



**STATE OF NEW JERSEY
OFFICE OF THE STATE COMPTROLLER**

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

**SELECTED PROCUREMENT AND FINANCIAL
OPERATING PRACTICES**

**A. Matthew Boxer
COMPTROLLER**

**August 1, 2012
PA-16**

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BACKGROUND

The Middlesex County Improvement Authority (Authority) was established by Middlesex County (County) in 1990 pursuant to the County Improvement Authorities Law, *N.J.S.A. 40:37A-44 et seq.* According to its mission statement, “The Authority’s objective is to support the County and the municipalities and other entities within the County, providing financial and management assistance. The Authority strives to improve the quality of life for the residents of Middlesex County.”

The Authority’s specific responsibilities include:

- managing and operating the Roosevelt Care Center (RCC), which provides long-term care, rehabilitative care, dementia care and hospice care to residents of Middlesex County and the surrounding area;
- assisting municipalities in obtaining federal grants or other assistance for local projects;
- acting as an agent for the County in its open space preservation efforts, which includes appraising land, reviewing that land for environmental contamination and negotiating property purchases;
- providing financing assistance to the County and its municipalities through the issuance of bonds;
- administering a recycling program that is available to all municipalities within the County; and
- maintaining and operating three public golf courses within the County.

The Authority's revenue is derived primarily from its golf, recycling and RCC operations. In calendar year 2010, the Authority had operating revenues of \$52.9 million and operating expenses of \$62.3 million, resulting in an operating loss of \$9.4 million, which was primarily attributed to RCC operations. The Authority also received over \$8 million in County subsidies.

The Authority is governed by a five-member Board that is appointed by the County freeholders. Among other responsibilities, the Board:

- authorizes projects, contracts and purchases over \$17,500;
- oversees the hiring of Authority employees and the payment of bills;
- reviews and approves the financing of Authority-sponsored projects; and
- appoints the Authority's Executive Director.

Aside from RCC operations, the Authority has a staff of approximately 50 full-time and part-time employees, who work in areas such as administration, golf management and recycling. The Authority also employs additional seasonal and per-diem staff. The RCC itself has a separate staff of several hundred employees who are employed by the Authority.

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our performance audit was to evaluate selected procurement and financial operating practices of the Authority for the period January 1, 2007 to April 12, 2012. Specifically, we evaluated the Authority's:

1. procedures for procuring goods and services;
2. oversight of its various operations including its golf, RCC and recycling operations;
3. employment contracts; and
4. cash management and accounts payable practices.

This performance audit was performed in accordance with the State Comptroller's authority as set forth in *N.J.S.A. 52:15C-1 et seq.* We conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To accomplish our objective, we reviewed relevant statutory laws, regulations, Authority policies and procedures and professional literature concerning best practices. We also reviewed the Authority's professional services contracts, purchasing documentation, personnel information including payroll documentation, job descriptions, employment contracts and financial data and related documentation. In addition, we reviewed the Authority's internal controls, conducted interviews of Authority employees and tested sampled transactions.

Our testing revealed no significant exceptions related to the Authority's financing practices. Our findings concerning the other areas we tested are set forth in the following pages of this report.

SUMMARY OF AUDIT RESULTS

Our audit revealed that the Authority does not effectively manage many of its contracts and provides its management with payouts that are contrary to the interests of the Authority and the public.

Among the more significant deficiencies we identified were the following:

- The Authority did not obtain competitive quotations from potential vendors as required by the Local Public Contracts Law for several of the purchase orders that we reviewed.
- The Authority did not apply appropriate, qualitative vendor-selection criteria in selecting its professional services vendors.
- The Authority provides four of its executive management employees with supplemental payments beyond their base salary. These supplemental payments were not provided for in the operative employment contracts and there was not a clear or specific basis for the Authority's granting of the payments. In 2009 and 2010, the Authority provided these management employees with approximately \$210,000 in such payments.
- In contrast to State employee practices, the Authority allows its employees to cash out sick days on an annual basis to receive additional pay each year. From 2008 through 2011, the Authority paid participating employees more than \$74,000 in such payments.

We make 15 recommendations to improve the Authority's fiscal and operating practices.

AUDIT FINDINGS AND RECOMMENDATIONS

Procurement

The Authority's purchasing and professional services contracting practices are deficient and do not comply with the Local Public Contracts Law.

Professional Services Contracts

The State's pay-to-play law, *N.J.S.A. 19:44A-20.4 et seq.*, prohibits government agencies from awarding contracts with a value over \$17,500 to a vendor that has contributed more than \$300 to certain political committees unless the agency uses a "fair and open" process in awarding the contract. The fair-and-open process requires the agency to publicly advertise the contract opportunity and to award the contract according to criteria established in writing. *N.J.S.A. 19:44A-20.7.*

We reviewed ten professional services contracts the Authority awarded to four different vendors between January 1, 2007 and December 31, 2010. Although Authority resolutions recited that nine of the ten contracts were awarded pursuant to a fair-and-open process, our review found deficiencies in the Authority's use of that process.

Specifically, the Authority did not use appropriate qualitative criteria to judge and evaluate the vendor best qualified for the applicable position. In eight of the nine cases, the Authority issued a Request for Qualifications (RFQ) that required the vendor to have a minimum of five years of experience specific to the advertised position and to have "knowledge of the Authority and its operations." However, the solicitations provided no standards by which to evaluate responding vendors that met those and similar baseline qualifications. In particular, cost was not listed as a criterion.

In addition, the RFQs' requirement that vendors have "knowledge of the Authority and its operations" could be applied to discourage or restrain competition in violation of New Jersey's Local Public Contracts Law, *N.J.S.A. 40A:11-13*. For example, for six of the nine advertised RFQs, only the incumbent vendors responded. In the three other instances, the incumbent and only one other vendor responded. In two of those three cases, the Authority summarily disqualified the other vendor based on lack of knowledge of the Authority. Therefore, all nine contracts were awarded to vendors that previously held contracts with the Authority. Two of these vendors have had contracts with the Authority for more than a decade.

State law also requires that all government contracts for goods or services are to be memorialized in writing. *N.J.S.A. 40A:11-14*. The contract should establish the terms, conditions and rates governing the work to be provided by the vendor. Public contracts should specifically contain the terms and provisions necessary to protect the interests of the agency and the public. Of the ten above-referenced professional services agreements we examined, we found:

- In five instances (four of which involved the same vendor) simple purchase orders were used instead of a formal contract. None of those purchase orders contained, for example, a scope-of-work provision, which provides the basis for appropriate contract management and billing oversight by a government agency.
- None included a termination provision. Such a provision is significant in preserving the rights of the Authority in the event of substandard service on the part of a vendor.

Insurance Consultant

The Authority separately advertised for an "insurance producer" and an "insurance consultant" using RFQs requiring the exact same qualifications. According to the insurance producer RFQ, the producer purchases insurance

coverage for the Authority, while the insurance consultant RFQ states the consultant will provide “advice and assistance from time to time concerning insurance issues.” In response to our questions, the Authority’s Executive Director stated the insurance consultant’s responsibilities include providing a second opinion on the coverage purchased by the insurance producer.

According to *N.J.A.C. 5:31-4.1(a)*, vendors seeking payment from a government entity are to present a detailed bill for payment along with a certification stating that the bill is correct. The government entity itself must also complete a certification stating that the services were in fact received. However, the Authority’s insurance consultant did not submit detailed invoices to the Authority. We were therefore unable to verify work he actually performed for the Authority. For example, some of the bills simply stated the month and year of the service, the type of service (e.g., “insurance consultant”) and dollar amount. The invoices did not contain a breakdown or other details as to the specific services provided. The Authority paid the insurance consultant \$38,400 per year, or \$115,200 during the period from 2007 to 2009. We also noted two other professional service vendors that submitted to the Authority invoices similarly lacking sufficient detail.

Without detailed invoices, the Authority cannot properly review the vendor bills it receives. In addition, the absence of detailed invoices results in limited transparency with regard to the nature of the payments being made on behalf of the public.

We further question whether the retention of an insurance consultant was in the public interest in view of the fact that the Authority cannot provide a record of work completed nor pinpoint cost savings resulting from his recommendations.

Authority Legal Counsel

The Authority contracts with a law firm for general legal services and simultaneously employs the same lead counsel as a part-time Recording

Secretary. The contract for legal services requires counsel to attend Authority staff meetings, prepare resolutions, review correspondence and participate in telephone conferences. The Recording Secretary's duties include attending the monthly Board meeting, memorializing roll call and preparing the minutes of the meeting. In 2009, counsel received a salary of \$82,560 from the Authority for legal services and she and others at her law firm billed an additional \$150,827 for hourly legal services as assigned by the Executive Director. For her work as Recording Secretary, counsel received an additional \$12,000. She also receives health benefits from the Authority.

In light of this dual employment, we examined counsel's participation in the State pension system. Initially, counsel was obtaining pension credits based on her law firm's legal services contract with the Authority as well as her position as Recording Secretary. In 2008, the Authority properly removed the legal counsel position from the pension system based upon *N.J.S.A. 43:15A-7.2(a)*, a new law that disqualified vendors from receiving pension credits for performing professional services pursuant to a contract. We further question, however, whether counsel was entitled to pension credits for legal services she provided to the Authority prior to 2008. According to the State's Division of Pensions and Benefits, pension credit can be provided only for work performed as an employee and not for work performed as an independent contractor. Counsel was a partner in a law firm representing the Authority and providing legal services, and she was not an employee of the Authority in that capacity. As an attorney in that law firm where she had been employed since 1986, she had an office, engaged in the firm's business, solicited clients for the firm and participated in the firm's operations and management. In light of the above, we have referred this matter to the Division of Pensions and Benefits for review of the attorney's pension credits.

We also examined whether counsel should be entitled to Authority-funded health benefits. The Authority provides health benefits to its employees through the Middlesex County Joint Health Insurance Fund (MCJHIF). Eligibility under

the MCJHIF plan is limited to active employees who work at least twenty hours per week. Based upon our review, counsel is not eligible for health benefits through her legal counsel position or her Recording Secretary position. In regards to the legal counsel position, for the reasons set forth above in connection with her removal from the State pension system, it appears that she is an independent contractor. As such, she is not an employee and thus is not eligible for the MCJHIF plan. She also is not eligible for those health benefits through the Recording Secretary position as she does not work the required twenty hours per week in that capacity. The duties of the Recording Secretary only require attendance at Board meetings, memorializing roll call and preparing meeting minutes. There was one meeting each month in 2008, 2009 and 2010. As such, her eligibility for health benefits should be reexamined.

Obtaining Competitive Price Quotations

The Local Public Contracts Law (LPCL) requires a public contracting agency to obtain at least two competitive quotes for all contracts that involve less money than the LPCL's bid threshold (\$21,000 during our audit period) but 15 percent or more of that threshold (\$3,150 during the audit period). The contract is to be awarded to the vendor whose proposal is the most advantageous to the agency, when price and other factors are considered. We sampled 45 purchase orders issued by the Authority during the period January 1, 2007 to December 31, 2009 to test for compliance with these requirements of the LPCL. Of those 45 purchase orders, 20 involved more than 15 percent of the bid threshold amount. In 5 of those 20 instances the Authority failed to obtain quotations as required and instead simply awarded the contract to its preferred vendor.

Purchasing Manual

The Authority's Purchasing Manual (Manual), which contains the Authority's purchasing policies and procedures, is vague and does not include adequate procedures for staff to follow. For example, the Manual does not detail the procedures required to be followed in completing a purchase requisition and in

submitting documentation to the Authority's purchasing clerk. Similarly, although the obtaining of quotations in lieu of formal bids is referred to in the Manual, the Manual does not specify the contract amount above which quotations are to be obtained or the number of quotes required to be obtained. Additionally, the Manual does not provide instruction as to the proper documentation of quotations received.

A more detailed Manual would have assisted the Authority in avoiding some of the deficiencies discussed in this report.

Recommendations

1. Implement a formal vendor evaluation process for awarding professional services contracts utilizing appropriate qualitative criteria, including cost as appropriate.
2. Use a written contract in purchasing professional services.
3. Ensure that all contracts include a termination provision and a scope-of-services provision.
4. Require vendors to submit detailed invoices to comply with *N.J.A.C. 5:31-4.1(a)*.
5. Reevaluate the need for retaining an insurance consultant and document that reevaluation.
6. Reevaluate the eligibility of the Authority's legal counsel/Recording Secretary for health benefits.
7. Solicit two or more quotations for all applicable purchases as required by the Local Public Contracts Law.
8. Develop a comprehensive Purchasing Manual.

Cash Management

The Authority needs to strengthen its cash management and accounts payable practices.

Vendor Payments

The Authority requires that any invoices to be paid must be received no later than one week before the next Board meeting if they are to be voted on for payment at that Board meeting. According to the Authority's purchase orders, "Invoices received later than seven (7) days preceding the regular meeting must await the next monthly meeting of the Authority." Despite this stated policy, our review of law firm monthly invoices billed to the Authority totaling \$116,143 for the eight months we sampled found that all of these invoices were received less than seven days before the monthly Board meeting. All but one of the eight invoices was received the day before the meeting. Lead counsel at the law firm submitting the invoices also is the Authority's Recording Secretary and therefore was familiar with Authority billing requirements.

The preliminary bill list sent to Board members in advance of the meetings did not include these law firm invoices. Instead, the invoices were included in the final bill list distributed at the Board meeting itself. The Authority did not follow its policy requiring it to wait until the next Board meeting to pay these invoices received after the cut-off time.

The purpose of the Board getting the preliminary bill list in advance of the meetings is to allow adequate time for each Board member to properly review each item before deciding whether to vote to pay the bill. The Authority should adhere to its stated policies in this regard.

Compliance with Unclaimed Property Requirements

The Uniform Unclaimed Property Act, *N.J.S.A. 46:30B-1 et seq.*, states that abandoned property in the possession of a third-party should be remitted to the State as unclaimed property. With regard to payments owed by government entities, any property remaining unclaimed for more than one year after it became payable is, by law, presumed abandoned.

Our review of monthly Board meeting minutes found that from January 1, 2007 to December 31, 2009 the Authority canceled outstanding checks totaling \$21,244 consisting of unclaimed payroll and workers' compensation checks, as well as checks issued from operating accounts. In addition, the RCC is retaining outstanding patient funds resulting from uncashed checks from pre-2000 through 2009 in the amount of \$17,013.

The Authority should attempt to contact the proper owners of these funds and return the funds. If the Authority is unable to provide the funds to the owner, by law these amounts are to be remitted to the State as unclaimed property.

Recommendations

9. Enforce Authority policies that are designed to ensure that Board members have adequate time to review a proposed vendor payment before voting on the payment.
10. Ensure compliance with *N.J.S.A. 46:30B-1 et seq.* by canceling stale-dated checks and either return the funds to their owner or remit them to the State as unclaimed property.

Personnel

Authority management receives substantial supplemental benefit payments without a clear and specific basis for the award of those payments.

The Authority provides some of its employees with taxable fringe benefits. We reviewed the categories and amounts of those benefits as well as the basis for providing them.

Management Incentive Benefit Payments

Four Authority employees -- the Executive Director, the RCC Administrator, the Chief Financial Officer (CFO) and the Director of Administration -- received "management incentive" benefit payments during the time period reviewed in our audit. The Executive Director received \$54,260 in such payments in 2009 and \$55,617 in 2010, or approximately 30 percent of his base salary. The other three employees received between \$11,600 and \$20,500 in both 2009 and 2010, or between 10 and 15 percent of their base salaries. Similar payments were granted to these four employees in 2007, 2008 and 2011. No other Authority employees received such payments.

In addition, in accordance with the Authority's Personnel Manual, the four employees referenced above as well as two other Authority employees receive a car allowance ranging from \$250 to \$400 per month.

In response to questions from our audit staff, Authority officials initially indicated that the management incentive payments are based on the terms of the applicable employee contracts as well as performance evaluations. We therefore reviewed the relevant employee contracts and copies of the employees' annual evaluations. None of the applicable contracts reference these incentive payments. One of the four employees receiving the management incentive benefit payments does not have an employment contract

with the Authority. The contracts for the other three employees specifically stipulate annual base pay increases of 2.5 percent, but they do not mention the availability of the additional management incentive payments.

It should also be noted that there is no mention of management incentive benefit pay in the Authority's Personnel Manual. As a result, these payments are not being made with appropriate transparency. We learned of them only upon review of individual payroll records.

