facility was initiated for site work and exterior and interior masonry work. The pre-engineered building was scheduled for delivery in April 2000.

On April 28, 2000, Governor Whitman directed that the work on the Revenue project be halted and the facility be relocated to Trenton. All construction contracts and the construction management contract were terminated for convenience. The architect was retained to provide assistance in the redesign of the project.

After exploration of all the issues related to siting, budgeting and scheduling, a revised project report was developed and submitted to the NJBA Board in July 2000. It was requested that the proposed Division of Revenue facility be utilized as a multi-purpose facility to house State Police functions. The project report was approved by the NJBA Board, the Capital Planning Commission and the Legislature in July, August and December 2000 respectively.

State Police Technology/Multi-Purpose Building and Troop C Headquarters
Project Cost: $83,500,000

State Police Technology/Multi-Purpose Building

The Technology/Multi-Purpose facility, covering approximately 195,000 square feet, includes offices for the Information Technology Bureau, Records and Identification Section, various investigative units and a forensic laboratory. Common facilities include a kitchenette, a break room, centralized lockers, lavatories, conference centers and a 250 seat auditorium.

Three of the original contracts for the initial construction of the Revenue facility were re-started in September 2000. The NJBA negotiated the redesign of the interior with the architect hired for the original Revenue project. The new plans were completed in December 2001. The remaining interior fit-out work for the building was awarded in April 2002.

Through the spring, the shell of the building was erected, exterior masonry walls, pre-cast panels and metal wall panels were installed and the skylights and roofing were completed. The layout of the main interior corridors were completed by July 2002.

Most of the corridor wall construction was completed by January 2003, and coordination of security, lab equipment, computer needs and telecommunications began. During the course of the project, the intricate mechanical, electrical and plumbing systems were completed sections at a time. Permanent power to the facility was established by mid-summer and final grading, fencing, seeding and landscaping were completed. Throughout the fall, equipment and furniture were installed and various inspections were conducted.

Status as of December 31, 2003

A Temporary Certificate of Occupancy has been issued and agencies have occupied the Technology/Multi-purpose building. The Certificate of Occupancy is expected by the summer. Punch list work continues and includes minor work alterations and final balancing and adjustment of equipment. The design of the remaining space is underway. The Technology Center will be utilized by various agencies including the FBI Regional Computer Forensic Lab; the Department of Law and Public Safety, Office of Counter Terrorism; and the Department of Treasury, Office of Information Technology.

State Police Technology/Multi-Purpose Building and Troop C Headquarters Continued

Troop C Headquarters

The Troop C Headquarters, approximately 66,000 square feet, remains essentially as originally planned but includes an additional 15,000 square feet to consolidate communications services used by the Division of State Police and the Departments of Transportation and Environmental Protection. The site elements in the Troop C project include parking, an enclosed firing range, fueling station, emergency generator, heliport, communications tower and access to the State's highway system for police activities.

The ground breaking ceremony for Troop C was held on April 2, 2001. The project bids were received in July and the project was awarded by October.

By January 2002, most of the footings and foundation walls were in place. It took four months to complete the steel framework, and by May 2002, the foundation and stone bedding within the building footprint were constructed. The exterior masonry and most of the interior stud walls were completed by September. Mechanical, electrical and plumbing installation progressed throughout the fall. By January 2003, the boiler units were installed and the main electrical service to the building was activated. Interior finish work including the installation of the fire alarm and HVAC systems, light fixtures, cabinetry, countertops, flooring and ceiling tile continued through the spring. By September, the 911 Center was completed and the firing range was turned over to the State Police. Occupants were able to move into the facility. This project was completed substantially ahead of schedule.

<u>Status as of December 31, 2003</u>

The Troop C Headquarters has been issued a Temporary Certificate of Occupancy and a final Certificate of Occupancy is expected by the summer 2004.

New Jersey State Police Emergency Operations Center
Project Cost: $26,900,000

The objective of this project is to improve services during times of emergency. The New Jersey State Police (NJSP) have identified a need for a new facility to accommodate the Emergency Management Section (EMS) and the Emergency Operations Center (EOC). The EMS is responsible for planning, training and development of emergency procedures within the State. The EOC is the State's command post for assessment, decision-making and communications during times of emergency activation.

The proposed facility consists of a 47,500 square foot, two-story building and 120-car parking and service area. The building will include: an auditorium that accommodates 150 people; an executive operations room which will house Governor's Office staff and key officials; and operations space for agency emergency representatives during EOC activation. Technology will include an uninterruptible power source, separate electrical service power feeds, special grounding techniques and state-of-the-art communication and data feeds. In an effort to conserve energy and protect resources, alternate energy sources will be employed. A geothermal system will heat, ventilate and cool the facility by utilizing ground temperature and a photovoltaic system will be used to convert sun light to electricity.

By January 2003, the design development drawings and project manuals were completed and submitted to the NJBA and NJSP for review. The construction document phase of the project began soon after.

By April, all approvals were attained, including approvals for foundations, structure, mechanical and plumbing.

The pre-qualification packages for general and audio/visual contractors were prepared and put out to bid in July 2003. In November, plan modifications to include the photovoltaic system were released to the bidding contractors.

Status as of December 31, 2003

Only three contractor bids were received by the December 4, 2003 closing date. The lowest bid came in substantially over the estimated project base cost. After review, it was determined that the NJBA's original projected cost estimate was reasonable and that the market place was saturated, reducing competition. The NJBA board cancelled the existing bids with the intention of bidding the project again as both a single and multiple prime project in order to attract a larger pool of bidders with competitive prices.

The project team is reviewing the existing contract documents and expects to readvertise the project shortly.

Renovation of State Office Buildings

Renovation of State Office Buildings

Since June 1993, the Legislature has authorized the Authority to proceed with various renovations of office buildings in Trenton. These projects, which are in varied phases of completion, are:

Department of State - Cultural Campus Renovations (Phase 1)
Project Cost: $15,789,790

The objective of this project was to renovate the former Education Building located at 225 West State Street in Trenton. The project was awarded for construction in June 1997. Demolition and renovation of the building's mechanical systems were completed in 1998. The Department of State moved into the building in late summer 1999 and a final Certificate of Occupancy was issued in September 2001.

In December 2002, a Notice to Cure was sent to the contractor to correct deficiencies outlined in the State's claim regarding the contractor's work. By August 2003, a Notice of Termination was issued to the contractor and its bonding company.

Status as of December 31, 2003

The contractor has not responded. The NJBA is seeking advice from the Attorney General's Office to determine appropriate action.

Labor Building Renovations
Project Cost: $23,887,895

The Labor Building renovations are two-fold. The first project, which was approved in June 1993, was to renovate the basement through the 4th floor. The renovations encompassed a variety of tasks including asbestos abatement, interior finishes and furnish-

ings and upgrades to the HVAC, plumbing, electrical, fire, alarm, security, telecommunication and elevator systems. Modifications incorporated barrier free access and satisfied Americans with Disabilities (ADA) requirements.

By 2001, the basement and first, second and fourth floor renovations were completed.

In January 2003, minor modifications to the third floor plans were made to satisfy code egress requirements. The project was advertised and awarded by April. When renovations were near completion in August, a Temporary Certificate of Occupancy was issued and Department of Labor staff occupied the third floor. At that time, additional modifications to the computer room and elevator upgrades were requested.

Focus then moved to repairing the building canopy. By October 2003, the project was awarded and demolition of existing concrete began in November.

Status at December 31, 2003

Canopy renovations progressed through December. The project will be suspended for the winter months, but will resume in the spring. There is no additional cost to the State for the delay.

Exterior Panel Replacement

The objective of the second project was to remove the existing marble facade panels and replace them with new granite panels. This entire project was completed in January 2000.

Taxation Building Renovations
Project Cost: $6,513,297

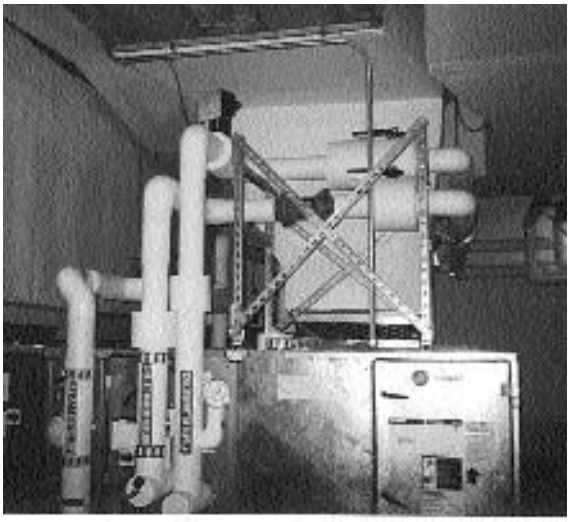
The objective of the project was to renovate the Taxation Building located at 50 Barrack Street in Trenton. The renovations included upgrading the building's air handler units, energy management system and fire and life-safety systems, and improving building access to meet the American's with Disabilities Act requirements.

The project was completed and closed out in 1998.

Department of Transportation, Engineering and Operations Building Improvements
Project Cost: $8,625,000

The objective of this project was to bring the existing HVAC systems up to code and to upgrade communication cabling throughout the building to meet industry standards for voice and data systems.

The HVAC improvement project was awarded in October 2000. Work began in November with most renovations completed by 2002. By February 2003, the dry system fire pump relocation was completed. Final inspections were delayed due to a minor mechanical malfunction in the system. The problem was rectified in May 2003. In September, inspectors raised concerns over masonry air shafts with regard to fire-rating.



Status at December 31, 2003

It was determined that exposed walls within the air shafts need to meet a one-hour fire rating. The contractor is scheduled to review the wall requirements with inspectors and make any necessary modifications.

Richard J. Hughes Justice Complex Renovations
Project Cost: $21,000,000

The objective of this project is to ensure that the integrity of the safety, HVAC, electrical, structural and all operational components of the facility are maintained. The original project included replacement of the Atrium glass and the roofing system and repairs to the first and second levels of the parking garage. These projects were awarded for design in 2001.

As initial renovations progressed, Scopes of Work for other improvements were added and will be completed as funding permits.

