OFFICE OF THE INSPECTOR GENERAL

SCHOOL CONSTRUCTION BOND FINANCING REVIEW

JANUARY 2002

Department of Law & Public Safety

TABLE OF CONTENTS

TABLE OF ATTACHMENTS

INTRODUCTION

The Educational Facilities Construction and Financing Act[1] (the "Act") was enacted by the Legislature in response to the Supreme Court's decision in Abbott v. Burke, 153 N.J. 480 (1998) to support, *inter alia*, "a comprehensive program for the design, renovation, repair and new construction of primary and secondary schools for all local and regional school districts, county special services school districts, county vocational school districts and State-operated school districts, in order to provide the funding mechanism to fulfill the State's constitutional obligation to ensure safe and adequate educational facilities in public school districts throughout the State."[2]

The Unit of Fiscal Integrity in School Construction was established pursuant to the Act to "investigate, examine and inspect the activities of the [New Jersey Economic Development] authority and districts related to the financing and construction of school facilities and the implementation of the provisions of P.L. 2000, c.72."[3] The Attorney General placed this Unit within the Office of the Inspector General.

This is the first in a series of reports that the Office of the Inspector General ("OIG") will issue on the financing and construction of school projects, with the goals of examining the processes used to implement the Act, offering positive suggestions to save taxpayer dollars and recommending other efficiencies in what will be an extensive program to improve school facilities. The selection of areas to examine has been driven, to date, by the progression of activities undertaken by the New Jersey Economic Development Authority (the "Authority") and the school districts. Initially, the Authority and the districts must engage design professionals to assist in planning these projects, and many of these districts and the Authority have already obtained financing to pay for design and construction services. Thus, this report will compare the costs incurred by the Authority in obtaining this financing with the costs incurred by the school districts which obtained financing for school facilities projects in the same time period. OIG's next report will focus on legal and contractual matters relating to the engagement of design professionals.

---

[1] P. L. 2000, c. 72 (codified at N.J.S.A. 18A:7G-1 *et seq.*)

[2] Official Statement for the $500,000,000 New Jersey Economic Development Authority School Facilities Construction Bonds, 2001 Series A, dated March 21, 2001, p.6.

[3] N.J.S.A. 18A:7G-43.

The Act delegates to the Authority the responsibility of issuing up to $6 billion in bonds[4] to finance school facilities projects in the “Abbott districts"[5] and the duty of constructing the facilities in the "Authority” districts.[6]

The Act also provides that the remaining approximately 530 school districts are eligible to apply for funding from Authority-issued bonds to pay for a portion of the cost of their DOE approved school facilities projects. These districts are eligible to receive from the State at least 40% of the approved costs of their approved projects. The Act authorizes the Authority to issue up to $2.5 billion in bonds[7] for this purpose. Included in this $2.5 billion is the State’s share of funding for 32 districts which are either Level II districts or districts that receive more than 55% State aid. The Authority is to disburse the money either as a grant to the school district, or as aid over time to pay the debt service on the district's bonds.[8] However, the school districts must still raise the remainder of their projects' costs, as much as 60%, on their own. Generally, school districts raise money for capital projects by issuing bonds. It will be up to the voters and school officials in each district to decide whether to undertake any project, and if so, the nature, and costs of it. However, if one assumes that districts collectively will undertake enough projects to expend the $2.5 billion of available State share, and if one assumes that the State share will equal 40% of the total approved project costs across the board, then the school districts will issue approximately $3.75 billion in bonds to pay for the local share of projects financed under the Act.[9]

---

[4] The Act, at N.J.S.A. 18A:7G-14.a.

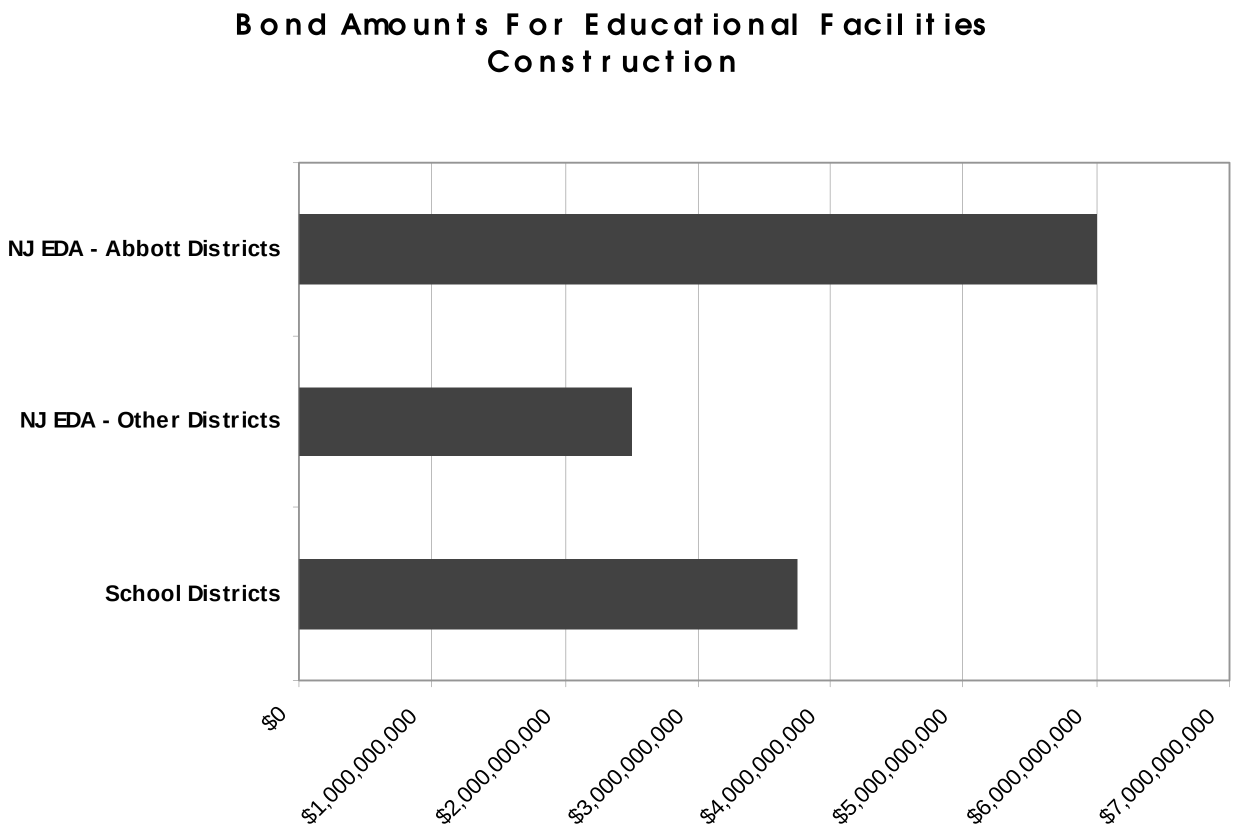
[5] The term "Abbott district" refers to the New Jersey Supreme Court's rulings in the Abbott v. Burke cases, which address the right of children in financially needy, urban communities to a "thorough and efficient" education under our State constitution. Abbott districts are 30 urban districts with the strongest characteristics of poverty and need as determined by the Department of Education (DOE).

[6] Under the Act, the Authority "shall construct and finance the school facilities projects of Abbott districts, level II districts, and districts with a district aid percentage equal to or greater than 55%." N.J.S.A. 18A:7G-5a. For convenience, these districts will be referred to in this report as "Authority districts". Level II districts are monitored by the DOE because they have been evaluated with unsuccessful results, pursuant to the Public School Education Act of 1975, N.J.S.A. 18A:7A-14. District aid percentage refers to the amount of aid a district receives under the Comprehensive Education Improvement and Financing Act of 1996. Attachment A lists "Authority districts". Of the “Authority districts” only the 30 Abbott districts receive 100% State funding of their facilities projects, N.J.S.A. 18A:7G-5.k.