The Executive Director stated to us that the ultimate decision whether to award management incentive payments is made by the Board's Personnel Committee (Committee), which is responsible for the hiring of new staff and for employee performance evaluations. According to the Authority's by-laws, the Committee is to consist of two members, each of whom are to be members of the Board. The Executive Director currently acts as a third member of the Committee, although his membership is not set forth in the by-laws. The Executive Director recuses himself from voting on his own supplemental benefit pay. He stated that specific supplemental pay determinations are based on performance evaluations and the judgment of the Committee.

The performance evaluations for three of the four employees who received management incentive payments contained a list of ten performance measures upon which the employee was evaluated. The measures included items such as "has solid understanding of the job," "works well within organization" and "maintains a proper appearance." On the evaluation form, the employees could be found to be performing at, above or below expectations. The evaluations did not contain an area for any elaboration concerning the grading and did not reflect any measurable performance criteria tied to the goals of the Authority.

The fourth employee, the Executive Director, is not provided with a written performance evaluation. Instead, according to the Authority he is given a monthly, verbal performance evaluation by the Board Chairman at a pre-Board

meeting. None of these evaluations have been memorialized in any written form.

According to Authority officials, the rationale for the management incentive payments is, in part, to retain the employment of these management employees. However, we did not find evidence of any threat of management turnover or other support for the notion that these payments were necessary from an operational perspective.

Yearly Sick Leave Buy-Out

N.J.S.A. 11A:6-19 limits to \$15,000 the amount that may be paid to a State employee for accumulated unused sick leave when the employee retires. The Authority has voluntarily adopted this cap in its Personnel Manual. However, the Authority allows its employees to potentially receive more than \$15,000 in sick leave payments by permitting them to periodically cash in accumulated unused sick time. This provision, known at the Authority as the yearly sick leave buy-out, allows employees to receive a yearly cash payment for unused sick days. Depending on their employee status, Authority employees can cash in either two or three unused sick days for a day's worth of pay and can receive through this process a total of up to five additional days of pay each year. This benefit is not available to State employees.

From 2008 through 2011, the Authority paid out more than \$74,000 for 3,522 hours of such accumulated unused sick time. This total does not include additional sick leave amounts paid out at retirement.

Cumulative Effect of Supplemental Payouts

The cumulative effect of these supplemental payments in 2010 for the four executive management Authority employees is illustrated in the table below:

	Executive Director	CFO	RCC Administrator	Director of Administration
Base Salary	\$185,384	\$119,268	\$163,884	\$118,668
Management Incentive Benefit Pay	\$55,617	\$17,890	\$20,485	\$11,869
Car Allowance	\$4,800	\$4,200	\$4,800	\$4,200
Annual Payment for Unused Sick Time	\$3,565	0	0	\$2,282
Total	\$249,366	\$141,358	\$189,169	\$137,019

Comparing these amounts with monetary compensation paid to other employees holding similar positions in State and local government indicates that the Authority's payments to its management are excessive. For example, as illustrated in the above table, in 2010 the Authority's Executive Director received more than \$249,000 in total monetary compensation. In contrast, the Middlesex County Administrator received \$153,400 and the Governor of New Jersey received \$175,000. The Authority has not established that its compensation practices are consistent with the interests of the Authority and the public.

Multiple Public Job Holders

We identified three part-time employees of the Authority who hold other full-time public-sector employment positions. Two of those three employees work for the County. These two employees are performing duties at the Authority that seemingly could be accomplished in their role as County employees. For both of the employees their Authority and County salaries are included in calculations made for State pension purposes, thereby increasing their future pensions.

For example, the County Treasurer simultaneously works as an accountant for the Authority in connection with the Authority's open space efforts. Though

the Authority assists with open space efforts in the County, it ultimately is a County program. As an accountant for the Authority, this employee's responsibilities may include, according to the Authority's job description, "entering financial data on acquisition projects," "preparing data so that resolutions and invoices may be generated for the County Freeholders," "processing orders for land acquisitions" and "interfacing with the County Comptroller and Treasurer's Office." Since he is the County Treasurer, in his role as an Authority accountant he is, in effect, interfacing with himself. As per *N.J.S.A. 40A:9-27*, the County Treasurer is the custodian of all County funds, which includes open space funds.

In an interview with audit team staff, this employee was not able to provide a definitive answer as to the amount of time he devotes to the two respective positions. His 2010 salary from the County was \$122,294 and his salary from the Authority was \$27,000.

Employee Recognition Expenditures

The Authority funded an annual holiday party for RCC staff during 2007 and 2008 at a total cost of \$12,314. In addition, in 2008 the Authority purchased 460 Thanksgiving turkeys for RCC employees at a total cost of \$6,898. The holiday party event was labeled as "employee recognition" in the Authority's general ledger and was described to us by the CFO as a "way to honor" RCC staff. We did not identify any similar Authority-funded parties in 2009 or 2010. By way of comparison, we note that State Circular 11-09-OMB prohibits State agencies from holding social functions for State employees at a public cost exceeding \$25.

Recommendations

11. Reevaluate the management incentive payment program and align any supplemental benefit payments with achievement of Authority-defined goals and objectives.

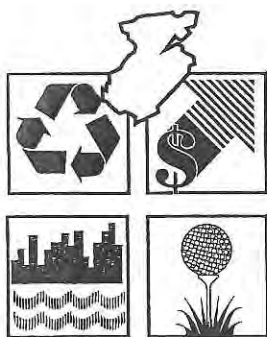
12. Impose a limit on the total compensation provided to the Executive Director and other Authority managers. In arriving at that policy, the Authority should consider the salary structure for other New Jersey public-sector employees.
13. Eliminate the yearly sick leave buy-out.
14. Discontinue the practice of paying County employees for work they already are required to complete as a part of their County employment.
15. Using State and County guidelines, develop a policy concerning the funding of employee recognition initiatives. For example, such initiatives could be financed with non-public funds such as donations or employee contributions.

REPORTING REQUIREMENTS

We provided a draft copy of this report to Authority officials for their review and comment. Their comments were considered in preparing our final report and are attached as Appendix A. We address selected points from the response in Comments set forth in Appendix B.

The Authority's response disagreed with some of our conclusions and reiterated the Authority's support for some of its operating practices as we found them during our audit. However, the Authority did not provide any compelling evidence that would cause us to change the audit's conclusions. To the contrary, the assertions in the Authority's response are frequently unsupported or incorrect. We are nonetheless pleased that although the Authority claims to disagree with many of our conclusions, the response indicates that Authority officials already are taking steps to implement many of the report's recommendations.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement and in accordance with *N.J.A.C. 17:44-2.8(a)*, following the distribution of the final audit report the Authority shall report to the Office of the State Comptroller within 90 days stating the corrective action taken or underway to implement the recommendations contained in the report and, if not implemented, the reason therefore. This Office will review the implementation of the corrective action plan. State law at *N.J.S.A. 52:15C-11(c)* sets forth disciplinary action that may be taken should a government entity refuse to cooperate in proposing corrective action or fail to comply with a recommended corrective action plan.



MIDDLESEX COUNTY IMPROVEMENT AUTHORITY

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June 8, 2012

Mr. A. Matthew Boxer, State Comptroller
Office of the New Jersey State Comptroller
20 West State Street
Trenton, New Jersey 08625

Dear Mr. Boxer:

Attached please find the Middlesex County Improvement Authority's (MCIA) response to your performance audit concerning the MCIA's Selected Procurement and Financial Operating Practices covering the period January 1, 2007 through December 1, 2011.

Very truly yours,

A handwritten signature in cursive script that reads "Leonard J. Roseman".

Leonard J. Roseman

Chairman

Enclosure

cc: William P. Challice, Director, Audit Division
Carol Barrett-Bellante, Freeholder and MCIA Liaison
MCIA Board Members
Richard Pucci, Executive Director
Lory Cattano, CFO

MCIA

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY



RESPONSE TO

**STATE OF NEW JERSEY
OFFICE OF THE STATE COMPTROLLER
MCIA AUDIT**

June 11, 2012

**Leonard J. Roseman
CHAIRMAN**

**Richard Pucci
EXECUTIVE DIRECTOR**

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I. INTRODUCTION

On July 14, 2010, the Office of the State Comptroller (OSC) notified the Middlesex County Improvement Authority (MCIA) it was selected for a Performance Audit. The OSC advised the MCIA it was chosen among hundreds of authorities in the State because it had one of the largest balance sheets in 2009 of \$657 million total assets; \$25 million net assets; and cash on hand of \$7.7 million.

After more than 20 months and thousands of hours of review by the OSC field survey team, a final draft audit report was issued to the MCIA on May 15, 2012.

The MCIA received an overall positive finding pertaining to its finances. On page 4 of the audit report, the OSC stated “OUR TESTING REVEALED NO SIGNIFICANT EXCEPTIONS RELATED TO THE AUTHORITY’S FINANCING PRACTICES”. This achievement is a tribute to the MCIA’s professional staff and consistent with the MCIA’s annual independent audits covering the years 2007 through 2010.

II. MCIA HISTORICAL PERFORMANCE

The Middlesex County Improvement Authority (MCIA) was established on September 6, 1990 by the Middlesex County (County) Board of Chosen Freeholders as a County Improvement Authority pursuant to N.J.S.A. 40:37A-44 et seq.

The MCIA delivers government programs committed to efficiencies, effectiveness and economies recognizing its fundamental obligation to taxpayers.

Some of the MCIA's main responsibilities and achievements include:

- **Managing and Operating the County's Long Term Care System.** The MCIA is responsible for Roosevelt Care Center in Edison as well as a new facility recently opened in Old Bridge (total 530 licensed beds). Through the operation of the County's long term care system, the MCIA is able to insure quality long term care for its residents. The MCIA's management of the long term care system has enabled the County to lower the annual subsidy, with cpi annual adjustments, from \$18 million (1995) to \$7.5 million (2010), a current property tax savings of \$10.5 million annually.
- **Administration of the County's Recycling Programs.** In 1995, the MCIA started the County's curbside and yard waste recycling programs. From 1995-2009, the MCIA-administered recycling programs have achieved the State mandated 60% recycling rate for thirteen years, the most of any of the 21 counties in the State. In 2009, the latest year available with state wide figures, the County was ranked 2nd best, servicing

over 100,000 residential customers (See Exhibit A Counties Recycling Rates 1995-2009).

- **County's Agent for Open Space Program.** The MCIA's efforts on behalf of the County have made it possible for the County to acquire more than 7,200 acres of land for preservation as open space.
- **Maintenance and Operation of Four (4) Public Golf Courses.** The MCIA's management and maintenance of the County golf courses in East Brunswick (36 holes), Piscataway (18 holes) and Plainsboro (18 holes) have provided County residents with quality courses at some of the lowest golf rates in the State.
- **Financial Assistance.** The MCIA's ability to issue bonds has enabled the construction of special needs schools, senior, student and residential housing projects, municipal facilities, a youth detention center and a hotel/conference center as well as provide financing for the acquisition of capital equipment, saving County property taxpayers millions of dollars.
- **The MCIA has a Five-Member Board appointed by the County Board of Chosen Freeholders.** The MCIA Board establishes the goals and mission of the MCIA within its authorized statutory framework. The Board is responsible for appointing the Executive Director, who supervises the day to day functions at the MCIA. Unlike many authorities in the State, the five MCIA Board Members receive no salary or benefits for their services.

Summary of 2010 Board Members Compensation
(most current audited statement)

	Annual Salary	Auto Allowance	Convention & Travel	Meals	Professional Memberships	Health Insurance	Other Benefits
MCIA Board Five (5) Members	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-	\$-0-

MCIA Board members are appointed for five-year terms and file annual financial disclosure reports with the State of New Jersey. The MCIA has always recognized its obligation to serve the public in an equitable and fair manner, and internally, hiring practices are based on equal opportunity employment practices and affirmative action. The Board Members follow a strict ethics code including prohibiting nepotism in the hiring of employees.

- **Professional and Experienced Team.** Under the direction of the current Executive Director, the MCIA has grown from one employee and a balance sheet of \$37,000 from its inception in 1991 to 641 employees and a balance sheet of \$615 million in 2010, making it one of the largest authorities in the State. During this period, in large part due to the outstanding performance of the MCIA team, County property taxpayers have saved tens of millions of dollars while receiving quality services (See Exhibit B Balance Sheets 1991 and 2010).

III. MCIA OPINION OF OSC AUDIT

It is important for the reader to review this report from both the Middlesex County Improvement Authority's (MCIA) and the Office of the State Comptroller's (OSC) perspective. In the performance audit, the OSC's 15 recommendations and the MCIA responses often vary widely, while at the same time both are permitted under state statutes.

The MCIA's ability to meet its daily performance obligations calls for experienced and expert leadership in the areas of management and finance. The MCIA's main objective is to deliver quality affordable services to County taxpayers.

The MCIA's responsibilities in delivering County-wide services are authorized by the County Board of Chosen Freeholders. According to Standard & Poor's latest bond ratings, Middlesex County is rated AAA, one of only 30 counties in the nation. The State of New Jersey is rated AA- .

The OSC audit report focused on negative findings, and, as a result, there is virtually no consideration given to numerous successful programs, millions in cost savings to taxpayers, and strong employee morale. N.J.S.A. 52:15C-5(a), the Statute governing the OSC, states that the audit should review the extent to which they (the MCIA) are achieving their goals and objectives. Many of the OSC's audit report headings and comments are misleading and not supported by the facts. An example of this can be found on page 2 of the OSC audit report in which it is not clearly stated that in 2010 the \$8 million received by the MCIA in subsidies from the County offset the \$9.4 million operating loss, primarily for Roosevelt Care Center. The language in the audit report is misleading to the taxpayer. Commencing 2010, the MCIA had \$25 million in net assets and \$7.7 million cash on hand. For the past 20 years, all the MCIA budgets have been in balance with no deficits. The budgets are approved by the MCIA Board and the State Department of Community Affairs.

The OSC field survey team consisted of well intentioned employees who had minimal management experience and on numerous occasions readily admitted they had no knowledge how improvement authorities operate.

The OSC audit concluded their testing and revealed no significant exceptions related to the MCIA's financing practices, which is consistent with the annual independent audits performed for the MCIA in 2007 through 2010.

IV. MCIA RESPONSE TO OSC AUDIT

PROCUREMENT

OSC Finding:

The Authority's purchasing and professional services contracting practices are deficient and do not comply with the Local Public Contracts Law.

Professional Services Contracts

MCIA Comment:

The MCIA professional services contracts comply with the Local Public Contracts Law and N.J.S.A. 19:44A-20.4. The MCIA complies in all aspects with the provisions of the "fair and open" process in awarding contracts. The contracts are publicly advertised and posted on the MCIA website. The selection criteria are established in writing prior to the solicitation and disclosed in the notice published and posted on the website. The responses are evaluated in accordance with the selection process, a report is issued and the MCIA Board then reviews the report.

The criteria include requirements which are specific and crucial to the service and are necessary for the performance of such service. The criteria "knowledge of the Authority and its operations" is not applied to discourage or restrain competition. Providing service to the MCIA is not the only manner by which a vendor may obtain knowledge of the MCIA. Professionals should be aware of the services they will be required to perform and the client they will serve if selected. This is an important criteria measurement and a standard of best practices.

As appropriately recognized by the OSC in discussing the professional services exemption to state bidding requirements, "this exemption from bidding requirements recognizes that the determination of the most desirable professional services vendor may involve subjective analysis of

legitimate factors other than price.” See State of New Jersey Office of the State Comptroller, “Procurement Report: Weaknesses in the Pay-to-Play Law’s Fair and Open Contracting System” September 15, 2011. The criteria established by the MCIA allows the MCIA to subjectively analyze legitimate factors other than price.

The MCIA is cognizant of the competitive market and sets the rates for professional services accordingly. The vendor does not determine the rate that will be paid by the MCIA.

OSC Recommendation:

- 1. Implement a formal vendor evaluation process for awarding professional services contracts utilizing appropriate qualitative criteria, including cost as appropriate.*

MCIA Response:

The MCIA has a formal evaluation process which evaluates criteria crucial to the performance of the professional services. The MCIA has established criteria to determine responsible vendors who have the capacity in all respects to fully perform the contract requirements and have the integrity and reliability required for good faith performance. The process is compliant in all aspects with the Local Public Contracts Law and N.J.S.A. 19:44A-20.4.

OSC Recommendation:

- 2. Use a written contract in purchasing professional services.*

MCIA Response:

The MCIA has implemented and utilizes a written contract in purchasing professional services.

OSC Recommendation:

- 3. Ensure that all contracts include a termination provision and a scope of services provision.*

MCIA Response:

All written contracts currently include a termination provision and scope of services provision.