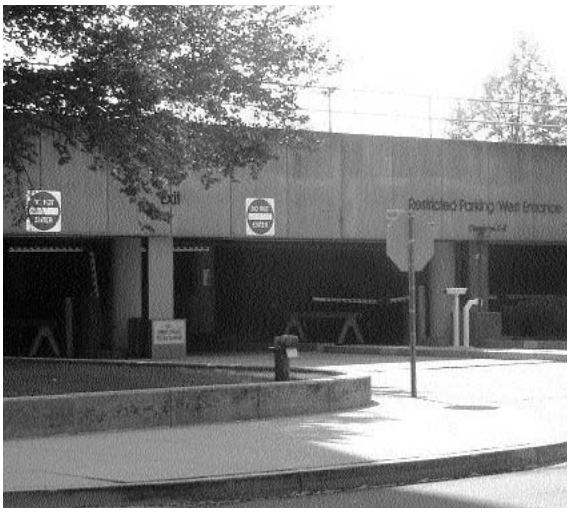
New projects include extensive renovations to the lobby including installation of safety film, the addition of entrance and exit vestibules and the replacement of the escalators and spline ceiling.

The security system will be upgraded and enhanced with a central monitoring system, Closed Circuit TV video equipment and card readers. Additional security measures include relocation of the guard booths, anti-ram barriers, roll-up doors, gate arms and stop lights.

Throughout the building, walls will be repaired and painted, and carpeting will be replaced as needed.

Remodeling of the Supreme Court will include the replacement of permanent seating and acoustical panels. New floor lighting strips will be installed and elevated platforms will be redesigned.

External renovations include refurbishing the loading dock area, replacing the snow melting system and resurfacing the parking areas. Plaza waterproofing and roofing on the north and west wings will be replaced.



The project includes a feasibility study for the design and construction of a 1200 car parking deck.

By July 2003, the roof replacement project was completed. Demolition to expose the waterproofing slab on the Plaza began in June. By August, waterproofing was installed and preliminary testing had begun. Work began on security upgrades in September and the new visitor management system was in place by December. The parking garage study was advertised in

June 2003 and awarded in November.

Status as of December 31, 2003

The atrium glass has been replaced and the parking garage repairs are near completion. Construction of new vestibules began. Preliminary interviews were conducted with representatives from the Justice Complex, and the adjacent Departments of Health, Agriculture and Labor to collect the necessary statistics for the parking garage study.

New Jersey State Museum
Project Cost: $14,100,000

The objective of this project is to address the aging infrastructure of the New Jersey State Museum located in Trenton, to protect the health and safety of the State Museum's constituency and to secure its collections. The project includes enhancements to the HVAC, electrical and air conditioning systems, and renovation of the windows, walls, ceiling and roof.

The Scope of Work for design was completed in May 2003. The project was advertised in June and firms were asked to attend a mandatory site visit for briefing on the Scope of Work, scheduling and milestones.

By the end of October, the design contract was awarded.

Status as of December 2003

The project team presented three construction cost recommendations to the Quality Review Board. The QRB agreed to all necessary renovations to the mezzanine and penthouse levels and to the asbestos remediation. The QRB prioritized four add alternates to be bid with the project which include completion of the HVAC systems on the first floor and lower level, replacement of all the windows and doors, installation of a fire suppression system and an upgrade to the security system.

Renovation and Restoration of Historic Structures

Renovation and Restoration of Historic Structures

Since its inception, the Building Authority has financed several projects to restore historical structures including the State House, Old Barracks Museum, War Memorial, and the Thomas Edison State College townhouses. Descriptions of the projects follow:

State House Complex Improvements
Project Cost: $143,993,680

In May 1987, the Building Authority Chairman was named to oversee the restoration and renovation of the legislative portion of the State House and the State House Annex.

During 1988, design work on the State House portion of the project was completed. Construction contracts for work on the Legislative State House were awarded in 1989 and 1990, with completion in the fall of 1991.

Restoration of the Annex began in late 1992 and was completed in February, 1995.

In 1991, the Legislature authorized further improvements to the State House Complex including more extensive restorations of the Annex, construction of a structural parking garage, and installation of a roof-top plaza and landscaped park at the rear of the Complex.

State House Annex

The Annex renovations were completed and closed-out in December 2002.

State House Garage, Plaza and Stacy Park

A design/build contract was awarded in late 1998 for the Garage Plaza. Development, structural and technical issues were investigated to ensure the successful construction of the plaza, park and fountain. During the design phase, it was decided that a granite paver system matching the existing hardscape in the Capitol Complex would be installed and that the existing garage roof system would be enhanced and reinforced by providing new flashing, replacing the roof membrane and expansion joints and installing a concrete overlay.

By August 1999, the Plaza design was approved and work began on waterproofing upgrades. By year-end the roofing modifications, concrete overlay, and forming out of the base of the main fountain were complete, and the installation of granite curbing was nearing completion. The entire roof was flood tested to ensure the integrity of the roof system. Installation of the granite pavers was initiated.

In early 2000, the granite curbing was completed. The fountain sculpture, part of a separate arts inclusion contract, was erected by summer, 2000. The Plaza was landscaped by mid-summer.

Work on the granite pavers and fountain was completed by the end of September 2000. The Plaza Park and Fountain were officially dedicated at a celebration in October 2000.

Status at December 31, 2003

Construction documents addressing repairs needed to eliminate water filtration at the ventilation towers, plaza skylights and tunnel entrance of the parking garage were prepared by December 2003. This project is expected to be advertised in early spring.

State House Annex Entablature

During the winter of 1996, a section of the cornice or entablature assembly on the State House Annex fell from the building. A preliminary study of the soundness of the entablature revealed that the failures were the result of the freeze-thaw process. The issue involving the entablature was not part of the original scope of the Annex renovation project. In January 1998 funding was approved by the Building Authority to perform a more detailed investigation of the cornice and to develop design drawings to complete the repairs. The estimated cost for the project was approximately $5.7 million. Due to the Authority delivering several projects under budget, this project was funded from the residual balances.

A special prequalification of the bidders for this project was completed in January 1999. The project was advertised for bid and the contract was awarded in late February 1999. Extensive scaffolding and canopies were constructed for the project by April. During removal of some cornice stones, the contractor discovered that some underlying dentil stones were also cracked. By November, all cornice and dentil stones had been replaced. Given some of the failures of the existing roof system, the replacement of the roof was added to the project. Roof replacement work was completed over the east and west wings in late fall 1999. Prior to installation of the underlayment and roof pavers, which cover the roofing system, the design consultant was requested to further investigate the concrete roof slab.

In 2000, the consultant conducted extensive tests and took several roof cores from portions of the roof and issued a report on the condition of the roof slab. The final report indicated a possible deterioration of the existing concrete slab, particularly on the West Wing.

Consequently, completion of the roof installation was placed on hold until a plan could be developed to remediate the deficiencies in the roof slab.

A scope of work was developed to contract with an independent engineer to conduct a structural investigation and develop design documents for the Roof Slab Renovation and Replacement project. This project was funded and administered under a separate State project.

Remediation roof slab repairs began in July 2001 and were completed by January 2002.

State House Dome Restoration
Project Cost: $9,078,421

The New Jersey State House is the second oldest State House in continuous legislative use in the United States. The cupola and lantern, which sit on top of the gilded dome, rise 145 feet from ground level. This makes the State House dome the most visible structure in Trenton as well as the most important symbol of the State's capital. Since its reconstruction in 1889, the dome had not undergone any significant structural repairs. Exterior caulking was done in 1989 as a temporary attempt to prevent leaking and water penetration. The most recent gilding and painting of the dome and drum had occurred in 1972, but inadequate surface preparation and inferior materials resulted in the initial flaking of the surface within ten years.

The State House dome was in obvious need of repair. The gold gilding had failed, leaving an unsightly discolored surface, paint on the cast iron was chipped and rust was prevalent throughout. Water leaking form the dome ruined the rotunda walls.

A consultant was hired to investigate the causes of the dome problems, recommend solutions and estimate the cost of repairs. A final report of findings, recommendations and cost was issued in December 1996. The report recommended, among other repair and restorations items, the complete disassembly, repair and reassembly of the exterior cast iron of the drum and cupola, structural reinforcement of the 24 webbed columns of the dome's frame, replacement of all copper cladding on the dome and cupola roofs, the regilding of all copper cladding,

repainting and regilding of all of the interior finishes of the rotunda, and the repair of stained glass windows. The project report and Legislative approval for the project was received in June 1997.

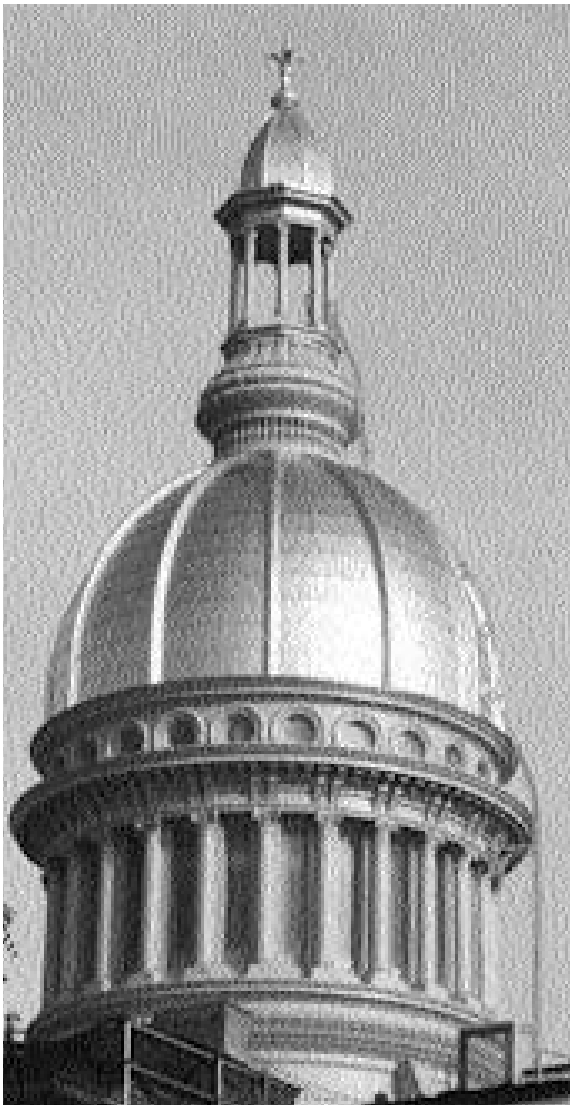
Due to the magnitude of the dome and the necessary repairs, a complex network of scaffolding was required. Placement of the scaffolding footings were completed in the fall of 1997. Once the scaffolding footings were in place, the steel structure took approximately three months to assemble and remained in place for the duration of the project.