[7] N.J.S.A. 18A:7G-14.a.

[8] N.J.S.A. 18A:7G-15 and -9.

[9] An additional $100 million allocated under the Act, at N.J.S.A. 18A:7G-14.a., for county vocational and technical schools was excluded from the scope of this report because counties can finance other projects, besides school facilities, and may already take advantage of some of the cost saving methods not available to individual school districts, such as grouping a number of projects to increase the size of bond issue and reduce the number of such financings, and consequently, the costs of issuance. For the 12 Type I school districts, which are not Abbott, county vocational or special school districts, the municipality is responsible for financing the projects, not the school district.



Note: **The Authority has issued $500 million in bonds under the Act thus far, in one issuance, which occurred on March 21, 2001. The money is available both for Authority districts and for the State share of other districts' projects. From January 1 to June 30, 2001, the total amount of bonds issued by New Jersey school districts was $424,151,900 in new money, which does not include refundings, in which new bonds are issued to replace existing bonds which had been issued at higher interest rates. The Authority bond issue does not differentiate between bond proceeds to be used for Authority school facilities projects, for the State share of school districts' projects, for the funding of loans or grants to school districts, or for financing the acquisition and the refinancing of school district debt for local school facilities projects.**

Several observations led the Office of the Inspector General to conduct this examination. Many school districts issue bonds for amounts which are relatively small in the bond market. Every time bonds are issued, costs are incurred, irrespective of the principal amount of the bonds sold. A number of districts issue bonds infrequently so there is little, if any, opportunity for district officials to learn by experience. Every bond issuance in such a district may be the first, and only, issuance overseen by the current business administrator and other officials. School business administrators are already responsible for a number of disciplines, in addition to arranging bond financing, and OIG queried whether some of these burdens might be lessened if bond financing were handled by bond issuers that were regularly in the bond market, presumably with experienced staff. Most significantly, OIG was interested in determining if there were feasible ways to improve the process and save the taxpayers money. This report is not intended to be critical of the school districts' financings which were examined in this survey, since the processes proposed in OIG's recommendations are not yet available to the districts. OIG did not observe any criminal conduct by any of the school business administrators or by any of the school districts in the sample.[10]

As a result, the Office of the Inspector General examined the school facilities financing undertaken by the Authority and by a number of school districts. Specifically, this report focuses on the costs of issuance paid by school districts and by the Authority related to the financing of capital projects. The primary purpose of this examination was not to uncover suspected wrong-doing, but rather to examine the processes currently used to implement the Act and to make recommendations, as supported by the results of this examination.

During the preparation of this report, the Authority informed OIG of three financing initiatives it has underway. In one, the Authority intends to establish a voluntary conduit bond program, in which the Authority would assist local school districts secure funding for the local share of their projects. The Authority has requested proposals from underwriters on ways to structure this program. Second, the Authority has requested proposals from financial advisors on structuring a pooled bond sale, the proceeds from which would be used to refund, at lower interest rates, already issued local school bonds. This would result in savings by replacing higher interest debt with lower interest debt. Finally, the Authority is in the process of issuing bonds under the federal Qualified Zone Academy Bond ("QZAB") program, which permits the bond purchasers to receive tax credits in lieu of interest payments from the Authority. The Authority would sell QZABs for the State portion of the costs of projects financed under the Act for up to 27 school districts, 16 of which are Abbott districts. This represents an excellent opportunity for the taxpayers to save money by avoiding interest payments.

For their assistance in reviewing this report prior to its publication, OIG would like to thank Executive Director Caren Franzini and Managing Director of Investment Banking Frank Mancini at the Authority; Assistant Attorneys General Nancy Kaplen and Robert Romano and Deputy Attorney General Susan Fischer at the Division of Law; and Chief of Staff Gary Friedland and the staff at the Department of Education for their thoughtful comments, many of which were incorporated to make, hopefully, a better report.

---

[10] In one school district bonds were sold prior to approval of the project by DOE, and ultimately the project was not approved. At best, the district will be able to work out a solution with the DOE within the confines of the Act. At worst, the district's taxpayers will not be reimbursed by the Authority for the 40% or greater State share.

EXECUTIVE SUMMARY

During the first six months of 2001, almost $1 billion in bonds were issued by the Authority and school districts for public school construction. Attachment B lists the 36 districts and their itemized costs, as well as the Authority's. Each of these costs is discussed in detail in subsequent sections of this report. OIG's findings and recommendations can be summarized as follows:

Findings:

- The combined issuance expense to the 36 school districts that issued bonds during this period was $1,686,283 for $424,151,900 in bonds sold. The Authority paid $247,087 for the same services on the sale of $500,000,000 in bonds.
- The 36 school districts paid a total of $241,150 in fees to 2 rating agencies. The Authority paid $109,500 to 3 rating agencies.
- The 36 school districts paid bond counsel a total of $719,288. The Authority paid bond counsel $59,854.
- The 11 school districts which used financial advisors paid a total of $168,514 for financial advisory services in connection with their bond sales. The Authority paid $0, using in-house staff and employees in the State Treasurer's Office of Public Finance.
- There are approximately 560 non-Abbott operating districts (including the 32 Level II and Districts receiving more than 55% State aid), and if each district issued just one bond issue for their local share, the combined expense to all 560 districts is estimated to reach $26,230,960.
- There is an appearance of a conflict of interest when the financial advisor, who helps the district structure the bond issue and identifies the low bidder, is also the underwriter, that is, the low-bidder buying the bonds.

Recommendations:

- The Office of the Inspector General recommends that the Authority periodically offer a combined bond issue or certificates of participation to fund the local share of school construction costs for those school districts which choose to participate, to reduce the costs of issuance and to provide taxpayer savings. This savings could be used in furtherance of education initiatives or to reduce taxes, and would free district employees to spend more time on education.

- OIG recommends that the Department of Community Affairs adopt regulations prohibiting a school district's financial advisor from underwriting or bidding on that district's debt.

- OIG recommends that the Department of Community Affairs adopt regulations requiring that school districts hire professionals for set fees negotiated (or bid) in advance, and prohibiting fees based on a percentage of debt issued.

METHODOLOGY

OIG reviewed every bond financing of a New Jersey school district for school construction between January 1, 2001 and June 30, 2001, as listed in *The Bond Buyer*, a financial publication which lists all bond issues by public entities. Thus, the 36 districts are believed to include every New Jersey school district which issued bonds during this period for construction. Neither bond anticipation notes nor refundings were a part of this survey, which was limited to new money issues only. All districts sold their bonds competitively through a process of public advertisement and public bid opening. During this period, the Authority sold only one school bond issue, which was negotiated, permitting the Authority to bargain with a selected underwriter or underwriters until both parties agreed upon the terms. The net interest rates used in this survey were taken from the verified bids for each district and the Authority. OIG did not re-verify these interest rates. As much other information as possible was obtained from written documentation, including the Official Statements for each bond issue, and additional information was obtained from the school districts, bond counsel, accountants and auditors. In some instances, documents such as check registers were reviewed.

Costs related to the issuance of the bonds were examined and broken down into fees for the following categories: bond and tax counsel, rating agencies, financial advisors, accountants, printers and advertising, and custodian/trustee services. Again, this information was obtained from each of the 36 districts which issued bonds during this six-month period. To determine a total amount of the issuance costs, the known amounts were simply added for the 36 districts. No attempt was made to cull out the underwriters' profit for the 36 districts, since this information was imbedded in the bid price. Although information about bond insurance was collected, it was not analyzed in relation to its effect on the interest rate.

A draft report was circulated to the Authority, Treasury, the Department of Community Affairs, the Department of Education and the Division of Law for review. All comments were considered and many were incorporated in this report.