Insurance Consultant

MCIA Comment:

The MCIA needed the services of an insurance consultant to structure the insurance needs of the MCIA to develop a long term insurance plan. The insurance consultant was instrumental in setting up a fee-based structure for the services of the insurance producer in lieu of commissions. The insurance consultant provided an independent review of the coverage purchased by the insurance producer and provided advice to the MCIA on all insurance issues. The insurance consultant provided additional assistance, including but not limited to, compilation of information for review of the workers compensation fund, review of claims for the determination of coverage requirements and assistance with determination of insurance requirements for vendors providing insurance to the MCIA.

After following a fair and open process, the MCIA has appointed an insurance producer who is currently paid a fixed fee with no commissions. Prior to the OSC's audit report, the insurance consultant contract was eliminated.

OSC Recommendation:

- 4. Require vendors to submit detailed invoices to comply with N.J.A.C. 5:31-4.1(a).*

MCIA Response:

Detailed invoices are submitted by vendors who are paid on an hourly basis.

OSC Recommendation:

5. *Reevaluate the need for retaining an insurance consultant and document that reevaluation.*

MCIA Response:

Commencing January 1, 2012, the MCIA has not retained an insurance consultant.

Authority's Legal Counsel

MCIA Comment:

The MCIA's legal counsel has been properly classified for pension and health benefits requirements. Pension credit can only be provided for work performed as an employee and not an independent contractor. The work of the legal counsel and of the recording secretary was that of an employee, not an independent contractor. The specific services in that regard were subject to the control of the MCIA. In addition, as per IRS regulations, compensation was subject to statutory payroll taxes and deductions as an employee.

The salary for legal counsel is no longer utilized for pension (PERS) benefits as a result of the enactment of *N.J.S.A. 43:15A-7.2*, however, the employee status has been properly classified. Referral to the Division of Pension and Benefits is not proper as the participation in the pension system for professional employees was legal and systemic prior to *N.J.S.A. 43:15A-7.2* becoming effective. The statute cannot affect rights vested prior to enactment and there are numerous public-sector professionals who similarly have earned pension credits.

*
Comment
1

OSC Recommendation:

6. *Reevaluate the eligibility of the Authority's legal counsel/Recording Secretary for health benefits.*

MCIA Response:

The MCIA has reviewed the eligibility criteria and the criteria has been met.

Obtaining Competitive Price Quotations

MCIA Comment:

The MCIA's purchasing practices comply with the Local Public Contracts Law. The findings of the OSC audit do not accurately portray the operations of the MCIA. During the time period of the audit, January 1, 2007 through December 1, 2011 when the OSC representatives concluded their field work, the OSC had available to it over 10,000 purchase orders. The OSC referenced only five purchase orders, all pertaining to the MCIA's long term care operation, Roosevelt Care Center. One voucher from 2009 was for criminal background checks, a requirement for hiring. The MCIA is required to have a vendor who is capable of conducting confidential background checks in New Jersey as well as outside of the State. Use of the term "preferred" vendor carries incorrect implications. In 2009, the annual expenditure for this service was \$11,189.

The second voucher was for a recognition dinner for the MCIA employees who work at Roosevelt Care Center. The dinner was held in 2007 to recognize employees, including nurses and nurses aides, providing exemplary care to the most vulnerable residents of the County who reside at the long term care facility. The cost was \$4,547. In this year, the level of care provided at Roosevelt Care Center resulted in the MCIA obtaining advisory standards from the State of New Jersey Department of Health and Senior Services, which recognized that the MCIA went beyond the minimum requirements to provide residents with excellent care in a high quality environment (See Exhibit C-1).

The remaining three vouchers involved specialized medical equipment and supplements for residents of Roosevelt Care Center ordered by physicians. It is difficult to understand why the OSC included these types of very specialized purchases in their audit. Financial policies and

procedures for the life sustaining operations of a long term care center must support the sometimes emergent and individualized needs of the residents.

This minuscule (0.0005%) number of purchases does not accurately portray the effective compliant procedures of the MCIA.

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Comment
2

OSC Recommendation:

7. *Solicit two or more quotations for all applicable purchases as required by the Local Public Contracts Law.*

MCIA Response:

The MCIA follows the requirements of the Local Public Contracts Law. Historically, quotation requirements have been met; exceptions have been extremely rare and are explainable.

Purchasing Manual

MCIA Comment:

The MCIA's purchasing manual is comprehensive and includes proper procedures. The MCIA's purchasing is performed by licensed purchasing agents. All individuals responsible for the MCIA's purchasing have undertaken and passed the requisite State requirements to be licensed purchasing agents. These individuals are fully familiar with the purchasing laws of the State and particularly, the procedures to obtain and document price quotations.

OSC Recommendation:

8. *Develop a comprehensive Purchasing Manual.*

MCIA Response:

The MCIA utilizes a comprehensive Purchasing Manual.

CASH MANAGEMENT

OSC Finding:

The Authority needs to strengthen its cash management and accounts payable practices.

MCIA Comment:

The MCIA's cash management and accounts payable practices are fiscally sound. As the OSC stated in its summary "our testing revealed no significant exceptions to the Authority's financing practices" which is consistent with the MCIA's annual independent audits covering the years of the OSC audit (2007-2010).

Vendor Payments

All vendor payments are presented to the MCIA Board and are approved by the MCIA Board. The MCIA Board is provided the opportunity to review and question any payments. The vendor payments were properly reviewed and approved for payment by the MCIA representatives and were properly approved by the MCIA Board.

OSC Recommendation:

- 9. Enforce Authority policies that are designed to ensure that Board members have adequate time to review a proposed vendor payment before voting on the payment.*

MCIA Response:

The MCIA requires vendor payments to be received in adequate time to allow placement on the preliminary bill list for the MCIA Board Member review. This practice is subject to extenuating circumstances; however, those payments are properly reviewed and approved for payment.

Compliance with Unclaimed Property Requirements

MCIA Comment:

The MCIA implemented a process to contact the proper owner of unclaimed funds and to return the funds where possible. If the proper owner cannot be found, the procedures of *N.J.S.A. 46:30B-1 et seq.*, the Uniform Unclaimed Property Act, is followed.

OSC Recommendation:

10. *Ensure compliance with N.J.S.A. 46:30B-1 et seq. by canceling stale-dated checks and either return the funds to their owner or remit them to the State as unclaimed property.*

MCIA Response:

The MCIA has ensured compliance with the statute.



PERSONNEL

OSC Finding:

Authority Management receives substantial supplemental benefit payments without a clear and specific basis for the determination of those payments.

MCIA Comment:

The MCIA management receives wage and benefit packages in accordance with procedures and approvals adopted by the MCIA Board. Payments and benefits are commensurate with the duties and responsibilities of the individuals.

Management Incentive Benefit Payments

The MCIA management benefit packages are properly approved by the Personnel Committee. The costs for the benefits are included in the annual budget which is approved by the MCIA Board. The Chairman of the MCIA is empowered to appoint members of committees. The Chairman appointed the Executive Director to the Personnel Committee as an ad hoc member because of his first hand knowledge of the specific matters presented to the Committee. The Executive Director signs memorandums or approvals as an indication of his recommendation for the specific personnel action. This in turn must be approved by the two MCIA Board members of the committee. All supplemental benefits compensation received by the three MCIA contracted employees (Executive Director, Chief Financial Officer and the Roosevelt Care Center Administrator) and one non-contracted employee (Director of Administration/Communications) was approved by the Personnel Committee and properly authorized in the employment agreements and the MCIA's employee codification of classifications. The supplemental benefits are taxable and have been incremented over a period of years. The years of service for the four MCIA employees cover a period of 10-19 years through 2010.

These four employees make up the core of the MCIA's top executives and their record of performance has been exceptional. The compensation they receive is justified by the MCIA's record of achievements, as outlined in the MCIA Historical Performance section of this report.

It is impossible to understand how over a period of 20 months, the OSC field survey team did not interview the MCIA Chairman, as he was the person responsible for evaluating the Executive Director. The MCIA Chairman, a retired businessman and Harvard graduate, has been a member of the MCIA Board for over 20 years.

Following is the Chairman's opinion of the Executive Director's performance.

Executive Director

The Executive Director is responsible, more than anyone, for building the MCIA from a one employee start-up 20 years ago to one of the largest and most effective authorities in the State. There are very few executives in the public or private sector who could have accomplished this mission. Under his leadership, the MCIA grew in its first year from one employee and a \$37,000 balance sheet to 20 years later an Authority of over 600 employees and a balance sheet of \$651 million with net assets of \$25 million. Over this period, the MCIA achievements have received State-wide recognition. The Executive Director has 35 years experience as an executive in the public sector, a Master's Degree in Public Administration and is superb in keeping employee morale at the highest level, producing outstanding accomplishments. He has earned the highest rating in leading the MCIA and holds that rare distinction of being the very "best and brightest". The Executive Director is a unique leader, who does not come along often, especially in the public sector. His performance, including the millions of dollars his leadership has saved County taxpayers, more than justifies the compensation he receives.

The Executive Director is responsible for evaluating the performance of the Chief Financial Officer, the Roosevelt Care Center Administrator and the Director of Administration/Communications. Following is the Executive Director's opinion of their performance.

Chief Financial Officer

The Chief Financial Officer (CFO) came to the MCIA in 1997 after spending over 12 years in the private sector auditing government agencies. The CFO, having the ideal background, has proven to be outstanding in her job performance. Her annual MCIA evaluations receive the highest possible ranking of excellence which has been confirmed in the MCIA's annual independent audits required by law. At the MCIA, the CFO's performance is unique in the public sector, with a weekly work schedule of 6 days/50+ hours as the norm. Additionally, the CFO has no assistant and the OSC's Audit Manager of the field survey team was surprised as to the limited staff. The financial operation at the MCIA, headed by the CFO, is exceptional. The County taxpayers are receiving top financial performance at the same time saving a minimum of \$100,000 annually in reduced staffing. Given the CFO's work schedule and overall achievements, she is outperforming the compensation she receives.

Roosevelt Care Center Administrator

The Roosevelt Care Center Administrator came to the MCIA in 2000 with an extensive background in long term care. He reports directly to the Executive Director and is responsible for the day to day operations, including the licensed 530 beds. During his service, the MCIA opened two new 180 bed facilities in Edison and Old Bridge. His annual MCIA evaluations receive superior ratings. The Administrator's medical education and background puts him among the most qualified in the State for this position. Working closely with the Executive Director and CFO, the Administrator has been a major part of the team reducing the RCC subsidy from \$18 million (cpi adjustment) in 1995 to the current subsidy in 2010 of \$7.5 million (\$10.5 million annual savings). The total compensation paid to the Administrator is justified by his background and job performance.

Director of Administration/Communications

The Director of Administration/Communications has been with the MCIA since 1994. She reports directly to the Executive Director and is responsible for administrative functions as well as public relations for the MCIA. Her annual evaluations receive superior ratings by performing in a dual role as Director of Administration/Communications and has enabled the MCIA to eliminate one high level position resulting in a substantial savings for the taxpayers. This can only be accomplished because of the unique skills of the Director of Administration/Communications and she is well deserving of the compensation she earns.

Retaining Employment

The OSC audit in questioning management compensation states "...we did not find evidence of any threat of management turnover...." This is an example of the OSC's field survey team's lack of knowledge in the area of top management. The very best achievers will remain in their positions if work challenges and employee morale are maintained at the highest level and compensation and benefits are commensurate with achievements. Contrary to the OSC's comments relating to "turnover", the challenge at the MCIA is to guarantee top producers are compensated so they are not lost to the private-sector. This has been the philosophy at the MCIA, producing outstanding services resulting in millions of dollars in savings for County taxpayers. The OSC philosophy is geared toward bureaucratic compensation guidelines with job performance and quality of services secondary.

OSC Recommendation:

- 11. Re-evaluate the management incentive payment program and align any supplemental benefit payments with achievement of Authority-defined goals and objectives.*

MCIA Response:

The management incentive payments are justified when considering experience and job performance. All percentages for supplemental benefit payments for the Executive Director, Chief Financial Officer, Roosevelt Care Center Administrator and Director of Administration/ Communications have been frozen at 2009 levels, prior to the commencement of the OSC audit.

Cumulative Effect of Supplemental Payouts

MCIA Comment:

The MCIA believes that the OSC analysis and comparatives are not objective.

The OSC is incorrect and misrepresents the facts pertaining to the MCIA's performance incentive program. The OSC's conclusion that only four MCIA employees (Executive Director, Chief Financial Officer, Roosevelt Care Center Administrator and Director of Administration /Communications) participates reflects an insufficient review of the program.

Non-union full-time employees participate and receive on an annual basis between a 0%-1.5% adjustment in their salary based upon a performance evaluation by their supervisor. This adjustment becomes part of their pensionable salary.

In the case of the Executive Director, Chief Financial Officer, Roosevelt Care Center Administrator and Director of Administration/ Communications performance incentive compensation was not permitted to become part of their pensionable salary and was used primarily for taxable non-group benefits to be chosen by the employee (health insurance, life insurance, long term disability insurance, deferred compensation plans and other employee choice benefit programs). Under IRS regulations, these non-group benefits were not permitted to

be paid directly by the employer and as a result are part of the employees earned income shown as supplemental benefits.

In 2009, in conjunction with major changes in the State Pension laws, these supplemental benefit payments were excluded permanently from any possible future inclusion in the pension and all percentages at the time were frozen (See chart).

2010 Compensation
(Latest Audit Utilized by OSC)

MCIA Employee Title	Years Of Service	Pension Salary	General Employee Benefits	Supplemental Benefits Costs	Supplemental Benefits Annualized % Years of Service
Executive Director	19	\$185,384	Yes	\$55,617	1.6%
Chief Financial Officer	13	\$119,268	Yes	\$17,890	1.2%
RCC Administrator	10	\$163,884	Yes	\$20,485	1.3%
Director of Administration/Communications	15	\$118,668	Yes	\$11,869	0.6%

Note: Percentages for Supplemental Benefits were frozen in 2009.

The Executive Director is unique in that he started the MCIA as the only employee and is primarily responsible for its growth and outstanding record of achievements. The OSC field survey team chose to avoid this in their analysis, which is a key element in justifying the compensation paid to the MCIA Executive Director.

The OSC audit specifically mentioned the total compensation paid (salary and benefits) to the Executive Director while comparing it to the New Jersey Governor's salary without any mention of that position's benefits. In reviewing the position of Governor over the past two decades, hundreds of thousands of taxpayer dollars have been expended annually on benefits such as security, housing, transportation, travel and hotel accommodations, luxury boxes at entertainment and sporting events and out-of-pocket expenses. In addition, Governors have received at the conclusion of their service (less than 4 years/8 years) transition funds that varied from \$400,000-\$800,000. The MCIA is not opposed to the cost of salary and benefits received by the Governors, but believes it should not be used as a comparison. The OSC's omission of the taxpayer dollars expended for benefits for Governors invalidates its use as a comparison.

The OSC audit report failed to mention that in 2010 there were numerous individuals employed by local governments and independent authorities in the State whose pensioned salaries were higher than the MCIA Executive Director.

OSC Recommendation:

12. Impose a limit on the total compensation provided to the Executive Director and other Authority managers. In arriving at that policy, the Authority should consider the salary structure for other New Jersey public sector employees.

MCIA Response:

The MCIA has become one of the most productive authorities in the State by compensating management employees for experience and job performance. Prior to the OSC's audit, the Executive Director has agreed to no increases in salary or supplemental benefits for the balance of his service at MCIA. Other MCIA managers will continue to be evaluated for their performance and compensated accordingly.

Yearly Sick Leave Buy-Out

MCIA Comment:

The MCIA has a yearly sick leave buy-out policy which was adopted as a cost savings measure. The rationale is savings to the taxpayer, especially for "essential" employees at the long term care facilities. Payment may be made for one day paid for either two or three days in sick leave credited and not used during that year, up to a maximum of five paid days per year. The MCIA is only paying half or one third of the cost of the day. In many instances, if the employee took the day, the MCIA would not only have the cost of the full day but would also have the cost of replacing the employee. Due to the nature of the MCIA's operations, there are a number of divisions which require a certain level of coverage. For example, Roosevelt Care Center which consists of a majority of the MCIA employees is required by State law to have certain

levels of staffing ratios. If these levels are not met, overtime or outside agency costs are incurred, which is far more costly to taxpayers.

For the past two decades, the MCIA's policy sets a limit of payment of \$15,000 for unused sick leave. To be eligible, an employee must officially retire from the MCIA as a member of the Public Employees Retirement System. This policy was established in accordance with State statute as a means over the years of avoiding excessive final sick leave payouts which have occurred in many local governments. During the OSC audit period (2007-2011), the MCIA had 20 eligible employees retire of which only two received the maximum payment.