Removal of existing copper on the Dome was completed in July and the cast iron removal was completed in August 1998. The cast iron pieces were transported to a foundry in Alabama for refinishing. By late February 1999, the cast iron pieces were reinstalled and the wood sheathing under the copper dome was replaced. New copper replaced the old, worn copper and the regilded cupola was reinstalled on top of the dome.

The interior finishes were repaired and refinished including the plastering, painting, regilding of the metal railings and refinishing of the stone work. The stained glass windows were restored at an off-site location and reinstalled.

In May 1999, the gilding of the exterior dome and the refinishing of the Great Seal were complete. Disassembly of the scaffolding began in June. The Dome Dedication Celebration was held on July 8th.

The project was completed significantly under budget and on schedule.

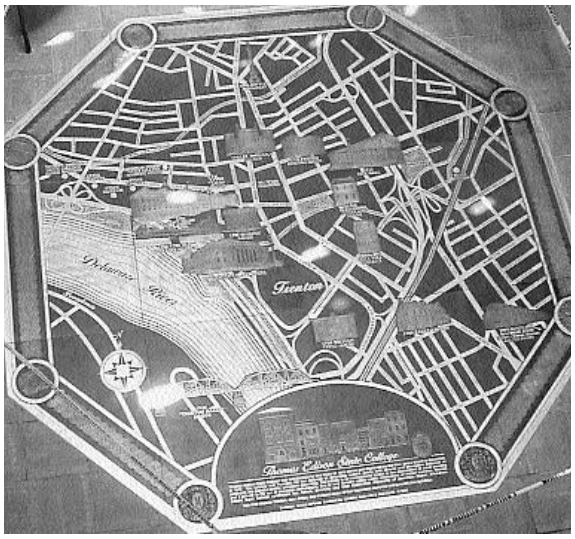


Thomas Edison State College Townhouses Restoration and Renovation
Project Cost: $14,427,000

This project included renovating six (6) historic townhouses located at 105-115 West State Street, adjacent to Thomas Edison State College. The 19th Century building exteriors were restored to their “near original” appearance and the interiors were converted to modern office space for Thomas Edison State College personnel. A new addition connects the townhouses and the Kelsey Building.

The project was substantially completed in October 1999. College personnel moved into the facility in November 1999. By late 2002, all DCA code requirements were satisfied and Certificates of Approval were received.

The NJBA had initiated repairs to the antique wood clock at the Kelsey Building because of its severe state of deterioration and potential hazard to passing pedestrians. The clock was refurbished by an antique clock consultant to its original detail and splendor. New protective coatings were applied to all exterior components and, once again, proudly adorns the Kelsey Building facade.



The NJBA through the New Jersey Council of the Arts had initiated a number of Art projects to be included in the college's renovation efforts. In September 2003, a glass sculpture was suspended from the atrium ceiling. Another project includes the fabrication of bronze dedication plaques and floor inlays which depict past historic structures within the City of Trenton. Special attention was given to accurately represent the existing roadways, buildings, and landmarks within historic Trenton. This beautiful series of plaques and tiles will be set into the floor of the Atrium and the Great Hall.

<u>Status as of December 31, 2003</u>

Delivery and installation of the bronze plaque and tiles are scheduled for the spring.

Old Barracks Museum Restoration
Project Cost: $6,653,754

The objective of this project was to complete the restoration of the Old Barracks Museum including archeological investigation and work on the interior of the Barracks, the roof, porches, parade ground and stockade fence.

This project was completed on time and under budget in December 1998. Contract closeout was completed in early 2001.

War Memorial
Restoration and Renovation
Project Cost: $34,065,977

The objective of this project was to renovate and historically restore the War Memorial as a multi-use auditorium/performing arts theater and center.

All the major interior and exterior work was completed in 1998.

A Temporary Certificate of Occupancy was issued in early December 1998 and four “trial run” concerts were held.

The Authority sponsored "Hard Hat" concert was the first concert held. Craftsmen and their families and other individuals from the private and public sector who assisted in completing the renovation of the War Memorial attended this free concert.

The Governor's State of the State message was held in mid-January 1999 after which the building was rededicated to all war veterans. The Grand Reopening was held in March 1999.

In early 2001, an additional balcony railing was added in the Auditorium as requested by the Building Authority Board to enhance public safety. The Building Authority approved sound and lighting upgrades for the theater in mid-2001. The design was advertised and awarded to sound and lighting consultants in late 2002. The first set of design plans were developed by February 2003. Plan modifications continued through 2003 to address issues related to the safeguarding of seating areas already compliant with the Americans with Disabilities Act (ADA) during construction of the new theater sound monitoring and mixing stations.

Status as of December 31, 2003

By December 2003, revised construction documents for the sound and lighting systems, which addressed ADA concerns during renovations, were submitted for plan review.

Pinelands Commission Renovations
Project Cost: $1,150,000

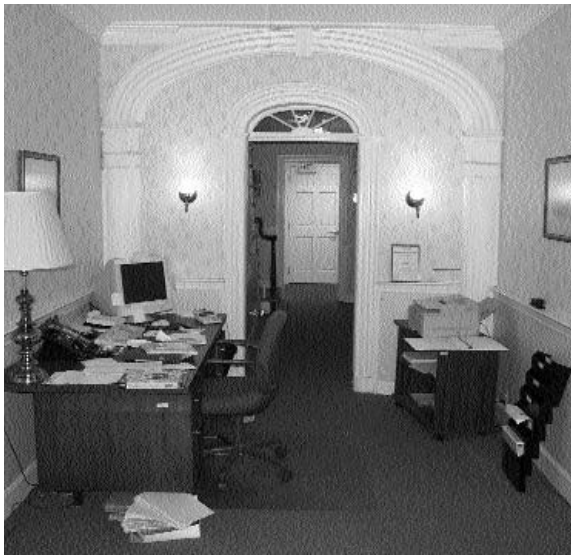
The objective of this project is to renovate and repair the Pinelands Commission Headquarters located in Pemberton Township while maintaining historical value. The project entails interior and exterior renovations to Fenwick Manor, the carriage house, barn and historic outhouse. Improvements will address code, safety and environmental issues and updates to all utilities and building systems including heating, air conditioning, electrical, plumbing and telecommunications.

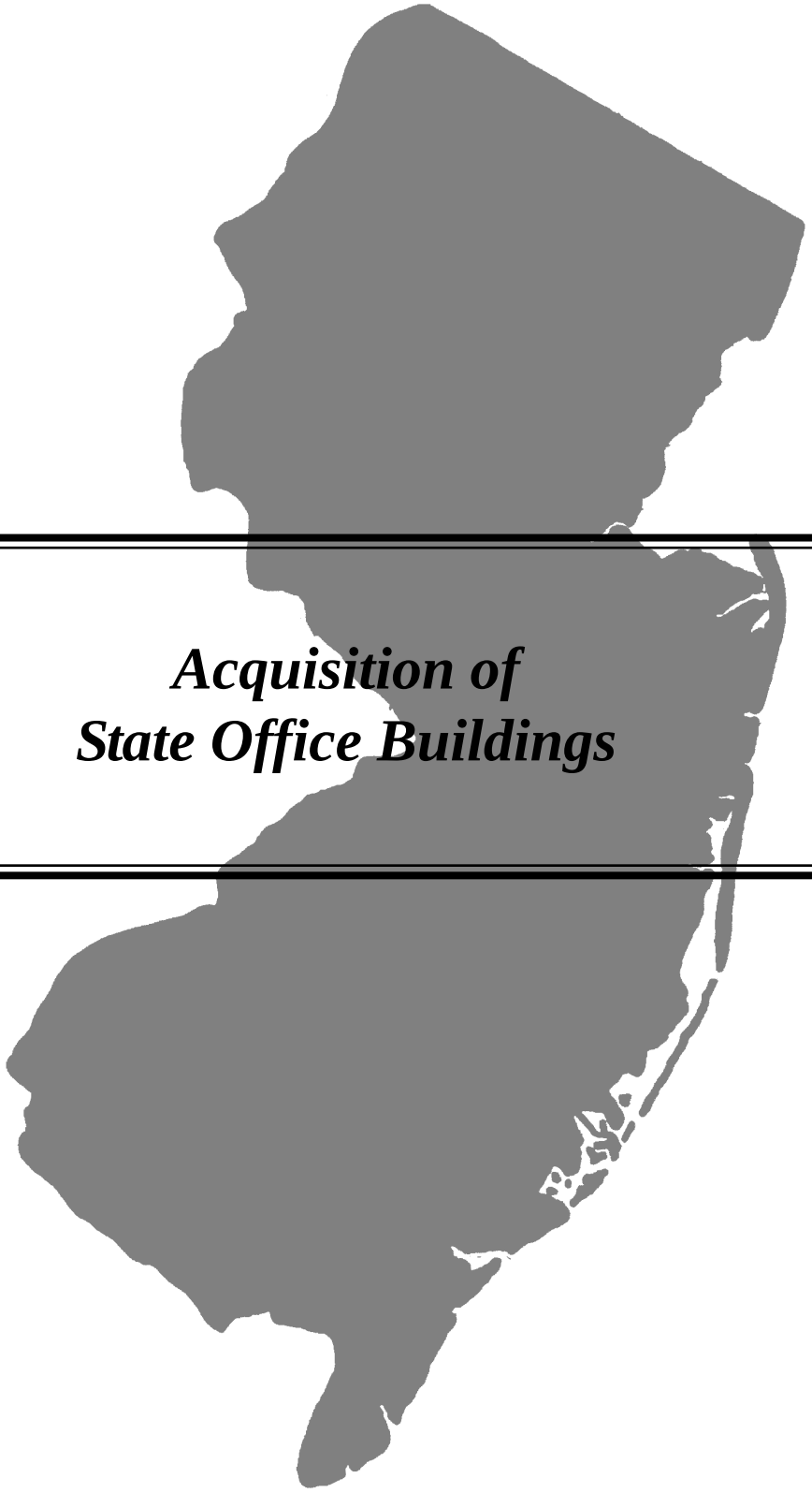
The design contract was awarded in February 2003. Structural and environmental investigations began in April and a report with recommendations was presented to the Quality Review Board (QRB) in May. The project budget was increased by $150,000 to encompass the necessary renovations. By July, the QRB agreed to all Fenwick Manor renovations and to bid the renovations to the Barn, Carriage House and outhouse as add alternates.