COSTS RELATED TO SCHOOL FACILITIES FINANCING

Both the Authority and school districts finance the costs of school facilities through the sale of bonds and notes,[11] which are federally and state tax-exempt. All issuers of bonds typically engage a team of professionals to assist in this process, *i.e.* bond and tax counsel to insure compliance with all pertinent State and federal laws, underwriters to purchase the issuer's bonds and then market them to bondholders, financial advisors to help structure the bond sale, accountants and auditors to assist in compiling required financial disclosure information and in determining the amount of debt service that the issuer can afford, rating agencies upon whom the purchasers of the bonds rely, financial printers who print and distribute marketing materials required by law, and trustees or custodians who hold the bond funds until they are expended on the construction of the project. Costs for issuing the bonds are paid each time a bond issue is sold, and include fees paid to bond counsel, underwriters, financial advisors, rating agencies, printers, trustees, bond insurers, etc. Since these costs usually come out of the bond proceeds, *i.e.* they are financed, some issuing school districts may be unaware of the actual amounts. Also, because the costs are financed, savings on the costs are multiplied over the duration of the bonds. The procedure governing the selection of professionals is different for the Authority and for the school districts. OIG will discuss the Authority's selection process first and then the districts'.

The Authority is a State agency, created in 1974 by the Legislature, with the ability to issue debt, which is not a debt of the State of New Jersey itself. The members are appointed by the Governor and serve without compensation for three years. The Educational Facilities Construction and Financing Act[12] which also amended the Authority's own operating statute,[13] authorizes the Authority to finance school facilities projects by issuing bonds pursuant to a contract with the State Treasurer.[14] When a State entity, such as the Authority, sells bonds, it must select the professionals involved by complying with Executive Order No. 26,[15] which requires a form of competitive process, unless one or more of the exceptions applies. The Executive Order No. 26 process governs the selection of bond counsel, underwriters, and financial advisors. If an exception is applicable, then the selection may be negotiated. Financial printing is competitively bid by Treasury's Division of

---

[11] N.J.S.A. 18A:24-1 *et seq.* "School bonds" are defined as "promissory notes and bonds authorized for school purposes, whether issued or unissued, for the payment of principal and interest of which, a municipality or district is liable." N.J.S.A. 18A:24-1.g. Obligations sold pursuant to EFCFA must comply with the definition found at N.J.S.A. 18A:7G-3.

[12] N.J.S.A. 18A:7G-1 *et seq*.

[13] N.J.S.A. 34:1B-1 *et seq.*

[14] N.J.S.A. 18A:7G-18.

[15] Attachment C is a copy of Executive Order No. 26.

Purchase and Property, pursuant to law, N.J.S.A. 52:25-1, and a bidder's list of financial printers is available to all State and local issuers. Although the selection of trustees and custodians is not required to be competitively bid, the practice for State issuers is to bid out this service, as well.

Pursuant to the provisions of the Act, the State Treasurer plays a significant role and must approve a number of steps, in writing, before the Authority can issue these bonds. The Authority and the Treasurer's Office of Public Finance cooperated in addressing the requirements imposed by Executive Order No. 26. The underwriter was selected in a bifurcated manner. A Request for Proposal (RFP) was issued to select the senior manager and those underwriters which would market the bonds. The senior managing underwriter performs a significant role in overseeing the accounting functions as opposed to underwriters who just market the bonds. A committee composed of representatives from the Authority and the Office of Public Finance reviewed the submissions and made their recommendation, which was then approved by the Authority board and the State Treasurer. The bond sale was negotiated, because the issue was for a new program and because of the $500 million size of the issue. Both reasons are permissible justifications for negotiation under Executive Order No. 26 and were found acceptable by Deputy Attorneys General, who serve as general counsel to both the Authority and the State Treasurer.

Both the Authority and the Office of Public Finance are experienced in structuring these transactions and did not engage a financial advisor for this bond sale. The financial printer was selected from a list of bidders compiled and maintained by the Division of Purchase and Property in the Treasury Department. Bond counsel was selected using a competitive process managed by the Office of the Attorney General and approved by the Governor, consistent with N.J.S.A. 52:17A-13. The Authority was not involved in the selection of bond counsel.

Executive Order No. 26 is not applicable to local school districts, nor are there any statutes which require a competitive process for selecting the professionals whom school districts engage for bond-related services. Under the Public School Contracts Law[16] "professional services" such as bond counsel, accountants and auditors, are exempted from the requirement of advertisement for bids. Unlike Executive Order No. 26, which applies to bond sales by the Authority, the Public School Bond Act mandates that all bonds be sold competitively.[17] School bonds[18] must be publicly advertised in both financial and local newspapers at least seven days in advance of the receipt of bids and sale. The notice must describe the bonds, the conditions of sale, the principal amount, the date of sale, the denominations and the maturities of the bonds. The bids for the sale of the bonds must be publicly opened and the results publicly announced. The winning low bidder must provide a certified or cashier's check for 2% of the amount of the bonds as a good faith deposit. If there is more than a

---

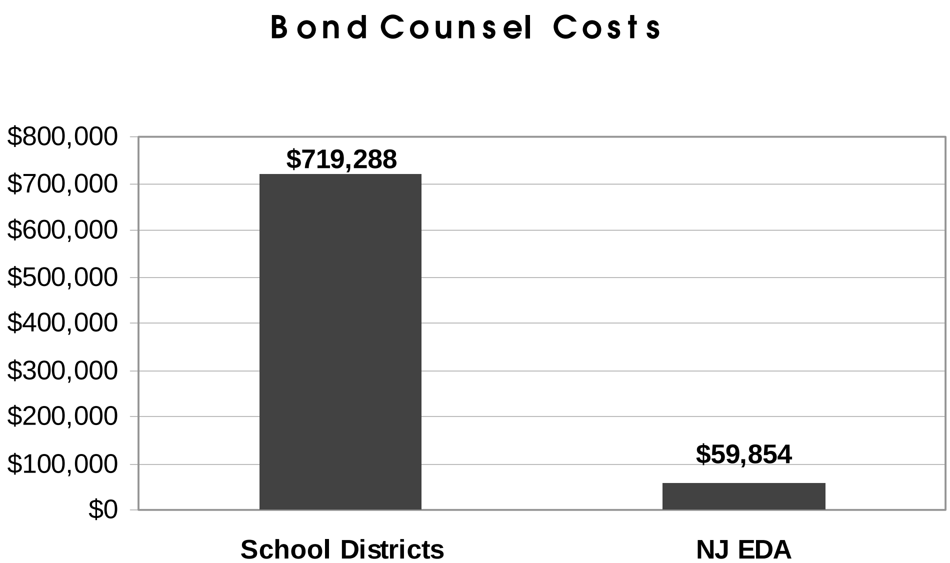
[16] N.J.S.A. 18A:18A-1 *et seq.*

[17] N.J.S.A. 18A:24-35 and N.J.S.A. 18A:24-36.

[18] N.J.S.A. 18A:24-35 *et seq.*

single low bidder with identical interest rates, then the bidder willing to pay the larger purchase price will be determined to be the low bidder. To clarify, the districts may select professionals without competitive process, but they must competitively sell their bonds. The Authority must use competitive process in the selection of its professionals, but may negotiate the sale of its bonds.