OSC Recommendation:

13. Eliminate the yearly sick leave buy-out.

MCIA Response:

The MCIA sick leave buy-out policy is permitted by State statute. It is subject to collective bargaining agreements for most MCIA employees and has been the policy over the past two decades. It will be reviewed at the time of negotiation of new contracts.

Multiple Public Job Holders

MCIA Comment:

The three individuals are employed as part-time MCIA employees.

The duties of the part-time MCIA employees referenced in the OSC audit report are separate and distinct from the other positions the individuals hold. Use of these part time employees by the MCIA in the areas of Open Space and Shared Services is beneficial as it provides the MCIA with a lower cost in obtaining those services.

The MCIA and the County are separate governmental operations.

In the case of the County Treasurer, the County Board of Chosen Freeholders adopts a cash management plan which authorizes the MCIA to compensate him for additional duties and responsibilities associated with the Open Space Acquisition Program as an Accountant.

OSC Recommendation:

14. Discontinue the practice of paying County employees for work they already are required to complete as a part of their County employment.

MCIA Response:

The MCIA does not pay County employees for work they are required to complete as part of their County employment. The MCIA pays the employees for work separate and distinct that they are performing on behalf of the MCIA.

Employee Recognition Expenditures

MCIA Comment:

The MCIA funded two recognition dinners for staff working at the long term care center Roosevelt Care Center. These events were held in appreciation for the efforts of the dedicated employees, including nurses and nurses aides, caring for the most vulnerable of County residents. The dinners were held during the two years when the MCIA was recognized by the State Department of Health and Senior Services with the designation of advisory standards. Advisory standards mean that the MCIA went beyond the minimum requirements to provide residents with excellent care in a high quality environment. During 2008, health care employees at Roosevelt Care Center were provided Thanksgiving turkeys in appreciation of their outstanding performance (See Exhibits C-1 and C-2/Roosevelt Care Center Advisory Standard Letters).

OSC Recommendation:

15. Using State and County guidelines develop a policy concerning the funding of employee recognition initiatives. For example, such initiatives could be financed with non-public funds such as donations or employee contributions.

MCIA Response:

The OSC audit recommends that the MCIA follow State Circular 11-09-OMB which permits State tax dollar expenditures for entertainment of patients, students, dignitaries, and even inmates in State institutions including meals, refreshments and other expenses directly related to such entertainment. As in the past, when it is appropriate to recognize employees for their outstanding service, such as in the case of Roosevelt Care Center, the MCIA will continue to participate in such events in accordance with State statute.

Counties Recycling Rates
1995-2009

EXHIBIT A

COUNTY	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	Years ≥ 60%
Atlantic	55.0%	56.7%	62.0%	51.7%	49.6%	59.6%	57.4%	61.0%	46.7%	55.9%	55.7%	47.1%	49.6%	46.48%	58.93%	2
Bergen	55.1%	57.3%	53.3%	52.8%	53.6%	51.2%	51.4%	51.0%	53.2%	56.2%	61.7%	61.9%	67.5%	69.17%	68.22%	5
Burlington	55.2%	59.0%	60.1%	55.5%	52.3%	52.9%	53.6%	58.0%	56.0%	44.7%	49.9%	48.3%	56.6%	54.98%	50.49%	1
Cape May	58.6%	65.5%	61.4%	63.5%	59.5%	59.5%	57.7%	63.1%	64.0%	59.9%	61.8%	60.2%	62.5%	73.67%	69.77%	10
Cumberland	68.8%	72.6%	69.8%	55.8%	61.0%	74.0%	65.0%	62.4%	58.4%	57.1%	60.1%	56.9%	62.6%	72.05%	68.13%	11
Essex	61.6%	61.6%	54.1%	53.0%	52.9%	57.8%	51.4%	51.4%	54.4%	55.2%	60.7%	58.6%	64.5%	62.92%	57.68%	5
Gloucester	58.6%	59.1%	54.7%	49.7%	50.4%	61.4%	51.1%	60.6%	62.7%	64.4%	63.4%	76.9%	62.0%	59.48%	59.75%	7
Hudson	50.6%	63.0%	57.4%	58.7%	51.3%	51.1%	47.4%	45.0%	43.6%	47.4%	48.9%	43.6%	57.1%	46.15%	51.71%	1
Mercer	58.7%	56.9%	61.0%	60.9%	50.6%	60.9%	53.5%	48.8%	49.0%	39.9%	52.6%	46.1%	58.4%	61.56%	66.77%	5
Middlesex	62.8%	65.3%	63.8%	64.5%	62.3%	58.8%	58.0%	60.1%	61.6%	65.3%	64.1%	62.7%	60.3%	64.36%	64.28%	13 YEARS
Monmouth	55.0%	55.9%	56.4%	52.3%	52.1%	55.6%	52.2%	57.7%	56.3%	52.6%	48.2%	50.2%	60.9%	54.17%	49.84%	1
Morris	62.4%	57.8%	60.6%	49.2%	51.8%	53.6%	50.0%	51.3%	49.8%	50.9%	53.3%	62.2%	64.6%	63.63%	62.14%	6
Passaic	53.2%	53.8%	51.2%	51.6%	48.7%	52.9%	50.2%	55.9%	55.4%	55.2%	60.1%	57.9%	63.0%	65.92%	60.44%	4
Salem	56.2%	52.7%	44.0%	38.7%	40.1%	39.9%	34.2%	58.0%	86.8%	28.5%	38.8%	58.0%	53.1%	55.25%	51.03%	1
Somerset	47.4%	49.9%	47.7%	46.0%	48.1%	44.8%	44.4%	43.6%	40.6%	41.5%	44.6%	46.6%	64.1%	59.22%	62.25%	2
Union	54.1%	60.4%	55.4%	58.9%	56.6%	56.9%	48.5%	48.0%	49.7%	51.4%	52.6%	52.5%	62.6%	61.57%	58.07%	3
Warren	56.3%	62.7%	52.5%	49.6%	37.6%	44.2%	46.9%	42.3%	33.5%	32.3%	36.4%	32.9%	58.8%	48.14%	48.28%	1
>60%	4	7	7	3	2	3	1	5	4	2	7	5	11	9	8	
Source: Data derived from NJDEP Web Site																
State Rate	56.9%	59.1%	57.3%	54.7%	52.9%	55.2%	51.8%	53.5%	54.2%	53.0%	55.4%	55.5%	60.8%	60.57%	60.32%	3

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EXHIBIT B

MIDDLESEX COUNTY IMPROVEMENT AUTHORITY BALANCE SHEETS FOR YEARS ENDED 2010 AND 1991

<u>ASSETS</u>	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 1991
Current Assets:		
Cash and Cash Equivalents	\$ 7,515,290.78	\$ 37,208.85
Accounts Receivable	1,812,547.98	-
Interest Receivable	3,220.00	48.01
Prepaid Expenses	5,017.67	-
Total Current Assets	<u>9,336,076.43</u>	<u>37,256.86</u>
Noncurrent Assets:		
Restricted Assets		
Cash and Cash Equivalents	104,457,629.39	-
Accounts Receivable	73,174,255.92	-
Interest Receivable	1,882,566.64	-
Prepaid Lease Expense	1,569,600.00	-
Inventory	268,190.79	-
Net Investment in Bond Programs	293,227,231.55	-
Total Restricted Assets	<u>474,579,474.29</u>	<u>-</u>
Capital Assets (Net)	114,622,784.00	-
Unamortized Bond Issue Costs	16,839,946.29	-
Total Noncurrent Assets	<u>606,042,204.58</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 615,378,281.01</u>	<u>\$ 37,256.86</u>
	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 1991
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 1,032,760.42	\$ 67,125.00
Accrued Expenses	663,725.99	-
Total Current Liabilities	<u>1,696,486.41</u>	<u>67,125.00</u>
Current Liabilities Payable from Restricted Assets		
Bonds and Notes Payable	27,781,610.50	-
Accrued Expenses	975,191.42	-
Accounts Payable	4,274,206.45	-
Accrued Interest on Bonds	1,882,566.64	-
Other Reserves	1,243,614.65	-
Total Current Liabilities Payable from Restricted Assets	<u>36,157,189.66</u>	<u>-</u>
Noncurrent Liabilities:		
Bonds and Loans Payable	520,997,847.60	-
Accounts Payable	2,513,821.16	-
Other Reserves	15,550,197.15	-
Funds Held in Trust	17,613,233.26	-
Total Noncurrent Liabilities	<u>556,675,099.17</u>	<u>-</u>
Total Liabilities	<u>594,528,775.24</u>	<u>67,125.00</u>
Total Net Assets	<u>20,849,505.77</u>	<u>(29,868.14)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 615,378,281.01</u>	<u>\$ 37,256.86</u>

Source: MCIA independent annual audits 1991 and 2010



State of New Jersey
DEPARTMENT OF HEALTH AND SENIOR SERVICES
PO BOX 358
TRENTON, N.J. 08625-0358

JON S. CORZINE
Governor

www.nj.gov/health

FRED M. JACOBS, M.D., J.D.
Commissioner

June 05, 2007

FRANK DAMIANI
ROOSEVELT CARE CENTER
ONE ROOSEVELT DRIVE
EDISON, NJ 08837

Dear Administrator:

Congratulations on successfully completing the advisory standards survey conducted at your facility on 05/15/2007. I am pleased to enclose a report of the findings.

As you know, advisory standards represent ways that facilities can strive to go beyond the minimum requirements to provide their residents with excellent care. We appreciate your efforts to provide your residents with a high quality environment, and we hope our recognition of this effort is helpful to you in continuing to achieve a high standard of care in your facility.

We have revised the advisory survey form and reporting process to enable us to provide better service and increase the recognition of your efforts. Your facility will be on the Department of Health and Senior Services web site as having passed an advisory survey. Our web site is: www.state.nj.us/health.

Due to changes which are periodically made to the advisory standards form, please do not use photocopies of an old form. Please request a current form by calling the Office of Assessment and Survey at (609) 633-8990.

If there are any further questions, please feel free to contact Ms. Ida Marie Nagy at (609) 633-8981.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Goldman".

Barbara Goldman, RN, J.D.
Assistant Director
Office of CN and Healthcare Facilities Licensure

Enclosure



State of New Jersey
DEPARTMENT OF HEALTH AND SENIOR SERVICES
PO BOX 358
TRENTON, N.J. 08625-0358

JON S. CORZINE
Governor

www.nj.gov/health

HEATHER HOWARD
Commissioner

October 07, 2008

FRANK DAMIANI
ROOSEVELT CARE CENTER
ONE ROOSEVELT DRIVE
EDISON, NJ 08837

Dear Administrator,

Congratulations on successfully completing the advisory standards survey conducted at your facility on 08/04/2008. I am pleased to enclose a report of the findings.

As you know, advisory standards represent ways that facilities can strive to go beyond the minimum requirements to provide their residents with excellent care. We appreciate your efforts to provide your residents with a high quality environment, and we hope our recognition of this effort is helpful to you in continuing to achieve a high standard of care in your facility.

We have revised the advisory survey form and reporting process to enable us to provide better service and increase the recognition of your efforts. Your facility will be on the Department of Health and Senior Services web site as having passed an advisory survey. Our web address is: www.state.nj.us/health.

Due to changes which are periodically made to the advisory standards form, please do not use photocopies of an old form. Please request a current form by calling the Office of Assessment and Survey at (609) 633-8990.

If there are any further questions, please feel free to contact Ms. Joanne Maxwell at (609) 633-9693.

Sincerely,

A handwritten signature in cursive script that reads "Barbara Goldman".

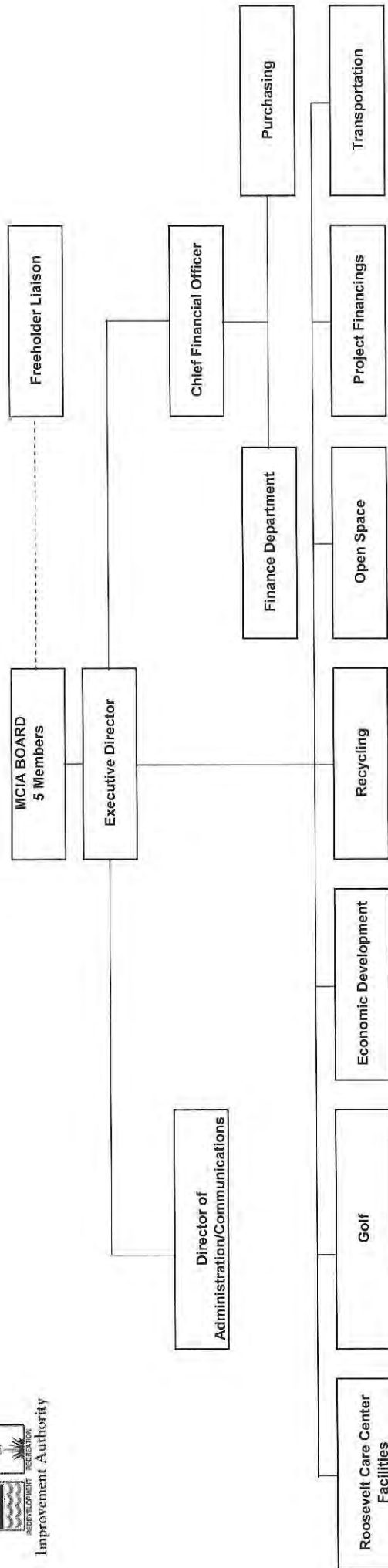
Barbara Goldman, RN, JD
Assistant Director
Office of CN and Healthcare Facility Licensure