In September, a decision was made to bid the project with a base project scope to meet the original $1,150,000 budget. At the October 2003 NJBA meeting, a revised project report authorizing an additional $800,000 for construction was approved contingent upon Legislative approval. The additional funds will allow for the complete renovations to Fenwick Manor, Carriage House, barn and outhouse. The NJBA has contacted an outside vendor to provide a limited scope of work for project management scheduling and cost analysis for the project.

Status at December 31, 2003

The contractor pre-qualification package has been approved and is presently being advertised.





Acquisition of State Office Buildings

Acquisition of State Office Buildings

Up until 1999, all of the Building Authority's financing activities involved the construction, renovation and restoration of various office buildings, historical structures and correctional facilities. In late 1999, the Building Authority financed the acquisition of an existing building, the Richard J. Hughes Justice Complex.

Richard J. Hughes Justice Complex
Project Cost: $80,682,136

On January 1, 1978, the State of New Jersey and the Mercer County Improvement Authority (MCIA) entered into a lease agreement for the Richard J. Hughes Justice Complex to be constructed in Trenton, pursuant to which the State was responsible for the planning, construction, installation and maintenance of the complex. The Justice Complex consists of an eight-story L-shaped office building, a four-story Supreme Court structure and a two-story below-grade parking garage. The combined gross building space is approximately one million square feet.

The cost of acquisition and construction of the complex was financed through the issuance of bonds by the MCIA consisting of $50 million State Justice Complex Revenue Bonds, 1978 Series A, $60.2 million State Justice Complex Revenue Bonds, 1979 Series A, and $2.175 million State Justice Complex Revenue Bonds, 1985 Series A. The MCIA Bonds were defeased to maturity with proceeds from the secondary offering of the Custody Receipts. Pursuant to the MCIA Lease, the State paid the MCIA an amount of rent equal to the sum of (1) the debt service on the Custody Receipts outstanding; (2) payments in lieu of taxes due to the City of

Trenton; and (3) the administrative fees and expenses of the MCIA, the Custodian and the MCIA Lease Trustee. The State's payment obligations under the MCIA Lease were subject to, and dependent upon, appropriations being made by the State Legislature, from time to time, for such purpose. During the term of the MCIA Lease, the State was responsible for, and paid all costs of, operating the Justice Complex and making all necessary repairs and replacements to the Justice Complex.

Pursuant to the MCIA Lease, the State had the option to purchase the Justice Complex by depositing with the Custodian an amount sufficient to pay the remaining principal component and accrued interest component of Basic Rent under the MCIA Lease, together with any other amounts then due and owing under the MCIA Lease, if any. On October 1, 1999, the Building Authority issued $134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series. From the proceeds, $80.7 million was used to acquire the Richard J. Hughes Justice Complex.

Upon defeasance of the Custody Receipts, the MCIA Lease was terminated and the MCIA conveyed the Justice Complex to the State which then ground leased it to the Authority pursuant to an amendment to the Ground Lease.

Building Authority Financing Activities

Building Authority Financing Activities

Initial Project Financing

Construction of the Environmental Protection Building, Mary Roebling Building, Community Affairs Building, Department of Transportation Annex, Pest Control Laboratory, and Bank Street Garage

To maximize investment earnings during the construction period, the Authority designed a two and one-half year temporary bond issue with interest capitalized for the life of the loan. On December 23, 1981, the Authority sold $129 million of Revenue Bonds, secured by a lease agreement with the State and rated "Aa" by Moody's and "AA-" by Standard and Poor's, at a coupon rate of 10.5%. The bonds were due on August 1, 1984. The reinvestment of proceeds, according to a projected cash draw-down schedule, was made at a very favorable average return of approximately 14 percent.

Preparation for the long-term financing of the initial project began in September of 1982 but a planned November bond sale was postponed when interest rates moved upward. The sale was eventually consummated on January 13, 1983 when an issue of $157.1 million refunding bonds was underwritten at a net interest cost of 9.83%. In December 1985, the Authority refinanced its outstanding debt at an interest cost of 9.39%. In May, 1987, the Authority refinanced a portion of the 1985 bonds to achieve debt service savings of $13 million over the life of the bonds. In September, 1997, a portion of the 1987 bonds were refunded with the 1997 Bond Series.

State House Complex Improvements Financing

Restoration and Renovation of the State House and State House Annex
Construction of the State House Garage, State House Plaza and Stacy Park

The Authority issued $49.7 million of Revenue Bonds, 1989 Series to finance the first phase of the project. The bonds were issued at an interest cost of 7.518%. In January, 1994, a portion of these bonds were refunded with the 1994 Series Bonds.

In September, 1991, the Authority issued $74.9 million of bonds to finance the second phase of the improvements. The 1991 Series Bonds were issued as capital appreciation bonds (CABS). These bonds are also a series of Garden State Savings Bonds.

During 1990 and 1993 the Authority applied for and received two Historic Preservation Grants from the New Jersey Historic Trust. The grants, which were $530,450 and $64,000 respectively, were used to help fund the State House improvements.

1994 Project Financing

Construction of South Woods State Prison,
Renovation of the Education, Labor and Taxation Buildings,
Restoration and Renovation of the Old Barracks, War Memorial, and Edison Townhouses
Completion financing for the State House Complex Improvements

On January 13, 1994, the Building Authority issued $314.9 million of New Jersey Building Authority Building Revenue Bonds, 1994 Series. A portion of these bonds were issued as capital appreciation bonds (CABS).

From the proceeds, $38.8 million was used to advance refund certain outstanding debt; $249.2 million was used to pay project construction costs. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The 1994 Series bonds were issued at a yield of 5.0326%.

1995 Financing

The Authority issued no new bonds in 1995.

On July 20, 1995, the Authority entered into a collateralized flexible repurchase agreement.

1996 Financing

The Authority issued no new bonds in 1996.

1997 Project Financing

Completion financing for the 1994 Projects
Replacement of Labor Building Exterior Panel
Repair and Restoration of the State House Dome

On September 17, 1997, the Building Authority issued $224.6 million of New Jersey Building Authority Revenue Bonds, 1997 Series. $103.2 million of the proceeds were used to refund a portion of the 1987 Series; $102.5 million was used to complete the costs of the 1994 projects; $12.3 million was used to finance the Labor Building Exterior Panel Replacement project; and $9 million was used to pay for the cost of the repair and restoration of the State House Dome. The balance of the proceeds were used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.0286%.

Additional funding for the State House Dome project was provided through other sources. $1 million in State appropriations were made available through the Joint Management Commission and approximately $2 million through private donations and fundraising initiatives. One such fundraising initiative was *"Dimes for the Dome".* During the week of May 5 - 9 1997, New Jersey school children voluntarily

1997 Project Financing, continued

participated in a week-long fundraising drive to raise money for the dome repair and restoration. These students collected dimes and other coins by hosting varied events. They raised over $48,000, the exact amount needed to gold leaf the dome.

1998 Financing

The Authority issued no new bonds in 1998.

1999 Project Financing

Acquisition of the Richard J. Hughes Justice Complex
Construction of the Division of Revenue/State Police Facility

On October 1, 1999, the Building Authority issued $134.9 million of New Jersey Building Authority Revenue Bonds, 1999 Series.

From the proceeds, $80.7 million was used to acquire the Richard J. Hughes Justice Complex; $55 million will be used to pay for the construction of a new State Police Multi-Purpose Building and Troop C Headquarters. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.3150%.

2000 Project Financing

Renovation of the Richard J. Hughes Justice Complex
Construction of the Improvements to the Department of Transportation E & O Building

On August 1, 2000, the Building Authority issued $29.0 million of New Jersey Building Authority Revenue Bonds, 2000 Series A.

From the proceeds, $21.0 million will be used to finance the renovations of the Richard J. Hughes Justice Complex; $7.5 million will be used to finance the construction of the improvements to the Department of Transportation Engineering & Operations Building. The balance of the proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a yield of 5.1023%.

2001 Financing

The Authority issued no new bonds in 2001.

2002 Project Financing

Construction of the State Police Office of
Emergency Management and Emergency Operations Center
Renovation of the State Museum and the Pinelands Commission Headquarters
Completion Funding for the State Police Technology/Multi-Purpose Building and
Troop C Headquarters

On November 15, 2002, the Building Authority issued $65 million of NJBA Revenue Bonds, 2002 series A.

From the proceeds, $26.8 million will be used to finance the construction of the State Police Emergency Management and Emergency Operations Center; $14.1 million will be used to finance the renovation of the State Museum; $23.2 million will be used to finance the completion of the construction of the State Police Technology/Multi-Purpose Building and Troop C Headquarters; $1 million of existing Building Authority proceeds will be used to finance the renovations of the Pinelands Commission Headquarters. The balance of the 2002A proceeds will be used to fund accrued and capitalized interest and pay the costs of issuance. The bonds were issued at a variable rate yield.

On November 15, 2002, the Building Authority issued $210 million of NJBA Revenue and Refunding Bonds, 2002 series B. Those bonds represent a partial refunding of previous issues. The bonds were issued at a variable rate yield.

2003 Project Financing

On August 15, 2003, the Building Authority issued $190 million of NJBA Revenue Bonds, 2003 Series A.

The 2003 Bonds are being issued by the Authority to provide proceeds to refund all or a portion of the 1994 Series Bonds, the 1999 Series Bonds, the 2000 Series A Bonds and the 2002 Series A Bonds (the “Bonds to be Refunded”) and to pay for costs of issuance of the 2003 Bonds.