Bond and Tax Counsel



Bond counsel play a key role in coordinating the efforts of all parties and often assume responsibility as the lead member of the financing team. Bond counsel provide the issuer with many professional services necessary for sale of the bonds, including but not limited to, providing opinions on securities disclosure requirements, tax matters, and other legal requirements, and rendering advice and opinions relating to State and Federal securities laws upon which the purchasers of the bonds rely. Bond counsel also consult with the other members of the bond team, coordinate with the custodian/trustee and Depository Trust Company (DTC) which holds the registered numbers of the bonds and serves as an agent to confirm that the underwriters' funds have been received. Bond counsel also draft all documents necessary for the financing, including bond resolutions and other agreements and the bond closing documents, including the Preliminary Offering Statement and Official Statement. Bond counsel review all disclosure materials submitted by the issuer, the Official Notice of Sale and the arbitrage certificate. In addition, bond counsel also provide ongoing advice regarding Internal Revenue Code compliance and continuing disclosure requirements and any other post-closing issues that might arise.

N.J.S.A. 18A:24-13.1 provides that “No district shall compensate an attorney for services rendered in connection with the issuance of bonds other than at a reasonable rate agreed on prior to the rendering of the services." Many of the districts' bond counsel fees were based on a percentage of the amount of bonds sold. While bond counsel may run additional risk in larger issues because of the purchasers' reliance on counsel's opinions for greater amounts of money, OIG could uncover no additional work involved with respect to the size of the issuance. Consequently a fee based on a percentage of the amount of bonds sold may result in a windfall for a bond counsel lucky enough to work on a large issue. The inverse of smaller issues not generating sufficient fees did not seem to have occurred since fee agreements had other built-in fees to compensate for a small bond size.

The 36 districts in this study paid a total of $719,288 for legal work related to the issuance of $424,151,900 in bonds, while the Authority paid bond counsel fees of $59,854 related to the issuance of $500,000,000 in bonds. Since the law does not require school districts to employ a competitive process in the selection of professionals,[19] most districts hired bond counsel without any solicitation or bidding process regarding fees, while the Authority engaged the lowest bond counsel fee bid. Although there may be some advantage to the Authority because of the availability of lawyers from the Attorney General's Office, such advantage would not be a significant factor in reducing the Authority's legal costs because bond counsel and not the lawyers employed by the Attorney General are responsible for the work necessary for the bond sale.

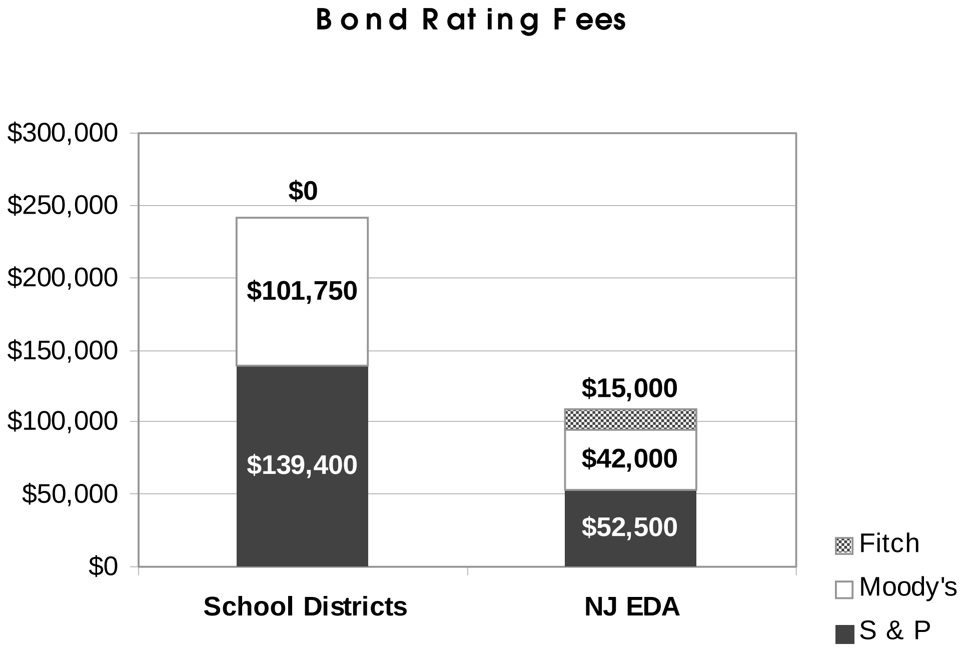
Costs are incurred each time bonds are issued, so there is a cost savings, which the Authority was able to enjoy, in selling the necessary amount of bonds in the fewest number of issuances as is practical. Also, recurrent issuers have much of the material bond counsel requires for the necessary documents already collected, usually on a computer disc, which is relatively easy to update, while an infrequent issuer must perform much more information retrieval. Districts, to date, have not been able to harness these savings available to quantity issuers. Consequently, fewer bond issues could result in reduced costs for bond and tax counsel. Nonetheless, OIG cannot quantify the amount of savings which could be realized. School districts may still desire to employ bond counsel or other attorneys to assist with referenda and other approvals a district needs to obtain before incurring debt, and counsel would charge fees for these services. But structuring the new financing program OIG recommends provides the Authority and other governmental actors with an opportunity to explore new ways of doing business with an eye toward all prudent means of reducing costs. This would be consistent with the legislative intent of the Act to promote maximum efficiency in the school construction program.[20]

---

[19] N.J.S.A. 18A:18A-5.a.(1), (4), and (8).

[20] *See* N.J.S.A. 18A:7G-2.d ("While providing that the educational infrastructure meets the requirements of a thorough and efficient education, the State must also protect the interests of taxpayers who will bear the burden of this obligation. Design of school facilities should incorporate maximum operating efficiencies . . . construction should be achieved in as efficient a manner as possible, and a mechanism to assure proper maintenance of new facilities should be established . . . to reduce the overall cost of the program[.]")

Rating Agencies



All bonds are rated, and these ratings prominently appear on the documents used to market the bonds. Moody's, Standard & Poor's, and Fitch are the most commonly used rating agencies. Each issue will get its own rating, if requested by the issuer. Ratings attempt to reflect an issuer's ability to repay the debt. Rating agencies typically consider an issuer's management, capital and planning methods, debt management capabilities, budget processes and controls, sources of revenue, and risk and asset management programs, in determining the rating for an issue.[21] As discussed later under the section "Interest Rates" all New Jersey school bonds are rated "AA" by Standard & Poor's,[22] and "Aa2" by Moody's. Fitch does not usually rate school bonds, but the Authority used Fitch anyway.

Rating agency fees increase with the size of the bond issue up to a point, but there is still an economy of scale. The combined total of $241,150 paid by the 36 districts would be dramatically reduced if there were fewer issues, as evidenced by the $109,500 the Authority paid on a single $500 million issue, even though that issue was larger than the combined $424 million issued by the 36 districts in this survey. If a single State authority sold a combined bond issue to meet the financing needs of multiple districts, the rating agencies would be rating that authority's bonds and not each district's bonds or certificates of participation. It stands to reason that the total rating agency fees

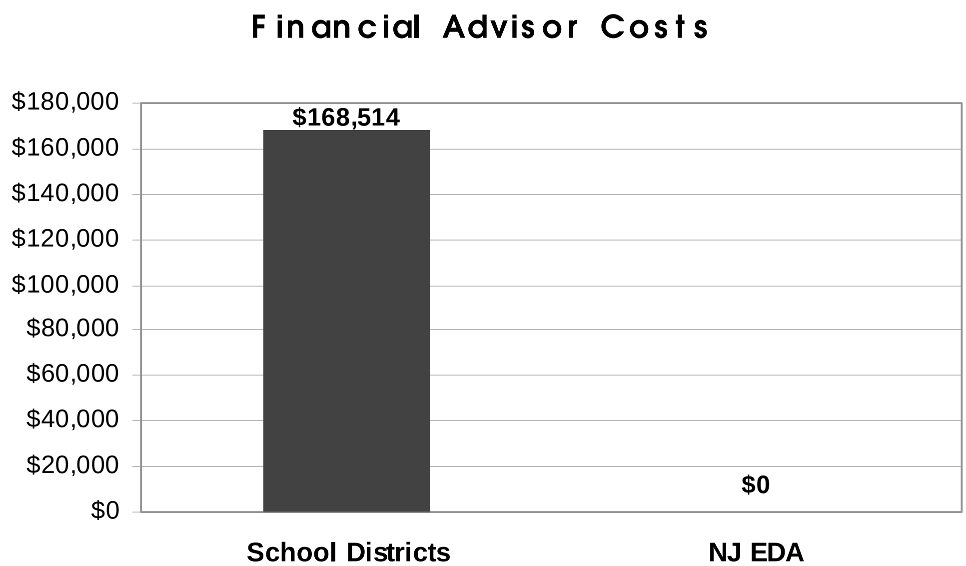
---

[21] Standard & Poor's Corporation, S&P's Municipal Finance Criteria, (N.Y., McGraw Hill,1989).