Enclosure

EXHIBIT D-1



MCIA Table of Organization as of January 1, 2012



**Roosevelt Care Center (RCC)
Table of Organization
As of January 1, 2012**



Middlesex County Long-Term Care Facilities
RCC at Edison
RCC at Old Bridge

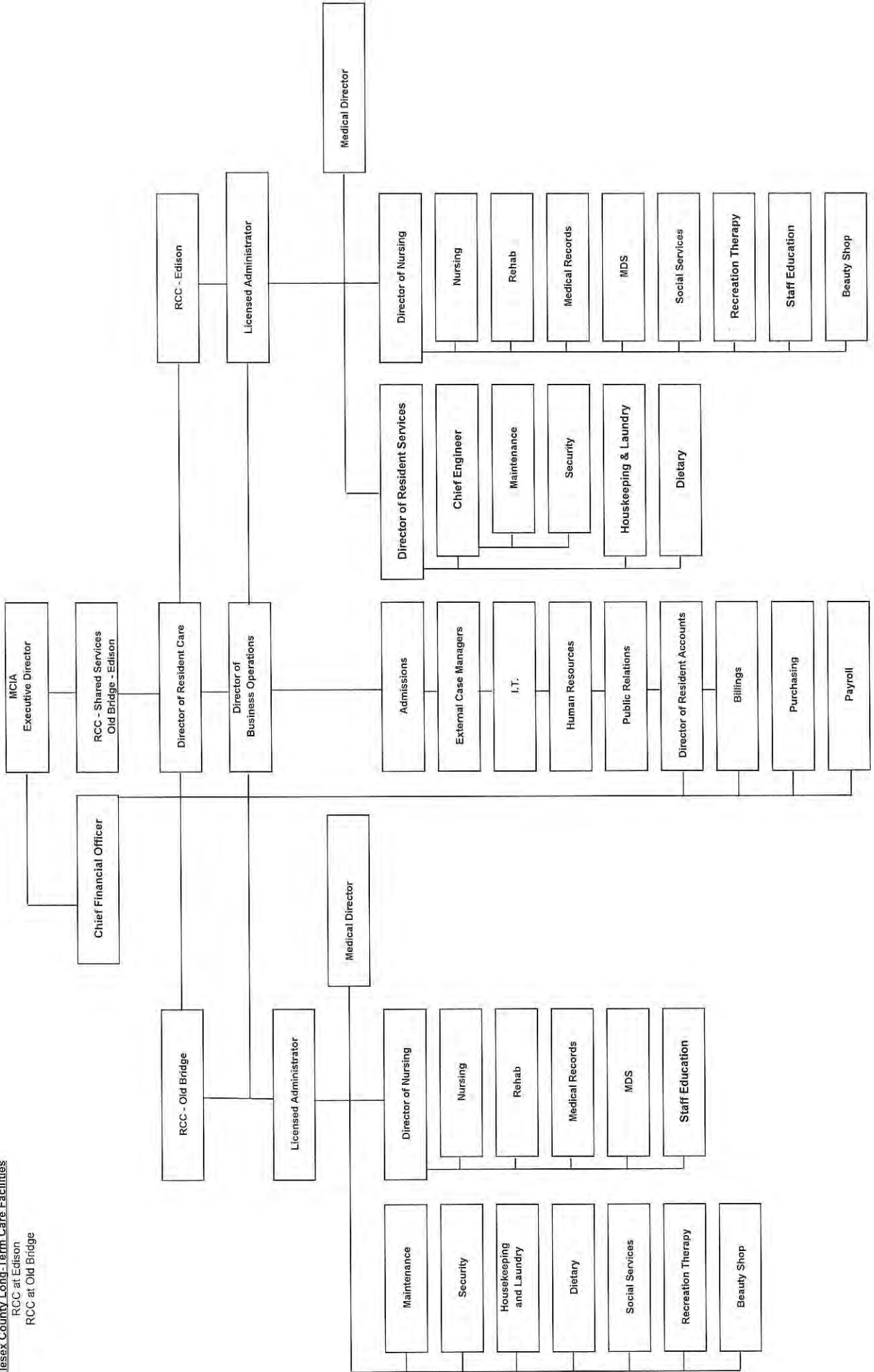


EXHIBIT D-3

GOLF COURSES Table of Organization as of January 1, 2012

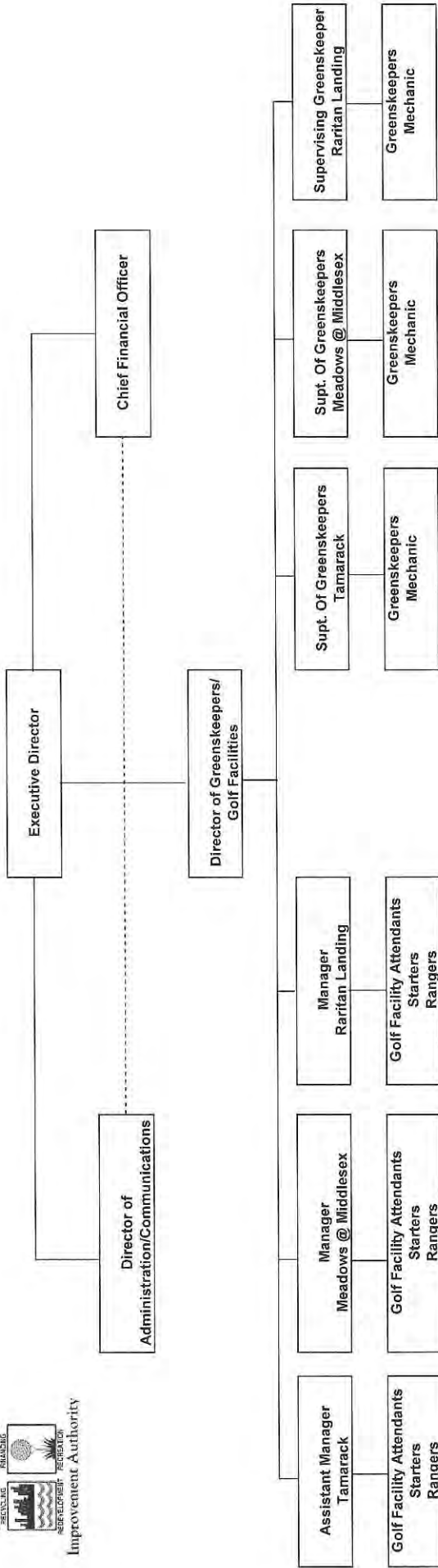


EXHIBIT E

Middlesex County



RECYCLING

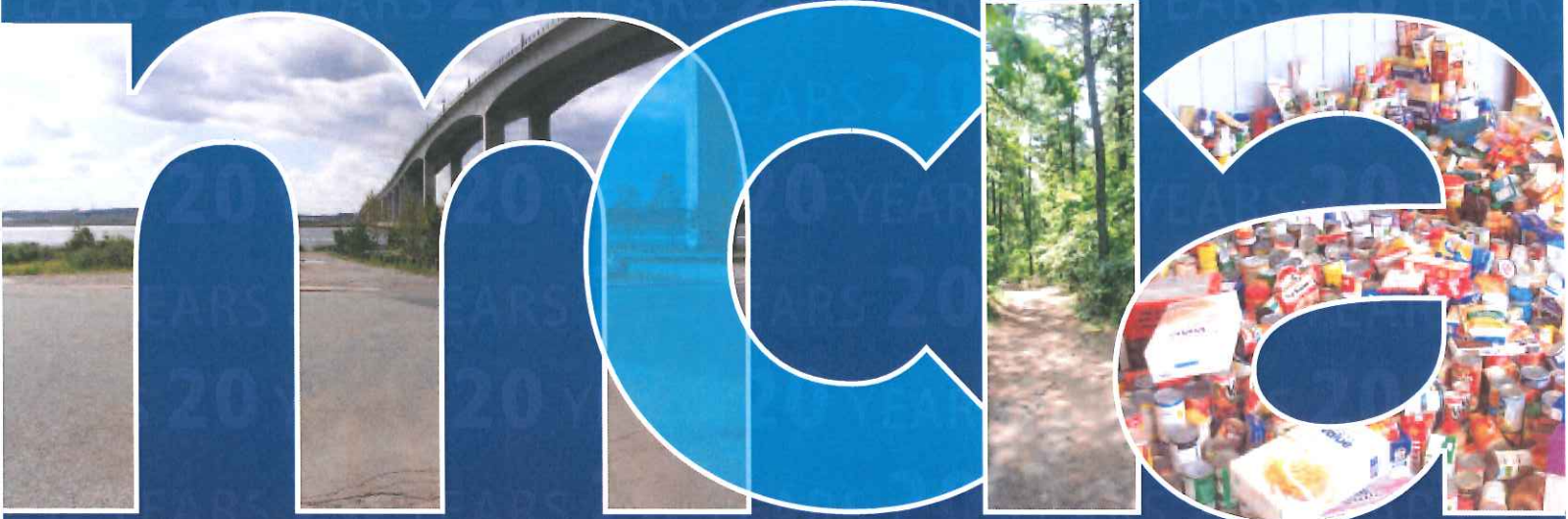
FINANCING



REDEVELOPMENT

RECREATION

Improvement Authority



2010 ANNUAL REPORT



Carol Barrett Bellante
Freeholder Liaison



Leonard J. Roseman
Chairman



Richard Pucci
Executive Director

BOARD MEMBERS



Robert J. Mantz



Jacque Eaker



Camille Fernicola



Anthony Raczynski

20 Years & Counting

Letter to Residents

The Middlesex County Improvement Authority was created by the Board of Chosen Freeholders on September 6, 1990 as an effort to have an on-going entity that could assist local communities. Now, in 2010, after 20 years of supporting the priorities of the municipalities and the county, the Middlesex County Improvement Authority has a strong track record of providing financial and management assistance. And, the result has been a better quality of life for Middlesex County residents.

Initially, the Authority was able to construct a pooled financing program that provided a means to lease/purchase important equipment to the County and its 25 municipalities. Changes in state regulations resulted in a restructuring of the program in 2009 and 2010. Overall, the pooled financing in its two forms has saved millions of dollars in interest rates.

In addition, a number of stand-alone financings were completed, and these bonds brought about projects that improved the lives of many Middlesex County residents. The projects included schools for disabled students such as Raritan Valley Academy, the Academy Learning Center and the Center for Lifelong Learning, all under the auspices of the Middlesex Regional Educational Services Commission. The Rockoff Hall Student Housing Project provided housing for students at Rutgers, and there were two projects that provided affordable rental housing for seniors: North Brunswick Senior Housing and South Plainfield Senior Housing.

In 1994, the Board of Freeholders named the Middlesex County Improvement Authority as the responsible agency for structuring and implementing a countywide, curbside recycling program. The first town recycling collection of the countywide program took place in Cranbury Township in March 1995. The MCIA also established a yard waste recycling program for leaf and grass composting as well as brush chipping. The County has met and exceeded a state-mandated 60% recycling goal for 12 years, and Middlesex County has

MCIA PROFESSIONALS

Richard Pucci
Executive Director

Lory L. Cattano
Chief Financial Officer

Jane S. Leal
Director of Administration/
Communications

Daria Anne Venezia
General Counsel

**Wilentz, Goldman
& Spitzer, P.A.**
Bond Counsel

CME Associates
Engineer

Hodulik & Morrison, P.A.
Auditor



been the #1 recycling county in the state for 4 of those years.

In 1995, the Board of Freeholders entered into an agreement with the MCIA to manage Tamarack Golf Course in East Brunswick. Through its bonding capacity the MCIA was then able to purchase the course from the county, and bond proceeds enabled a multitude of course improvements. The MCIA was able to expand golf opportunities by purchasing Princeton Meadows Golf Course in Plainsboro at the end of 1999. Renamed The Meadows at Middlesex Golf Course, this course added 18 championship holes to Middlesex County public golf. And, the MCIA oversaw construction of an 18-hole executive style golf course planned and constructed by the Freeholders on county-owned land in Piscataway. This became Raritan Landing Golf Course.

In 1997, the Board of Freeholders requested that the MCIA assume management and ownership duties for Roosevelt Care Center and the Barbara E. Cheung Memorial Hospice in Roosevelt Park, Edison. The Board of Freeholders constructed a new 180-bed facility on the north side of Parsonage Road, and this building was opened in 2005. In 2010, the Board was completing construction of a 180-bed long term care center in Old Bridge Township to serve South County residents, and the MCIA has been looking forward to management duties at that facility in 2011.

In 1995, the MCIA was appointed as an agent for the County to perform the technical and legal due diligence for property acquisition for the County's open space program. Since that time, the County has been able to close and/or contract for more than 7200 acres of open space throughout the county, and the MCIA has been proud to play a role in preserving this acreage for now and future generations.

The MCIA has partnered with Middlesex County to facilitate economic development and redevelopment projects. Some of the projects utilized the MCIA's bonding capabilities as well as management skills. The MCIA's capabilities were enhanced by the entry of Keep Middlesex Moving under the MCIA umbrella in 1998. Access to

transportation and associated information and programming aided MCIA projects.

The MCIA has been very successful in securing grant funding for brownfields assessments in the County with a total of \$1.95 million in approved grants. Sites in Carteret, Middlesex Borough, Milltown, Perth Amboy, South Amboy and Woodbridge have benefited from grant studies.

Recent MCIA participation in the County's Transportation Advisory Committee has resulted in prioritizing county road and transportation projects. And outreach and coordination with state and federal government transportation officials have been successful in locating project funding and expediting project time tables.

Outreach to the Middlesex County community has been a priority at the MCIA. In 1998, the MCIA assumed coordination responsibilities in order to expand services at the county food bank, known as M.C.F.O.O.D.S. (Middlesex County Food Organization and Outreach Distribution Services). The MCIA Recycling Education Program has been providing free programming since 1995. And relevant topics of interest to Middlesex County residents are the subjects presented on Spotlight on Middlesex County, a cable television interview program that is aired on a regular basis in all 25 municipalities in Middlesex County.

At the MCIA, we always say that if you live or work in Middlesex County, one of the MCIA programs has touched your life. For 20 years, our programs have had the goal of improving lives. We are proud of the progress made and the accomplishments, and we look forward to continuing the tradition of expanding opportunities for an even better quality of life.

Leonard J. Roseman

Leonard J. Roseman
Chairman

Pictured clockwise from top left: Academy Learning Center; M.C. Blue Recycling Robot; Roosevelt Care Center; Phillips Preserve; Perth Amboy Firetruck; Raritan Landing Golf Course; North Brunswick Senior Housing.





FINANCING

In 2010, the Middlesex County Improvement Authority ("MCIA") financed its third series of Capital Equipment and Improvement Revenue Bonds in the amount of \$14,075,000.

The MCIA also issued \$5,300,000 County-Guaranteed Revenue Refunding Bonds, Series 2010 (Middlesex Regional Educational Services Commission Project) to refinance previously issued MCIA 1999 Bonds. The 1999 Bonds had previously refinanced 1994 bonds that were originally issued for financing the construction of the Raritan Valley Academy in Piscataway. The refinancing of Raritan Valley Academy bonds achieved more than \$273,500 in debt service savings over the life of the bonds. Additionally, the MCIA issued \$5,395,000 Youth Detention Center Lease Revenue Refunding Bonds, Series 2010 to refinance previously-issued MCIA Youth Detention Center Lease Revenue Refunding Bonds, Series 1997 for construction of the Youth Detention Center in North Brunswick. The refinancing of Youth Detention Center bonds achieved more than \$1,603,900 in debt service savings over the life of the bonds.

Capital Equipment and Improvement Financing Program

Three municipalities and the County of Middlesex participated in the issuance of revenue bonds for acquiring capital equipment and for making capital improvements in and by these governmental entities. The revenue bonds totaling \$14,075,000 closed in September 2010. Items financed by the bonds included police cars and passenger vehicles, an ambulance,



computer equipment and various other equipment. The 2010 participants were the County of Middlesex, the Borough of Carteret, the Township of Cranbury and the Township of Monroe. Among the numerous county projects financed in 2010 are improvements in East Jersey Olde Towne, expansion of the 800 MHz radio system, bridge and road projects and records digitizing equipment. This revised and revamped pooled, low-cost financing program continues to be a success, saving Middlesex County taxpayers considerable sums due to the tax-exempt status of these bonds coupled with the guarantee of Middlesex County, based on its excellent AAA bond rating from Standard & Poor's.

Middlesex Regional Educational Services Commission Raritan Valley Academy Project Refinancing

In 1999, the MCIAs issued \$7,455,000 in Middlesex County Educational Services Commission Project Refunding Bonds to refinance the MCIAs 1994 Bonds that were originally issued to provide funds for the construction of the Raritan Valley Academy, a special education school facility located in Piscataway.

In July 2010, the MCIAs closed on a refinancing of the \$5,185,000 outstanding 1999 Raritan Valley Academy bonds through the issuance of \$5,300,000 County-Guaranteed Revenue Refunding Bonds, Series 2010 (Middlesex Regional Educational Services Commission Project). The refinancing of the 1999 Raritan Valley Academy bonds achieved more than \$273,500 in debt service savings over the life of the bonds.

The original bond and the two subsequent refinancings for Raritan Valley Academy have made possible the construction of a school that helps special needs students with emotional and behavior disabilities. The special academic environment concentrates on providing students with the tools to improve self-esteem and to develop individual responsibility with the goal of helping students become productive members of society. In addition, clinical support services are provided to students as a means of increasing their ability to benefit from the academic program. Services offered include individual counseling, group counseling, life skill courses and anger management sessions.

Raritan Valley Academy also offers the Innovations Program that was created to serve students with moderate levels of cognitive impairment as well as emotional and/or behavior disabilities. These students usually have higher social skills

but have lower academic skills. The Innovation Program model offers smaller group instruction, and each student has a specific individual education plan that may include pre-vocational training, job sampling and community education opportunities.

Youth Detention Center Project Refinancing

In 1997, the MCIAs issued \$14,910,000 in Youth Detention Center Lease Revenue Refunding Bonds that were originally issued to provide funds for the construction of a new Youth Detention Center located in North Brunswick.

In August 2010, the MCIAs closed on a refinancing of the \$6,400,000 outstanding 1997 Youth Detention Center bonds through the issuance of \$5,395,000 Youth Detention Center Lease Revenue Refunding Bonds, Series 2010. The refinancing of the Youth Detention Center bonds achieved more than \$1,603,900 in debt service savings over the life of the bonds.



The original Youth Detention Center Lease Revenue Refunding Bonds and the 2010 Refunding Bonds resulted in a modern facility that is operated by the Middlesex County Department of Youth Services under the Middlesex County Board of Chosen Freeholders. The Youth Detention Center provides short-term custody for juvenile offenders. This level of custody is mandated by Family Court to assure that the youth will be present for future court appearances or to address community safety concerns. A wide variety of services are available to the youthful offenders in a safe and secure environment.

The Center's campus also houses the Middlefields Group Home. The Home is essentially a treatment program for male adjudicated juveniles as well as New Jersey Division of Youth and Family Services referrals. Its program is designed to provide treatment for chronic juvenile offenders who have not been able to adjust to prior placements involving probation or community programs.

The campus is also the site for the 24-bed Middlesex County Youth Shelter serving troubled adolescents and their families. Male and female youths are referred by Family Court, the Family Crisis Intervention Unit and the New Jersey Division of Youth and Family Services with the Shelter providing a safe and structured environment with the goal of preparing the youth for future placements. These can involve family unification, group home placement, residential placement, foster care or substance abuse treatment.



ECONOMIC DEVELOPMENT

The MCI's track record in economic development and redevelopment has resulted in securing federal and state funding for brownfields assessments as well as transportation and infrastructure improvements. In addition, its contribution to the regional Raritan River Initiative continues. These efforts to ultimately remediate contaminated properties, to promote road improvements and to open up access to the river will have a positive impact on improving the environment.