Financial Statements

Following are the combined financial statements for the years ended December 31, 2003 and 2002 with the report of the independent public accountants.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

Financial Statements

Years Ended December 31, 2003 and 2002

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

Years Ended December 31, 2003 and 2002

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the New Jersey Building Authority's (the Authority) annual financial report represents our discussion of the Authority's financial performance and provides an overview of the Authority's activity for the fiscal year ended December 31, 2003. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

- The Authority's net assets decreased $755,000 due primarily to swap agreement costs.
- Operating Revenue decreased approximately $12.1 million due in part to the bond refundings which reduced the state's debt service obligation.
- Construction-In-Progress decreased approximately $238 million due to completed projects being reclassed as a minimum lease receivable.
- The deferred amount on advanced refunding of bonds increased $11.5 million due to a loss on the 2003 Refunding.
- The Authority's debt decreased approximately $15.6 million due to actual principal payments, net of bond proceeds from refunding.

Overview of the Financial Statements

The annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include the statement of net assets and related statements of revenues, expense, and changes in net assets and cash flows.

Financial Summary

Changes in Net Assets, Revenues, Expenses between December 31, 2003 and 2002 are summarized in Table 1.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 1

Changes in net assets	2003	2002	Change $	Change %
Revenues:				
Interest income related to leases and other payments from state of NJ	$ 20,038,588	$ 32,117,528	(12,078,940)	(37.6)%
Other interest income:				
Money market interest	51,874	79,588	(27,714)	(34.8)%
Cash management fund interest	525,582	1,714,046	(1,188,464)	(69.3)%
FRA interest	1,014,903	767,947	246,956	32.2%
Less arbitrage rebate expense (1)	—	(2,453,193)	2,453,193	(100.0)%
Total other interest income	1,592,359	108,388	1,483,971	1,369.1%
Total revenues	21,630,947	32,225,916	(10,594,969)	(32.9)%
Expenses:				
Interest expense on bonds including amortization of debt discount	20,038,588	32,117,528	(12,078,940)	(37.6)%
Other expenses:				
Administrative	34,342	134,163	(99,821)	(74.4)%
Salary	390,535	202,017	188,518	93.3%
Bond Swap Costs	1,885,561	—	1,885,561	100.0%
Other	36,729	38,001	(1,272)	(3.3)%
Total other expenses	2,347,167	374,181	1,972,986	527.3%
Total expenses	22,385,755	32,491,709	(10,105,954)	(31.1)%
Decrease in net assets	$ (754,808)	$ (265,793)	(489,015)	184.0%

(1) Included in other expenses in the statements of revenues, expenses and changes in net assets.

Revenues

Interest income related to lease and other payments from the State of New Jersey decreased approximately $12.1 million from $32.1 million at December 31, 2002 to $20 million at December 31, 2003.

State rental receipts totaled $68.9 million, of which $32.8 million was associated with the interest portion of bond payments as identified in the official statements and $36.1 million associated with the pay-down of the principal portion. Principal portions reduce the minimum lease receivable of the Authority and the interest portion is netted against the interest expense of the authority for each bond payment. The remaining balance in this account is composed of accrued interest payable on the Authority's bonds and the net effect of interest expense items not related to the amortization of bonds including amortization of discounts, premiums, and deferred bond costs.

Other interest income decreased $969,225 from $2,561,584 in 2002 to $1,592,359 in 2003. The decrease was due to construction expenditures reducing cash management and flexible repurchase agreement balances.

Expenses

Interest expense on bonds and supplemental interest certificates decreased approximately $12.1 million as a result of the interest being capitalized as construction-in-progress for ongoing projects

Other Expenses decreased $2.4 million due to a large non recurring arbitrage expense in 2002.

Summary of assets and liabilities	2003	2002
	(In thousands)	
Current assets	$ 156,354	$ 183,862
Construction in progress	263,935	502,185
Minimum lease receivable	347,066	118,360
Other assets	27,901	17,871
	$ 795,256	$ 822,278
Current liabilities	$ 39,243	$ 51,140
Long-term debt	751,419	765,789
Total liabilities	790,662	816,929
Net assets-restricted	4,594	5,349
	$ 795,256	$ 822,278

Current Assets

Current assets decreased $27.5 million primarily due to a $39.4 million decrease in cash. The cash decrease is detailed on the statement of cash flows.

Construction-In- Progress Costs

Construction-In-Progress decreased to approximately $264 million as of December 31, 2003 from $502.2 million as of December 31, 2002. Table 2 shows the change by project in Construction in Progress.

Table 2

	2003	2002	Increase (decrease)
State Police E. O.C.	$ 3,034	$ 602	$ 2,432
State Museum	460	—	460
Justice Complex	9,544	3,119	6,425
DOT Building	7,890	8,390	(500)
Entablature Repair	—	6,835	(6,835)
State House Phase II	46,217	52,622	(6,405)
State House Annex/Garage	28,279	28,077	202
State House Dome	—	7,307	(7,307)
South Woods State Prison	—	238,882	(238,882)
Education Building	15,705	16,466	(761)
Labor Building	21,569	20,115	1,454
Edison Townhouse	13,437	13,873	(436)
Old Barracks	—	6,738	(6,738)
War Memorial	32,496	34,268	(1,772)
Labor Building Exterior Panel	2,841	3,560	(719)
State Police Building	82,463	61,331	21,132
Total	$ 263,935	$ 502,185	$ (238,250)

The $238 million decrease was due to the movement of four completed projects (Entablature, State House Dome, South Woods State Prison and Old Barracks) from construction-in-progress to the minimum lease receivable account.

Construction activity in 2003 focused on the State Police Multi-Purpose Building, the State Police Emergency Operation Center and the renovation of the Richard J Hughes Justice Complex. The Cultural Complex and the War Memorial Restoration are in the closeout phase.

Current Liabilities

Current Liabilities decreased $11.9 million primarily due to a $7.8 million decrease in bonds payable and a $4.9 million decrease in accounts payable.

Outstanding Debt

Including current and noncurrent portions of long-term debt, the Authority had $783 million in bonds outstanding versus $805 million last year, a decrease of $22 million as shown in Table 3. The decrease was primarily due to principal payments, net of bond proceeds.

Non-Current Liabilities

Non-Current Liabilities decreased $13.5 million to reflect payments of principal on long-term debt.

Contacting Financial Management

This financial report is designed to provide citizens, vendors, and creditors with a general overview of the New Jersey Building Authority finances. If you have any questions about this report or need additional financial information, contact the Authority's Fiscal office at P.O. Box 211 Trenton, New Jersey 08625-0211.

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
(FORMERLY DRUKER, RAHL & FEIN)
A Mercadien Group Company

Independent Auditors' Report

The Board of Directors
New Jersey Building Authority:

We have audited the accompanying statement of net assets of the New Jersey Building Authority (the Authority), a component unit of the State of New Jersey, as of December 31, 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of December 31, 2002 were audited by other auditors whose report dated May 29, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Building Authority as of December 31, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Mercadien, P.C.

April 19, 2004

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NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENTS OF NET ASSETS

	December 31,	
	2003	2002
ASSETS		
Current Assets		
Cash and equivalents	$ 88,394,533	$ 127,798,071
Accrued interest receivable	62,348	10,297
Prepaids and other assets	68,229	37,652
Minimum lease payments receivable	64,995,275	54,615,206
Deferred amount on advanced refunding of bonds, unamortized	2,248,443	1,023,787
Deferred bond issuance costs, unamortized	585,479	376,750
Total Current Assets	156,354,307	183,861,763
Non-Current Assets		
Minimum lease payments receivable, net of interest to be received in the future	347,065,862	118,359,327
Deferred amount on advanced refunding of bonds, unamortized	23,862,503	13,599,796
Deferred bond issuance costs, unamortized	3,991,776	4,247,939
Property and equipment	46,379	24,639
Construction in progress	263,935,476	502,184,795
Total Non-Current Assets	638,901,996	638,416,496
TOTAL ASSETS	$ 795,256,303	$ 822,278,259
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 2,281,739	$ 7,139,590
Contractor retainage payable	2,387,404	2,358,065
Accrued bond interest payable	3,448,231	2,667,226
Bonds payable	31,125,836	38,976,121
Total Current Liabilities	39,243,210	51,141,002
Non-Current Liabilities		
Bonds payable	751,419,164	765,788,520
TOTAL LIABILITIES	790,662,374	816,929,522
NET ASSETS		
Restricted	4,593,929	5,348,737
TOTAL LIABILITIES AND NET ASSETS	$ 795,256,303	$ 822,278,259

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY

(A Component Unit of the State of New Jersey)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended December 31,	
	2003	2002
Interest income:		
Leases and other payments from State of New Jersey	$ 20,038,588	$ 32,117,528
Interest income on cash equivalents	1,592,359	2,561,581
Total revenues	21,630,947	34,679,109
Operating Expenses:		
Interest expense:		
Bonds	20,038,588	32,117,528
Swap agreement costs	1,885,561	-
Other expenses	461,606	2,827,374
Total Operating Expenses	22,385,755	34,944,902
Change in net assets	(754,808)	(265,793)
Net Assets - restricted, beginning of year	5,348,737	5,614,530
Net Assets - restricted, end of year	$ 4,593,929	$ 5,348,737

See notes to financial statements.