[22] Ibid., p. 29.

would accordingly be reduced.

Financial Advisors



Some issuers may decide to engage financial advisors to assist in the financial decisions,[23] *e.g.*, the best structure to achieve the desired results, the term of the bonds, the annual debt service payments for the contemplated transaction, the total annual debt payments, whether to purchase bond insurance and numerous other possibilities. Typically, financial advisors advise on the financial structure that achieves the lowest cost of debt for the issuer and on the timing of the bond sale. They may also assist in developing documents, such as the notice of sale and bid proposal forms, confirm and identify the low bidder, and generate projected debt service scenarios. Financial advisors also provide information on the effects of various financial strategies, review the issuer's financial position and advise the issuer accordingly, project the debt capacity of the issuer, provide bond market and other information, and assist the issuer with presentations before the rating agencies.

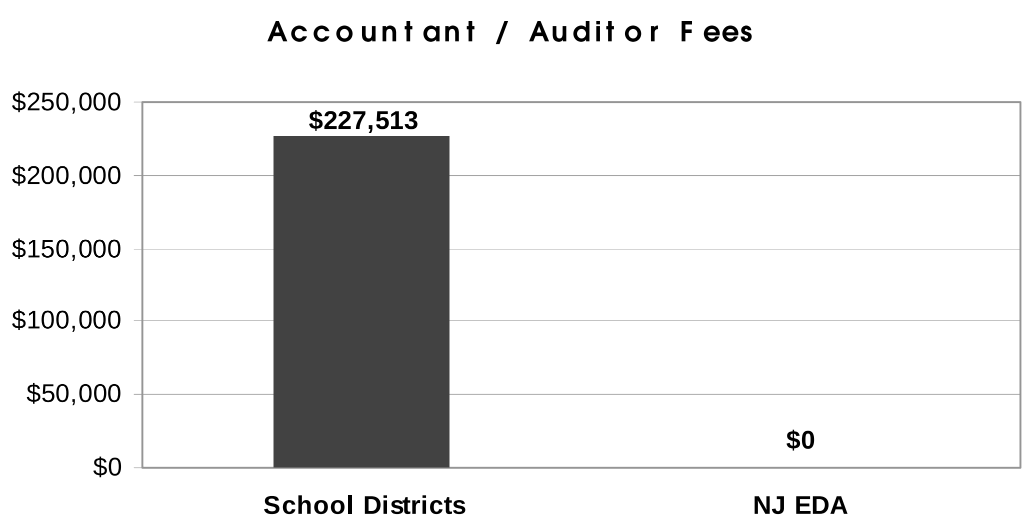
Financial advisors were used by 11 of the 36 school districts for a total cost of $168,514. Although statistically insignificant, the interest rate on those issues was actually slightly higher than the rates paid by the 25 districts that did not use financial advisors. The Authority did not engage a financial advisor, but utilized in-house staff and the staff at the Treasurer's Office of Public Finance, both of which regularly sell bonds and already have the computer programs and expertise employed

[23] Although not the subject of this examination, some districts hire investment advisors or managers to invest these funds, and these investment advisors also receive a fee from the school district.

by other financial advisors. All bond issues, whether or not a financial advisor was utilized, were structured with the intent of taking advantage of refunding opportunities, which allow the issuers to replace these bonds with lower cost bonds if interest rates are lower in the future.

In two districts the same financial advisor was also the underwriter. Underwriters are regulated by the Municipal Securities Rulemaking Board (MSRB) which is a federal regulatory agency. The MSRB's rules govern the conduct of underwriters, including instances of conflicts of interest. The MSRB rule requires a written waiver by the issuer if an underwriter also wants to provide financial advice. This financial advisor/underwriter technically complied with the MSRB's requirement of a written waiver by the school district by inserting this waiver in its underwriting bid proposal submitted only a few days before the bids were due, but after its financial advising activities had already resulted in a bond structure and notice of sale. There is, at a minimum, an appearance of a conflict of interest because the financial advisor/underwriter has the opportunity to structure the bond issue to its benefit as an underwriter competing for the lowest interest rate. The financial advisor/underwriter is also reviewing the underwriters' bids, including his own, to insure that the lowest interest rate is selected.[24] As discussed in the Recommendations section below, OIG recommends that the Department of Community Affairs adopt a regulation prohibiting a district's financial advisor from bidding as an underwriter for that district, in order to avoid this appearance of a conflict of interest.

Accountants and Auditors

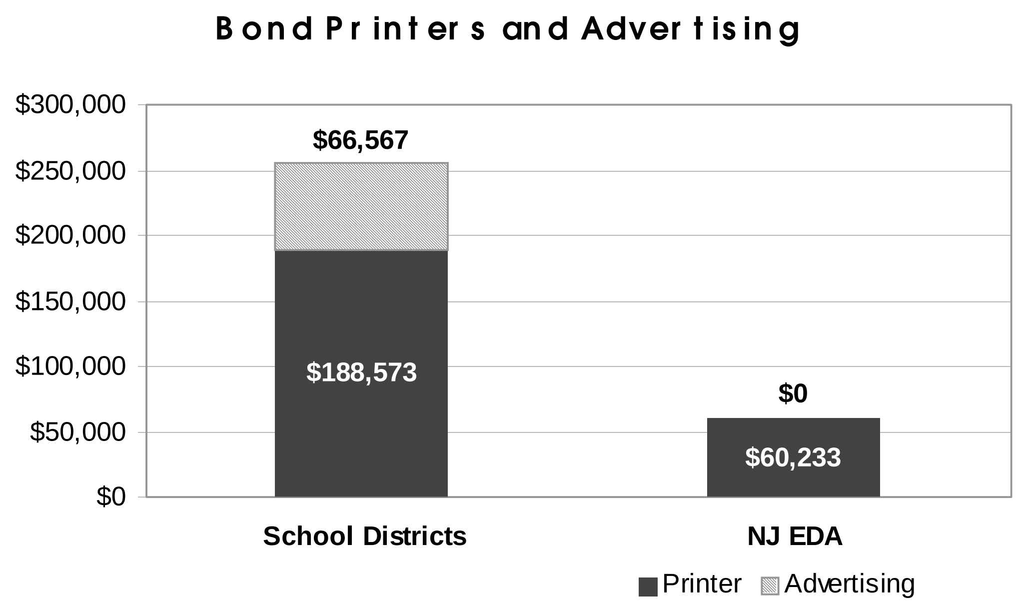


[24] In one case, the interest rate was slightly above the weighted average interest rate for all 36 districts as described in the section on methodology, and in the other case, the interest rate was slightly below the weighted average.

All school districts[25] and the Authority[26] are already required to engage accountants and auditors and to publish annual audited financial statements. This financial information must be disclosed to potential bond purchasers in the Preliminary Offering Statement and in the Official Statement. All school districts employ Public School Accountants, some of whom charge an additional fee for work on bond sales, which includes preparing a reliance letter that the financial information is correct and may be relied upon by potential purchasers of the bonds.