Sustainable Raritan River Initiative

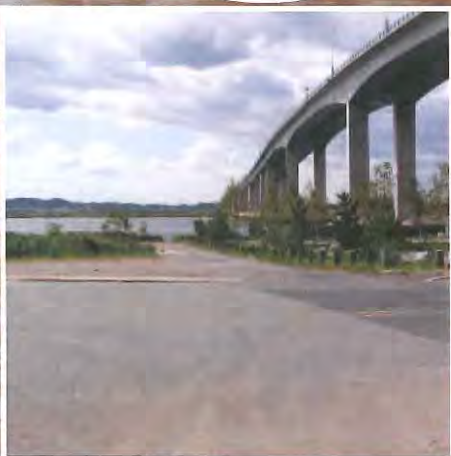
This collaborative project coordinates the efforts of the more than 100 municipalities in the Raritan River Watershed. Begun in 2009 and managed by Rutgers University, the Initiative has brought together over 90 entities. These groups identify and further watershed goals, strategic actions and projects. The MCI participated on several committees that drafted the Sustainable Raritan River Report.

The Brownfields Program

Three projects in the Brownfields Program were completed in 2010. In the Borough of Middlesex, the MCI's \$200,000 Hazardous Materials Assessment Grant was used to complete an environmental investigation and to prepare a New Jersey Department of Environmental Protection (NJDEP) approved remediation plan for two properties in the Borough's Gateway Focus Area. The Borough collaborated with Quantum Developers Group and the MCI to advance Quantum's proposed 120+ unit loft-style residential project.

Two other completed projects were located in the Boroughs of Carteret and Middlesex. Using a \$200,000 Brownfields Petroleum Assessment Grant from the United States Environmental Protection Agency (USEPA), the MCI oversaw an investigation of an abandoned auto scrap yard in the industrial section of Middlesex. Investigation results indicated that the property did not have significant contamination, and it rapidly received a No Further Action Letter from NJDEP. The Borough plans to develop the property for a municipal use.

Using petroleum assessment grant funds, the MCI oversaw a study for assessment and partial site investigation in the West Carteret Redevelopment Area. Carteret plans a mixed commercial-residential project for this Roosevelt Avenue project.



Progress also was made on the first phase of work in the \$1 million USEPA Brownfields Assessment Coalition Grant program. Detailed environmental data, visual surveys, and other information were analyzed by the MCIA and the New Jersey Institute of Technology (NJIT). The analyses were presented to the Woodbridge and the Perth Amboy Redevelopment Agencies to assist them in prioritizing sites.

Ten other community partners are participating in the Authority's program, including the two municipalities, the Perth Amboy Chamber of Commerce, Perth Amboy High School, Perth Amboy Merchants Association, Raritan Bay Area YMCA, Raritan Riverkeeper, Woodbridge Economic Development Corporation, and the Woodbridge Environmental Commission.

Middlesex County Transportation Advisory Committee

The Middlesex County Transportation Advisory Committee (MCTAC) conducts strategic planning for major transportation projects throughout the County. The Committee is composed of the Middlesex County Engineering and Planning Departments, the Middlesex County Utilities Authority and the MCIA, with the MCIA taking responsibility for coordinating the Committee's activities on behalf of the County. The Committee worked with federal, state and local officials to advance priority projects by identifying and seeking funding, resolving administrative complications, and by monitoring changes in transportation policies that affect projects and transportation goals. In 2010, the Committee utilized the Middlesex County Major Transportation Projects Status Report of 2009, as prepared for the Committee by the MCIA, as a baseline document.

In 2010, major transportation project funding requests totaling close to \$414 million were submitted. As a result, an additional \$2 million was committed for the Ernston Road/Bordentown Avenue improvements by the North Jersey Transportation Planning Authority and initial in-kind house work was begun for what could develop into two \$100 million projects to be undertaken by the New Jersey Turnpike Authority (NJTPA). In addition, the New Brunswick Bikeway received \$7.1 million in funding from the NJTPA that was used immediately.

In a difficult federal fiscal environment, federal elected officials did not advance funding requests through the pending transportation reauthorization bill that would have included the Liberty Corridor Phase II, High Priority Projects and the Water Resources Development Act projects, or

through the Appropriations process. Despite these difficulties, the Committee assured that some of the larger and more complex projects in the County did not lose their funding commitments through the recent federal withdrawal of unused transportation project funds.

In addition, several projects in the 2009 Status Report were advanced in 2010. A scope of work was developed for use of the \$3 million from the New Jersey Department of Transportation for the Finnegan's Lane Intersection Operational Improvements in North Brunswick. This project compliments the proposed North Brunswick Transit Village on Rt. 1, which was granted planned unit development site plan approval by the Township of North Brunswick in 2010. NJTPA neared completion of a concept plan for the proposed Interchange 8A – Rt. 535 Flyover and Extension to Rt. 130 in Monroe and South Brunswick. The NJTPA also developed concepts for the Rt. 1 – Rt. 18 Interchange and connecting roads. In addition, bids were requested by Middlesex County for construction of the

Ernston Road – Bordentown Avenue project in Sayreville and \$14.2 million in American Recovery and Reinvestment Act (federal stimulus) funds were used by the County to construct new guiderrails and repave many County roads.

At year-end, the MCTAC was able to recommend project prioritization for 2011.

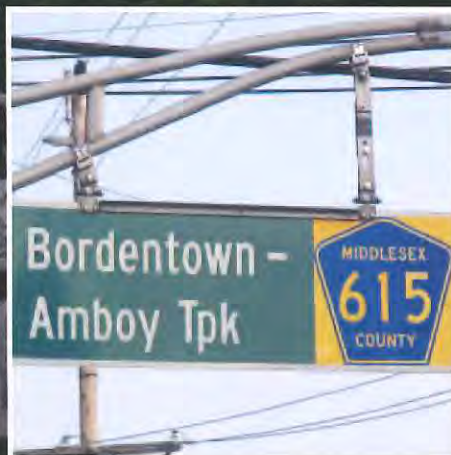
Keep Middlesex Moving

In 2010, Keep Middlesex Moving (KMM) conducted an inventory of official park and ride lots in the county. Staff visited and noted conditions at 39 lots in Carteret, Dunellen, Edison, East Brunswick, Metuchen, Monroe, New Brunswick, Old Bridge, Perth Amboy, Sayreville, South Amboy, South Brunswick, and Woodbridge.

Because of new pedestrian safety laws which took effect on April 1, 2010, KMM produced radio ads coupled with a new Street Corner Safety campaign reminding drivers and pedestrians of their responsibilities. With a grant from the NJ Division of Highway Traffic Safety, KMM staff wrote and produced "The Jay Walker Show," a video depicting pedestrian safety tips for senior citizens.

Completed in 2010, KMM's new interactive map on www.kmm.org allows users to click on rail stations and connect to www.njtransit.com for schedules and fares.

Over 550 commuters signed up for Car Free Week 2010. By going "car free" or "car lite," drivers reduced vehicle miles travelled in Middlesex County by more than 26,000 miles.



OPEN SPACE

The Middlesex County Board of Chosen Freeholders, with the assistance of the Middlesex County Open Space Advisory Committee and the MCIA, has acquired or contracted for more than 7,200 acres of property under the Open Space Preservation Program to date.

The Open Space Trust Fund was created in 1995 and is supported by a special tax levy approved by the voters in 1995 and 2001. The levy pays the debt service on revenue bonds issued by the MCIA to finance the acquisition of acreage to be preserved as open space.

Since 1997, the MCIA has been conducting the technical and legal due diligence for open space land purchases in Middlesex County, and these efforts are performed on behalf of the Freeholders. Potential sites proposed by municipal officials for preservation are researched and are deemed consistent with the criteria in the County's Open Space Plan with the goal of maintaining a balance between open space and development within the County. In 2010, Freeholder Carol Barrett Bellante became the Freeholder Liaison to the Committee.

Some of the notable properties that were under contract or acquired in 2010 include:

Cottrell Farm, Old Bridge Township (21.5 acres)

In 2010, the Middlesex County Freeholders approved an Agreement to Purchase the Cottrell Farm consisting of approximately 21.5 acres. Cottrell Farm is the site of apple orchards, a farmhouse and outbuildings that date back to 1831. The land was once part of a larger parcel, parts of which were sold for development over the years. The site is located at the corner of Rt. 516 and Cottrell Road, across from the Old Bridge Municipal Complex. Previous proposals for the site included the development of office/retail space, multi-family units and single family homes.

Whitney Estates, Old Bridge Township (36.5 acres)

In addition to the Cottrell Farm property and located in close proximity to Cottrell Farm, the Freeholders approved an Agreement to Purchase 36.5 acres known as the Whitney Estates property. The owner of Cottrell Farm is also the owner and developer of this undeveloped site. This property was slated for residential development. The total sales price agreed to for the two properties (Cottrell & Whitney) is \$10,600,000. The County entered into a Conservation Restriction Agreement with the Township of Old Bridge



whereby the Township has agreed to contribute towards the purchase price. The County's portion towards the purchase price may be supplemented by a contribution from Green Acres and the NY/NJ Baykeeper who expressed an interest in participating in the funding of this acquisition.

Davidson Property, Monroe Township (36.2 acres)

In September, 2010, the Middlesex County Freeholders approved an Agreement to Purchase the Davidson Property located in Monroe Township. The site, which consists of 36.2 acres, is located on the easterly side of Helmetta Road, opposite Grabowski Court. The Manalapan Brook winds and forms the easterly property line. The site is vacant land and adjoins the Old Forge Gun Club property, which is 51 acres of open space acquired by the County nearly two years ago. The Jamesburg Park Extension, which includes several parcels previously purchased for open space is also located to the southeast. The properties create a greenway corridor. Due to its significant wetlands, the property has a lower than usual estimated value per acre.

Camel Creek Property, Woodbridge Township (4.64 acres)

Also, in 2010, the County entered into a Grant & Conservation Restriction Agreement with Woodbridge Township for the purchase of the Camel Creek property. The site consists of 4.64 acres located across from County-owned Merrill Park. The Township indicated that this is one of the last tracts in Woodbridge of such environmental significance and the purchase would ensure the preservation of a true wildlife habitat. The property owner had all necessary approvals for the construction of housing. The County will contribute 100% of the purchase price and receive a conservation restriction on the property.



Due Diligence Started

In 2010, the Open Space Advisory Committee forwarded documentation for approximately 138 acres located in various municipalities to the Board of Chosen Freeholders for consideration with the recommendation that these properties be made part of the acquisition process. Two of the properties approved for due diligence were:

Foerter Farm, East Brunswick (26.9 acres)

The MCIA as agent for the County began due diligence on the Foerter Farm, a 26.9-acre parcel of land in East Brunswick

Township. In October of 2010, the Middlesex County Freeholders authorized a contribution to East Brunswick Township to acquire the Foerter Farm. The property is located on Riva Road in close proximity to Farrington Lake. The site was slated for development of 10 single family homes.

Himmel Property, South Brunswick (40 acres)

The Middlesex County Freeholders authorized the MCIA to begin due diligence on the Himmel Property; a 40-acre parcel with a direct link to the Ireland Brook Conservation Area (county-owned land currently managed as a passive recreation site). The purchase of this site would provide better public access to Ireland Brook.

Updates on Previously-Acquired Properties

In 2010, work began on the 3.5 mile Middlesex County Greenway, an abandoned railroad right-of-way running through Edison, Metuchen and Woodbridge that was acquired for open space some years ago. A level pathway was established and drainage improvements were carried out. In addition, entrance signage was established at various portals to inform the public of the location and the possibilities for traveling the greenway, and benches were added as well.

The majority of open space acquisitions is preserved areas with public access and these areas are restricted to passive recreation such as walking/hiking, bird watching, etc. Trails have been laid out in some areas, and in 2010, a new trail was established at Tamarack Hollow in East Brunswick, a property acquired for open space in 2007. Tamarack Hollow's trail brings the total of Middlesex County public trails to 15.5 miles of which 9.5 miles are located on open space lands. Many trails on county open space in county parks are created and maintained by Middlesex County's Conservation Corps which consists of a youth corps as well as an adult/youth volunteer corps. In 2010 alone, more than 4,300 hours were spent on trails and associated projects.



RECYCLING

Middlesex County has consistently met and exceeded recycling goals set by the State for the 21 counties, and its recycling tonnages have ranked it as one of the top recycling counties. The MCIA's recycling programs have contributed to this success, and 2010 was another year of achievements for these programs.



Curbside Recycling Program

In March 2010, following a public bidding process, the MCIA Board awarded a five-year contract to Waste Management, Inc. for the collection and marketing of curbside recyclable materials. This contract award marks the fourth five-year contract awarded for these services since the program began in 1995.

The contract commenced April 1 and will run through March, 2015. The MCIA Board recognized that a five-year contract permits the contractor to have the stability and security to invest in capital equipment and manpower to better service the MCIA. Further, a long term contract allows drivers to become completely familiar with assigned routes resulting in a smooth-running collection operation.

Many of the requirements that made the MCIA program a success over the last fifteen years remained in the bid specifications: the practice of collecting all recyclables on the same day every two weeks, the provision for no changes in established collection schedules, the use of "One Pass" collection vehicles, the requisite of contractor-employed route supervisors on all collection days, and the targeting of recyclables that offer the best return in today's market.

As in the previous contracts, the latest contract contained guaranteed marketing revenues for the sale of collected recyclable materials. These revenues are paid on a per ton basis and are not subject to market fluctuations, thus providing the Authority with a consistent means of supplementing program expenses.



Adhering to the mandated recyclables required under the Middlesex County Solid Waste Management Plan, the MCIA program recycles newspaper, mixed paper, corrugated cardboard, textiles and commingled items that include aluminum and steel cans, glass containers and #1 and #2 plastics.

Throughout 2010, the program provided service to fourteen municipalities: Cranbury, Dunellen, Helmetta, Jamesburg, Middlesex, Monroe, New Brunswick, Old Bridge, Piscataway, Plainsboro, Sayreville, South Amboy, South River and Spotswood. During the year 23,977 tons of recyclables were collected from 80,539 single-family homes, 8,154 multi-family units and 653 small businesses.

For the twelfth time since 1995, the year New Jersey established municipal recycling attainment goals, Middlesex County exceeded the state's mandate of recycling 60% of the solid waste stream. Latest certified figures released by the New Jersey Department of Environmental Protection indicate that Middlesex County ranked third in the State with a 65.3% overall recycling rate.

In April 2010, Waste Management driver/operator, Mike Paez, was awarded the company's prestigious Driver of the Year Award for 2009. As a driver on MCIA recycling routes for the last 12 years, Mr. Paez competed against thousands of other Waste Management candidates throughout the entire United States. He excelled at driver safety, attendance, customer service and collection efficiency. In recognition of this achievement the Middlesex County Freeholders honored Mr. Paez by Proclamation at their June 2010 meeting.



Yard Waste Recycling Program

Throughout 2010 the MCIA continued providing yard waste recycling services for municipalities in Middlesex County. The MCIA maintains several yard waste drop off locations in the county, and each municipality is directed to a specific site to drop off collected leaves, brush and grass. These include two regional sites located in East Brunswick adjacent to the Middlesex County Landfill and the Quarry Lane Leaf Composting Facility in North Brunswick. In addition, the MCIA also provides yard waste collection services for several municipal sites. Yard waste dropped off at all locations, with the exception of the Quarry Lane site, is transferred to an out of county processing facility by the MCIA yard waste contractor.

Nature's Choice Corporation has been the Authority's yard waste contractor since 1995. The current contract will terminate at the end of March 2011, and the Authority plans to issue

bid specifications in 2011 to procure continued yard waste services. Yard waste processed on site at Quarry Lane consists of leaf compost and wood mulch and is annually made available to all towns within the County, free of cost, for municipal landscaping and gardening projects and for distribution to residents.

Throughout 2010, Middlesex County towns generated a total of 31,344 tons of yard waste made up of 14,154 tons of leaves, 11,776 tons of brush and 5,414 tons of grass. Since the Program first began over 780,800 tons have been diverted from the county landfill for beneficial reuse.

Paint Recycling Program

675,714 Pounds or 338 tons of paint and paint-related items were recycled through the County's paint recycling collection program. This amounts to a 79,860 pound increase over 2009.

During the year, over 4,180 county residents delivered containers of latex and oil-based paints, varnishes, lacquers, thinners and aerosol cans to the nine municipal drop off sites located throughout Middlesex County. These municipal drop-off sites are located in Dunellen, East Brunswick, Helmetta, Middlesex Borough, New Brunswick, Old Bridge, South Brunswick, South Plainfield and Woodbridge.