NEW JERSEY BUILDING AUTHORITY
(A Component Unit of the State of New Jersey)
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts:		
State of New Jersey lease payments	$ 20,038,588	$ 32,117,528
Principal receipts:		
State of New Jersey lease payments	9,503,936	6,265,214
Payments for administrative expenses	(5,319,457)	(374,181)
Payments for arbitrage rebate	-	(3,861,353)
Net cash provided by operating activities	24,223,067	34,147,208
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal paid on bonds	(205,600,000)	(265,516,245)
Interest paid on bonds	(19,257,583)	(31,882,489)
Bond issuance costs paid	(2,226,775)	(2,282,085)
Bond proceeds	189,950,000	300,036,934
Swap costs paid	(1,716,011)	-
Net cash used in/provided by financing activities	(38,850,369)	356,115
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in construction in progress	(26,294,804)	(35,396,201)
Purchases of property and equipment	(21,740)	-
Interest on cash equivalents	1,540,308	2,640,746
Net cash used in investing activities	(24,776,236)	(32,755,455)
Net (decrease) increase in cash and cash equivalents	(39,403,538)	1,747,868
Cash at Beginning of Year	127,798,071	126,050,203
Cash at End of Year	$ 88,394,533	$ 127,798,071
Reconciliation of Operating Loss to Net Cash provided by Operating Activities:		
Operating Loss	$ (754,808)	$ (265,793)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Interest expense - bonds	20,038,588	31,882,489
Swap agreement costs	1,885,561	-
Capital appreciation bonds - noncash portion	-	(10,090,998)
Accretion of discount on capital appreciation bonds	-	7,122,840
Amortization of premium on refunding of bonds	-	292,834
Amortization of deferred bond costs	-	289,142
Amortization of premium on bond indebtedness	-	(110,131)
Depreciation	7,352	-
Amortization	(787,119)	-
Interest on investments	(1,540,308)	(2,640,746)
Net change in assets and liabilities:		
Prepaids and other assets	(82,628)	54,526
Minimum lease payments receivable	9,503,936	6,265,214
Accounts payable	(4,857,851)	(583,922)
Contractor retainage payable	29,339	1,213,152
Accrued bond interest payable	781,005	718,601
Net Cash provided by operating activities	$ 24,223,067	$ 34,147,208

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Authority

The New Jersey Building Authority, a component unit of the State of New Jersey (the Authority), a body corporate and politic and an instrumentality of the State of New Jersey (the State), was created in 1981 by the State Legislature for the purpose of providing the capital resources (through the sale of bonds, notes and other obligations) necessary to acquire, construct, reconstruct, rehabilitate or improve office buildings, or related facilities necessary or convenient to the operation of any State agency.

In Chapter 174 of the Pamphlet Laws of 1992, the State Legislature amended the Authority's statute to expand the types of projects the Authority can undertake. The Authority can also now construct or rehabilitate correctional facilities and renovate and preserve historic public buildings. The amendment also removed the $250 million bond principal limitation.

Reporting Entity

The decision to include a potential component unit in the Authority's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Authority has no component units.

The Authority, under a master lease with amendments for individual properties, has leased to the State the buildings constructed or renovated with funds provided from various bond offerings made by the Authority. The State is required to pay rent to the Authority in amounts sufficient to pay (1) debt service on the bonds outstanding (to the extent such debt service is not funded from other monies available in the debt service account of the debt service fund, as provided for in the master lease agreement) and (2) administrative expenses of the Authority. The lease transactions with the State are accounted for as direct financing leases.

The State is responsible for the award and monitoring of all contracts for the design, acquisition and construction of projects as well as supervision of construction work and acceptance of the completed projects. Project costs incurred by the State are paid by the Authority's bond trustee out of the construction fund after approval by an authorized Authority representative. Pursuant to the terms of the master lease, the Authority is not liable or responsible for the adequacy, sufficiency and suitability of the plans and specifications of any contracts or agreements with respect to the acquisition or construction of these projects. During the master lease term, the State is responsible for all costs relating to the operation, maintenance and repair of the projects. In addition, the State pays for all utilities, taxes and governmental charges during the lease term.

At any time prior to the expiration of the master lease term, the State has the option to purchase the projects for a price of $1 plus an amount sufficient to provide the full payment of the bonds and accrued interest in conformity with the bond resolution. If such option has not been exercised prior to the end of the lease term, the title to the projects will be transferred by the Authority to the State at that time.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The obligation of the State to make rental payments is subject to and depends upon yearly appropriations being made by the State Legislature for such purposes. In the event the State fails to make the necessary lease payments, the Authority may take possession of the projects and either lease or sell them to another party. In either case, the State is obligated to reimburse the Authority for any deficiency between the lease payments called for by the master lease and amounts paid by other parties.

The Authority was created by act of Legislation as an instrumentality of the State to acquire, construct, reconstruct, rehabilitate, or improve office, correctional, historical and other public facilities, as well as provide the financing for these projects. In accordance with its enabling legislation, interest income earned by the Authority on its investments becomes part of the funds utilized by the Authority to provide for the costs of the related projects.

Basis of Accounting

The Authority prepares its financial statements using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Authority has elected to follow GASB pronouncements exclusively after that date.

Use of Financial Instruments

Variable Rate Revenue Bonds, 2003 Series A Issue

In connection with its issuance of $189,950,000 Variable Rate Revenue Bonds, 2003 Series A issue, on August 15, 2003, the Authority has entered into six separate swap agreements, two each with Citibank, N.A., New York, Goldman Sachs Mitsui Marine Derivative Products, L.P. and with Morgan Stanley Capital Services, Inc. The nature and purpose of each of these transactions is described below:

1) **Interest Rate Swap Agreements**

Under the terms of these Agreements, which were executed on the same date and feature identical general terms, the Authority pays a fixed rate of 3.64% to Citibank, Goldman Sachs and Morgan Stanley on a notional amount equal to the principal amount of the 2003 bonds being hedged pursuant to such swap. In return, the respective swap provider will pay the Authority a floating amount based on 62% of one month LIBOR plus .20% on the same notional amount. As the 2003 bonds are redeemed, the notional amounts of the respective swaps shall decrease proportionately. The purpose of these Agreements is to achieve a synthetic fixed rate. The swaps remain in effect during the entire term of the 2003 bonds. As of December 31, 2003, the swaps had a total fair value of $7,722,899.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) **Credit Risk**
As of December 31, 2003, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swaps become positive, the Authority would be exposed to credit risk in the amount of the swaps' fair value.

3) **Termination Risk**
The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated by the Authority if the counterparty's credit quality rating falls below "a-" as issued by Fitch Ratings or Standards & Poor's or "A3" as issued by Moody's Investors Service. The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

In connection with these Agreements, other than the net interest expense resulting from the Agreement, no amounts are recorded in the financial statements.

Funds Required by Bond Resolutions

In accordance with certain bond resolutions, the Authority has established the following restricted funds (accounts) to be held by Wachovia Bank, as Trustee, to account for all revenue received by the Authority.

Fund	Amount	Use for which restricted
Construction	Any amount determined by the Authority after meeting requirements under the bond resolution for all of the other funds.	Payment of construction costs of any authorized projects
Revenue	All revenues must be paid into this fund.	Transfers into the debt service, subordinated debt and bond retirement funds.
Debt Service	Amount needed to pay principal and interest on or before each interest payment date and principal installment date on the bonds.	Payment of principal and interest on the bonds.
Subordinated Debt	Amount needed to pay principal and interest on or before each interest payment date and principal installment date on subordinated debt.	Payment of principal and interest on any subordinated debt.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund	Amount	Use for which restricted
Bond Retirement	Any amount determined by the Authority after meeting requirements under the bond resolution for all of the other funds.	Purchase or redemption of bonds.
Rebate	Estimated amount needed to pay arbitrage earnings.	Payment of arbitrage earnings to the federal government recorded as a payable in the financial statements.

For financial reporting purposes, the assets, liabilities, and fund net assets and related revenues, expenses and cash flows of these funds have been combined.

The following sets forth the cash and equivalent balances in the above funds as of December 31, 2003 and 2002:

	2003	2002
Construction fund	$ 85,907,477	$ 120,271,425
Debt service	1,177,486	6,209,119
Rebate fund	1,159,958	1,153,228
Other	149,612	164,299
	$ 88,394,533	$ 127,798,071

Construction in Progress

Construction in progress is stated at cost, which includes direct construction costs and other expenditures related to construction, including capitalized net interest. All construction costs related to projects which are not yet completed are charged to construction in progress until such time as the projects are completed and put into operation. Construction in progress is reduced when assets are put into operation and an offsetting minimum lease payment receivable is established.

Capitalized Interest

The Authority capitalizes all interest expense and income related to projects under construction.

Deferred Bond Issuance Costs

Deferred bond issuance costs are being amortized using the effective interest method over the life of the applicable bond issue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Refunding Bond Issues

As a result of refundings in 2003 and prior, the Authority recorded losses on defeasance of $13,081,720 and $11,066,245, respectively, representing the differences between the new debt issued and the carrying amount of the debt refunded. The loss on defeasance has been deferred and is being amortized over the life of the new debt. For financial statement purposes, the Authority follows Governmental Accounting Standards Board Statement No. 23 "Accounting and Financial Reporting for Refunding of Debt reported by Proprietary Activities". Amortization costs amounted to $975,249 for the year ended December 31, 2003 and are included in construction in progress.

Net Assets

Net assets are classified as restricted and can only be utilized upon approval by the State Treasurer.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

As an instrumentality of the State under existing statute, the Authority is exempt from both federal and State taxes.

Administrative Expense

The Authority reimburses the State for salary, fringe benefits and related costs for overhead and other expenses that support the operations of the Authority.

Cash and Cash Equivalents

Cash and equivalents held at financial institutions can be categorized according to three levels of risk. Category 1 includes amounts which are insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes amounts which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes amounts which are not collateralized. All amounts are Category 1.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of December 31, 2003 and 2002, cash and cash equivalents are comprised of:

	2003	2002
State of New Jersey cash management fund	$ 28,498,010	$ 118,900,750
Money market funds	2,717,312	8,874,538
Flexible repurchase agreements	57,151,089	-
Non-interest bearing accounts	28,122	22,783
	$ 88,394,533	$ 127,798,071

B. MINIMUM LEASE PAYMENTS RECEIVABLE

Future minimum lease payments receivable from the State as of December 31, 2003 are as follows:

2004	$ 42,670,862
2005	46,295,311
2006	49,089,387
2007	54,367,968
2008	47,250,346
2009-2013	230,339,703
2014-2018	136,371,750
2019-2023	10,865,587
	617,250,914
Less amounts representing interest	205,189,777
	$ 412,061,137

The State is obligated to make payments to the Authority for the uncompleted portions of the State House Complex Project and other uncompleted projects funded by the 1994, 1997, 1999, 2000, 2002 and 2003 Series Bonds.