The cost of accounting or auditing services directly related to the issuance of bonds for the 36 school districts was $227,513. Some of the districts' accountants and auditors regularly provide bond-related services as a part of their overall contract with the district and do not charge additional fees for their bond work. Thus, that cost was not included in this survey, unless it was specifically broken out in the billings. Because the security for the Authority's bonds is the contract with the State Treasurer, the State's financial information is relevant. State financial information is regularly retained and managed by the Department of Treasury and audited by the State Auditor for other purposes, and consequently there is no additional fee to the Authority for accounting related to the issuance of bonds under contract with the State Treasurer.

Financial Printing and Advertising



To comply with State and Federal laws, all bond issuers must publish a Preliminary Offering

[25] N.J.S.A. 18A:23-1 *et seq.*

[26] N.J.S.A. 34:1B-4.j.

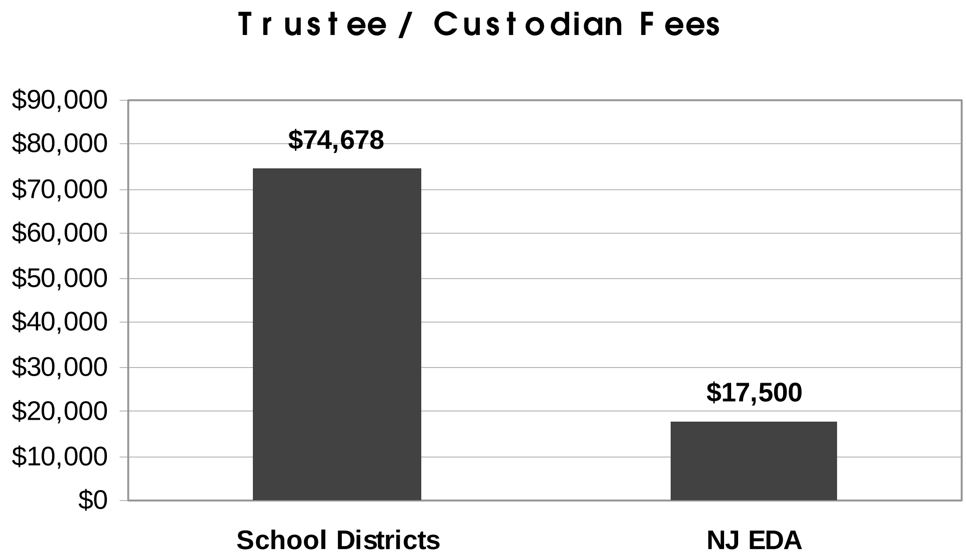
Statement ("POS") relied upon by the purchasers of the bonds, which lists all pertinent information related to the issuer and to the bond issue being sold. Financial information about the issuer must be included and, as a result, the services of an accountant or auditor are also required. An Official Statement ("OS") must also be printed after the bonds are sold, and is identical to the POS, except that it includes interest rates to be paid by the issuer and other information which is available only after the sale. Financial printers print and disseminate the POS and the OS. Today, with the advent of the Internet, the printer's work consists mainly of printing a small number of "hard copies" of the POS and the OS to be retained as permanent files, and to e-mail these documents to a list of bidders.

In a competitive process, as required of all the school districts, there must be public advertising of the bond sale, and this too, costs money. School bonds[27] must be publicly advertised in both financial and local newspapers at least seven days in advance of the receipt of bids and sale. The notice must describe the bonds, the conditions of sale, the principal amount, the date of sale, the denominations and the maturities of the bonds.

Financial printing for the Authority was bid on a multi-year contract through the Division of Purchase and Property in the Treasury Department. Because the security for the Authority's bonds is a contract with the State Treasurer, financial information about the State was included in the POS and the OS, which added volume and cost. The combined costs for financial printing and advertising for the 36 school districts was $255,140, while the Authority paid $60,233 for the same services. Each district incurred printing and advertising costs for each bond issue, and will do so in the future, as long as each district sells its bonds individually. Again, reducing the number of separate issuances would permit substantial savings.

[27] N.J.S.A. 18A:24-35 *et seq.*

Trustee or Custodian



When the bonds are sold, the bond proceeds must be secured until they are spent down on the facilities project. Banks usually have trust departments which may perform these services, including establishing funds and accounts as delineated in the various bond resolutions. Portions of the proceeds from the sale of the various bonds are deposited into these accounts or funds at the time of closing, and the money is spent over time as the construction progresses. They may also hold monies and investments in trust for the various purposes specified in the bond resolution; execute and deliver fully registered bonds in book-entry-only form; provide registrar, transfer, tender agent and paying agent services as required; maintain a bond register; disburse debt service payments to registered holders of the bonds; perform exchanges, transfer and replacement activities; issue reports on fund and account transactions during the term of the bonds; provide required notices on a timely basis as specified in the bond resolution; invest monies when available at the direction of the issuer; and comply with continuing disclosure requirements. There is usually an annual fee for the life of the issue, typically 20 years.

The Authority uses trustees for ease of administration at a very small cost, a total of $17,500 for the life of this bond issue. School districts usually control their funds directly using their accounts at their banks, without trustees. OIG did not examine how debt service payments by the districts are actually made, since the use of trustees was not a focus of this study. The 8 districts which did use trustees or custodians incurred costs totaling $74,678.

Underwriters

Underwriters purchase the bonds from the issuer and then market the bonds to bond holders, typically institutional bond funds. In a competitive sale, as required for all districts by law[28] the underwriter's fee[29] is imbedded in the purchase price and interest rate charged to the issuer. Typically, a notice of sale is placed in financial papers, such as *The Bond Buyer*, sealed bids are submitted and there is a public bid opening, with the underwriter with the lowest interest rate winning the bid. The law governing school bond sales does not permit negotiating price with the underwriter, except in very limited circumstances.[30] The Authority, on the other hand, consistent with Executive Order No. 26, may negotiate with underwriters not only the rate but fees, premiums, discounts, structure, and any other factor. The Authority paid the underwriters $1,357,298 and negotiated an additional $22,000,000 premium, netting out an extra $20,000,000. Since the methods used by the districts and the Authority were different, and the underwriting fees for the districts were not readily determinable, no comparison was possible.

Interest Rates

This study would be incomplete unless it also provided information on interest rates, since moneys saved on the costs of issuance would disappear if the interest rates paid by the Authority were significantly higher than the interest rates paid by the districts. Thus, OIG compared the net interest rate obtained by the Authority when it sold the bonds in March, 2001, with a weighted average of the interest rates obtained by the 36 school districts between January 1 and June 30, 2001.

OIG noted that, for rating agency purposes, there was no significant difference amongst all of the issuers. All uninsured New Jersey school district bonds are rated "AA" by Standard & Poor's Ratings Services, and "Aa2" by Moody's Investors Services, Inc., because New Jersey school bonds are secured by the Fund For Support of Free Public Schools[31] or are issued under The School Qualified Bond Act,[32] which permits the State Treasurer to pay debt service directly out of State

[28] N.J.S.A. 18A:24-35 and N.J.S.A. 18A:24-36; N.J.S.A. 18A:18A-4(a).

[29] An underwriter or financial advisor may earn additional compensation, almost invisibly, by the investment of funds. Fees for these investments are usually netted out of the interest earned, so the district does not cut a check, and consequently may not be aware of the actual amounts that it is paying for these services. More significantly, however, if the underwriter/investment advisor also invests these funds, he or she receives not only a fee for the investment advice, but also a fee for the transaction, as well

[30] N.J.S.A. 18A:24-61 *et seq.* and N.J.S.A. 18A:24-97.b. permit negotiated refundings.