This program began in 1997 as a means of diverting paint and paint products from the landfill as well as from the Household Hazardous Waste Day events that had a history of paint and paint-related products comprising 60% of the materials received. During 14 years of operation, over 57,000 participants have delivered 855,760 containers or 3,239 tons of material.

Book Recycling Program

Five school districts participated in the Book Recycling Program in 2010 generating a total 12 ½ tons of books and related items. The program was launched in 2006 by the MCIA and the Middlesex County Division of Solid Waste Management to provide county school districts with an effective and environmentally sound means of recycling hard cover text books. Revenues are paid to the schools on a per ton basis and are determined by market conditions at the time. Waste Management Inc., the MCIA recycling collection contractor, graciously dedicated a 20 cubic yard dumpster, specially outfitted, for use in the program.

During its four year history, 25 school districts have taken advantage of the Program recycling 57 tons of books, and over \$2,600 in marketing revenues have been paid out.

GOLF COURSES

The Middlesex County Improvement Authority operates four golf courses at three locations in Middlesex County. The courses are open to everyone year-round. In 2010, 129,922 rounds of golf were played. The greens fees and cart rates are some of the lowest in the State. The Meadows at Middlesex in Plainsboro, Raritan Landing in Piscataway and Tamarack in East Brunswick offer quality golf. As public golf courses, commitment to the Middlesex County community is fundamental to operations.

For example, seniors and students can take advantage of special rates. Middlesex County's commitment to younger golfers does not end with the reduced fees for students. Most of the high school golf teams in the county call one of our courses home. Tamarack's two 18-hole championship courses host First Tee of Raritan Valley, a non-profit group that teaches life skills through the game of golf to kids ages 5 –18.

In addition, The Meadows at Middlesex hosts golf outings, and many are held to support local charities. And in terms of servicing disabled golfers, the courses offer less-restricted cart rules for disabled golfers as well as the rental of a single rider cart for those golfers who must play from the cart.

Because the courses are managed by a public entity, the MCIA, all procurements of equipment, supplies, and services follow public bid laws and purchasing guidelines established by Dept. of Community Affairs of New Jersey State Government.

Tamarack

In addition to regularly-scheduled maintenance procedures, there was a special effort for pruning trees and removing dead trees and wood debris. At year's end, there were further tree damages as the result of a major snowstorm so that the removal of wood debris would continue into 2011. Drainage improvements were another special project with major work completed on West Course holes 1, 5 and 10. The fall aeration of all 36 greens took place. New computer controls for the current irrigation system



were installed adding more options for operating the system. The staff can now program more precise watering schedules and the controller allows greater efficiency of course maintenance. Geese control remained a priority at Tamarack, and a service was hired for the 2010 golf season to provide environmentally-friendly services utilizing border collies.

Ten Middlesex County high schools continue to call Tamarack Golf Course their home course for practice and for play. Other youth-oriented golf at Tamarack involves the MClA partnership with First Tee of Raritan Valley. The First Tee program teaches life skills through the game of golf, and in 2010 week night and Saturday programs were offered in the spring and fall months, and week-long summer programs took place as well. In all 150 young golfers participated in programs, and some of the older teen golfers volunteered their services as teacher aides in programs.

Golf leagues are still popular at Tamarack, and over 300 league golfers hit the fairways in 2010. Many of the long-standing golf leagues at Tamarack include Tamarack Senior Men, Ladies 9-Hole, the Senior State League, New Jersey Carpenters, Korean Church, St. Cecelia Seniors from Iselin, South Brunswick Seniors, Exxon Mobil, Edison Generator, Raritan Bay Medical Center, and St. Bartholomew's Church from East Brunswick. League participants enjoy special reduced league greens fees and scheduled weekday tee-off times.

A 2010 Request for Qualifications was issued in order to designate qualified golf instructors to teach at Tamarack's 34-stall driving range. Four instructors were qualified through this process, and they offered their services throughout 2010.

The Meadows at Middlesex

Course maintenance at this 18-hole bent grass championship course in Plainsboro included the spring and fall aeration of all 18 greens as well as a fall aeration of the 18 tees. Sand bunkers were serviced, and fallen trees and wood debris from the winter of 2009-2010 were chipped for re-use.

The Meadows is permitted by the New Jersey Dept. of Environmental Protection (NJDEP) to use treated effluent for irrigation purposes with treatment of the wastewater carried out by United Water Princeton Meadows in Plainsboro. The wastewater is supplied by a neighboring condominium complex. Reports from the program are

submitted to NJDEP on a regular basis, and NJDEP also conducts scheduled inspections of the program. NJDEP encourages programs such as this that irrigate the course without the use of municipal water supplies.

Two Middlesex County high school golf teams from Edison and Sayreville scheduled their practice sessions and matches at the Meadows in 2010. And for the first time, the Greater Middlesex Conference High School Championship selected the Meadows as the site for the final round of this annual competition. Teams from 12 Middlesex County high schools competed.

A number of golf leagues continued to schedule weekly play at the Meadows. The course also hosted the golf competition of the New Jersey Senior Olympics in October where 60 golfers competed for prizes. Several golf outings took place at the course throughout 2010, and most of these golf outings were charitable in nature, raising funds for many Middlesex County causes. Two prominent groups were American Legion Post 25 from Milltown and the Wounded Warriors.



Raritan Landing

More than 100 golfers played in four golf leagues at the par-58, 18-hole executive course including the Piscataway Seniors, the Piscataway Women and corporate leagues: Telcordia and Wakefern. Three high school golf teams practice and compete at Raritan Landing: Edison, Perth Amboy and Piscataway.

The annual club championship was held and golfers competed in 7 divisions, Super Senior, Senior, Men, Women, Boys, Girls and Juniors. For each division there were Net and Gross winners.

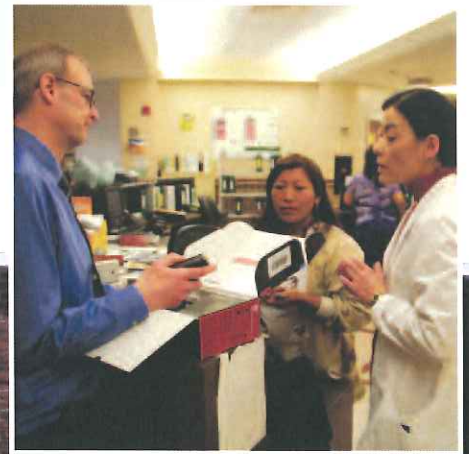
All of the standard course maintenance functions were carried out during the year including edging of the sand traps, aeration of the greens on all 18 holes in the fall, and the clearing of fallen trees and wood debris. The dry summer months were especially challenging and special consideration and time was spent on irrigation duties.

The restaurant concession contract was renewed in December for one year, and the Frog's Hair Grill will be offering food and beverage for 2011.

ROOSEVELT CARE CENTER

In its role as owner, license-holder and operator of Roosevelt Care Center, the MCIA continues to establish and implement policies that meet the mission and vision statements of the long term care center at the Edison campus. There is a focus on comprehensive continuums for personalized care designed to rehabilitate and maximize physical function, to ease pain, to slow the progression of debilitating conditions and disease and to increase each individual's quality of life, satisfaction and independence.

By meeting the diverse care needs of Middlesex County residents, the facility maintains its strong heritage of community service. Programs move forward relying on a highly trained staff and innovative approaches of managing and delivering care as well as state-of-the-art facilities. And looking ahead, Roosevelt's administration provided input in 2010 to the Middlesex County Board of Freeholders in the planning of a new long term care center in Old Bridge, and they anticipate their management role when the facility opens in 2011.



Facility

From February – April, construction of an upgraded sprinkler system in the A Zone of the historic building was underway in order to meet new guidelines set by the State of New Jersey for fire safety. During this period, the residents of A4 were transferred to other units in the building so that A4 could serve as a temporary home, on a rotating basis, for the residents of all other units that were being retrofitted with new systems. The planning for these moves was carefully worked out with the nursing staff and housekeeping staff, and almost every other department at Roosevelt including social services, central supply, maintenance, medical records, security, and more were assigned specific moving responsibilities. As each unit's retrofit was completed, the residents of that unit were moved back from A4 to their permanent units.

New outdoor furniture and umbrellas were added to the patio of the historic building with the furniture offering special accommodations for wheelchairs. These items were purchased with a portion of funds from the Friends of Middlesex County Charity Golf, Inc., a 501C3 organization, donated to Roosevelt from an annual golf outing. Consequently, more residents and families were able to enjoy the sunny patio area in the spring, summer and fall months.

Information Technology

Roosevelt staff was in training during 2010 for an upgrade from Minimum Data Set (MDS) 2.0 to MDS 3.0 for an October 1st launch. The Minimum Data Set is utilized at long term care facilities that are certified for Medicare and Medicaid as a comprehensive assessment of a resident's condition. MDS assessments are part of an electronic data base at the facility, and information is electronically transferred to state and national MDS data bases on a regular basis.

The MDS process has both clinical and operational components. The use of MDS 3.0 allows for a more comprehensive assessment. It is designed as an interdisciplinary tool and input comes from all caregivers at RCC as well as other disciplines such as recreation, dietary, rehabilitation, etc. It allows the clinical team to work together more efficiently and it establishes a more reasonable estimate of the level of care that is necessary for individual residents. On the operational side, the information received by the State from Roosevelt results in a determination by the State of the acuity level (numerical measure of a patient's condition) of residents. The level of acuity is an important element in an annual cost report submitted to State and Federal

governments to determine Roosevelt's Medicaid reimbursement rate.

And during 2010, the process for streamlining communications between buildings continued, and employees were trained in the use of new electronic hardware and software.

Recreation

Roosevelt continued to provide a seven-day-a-week recreation program with activities for all levels of ability. Daily recreation activities were planned and carried out on all the units in the historic and Parsonage Road buildings. There were many music performances scheduled on a regular basis, and trips to the Jersey Shore, local restaurants, special senior events, local malls, and sports events were only some of the excursions carried out in 2010. Spring gardening events, an art exhibit of the works of Harriet Charatan (Roosevelt resident), regularly-scheduled religious services, Oktoberfest, the Country Fair and a host of other planned events rounded out the recreation schedule.

Volunteer efforts are always an important part of Roosevelt's recreation offerings, and in 2010, 115 volunteers performed services in the historic and Parsonage Road buildings.

Survey

The annual survey conducted by the New Jersey Department of Health and Senior Services took place in December. The survey was an extensive review of all systems and levels of care within the facility. The survey team noted that

Roosevelt residents had positive comments about their care and about the staff and that the quality of life and quality of care at Roosevelt are good. As in past surveys, the residents continued to indicate they would recommend Roosevelt to people in the community. Roosevelt received special recognition for the staff's ability to heal wounds, to investigate falls, and to wean residents from feeding tubes. The team also praised the lack of chemical and physical restraint issues. The Recreation Dept. was highlighted in the December exit conference, and the survey team spoke of the facility's track record in providing a variety of activities for residents.

Community

Roosevelt hosted a number of training sessions that were planned by the New Jersey Dept. of Health and Senior Services (DOH). Care managers from Central Jersey and administrators of assisted living facilities in the area received updates of policies and operational issues from the Division of Aging and Community Services from DOH.





COMMUNITY AFFAIRS

The Middlesex County Improvement Authority's commitment to the Middlesex County community goes beyond the financial and management assistance provided to the municipalities and to county government. Our management and coordination of the M.C.F.O.O.D.S. program (the county food bank), our advocacy for the annual Friends of Middlesex County Charity Golf Inc.'s golf outing that raises funds for local charities and the coordination of an extensive recycling education program that provides free presentations to schools and community groups is another way that the MCIA works for a better quality of life for Middlesex County's residents.

M.C.F.O.O.D.S.

In total the MCIA helped collect and distribute an estimated 351 tons of food for the Middlesex County Food Organization and Outreach Distribution Services (M.C.F.O.O.D.S.) in 2010. That is an increase of 21 tons from the previous year. This food was distributed to needy county residents through the local food pantries, soup kitchens and other emergency food providers that utilize the M.C.F.O.O.D.S. network.



There are about 80 food pantries and soup kitchens throughout the county in the network, and there are 25 additional agencies including residential facilities, shelters, social service agencies, programs for women and children, senior citizen housing facilities and other outreach services that participate and benefit from the food that is donated to M.C.F.O.O.D.S.

Member agencies are eligible to receive food from the warehouse on a weekly basis. An average of 34 organizations visited the warehouse weekly in 2010, but later in the year that number increased to an average of 39 agencies each week. The difficult economy forced many individuals to seek emergency food, and M.C.F.O.O.D.S. agencies struggled to keep up with the increasing demands. Many Middlesex County religious organizations and social service agencies began receiving requests for assistance from their communities and in response, they organized food pantries to provide help. Consequently, 10 new food pantries were formed and began utilizing M.C.F.O.O.D.S. services in 2010. Most of these agencies are in Carteret, Perth Amboy and New Brunswick.

M.C.F.O.O.D.S. Communication and Coordination

The M.C.F.O.O.D.S. webpage located on the MCI website continued to provide up-to-date information and resources for agencies providing emergency food. The site provided weekly listings of special food items that would be available at the warehouse the following Wednesday. And the site offered an updated directory of emergency food pantries and soup kitchens for people in need. There was also detailed information on sponsoring a food drive and the types of items that are most needed or how to make a monetary donation to support M.C.F.O.O.D.S. efforts.

In an effort to increase awareness about M.C.F.O.O.D.S. throughout the County, the MCI prepared informational flyers and distributed them at libraries and other public buildings throughout the County. These flyers highlighted specific food drive efforts and provided information on how to become involved.

M.C.F.O.O.D.S. Spring School Food Drive

The largest single food drive that takes place each year is the annual "Middlesex County Spring School Food Drive". In 2010, 158 public and private schools participated in the 15th annual drive and brought in 53 tons of food donations.

South Brunswick High School collected more than 12,000 pounds of food; five schools collected over 2,000 pounds

of food; 8 schools collected more than 1,500 pounds of food and 17 schools collected more than 1,000 pounds of food.

The Schoenly School in Spotswood collected pennies as part of their 100th day of school celebration and converted them to a Shoprite gift card in the amount of \$170.71 and donated it to M.C.F.O.O.D.S. In addition to collecting food the New Brunswick Public Schools Adult Learning Center donated \$95.00 in grocery store gift cards, Highland Park High School donated \$100.00 and Middlesex County Academy for Allied Health and Biomedical Science donated \$25.00 as well. In total \$390.71 in gift cards were received from participating schools.

Each participating school was provided with M.C.F.O.O.D.S. grocery bags to be distributed to each student to take home and fill with their donations and several containers with lids to store the donations throughout the drive. The MCI, with assistance from the Middlesex County Parks, Roads and Public Property Departments, provided transportation for both the distribution and collection of food drive materials and donations.



M.C.F.O.O.D.S. National Association of Letter Carriers Drive

The annual National Association of Letter Carrier's (NALC) Food Drive held each May is a coordinated effort between the MCI and the local members of the National Association of Letter Carriers from the New Brunswick, North Brunswick, and Highland Park area post offices. Approximately 3.7 tons of food was collected by the NALC in 2010. Volunteers came from the Junior National Honor Society at Linwood

Middle School in North Brunswick and from the general community as well. Volunteers were able to sort much of the food that was received from the Spring School food drive, stock the shelves, clean containers and box up the donations being delivered by the letter carriers.

M.C.F.O.O.D.S. Summer Needs

During the summer of 2010 M.C.F.O.O.D.S. was struggling to keep food on the shelves. Although the need for food increases during the summer months, very few food donations come in during July and August. The East Brunswick Division of Recreation Summer Camp Program sponsored a "Camp Cares" food drive and donated more than 1,150 pounds of food to our program. Several students looking to earn community service and other concerned individuals sought to help out by coordinating a neighborhood collection. Flyers were passed out to neighbors and donations were either picked up or dropped off at the volunteer's home. M.C.F.O.O.D.S. picked up donations

from approximately 13 of these generous individuals and families that collected on our behalf this summer.

M.C.F.O.O.D.S. Fall Harvest Food Drive

The tenth annual "Fall Harvest Food Drive" in the Monroe adult communities produced 6.3 tons of food. M.C.F.O.O.D.S. grocery bags and flyers were distributed to each resident of the nine communities and they were asked to place their donations at their mailbox the following week or bring them to a designated central location within the community. More than 55 volunteers from North Brunswick Girl Scout Troop 82073, Middlesex County Middlefields Program, East Brunswick Youth Council, Priority Express among others came out to help distribute the materials on Saturday, October 9th. The donations were collected the following week by the Monroe Department of Public Works and delivered to the M.C.F.O.O.D.S. warehouse.