In 2002, the Authority's debt service was approximately $73.4 million. In the prior years, the State rental receipts provided the necessary monies to fund in full the Authority's debt service. In 2002, the State rental receipts were $38.4 million as the Authority used approximately $35.0 million of other monies available in the debt service account of the debt service fund to fund that portion of its debt service in 2002, as provided for in the master lease agreement.

C. COMMITMENTS AND CONTINGENCIES

The Authority has contract commitments for the renovation of the State House Complex and for construction and renovations funded by the 1994, 1997, 1999, 2000, 2002 and 2003 Series Bonds as of December 31, 2003 in the approximate amount of $14,600,000. Such commitments relate to various architectural and construction contracts under the project.

The Authority is engaged in certain legal proceedings relating to vendor claims. Management of the Authority believes the outcome of these proceedings will not have a material adverse effect on the Authority's financial position or changes in net assets.

D. BONDS PAYABLE

Bond activity for the years ended December 31, 2003 and 2002 was as follows:

Balance, December 31, 2001	$ 752,168,000
Additions	307,159,774
Reductions	(254,560,133)
Balance, December 31, 2002	804,767,641
Additions	193,651,889
Reductions	(215,874,530)
Balance, December 31, 2003	$ 782,545,000

2003 Series A

In August 2003, the Authority issued $189,950,000 of 2003 Series A Bonds. The proceeds were used to refund $174,300,000 of previously issued bonds, including $76,770,000 of 1994 Series Bonds, $56,530,000 of 1999 Series Bonds, $12,695,000 of 2000 Series Bonds, and $28,305,000 2002 Series A Bonds.

The bonds were issued at a discount of $1,013,921, which is being capitalized in construction in progress. The bonds mature at various amounts from June 10, 2005 through June 15, 2023. The bonds bear an interest rate of 3.64%.

In connection with the 2003 refunding, the Authority realized a loss of refunding of $13,081,720, which has been included in deferred amount on advance refunding of bonds in the balance sheet as of December 31, 2003, and is to be amortized over the average original lives of the refunded bonds.

2002 Series A

In December 2002, the Authority issued $65,375,000 of 2002 Series A Bonds. The proceeds were used to finance the costs of the State Police Emergency Operations Center.

D. BONDS PAYABLE (CONTINUED)

The bonds were issued at a premium of $2,792,000, which is being amortized as a reduction of construction in progress using the effective interest method over the life of the bonds. The bonds mature in various amounts from December 2005 through December 2023. The bonds bear interest rates ranging from 2.05% to 5.25%.

In August 2003 $28,305,000 of the 2002 Series A Bonds were refunded by the 2003 Series A Bonds. As a result, the $28,305,000 principal amount of the 2002 Series A bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

2002 Series B

In December 2002, the Authority issued $210,515,000 of 2002 Series B Bonds. The proceeds were used to refund $212,930,000 of previously issued bonds, including $164,920,000 of 1994 Series Bonds, $26,335,000 of 1997 Series Bonds, $18,550,000 of 1999 Series Bonds and $3,125,000 of 2000 Series Bonds.

The bonds were issued at a premium of $21,355,000, which is being amortized as a reduction of construction in progress using the effective interest method over the life of the bonds. The bonds mature in various amounts from December 2005 through December 2023. The bonds bear interest rates ranging from 2.05% to 5.25%.

In connection with the 2002 refunding, the Authority realized a loss in refunding of $11,066,000, which has been included as part of the deferred amount on advanced refunding of bonds in the balance sheet as of December 31, 2003 and 2002, the amount is to be amortized over the average original lives of the refunded bonds.

2000 Series

In August 2000, the Authority issued $29,000,000 of 2000 Series Bonds. The proceeds were used to finance the costs of the 2000 series projects consisting of the Justice Complex and the Department of Transportation project.

The bonds were issued at a discount of $425,000, which is being amortized as construction in progress costs using the effective interest method over the life of the bonds. The bonds mature at various amounts from June 2001 through June 2020. The bonds bear interest rates ranging from 4.350% to 5.125%.

In December 2002, $3,125,000 of the 2000 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the $3,125,000 principal amount of the 2000 Series is considered to be defeased and the liability for such bonds was removed from the balance sheet.

In August 2003, $12,695,000 of the 2000 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the $12,695,000 principal amount of the 2000 Series Bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

D. BONDS PAYABLE (CONTINUED)

1999 Series

In October 1999, the Authority issued $134,925,000 of 1999 Series Bonds. The proceeds were used for the acquisition of the Richard J. Hughes Justice Complex, and construction of a new facility to house the New Jersey Department of Treasury's Division of Revenue and State Police Troop "C" Headquarters. The project for the new facility has since been renamed the State Police Multi-Purpose Building and Troop "C" headquarters.

The bonds were issued at a premium of $2,502,000, which is being amortized as a reduction of construction in progress using the effective interest method over the life of the bonds. The bonds mature at various amounts from June 2000 through June 2019. The bonds bear interest rates ranging from 5.0% to 5.75%.

In December 2002, $18,550,000 of the 1999 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the $18,550,000 principal amount of the 1999 Series is considered to be defeased and the liability for such bonds was removed from the balance sheet.

In August 2003, $56,530,000 of the 1999 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the $56,530,000 principal amount of the 1999 Series Bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

1997 Series

In September 1997, the Authority issued $224,630,000 of 1997 Series Bonds. A portion of the proceeds of the bonds was used to advance refund $97,995,000 principal amount of the $103,760,000 outstanding 1987 Series Bonds and to pay certain costs incurred in connection with the 1997 Series Bonds. As a result, the $97,995,000 principal amount of the 1987 Series is considered to be defeased and the liability for such bonds was removed from the balance sheet. The defeased bonds were called and paid off in 1997. The advance refunding of the 1987 Series Bonds resulted in a loss of refunding of $1,717,000.

The remaining proceeds of the 1997 Series Bonds were used to fund the following:

a. The costs of construction, renovation, reconstruction and/or improvement of several State Office Buildings and Historic Restoration Projects.
b. The costs of land acquisition and construction of South Woods State Prison.
c. To provide payment for a portion of interest payable on the 1997 Series Bonds through June 15, 1999.

D. BONDS PAYABLE (CONTINUED)

The bonds were issued at a premium of $2,437,000, which is being amortized as a reduction of construction in progress using the effective interest method over the life of the bonds. The bonds mature in various amounts from June 2000 through June 2018. The bonds bear interest at rates ranging from 4.75% to 6.00%.

In December 2002, $26,335,000 of the 1997 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the $26,335,000 principal amount of the 1997 Series Bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

1994 Series

On January 13, 1994, the Authority issued $314,970,113 of 1994 Series Bonds to fund the following:

a. The costs of construction, renovation, reconstruction and/or improvement of several State Office Buildings and Historic Restoration Projects.
b. The costs of land acquisition and construction of South Woods State Prison.
c. To refund a portion of the Authority's State Building Revenue Bonds, 1989 Series.
d. To provide payment for a portion of interest payable on the 1994 Series Bonds through June 15, 1995.

The bonds consisted of both capital appreciation bonds and current interest bonds, with interest rates ranging from 4.2% to 5.0%.

In December 2002, $164,920,000 of the 1994 Series Bonds were refunded by the 2002 Series B Bonds. As a result, the $164,920,000 principal amount of the 1994 Series Bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

In August 2003, $76,770,000 of the 1994 Series Bonds were refunded by the 2003 Series A Bonds. As a result, the $76,770,000 principal amount of the 1994 Series Bonds is considered to be defeased and the liability for such bonds was removed from the balance sheet.

1991 Series

On October 9, 1991, the Authority issued $74,999,816 of 1991 Series Bonds (Garden State Savings Bonds) to partially fund the State House Complex Project. These bonds were issued as capital appreciation bonds which mature in various amounts from June 2000 through 2011. Yields on these bonds range from 6.10% to 6.75%.

E. FUTURE DEBT SERVICE PAYMENTS

The following tables reflect the debt service by year for the 1991, 1994, 1997, 1999, 2000, 2002 and 2003 Series Bonds:

	1991 Capital Appreciation Bond		
Year	Principal or sinking fund installment	(1) Interest	Total debt service
2004	$ 5,974,172	$ 7,555,828	$ 13,530,000
2005	5,562,292	7,962,708	13,525,000
2006	5,177,525	8,352,475	13,530,000
2007	4,811,248	8,713,752	13,525,000
2008	4,506,031	9,023,969	13,530,000
2009	4,181,254	9,343,746	13,525,000
2010	3,912,647	9,612,353	13,525,000
2011	3,662,706	9,867,294	13,530,000
	$ 37,787,875	$ 70,432,125	$ 108,220,000

(1) Represents $70,432,125 of capital appreciation bonds payable June 15, 2004 through June 15, 2011. The discount related to this bond is being accreted for financial statement purposes over the bond life.

	1994 Series Bond (net of 2002 & 2003 refunding)		
Year	Principal or sinking fund installment	(2) Interest	Total debt service
2004	$ 2,656,664	$ 1,743,336	$ 4,400,000
2005	2,517,051	1,882,949	4,400,000
2006	2,382,452	2,017,548	4,400,000
	$ 7,556,167	$ 5,643,833	$ 13,200,000

E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

(2) Includes $5,643,833 of capital appreciation bonds payable June 15, 2004 through June 15, 2006. This discount is being accreted for financial statement purposes over the life of the bonds.