[31] N.J. Const., Art.8, §4, ¶2; N.J.S.A. 18A:56-1 *et seq,;* and the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 *et seq.*

[32] N.J.S.A. 18A:24-85 *et seq.*

Aid.[33] The 29 districts whose bonds had bond insurance improved their ratings to "AAA" and "Aaa" and presumably this was reflected in their interest rates. The Authority's uninsured bonds were rated "AA" by Standard & Poor's, "AA" by Fitch, and "Aa2" by Moody's. The Authority's insured bonds were rated "AAA", "AAA" and "Aaa," respectively.

As noted above, school districts, by law, must sell their bonds competitively. The Authority is not restricted to competitive sales of their bonds, but, as limited by Executive Order No. 26, may negotiate these transactions. The Authority, in cooperation with the Office of Public Finance in the Department of Treasury, not only negotiated the interest rates, but also was able to sell the Authority's bonds at a premium, *i.e.* the Authority received $522 million for $500 million in bonds. The Authority paid an additional cost of $1,357,297.67 to the underwriters, netting out approximately a $20 million gain. The Authority sold a portion ($76 million) of its bonds as insured, squeezing out another benefit in the interest rate or premium, which a smaller issuer would have been unlikely to obtain.

The interest rate achieved by the Authority was slightly lower, by 0.08%, than the weighted average of all 36 districts in the survey. In comparing the interest costs, the interest rates were determined by obtaining the weighted average of each district's bonds by actual amount, interest rate, and term of years.[34] The weighted average interest rate for all 36 school districts was determined to be 4.88% and the rate obtained by the Authority was 4.80%.

There are a number of variables affecting interest rates over which an issuer has no control, such as economic trends, events in the stock and bond markets, and the availability or forward supply of bonds. Most districts are not regular issuers and do not enjoy the benefits of in-house expertise or the volume efficiencies available to periodic issuers of large amounts of bonds. This is not intended as a criticism of any school district, because the main business of school districts is and should remain education, and not bond financing.

---

[33] N.J.S.A. 18A:24-93.

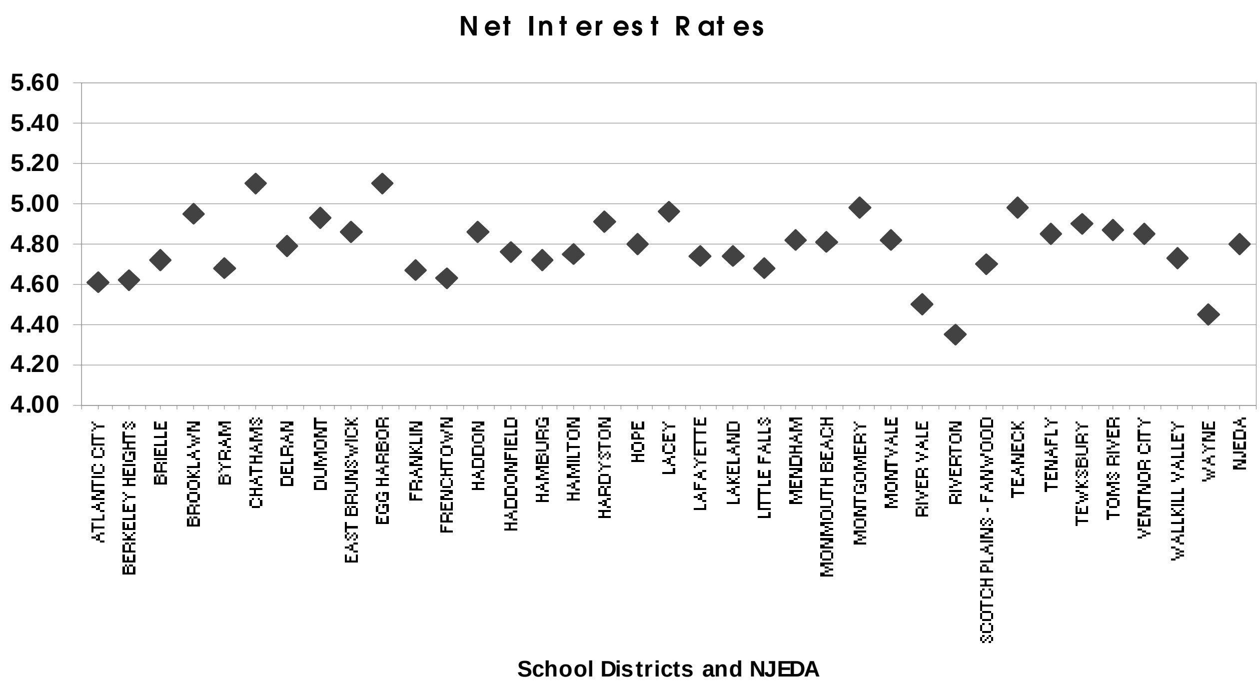
[34] The formula used is:

$$WA = \frac{P_1 I_1 t_1 + P_2 I_2 t_2 + \ldots P_{36} I_{36} t_{36}}{P_1 t_1 + P_2 t_2 + \ldots P_{36} t_{36}}$$

WA = Weighted Average Interest Rate for the 36 school district issuances
P_n = Principal of each district's bond issue
I_n = Annual Interest, as provided in each district's winning bid
t_n = Time duration of the bond issue in years

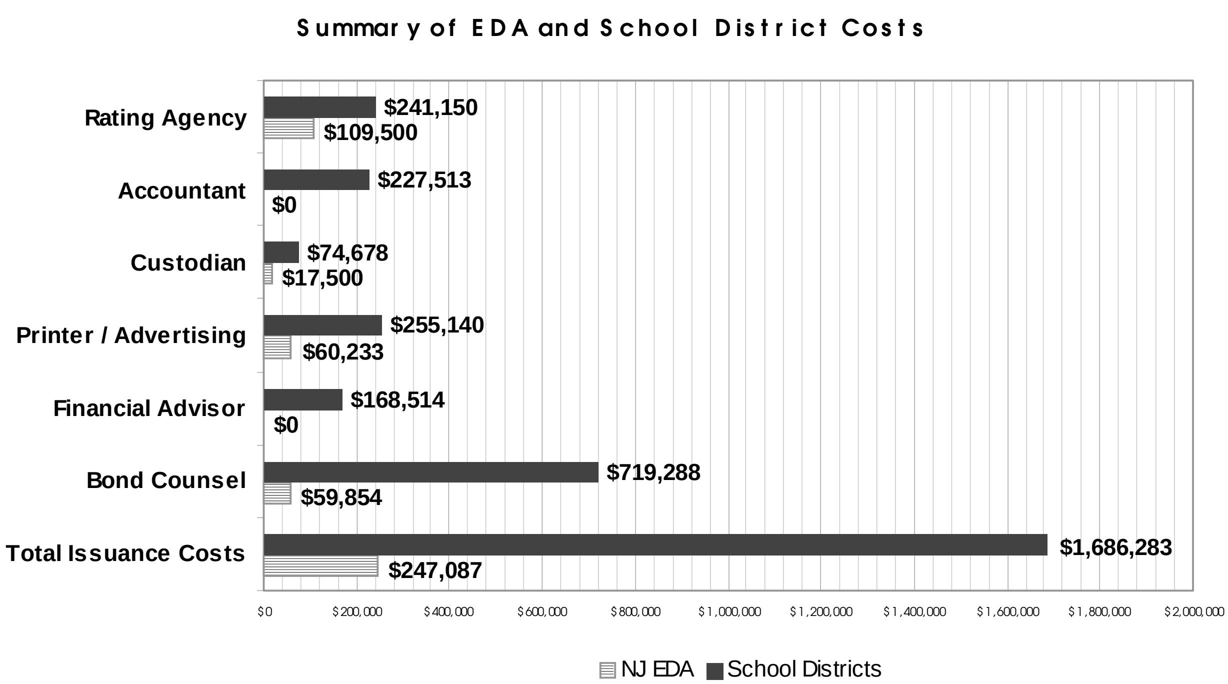
E. Richard Cohen, The Physics Quick Reference Guide. (American Institute of Physics Press, Woodbury, N.Y. 1996), p. 191.