M.C.F.O.O.D.S. Business Food Drives

There was a total of 224 businesses and organizations sponsoring food drives during 2010 resulting in 85.5 tons of food collected.

Some of the new businesses or organizations added to the calendar in 2010 included: Hamamatsu Corporation in Middlesex, XO Communications in Edison, Allcare Medical in Sayreville, OHM Laboratories with locations in both New Brunswick and North Brunswick, Local 195 Public Employee Union in Milltown, South Amboy YMCA, Lake View Day Camp in East Brunswick, Accenture Limited in Edison, Greater Brunswick Area Women's Social Club of East Brunswick, Priority Express in Edison, Korean United Methodist Church in East Brunswick, B'nai Tikvah in North Brunswick, Total Core Fitness Boot Camp in Sayreville, Martin & Son Jewelers in Metuchen, Dog Walking Divas of East Brunswick, Jewish Community Center of Edison, Middlesex County Women's Council of Realtors, Gerdau Ameristeel in Sayreville, Triple C Housing in South Brunswick, Nor Il Ulam School of South Brunswick and Siemans in Iselin.

M.C.F.O.O.D.S. Monetary Contributions

Many caring individuals, businesses and organizations contributed gift cards and checks periodically throughout the year. M.C.F.O.O.D.S. received \$6,457.71 in gift certificates to supermarkets. M.C.F.O.O.D.S. also received \$30,255.28 in contributions through checks. The monetary donations enabled the purchase of various foods and necessities that were running low during the year.

M.C.F.O.O.D.S. Product Donations

M.C.F.O.O.D.S. received 34.8 tons of bread and baked goods in 2010 from a local company that wishes to remain anonymous. This company has agreed to donate bread and other baked items to M.C.F.O.O.D.S. on a weekly basis, and these donated items have become an integral part of the M.C.F.O.O.D.S. program. Most items are too near the best-used-by date to be sold and would otherwise be thrown out. Participating agencies have expressed their extreme gratefulness to have the fresh bread and baked goods to distribute to their clients.

M.C.F.O.O.D.S. received 4.5 tons of a variety of soda and ice tea products from Coca Cola in North Brunswick, and Priority Express in Edison donated 2 tons of kitchen and janitorial supplies.

Approximately 4.3 tons of food and product donations were provided to M.C.F.O.O.D.S. through United Way of Central Jersey. United Way coordinated food drives with many of their participating businesses and were also able to secure product donations from Costco and Keefe Supply.



M.C.F.O.O.D.S. and Community FoodBank of NJ

In 2010 the Community FoodBank of NJ and M.C.F.O.O.D.S. continued to collaborate in an effort to make more food available to needy Middlesex County residents. The FoodBank delivers approximately 5 – 7 pallets of dry bulk food items, at no cost, to the warehouse each week. In 2010 the FoodBank also began delivering fresh produce during the Wednesday

morning distribution hours in order for the agencies to distribute immediately to their clients.

In all M.C.F.O.O.D.S. received 144.4 tons of food from the Community FoodBank.

M.C.F.O.O.D.S. Ongoing Collections

Several faith based organizations, groups, clubs and communities continued to collect food on a regular basis for M.C.F.O.O.D.S. These included the Middlesex County Retired Educators, Middlesex County IDRC Program, Grace Lutheran Church in Perth Amboy, St. Luke's Episcopal Church in Metuchen, Chinese Evangelical Mission Church of New Jersey in East Brunswick, Our Savior's Lutheran Church in East Brunswick, Temple B'Nai Shalom in East Brunswick, the East Brunswick and Edison AARP organizations and the East Brunswick, Edison and Metuchen Senior Centers. Deer Brook Village in North Brunswick continued to collect donations on a regular basis in their management office.

In addition to collecting food donations Deerbrook Village has given their residents the opportunity to pick up their lease agreement and waive the certified mailing fee to be donated as well. In so doing Deerbrook Village has donated the cost of those fees to M.C.F.O.O.D.S. which totaled \$882.35 in 2010.

M.C.F.O.O.D.S. also has permanent drop off sites throughout the county that the MCIA maintains. There are 15 towns throughout the county with permanent collection containers to support M.C.F.O.O.D.S. and local food pantries. Libraries in East Brunswick, Edison, Metuchen, Milltown, Monroe, North Brunswick, Perth Amboy, Piscataway, Plainsboro, South Amboy, South Brunswick, South Plainfield, South River, Spotswood and Woodbridge all accept donations on behalf of M.C.F.O.O.D.S. or their own local food pantry. Each of the facilities has a container in their lobby where they accept food donations year round. The MCIA collects and replaces the containers from each location as they become full. The Edison, Monroe and Perth Amboy libraries promoted several "Food for Fines" programs in which residents brought in a food donation instead of paying their fine for late books. M.C.F.O.O.D.S. received approximately 17 tons of food throughout 2010 from the permanent collection sites.

2010 Friends of Middlesex County Charity Golf Classic

The fifteenth annual Middlesex County Charity Golf Classic, held on September 29, 2010, at Tamarack Golf Course attracted 248 golfers and raised \$22,000 that was distributed to 3 organizations.

\$15,000 was donated to the Children's Center of the Cerebral Palsy Association of Middlesex County. The Association is using the proceeds towards the operation of the Children's Center Facility that is serving a vast majority of Middlesex County residents. The center maintains an early intervention program for infants with developmental and related disabilities and delays for children from birth to age three. The center offers therapeutic and medical intervention as well as group counseling and parenting classes for county residents with these special needs. This year's contribution brought the total donations to Cerebral Palsy to \$200,000.

\$5,000 of Charity Golf Classic funds was used for food, gifts and entertainment for a holiday party for the residents of Roosevelt Care Center.

\$2,000 was donated to the First Tee of Raritan Valley to provide scholarships for less fortunate Middlesex County kids to learn golf and life skills at spring and fall sessions and summer camps at Tamarack Golf Course.

The great success of this charity tournament is due to the tremendous response from many concerned businesses and individuals including the main sponsor, Provident Bank who joined together to make this a most enjoyable outing, while maintaining the emphasis on raising money to benefit needy Middlesex County residents. The Golf Classic remains the only fundraising event utilizing the two 18-hole courses at Tamarack Golf Course.

2010 Recycling Education Programs – M.C. BLUE SHOWS

The MCIA's recycling education robot – M.C. Blue – continues to educate and entertain county residents. Introduced in 1997, M.C. Blue continues to be in great demand. The MCIA has reached approximately 200,000 people since the program began. 12,810 people viewed programs in 2010 through 85 different presentations throughout the County. M.C. Blue has made appearances at many Middlesex County Schools as well as Cub Scout and Girl Scout groups, community fairs and summer camps. M.C. Blue also participated in paper shredding events at several Magyar Bank Branches throughout the County. In 2010 M.C. Blue visited 22 of the 25 municipalities in Middlesex County.



Yearly Comparison

Year	# of People	Year	# of People	Year	# of People
2010	12,810	2004	13,222	1998	11,291
2009	11,460	2003	15,191	1997	2,925
2008	12,530	2002	15,993	1996	10,690
2007	11,050	2001	13,460	1995	6,775
2006	13,564	2000	17,280		
2005	15,019	1999	19,536		

The MCIA Education Department offers a wide variety of recycling education programs that can be tailored to meet the needs of any group or organization free of charge. In addition to the recycling education robot, the MCIA Education Department has also provided guest speakers for school career days and adult organizations. The MCIA offers a recycling education booth for county and municipal events. The booth is free and is staffed by MCIA representatives. M.C. Blue often makes special guest appearances.



SUMMARY OF AUDIT REPORT
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
 AS REQUIRED BY N.J.S.A. 40A:5A-16

B A L A N C E S H E E T

ASSETS	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009
Current Assets		
Cash and Cash Equivalents	\$ 7,515,290.78	\$ 7,710,462.62
Accounts Receivable	822,390.20	876,008.05
Due from Municipalities and Participants	990,157.78	1,248,893.59
Interest Receivable	3,220.00	4,662.46
Prepaid Expenses	5,017.67	4,379.66
	9,336,076.43	9,844,406.38
Noncurrent Assets		
Restricted Assets		
Cash and Cash Equivalents	71,152,862.07	47,828,297.77
Investments	33,304,767.32	82,264,617.57
Accounts Receivable	1,269,111.28	1,450,510.48
Patient Fees Receivable	5,826,630.56	5,010,332.80
Interest Receivable	1,882,566.64	1,928,728.95
Loans Receivable	65,695,000.00	67,860,000.00
Due from Municipalities and Participants	383,514.08	209,055.59
Prepaid Lease Expense	1,569,600.00	1,914,650.00
Inventory	268,190.79	242,937.76
Net Investment in Perth Amboy Safety Complex Project	2,825,703.95	2,817,222.38
Net Investment in Perth Amboy Utility Franchise Lease	15,846,537.35	15,933,833.75
Net Investment in New Brunswick Apts. Resid. Rental Hsg. Proj.	5,190,673.82	5,279,842.67
Net Investment in North Brunswick Water Project	25,734,089.62	27,202,537.66
Net Investment in Middlesex County Adm. Bldg. Housing Proj.	6,335,423.18	6,441,806.50
Net Investment in Capital Lease and Improvement Programs (Less Unearned Income of \$49,468,522.46 and \$51,606,366.45 Respectively)	237,294,803.63	246,149,736.47
	474,579,474.29	512,534,110.35
Total Restricted Assets		
	114,622,784.00	117,933,119.41
Capital Assets (Net)		
	16,839,946.29	17,316,399.00
Unamortized Bond Issue Costs		
	606,042,204.58	647,783,628.76
Total Noncurrent Assets		
	\$ 615,378,281.01	\$ 657,628,035.14
TOTAL ASSETS		

LIABILITIES	BALANCE DEC. 31, 2010	BALANCE DEC. 31, 2009
Current Liabilities		
Accounts Payable	\$ 1,032,760.42	\$ 1,457,724.29
Accrued Expenses	160,480.64	141,041.01
Total Current Liabilities	<u>1,193,241.06</u>	<u>1,598,765.30</u>
Non-Current Liabilities		
Reserve for COBRA/Workers Comp Insurance	503,245.35	145,530.31
Total Non-Current Liabilities	<u>503,245.35</u>	<u>145,530.31</u>
Current Liabilities Payable from Restricted Assets		
Revenue Bonds Payable	25,461,611.50	29,255,000.00
TFN Payable	2,319,999.00	3,093,332.00
Accrued Expenses	975,191.42	1,000,534.63
Reserve for Special RCC Funds	467,238.53	479,651.74
Prepaid Lease Payments	338,781.89	433,079.72
Deferred Revenue	77,247.85	116,826.52
Reserved for Future Projects	360,346.38	360,346.38
Accrued Interest on Bonds	1,882,566.64	1,944,028.95
Accounts Payable	4,274,206.45	4,294,997.87
Total Current Liabilities Payable from Restricted Assets	<u>36,157,189.66</u>	<u>40,977,797.81</u>
Noncurrent Liabilities		
Revenue Bonds Payable	500,997,847.60	512,363,421.63
Loan Payable-CRDA	20,000,000.00	20,000,000.00
Due to County-CIP Participation	2,513,821.16	2,854,464.92
Reserve for Proceeds and Acquisition Funds	15,478,359.69	21,444,599.60
Reserve for Deferred Revenue - Bond Funds	71,837.46	104,870.05
Funds Held in Trust:		
Heldrich Hotel/Conference Ctr. Project	4,777,217.34	6,603,598.38
South Plainfield Housing Project	248,356.35	221,393.13
George Street Student Housing Project	8,538,985.10	8,878,695.44
North Brunswick Senior Citizen Housing Project	1,461,488.22	1,427,261.58
Middlesex County Educational Services Commission	98,386.00	13,527,422.21
Perth Amboy Lease & Franchise Ext. Project	2,488,800.25	2,327,548.89
Total Noncurrent Liabilities	<u>556,675,099.17</u>	<u>589,753,275.83</u>
Total Liabilities	<u>594,528,775.24</u>	<u>632,475,369.25</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	10,546,927.05	13,582,139.96
Restricted for:		
Unemployment Insurance	10,455.04	352.24
Unrestricted for:		
Accrued Post-Employment Health Benefits Liability	37,774,000.00	27,736,000.00
Unrestricted	(27,481,876.32)	(16,165,826.31)
Total Unrestricted	10,292,123.68	11,570,173.69
Total Net Assets	<u>20,849,505.77</u>	<u>25,152,665.89</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 615,378,281.01</u>	<u>\$ 657,628,035.14</u>

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>YEAR ENDED DEC. 31, 2010</u>	<u>YEAR ENDED DEC. 31, 2009</u>
Operating Revenues		
Financing/Administrative Fees	\$ 478,757.88	\$ 310,127.14
Roosevelt Care Center	39,791,051.44	42,418,185.22
Curbside/Yardwaste Pick Up	3,731,648.40	4,429,893.26
Recycling Operations	3,493,999.24	4,206,267.51
Golf Course Operations	3,604,395.04	3,633,742.96
Marketing Revenues (Net of Market Share Distribution)	537,074.19	381,808.98
Open Space Reimbursement	1,288,643.55	1,079,417.25
Total Operating Revenues	<u>52,925,569.74</u>	<u>56,459,442.32</u>
Operating Expenses		
Administrative	8,918,112.25	9,422,120.94
Cost of Providing Services	51,115,900.41	52,064,544.39
Depreciation	2,286,554.55	2,950,602.95
Total Operating Expenses	<u>62,320,567.21</u>	<u>64,437,268.28</u>
Operating Income (Loss)	<u>(9,394,997.47)</u>	<u>(7,977,825.96)</u>
Non-Operating Revenues (Expenses)		
Interest Income	61,582.66	96,927.85
Lease Revenues	11,715,000.00	11,330,000.00
Local Subsidy & Donations	8,403,739.58	8,001,712.82
Reserves-Prior Years	(333,233.69)	—
Reserve for SUI	10,102.80	(9,746.67)
Accounts Receivables-Cancelled	(48,017.27)	—
Gain on Sale of Assets	3,288.00	—
Accounts Payable-Prior Years	126,324.06	(61,086.30)
Interest on Bonds	(12,742,608.47)	(12,447,014.16)
Depreciation-Heldrich Hotel/Conference Ctr. Proj.	(2,318,492.08)	(2,318,492.08)
Payment to County-CELP	(149,011.04)	(148,478.00)
Miscellaneous	363,162.80	354,943.96
Net Non- Operating Revenues (Expenses)	<u>5,091,837.35</u>	<u>4,798,767.42</u>
Changes in Net Assets	(4,303,160.12)	(3,179,058.54)
Total Net Assets - Beginning	<u>25,152,665.89</u>	<u>28,331,724.43</u>
Total Net Assets - Ending	<u>\$ 20,849,505.77</u>	<u>\$ 25,152,665.89</u>



**Roosevelt Care
Center at Old Bridge**

A major portion of construction for the new 180-bed long term care facility, Roosevelt Care Center at Old Bridge, was completed in 2010. This construction project was funded by the Middlesex County Board of Chosen Freeholders. The Middlesex County Improvement Authority will be assigned management responsibilities by the Board of Freeholders in 2011. The MCIA currently owns and operates Roosevelt Care Center in Edison.

**ROOSEVELT
CARE CENTER**

Old Bridge



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Fax (609) 655-4748
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DIVISION OF RECYCLING

55 Edgeboro Road
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Fax (732) 628-0338
Recycling hotline 1(800) 448-MCIA

ROOSEVELT CARE CENTER

One Roosevelt Drive
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KEEP MIDDLESEX MOVING

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Fax (732) 745-7482

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THE MEADOWS AT MIDDLESEX GOLF COURSE

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RARITAN LANDING GOLF COURSE

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Special thanks to Jim Bullard for providing some of the photos included in this report.

APPENDIX B

COMMENTS ON AUDITEE RESPONSE

The following comments correspond to the auditee responses as indicated in the margins of those responses.

- 1) The Authority contends that “participation in the pension system for professional employees was legal and systemic prior to *N.J.S.A.* 43:15A-7.2 becoming effective” in 2008. However, even before the passage of *N.J.S.A.* 43:15A-7.2, pension credit could be provided only for work performed as an employee and the multi-factor test used by the Division of Pensions and Benefits to determine employee status has not changed. The Authority should set forth its legal position on these factors before the Division of Pensions and Benefits for review and determination.

- 2) We tested a sample of 20 purchase orders for which quotations should have been obtained. In 5 of these instances, the required quotations had not been obtained. This constitutes an exception rate of 25 percent, not 0.0005 percent as set forth by the Authority in its response.