	1997 Series Bond (net of 2002 refunding)		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ 12,320,000	$ 8,705,934	$ 21,025,934
2005	12,980,000	8,010,184	20,990,184
2006	13,705,000	7,276,346	20,981,346
2007	14,455,000	6,465,809	20,920,809
2008	6,980,000	5,864,639	12,844,639
2009	7,315,000	5,486,813	12,801,813
2010	7,735,000	5,083,131	12,818,131
2011	17,830,000	4,444,006	22,274,006
2012	18,720,000	3,530,256	22,250,256
2013	19,660,000	2,570,756	22,230,756
2014	7,570,000	1,890,006	9,460,006
2015	7,945,000	1,502,131	9,447,131
2016	8,345,000	1,089,666	9,434,666
2017	8,770,000	667,538	9,437,538
2018	9,185,000	229,625	9,414,625
	$ 173,515,000	$ 62,816,840	$ 236,331,840

	1999 Series Bond (net of 2002 & 2003 refunding)		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ 2,090,000	$ 2,532,413	$ 4,622,413
2005	5,565,000	2,341,038	7,906,038
2006	5,845,000	2,048,481	7,893,481
2007	6,165,000	1,733,219	7,898,219
2008	6,490,000	1,401,025	7,891,025
2009	6,835,000	1,042,700	7,877,700
2010	7,220,000	647,163	7,867,163
2011	7,645,000	219,794	7,864,794
	$ 47,855,000	$ 11,965,833	$ 59,820,833

E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

	2000 Series Bond (net of 2002 & 2003 refunding)		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ -	$ 458,908	$ 458,908
2005	1,065,000	435,478	1,500,478
2006	1,110,000	387,350	1,497,350
2007	1,160,000	336,553	1,496,553
2008	1,215,000	282,811	1,497,811
2009	1,270,000	225,960	1,495,960
2010	1,325,000	165,944	1,490,944
2011	1,390,000	102,125	1,492,125
2012	1,455,000	34,556	1,489,556
	$ 9,990,000	$ 2,429,684	$ 12,419,684

	2002 Series A Bond (net of 2003 refunding)		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ -	$ 1,494,745	$ 1,494,745
2005	2,550,000	1,494,745	4,044,745
2006	2,605,000	1,442,470	4,047,470
2007	2,675,000	1,379,950	4,054,950
2008	2,750,000	1,307,725	4,057,725
2009	2,840,000	1,225,225	4,065,225
2010	2,935,000	1,132,925	4,067,925
2011	3,040,000	1,030,200	4,070,200
2012	3,175,000	920,000	4,095,000
2013	3,345,000	761,250	4,106,250
2014	3,525,000	585,638	4,110,638
2015	3,715,000	400,575	4,115,575
2016	3,915,000	205,538	4,120,538
	$ 37,070,000	$ 13,380,985	$ 50,450,985

E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

	2002 Series B Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ 8,085,000	$ 10,290,480	$ 18,375,480
2005	8,410,000	10,007,505	18,417,505
2006	11,620,000	9,715,625	21,335,625
2007	20,795,000	9,105,575	29,900,575
2008	21,900,000	8,076,338	29,976,338
2009	23,075,000	6,926,588	30,001,588
2010	14,370,000	5,715,150	20,085,150
2011	18,565,000	4,960,725	23,525,725
2012	21,160,000	3,986,063	25,146,063
2013	18,380,000	2,875,163	21,255,163
2014	17,690,000	1,910,213	19,600,213
2015	18,695,000	981,488	19,676,488
	$ 202,745,000	$ 74,550,913	$ 277,295,913

	2003 Series A Bond		
Year	Principal or sinking fund installment	Interest	Total debt service
2004	$ -	$ 5,903,928	$ 5,903,928
2005	2,350,000	6,819,636	9,169,636
2006	2,700,000	6,776,927	9,476,927
2007	3,025,000	6,836,009	9,861,009
2008	3,350,000	6,544,020	9,894,020
2009	3,300,000	6,599,788	9,899,788
2010	3,575,000	6,336,502	9,911,502
2011	3,575,000	6,337,857	9,912,857
2012	8,675,000	6,036,220	14,711,220
2013	9,025,000	5,729,954	14,754,954
2014	8,650,000	5,556,025	14,206,025
2015	10,925,000	5,078,247	16,003,247
2016	11,200,000	4,821,920	16,021,920
2017	30,975,000	4,281,545	35,256,545
2018	36,225,000	3,182,737	39,407,737
2019	30,250,000	1,854,597	32,104,597
2020	6,975,000	787,663	7,762,663
2021	4,875,000	549,445	5,424,445
2022	5,050,000	362,685	5,412,685
2023	5,250,000	189,467	5,439,467
	$ 189,950,000	$ 90,585,172	$ 280,535,172

E. FUTURE DEBT SERVICE PAYMENTS (CONTINUED)

Year	Total debt service
2004	$ 69,811,407
2005	79,953,585
2006	83,162,199
2007	87,657,114
2008	79,691,558
2009	79,667,074
2010	69,765,815
2011	82,669,707
2012	67,692,096
2013	62,347,123
2014	47,376,882
2015	49,242,441
2016	29,577,123
2017	44,694,083
2018	48,822,362
2019	32,104,597
2020	7,762,663
2021	5,424,445
2022	5,412,685
2023	5,439,468
Subtotal, gross debt	1,038,274,427
Less: interest portion	(331,805,380)
Add: premium on bonds	76,075,953
Net Bonds Payable	$ 782,545,000

F. RECLASSIFICATIONS

Certain reclassifications have been made to the 2002 balances to compare with current year presentation.

NEW JERSEY BUILDING AUTHORITY

Past and Present Board of Directors
1981 - 2003

Name	***Affiliation***	***Years Served***
Nancy Beer	*Program Associate, The Woodrow Wilson School, Princeton University*	*1981-1985*
William I. Blanchard	*Assistant Treasurer, Wm. Blanchard Co.*	*1996-present*
Stephen R. Ehrlich, Chairman	*President, Windemere Associates*	*1996-present* *Chairman 1996-2001*
Bernard Ekelchick	*School Teacher, Edison, New Jersey*	*1981-1982*
Alfred L. Faiella	*Executive Director, Newark Economic Development Corporation*	*1981-1982*
John H. Fisher III, Chairman	*County Administrator, Gloucester County Courthouse*	*1990-present* *Chairman 2001-present and 1990-1993*
Dale Florio	*Partner, Princeton Public Affairs Group*	*1991-1994*
Michael Hartsough, Chairman	*Attorney, Hartsough, Kenny & Chase*	*1986-1994* *Chairman 1994*
William Hiering, Jr., Esquire	*Attorney, Hiering, Hoffman & Gannon Law Firm*	*1996-2001*
Edward L. Hoffman	*Publisher, The Trentonian*	*1981-1988*
Donald J. Kennedy	*Business Manager, IBEW, Local 269*	*1986-1995*
Karen Kominsky, Acting Chair	*Associate, Policy Management & Communications, Inc.*	*1993-1996* *Acting Chairwoman 1995*
Aladar G. Komjathy	*Director, The Stewart Agency*	*1989-1998*
John R. Lacy, Jr.	*Publisher*	*1986-1988*
Joseph Lazur	*President, National Siding Co.*	*1984-1985*
Charles Marciante	*Business Manager, IBEW, Local 269*	*1996-present*

NEW JERSEY BUILDING AUTHORITY

Past and Present Board of Directors
1981 - 2003

Name	***Affiliation***	***Years Served***
Arthur Maurice	*Associate, New Jersey Business and Industry Association*	*1994-1995*
Edward F. Meara, III, Chairman	*Executive Director, Mercer County Chamber of Commerce*	*1981-1992* *Chairman 1981-1982*
Peter J. McDonough, Jr.	*Partner, Princeton Public Affairs Group*	*1989-1990*
Dean Munley	*Howard Savings Bank*	*1983-1985*
Prentis C. Nolan, III	*President, PC Nolan & Associates, Inc.*	*1999-present*
John S. Pehlivanian, Esquire	*Attorney, Pehlivanian & Braaten, LLC*	*1996-present*
Maurice T. Perilli	*Executive Vice President and Board Chairman, Roma Savings Bank*	*1992-1994*
Edward Pulver	*Secretary/Treasurer, New Jersey AFL-CIO*	*1981-1985*
Ramon Rivera	*Executive Director, La Casa de Don Pedro*	*1981-1983*
Richard Rowson	*Business Agent, IBEW, Local 351*	*1997-2002*
W. Harry Sayen	*Board Chairman Emeritus, Mercer Rubber Co.*	*1981-1992*
Leonard Sendelsky	*Builder*	*1986-1991*
Morton A. Siegler, Chairman	*President, Morton A. Siegler Associates*	*1983-1987* *Chairman 1983-1987*
Charles E. Stapleton	*President, Impact Government Relations*	*1986-1990*
John H. Walther	*Board Chairman, New Jersey National Bank*	*1981-1985*
Kim Whelan	*Managing Director, Public Financial Management*	*1998-present*

NEW JERSEY BUILDING AUTHORITY

Past and Present
Ex-Officio Board Directors
1981 - 2003

Name	***State Office Held***	***Years Served***
Douglas Berman	*State Treasurer*	*1989-1990*
Kenneth R. Biederman	*State Treasurer*	*1981-1982*
Brian W. Clymer	*State Treasurer*	*1993-1997*
Samuel Crane	*State Treasurer*	*1991-1992*
William R. DeLorenzo, Jr.	*Chairman, Commission on Capital Budgeting & Planning*	*1989-1993*
James A. DiEleuterio, Jr.	*State Treasurer*	*1997-1999*
Michael Ferrara	*Acting Comptroller of the Department of the Treasury*	*1993*
Edward G. Hofgesang	*Comptroller of the Department of the Treasury*	*1981-1982*
Charlene Holzbaur	*Comptroller of the Department of the Treasury*	*1999-present*
Michael Horn	*State Treasurer*	*1983-1985*
Eugene Jacobson	*Chairman, Commission on Capital Budgeting & Planning*	*1981-1985*
Richard Keevey	*Comptroller of the Department of the Treasury*	*1989-1992*
Peter R. Lawrance	*Acting State Treasurer*	*2001*
Roland M. Machold	*State Treasurer*	*1999-2001*
John McCormac	*State Treasurer*	*2002-present*
Benedict T. Marino	*Chairman, Commission on Capital Budgeting & Planning*	*1986-1988*
Carol Molnar	*Chairman, Commission on Capital Budgeting & Planning*	*1994-present*
Feather O'Connor	*State Treasurer*	*1986-1988*
Elizabeth Pugh	*Comptroller of the Department of the Treasury*	*1994-1999*
Richard Standiford, III	*Comptroller of the Department of the Treasury*	*1983-1988*

NEW JERSEY BUILDING AUTHORITY

Past and Present Executive Directors
1981 - 2003

Name	***Years Served***
David T. Beale	*1981-1995*
Charles Chianese	*1995-present*

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