Below is a chart indicating the net interest rates on the bonds sold for each of the 36 districts in this survey, as well as for the Authority's bonds.



DISCUSSION AND CONCLUSIONS

OIG's purpose was to survey and identify possible cost savings. OIG's research has demonstrated that multiple bond issues are less cost effective than a single combined bond issue in every cost associated with the sale of the bonds. OIG is not recommending that school districts refrain from using services that they feel they must have; however, the need for many of the services for which the districts pay fees would be eliminated or drastically reduced if a single combined bond issue were sold, rather than each district's selling its bonds independently. Below is a chart representing, in summary form, the costs for all 36 school districts as well as those for the Authority.



Bond counsel fees may be decreased if there were fewer bond issues, since bond counsel must provide services each time bonds are issued. It should be noted, as discussed more fully above, that school districts may still desire to employ bond counsel in some manner, even if OIG's recommendations are followed. OIG anticipates that if OIG's recommendations are followed, the process for the districts will be streamlined and, accordingly, counsel fees would be reduced. Nonetheless, it is not possible to quantify these potential savings.

Many of the districts' bond counsel fees were based on a percentage of the amount of bonds sold. While bond counsel may have additional risk in larger issues because of the purchasers' reliance on counsel's opinions for greater amounts of money, OIG could uncover no additional work involved with respect to the size of the issuance. Consequently a fee based on a percentage of the amount of bonds sold may result in an unjustifiably high fee for a bond counsel lucky enough to work on a large issue. The inverse, of smaller issues not generating sufficient fees, did not seem to have occurred since fee agreements had other built-in fees to compensate for a small bond size.

The economies realized by combining a number of projects in a single bond issue would also apply to financial advisors. The 11 districts which used financial advisors paid fees ranging from approximately $5,000 to as high as $42,000. Additionally, in those instances where a fee was based on a percentage of the principal amount of the bonds, the financial advisor received an unjustifiably high fee at taxpayer expense. If a district elects to use a financial advisor, then a fee for services should be agreed upon prior to commencement of the work, irrespective of the bond amount.

If each of the approximately 560 non-Abbott districts finances facilities under the Act and issues bonds just once, the estimated costs of issuance (for bond counsel, financial advisors, rating agencies, etc.) would total $26,230,960. OIG obtained this number by dividing the total costs for all 36 districts of $1,686,283 by 36, for an average of $46,841 in costs of issuance per district. This figure, $46,841, was then multiplied by the total estimated number of 560 non-Abbott districts, which totaled to $26,230,960 for expenses related to the costs of issuance for 560 bond issues.

However, if these 560 districts did not issue their own bonds, then most of this approximately $26 million would be saved by the districts' taxpayers. Costs of issuance are paid out of the bond proceeds. That means these costs are then paid off with interest over the life of the bonds. If these $26 million in costs were paid off over 20 years at 5% interest, the cost to the taxpayers over 20 years would be $44,538,000.[35] If each of these approximately 560 school districts each issued bonds twice, these costs would amount to almost $90 million over 20 years. If the costs of issuance were dramatically reduced for each school district financing construction projects, these districts would be able to either borrow less money or provide more facilities or other services.

The overwhelming majority of these costs would be eliminated altogether if the Authority, consistent with the Act,[36] issued a single bond issue to meet the financing needs of multiple school districts. Costs are incurred each time bonds are issued. Therefore, reducing the number of times bonds are sold is key to reducing costs. Instead of having bonds sold 560 times, the Authority could issue bonds 10 or 20 times over the life of this program, and produce staggering cost savings.

---

[35] The actual interest rates at which bonds are sold over the life of this program will vary with economic factors which cannot be predicted. The 5% figure was picked for illustrative purposes only, based on the weighted average interest rate of the 36 districts in this survey, rounded up for convenience. Regardless of the interest rates obtained in the future, the point remains that costs of issuance are financed. Avoiding $1 in these costs saves the taxpayers more than $1 over the life of the bond. The formula employed to calculate the total savings over the term of the bond which can be realized by avoiding the costs up front, was: $P_{(t)} = Po\, e^{It}$ where $P_{(t)}$ = Principal at any time (t); Po = principal at t = o; e = base of natural logs (approx. 2.713); I = interest rate not as a percentage. [Gleason Hughes-Hallett et als. Calculus, (2nd ed. Wiley. 1998.)]

[36] N.J.S.A. 18A:7G-19 contemplates that the Authority may sell bonds and then make loans to the districts to cover the districts' local share.

Although districts would still incur some costs for attorney services related to referenda or other necessary procedures, other costs such as ratings agency fees, financial advisors, printing and advertising fees would be avoided or reduced for each individual district. Obviously some of these costs would remain, because the Authority would engage professionals for each issuance, but the costs would be significantly lower because the number of issuances would be significantly lower, and the costs would be distributed amongst many participants.

School districts, which are infrequent issuers, are at a disadvantage because they cannot avail themselves of structures and strategies that larger, more frequent issuers have available to them, even on competitive sales. For example, districts, which elect to issue Bank Qualified bonds under §265 of the Internal Revenue Code[37] because interest rates are anticipated to be lower, are limited to bond sales of $10 million or less. This limitation is particularly costly where a district's local share is greater than $10 million because if the district elects to issue Bank Qualified bonds, the district will still incur issuance costs for each bond issue of $10 million or less. In addition, school districts, which must competitively bid their own bonds, cannot negotiate a premium, as the Authority was permitted to do on this issue. For those districts choosing to enter into a grant agreement with the Authority for the State share of a project's cost,[38] there may be opportunities to simplify and make more efficient the bookkeeping and funding processes, if the local share bonds are issued by the Authority also. While the Authority may charge a fee for its services, OIG assumes that it would be insignificant compared to the costs incurred by districts issuing bonds on their own, since the Authority already has the staff and capability to sell bonds and does so on a regular basis.

Moreover, the Act at N.J.S.A. 18A:7G-21 provides that if the Authority issues these bonds, the State Treasurer is permitted to pay the district's State Aid directly to the Authority, should a district default on any of its debt service payments. As a result, the rating agencies would be rating the Authority's bonds and not each district's bonds or certificates of participation.[39] OIG does not know if this "intercept" provision, allowing the Authority to access funds held by the Treasurer, would increase the bond issue's rating or lower interest rates, but it would afford additional comfort to the purchasers of the bonds, thus making them more attractive and easier to sell.

[37] Bank qualified school bonds permit financial institutions to deduct a portion or all of the interest paid by them to purchase or carry these tax-exempt bonds.

[38] N.J.S.A. 18A:7G-15.

[39] N.J.S.A. 18A:7G-10.

RECOMMENDATIONS

The Office of the Inspector General recommends that the Authority periodically offer a combined bond issue or certificates of participation to fund the local share of school construction costs for those school districts which choose to participate, to reduce the costs of issuance and to provide taxpayer savings.

Almost all of the school district business administrators interviewed for this report were openly candid about their reliance on their professionals, particularly bond counsel. Over and over, business administrators stated that their districts sold bonds too infrequently for them to master the process and that they were forced to rely on bond counsel and the other professionals. In fact, OIG's initial inquiries to the districts were routinely referred to bond counsel. Even if there were no savings to the taxpayers, this recommendation would conserve labor and result in greater efficiency. Time spent by the districts on financing might be better spent on matters more directly related to education.

The potential savings generated by a combined large issue is extremely appealing to the districts' taxpayers, who will be footing up to 60% of this program directly through their property taxes. The total cost for all of the 36 school districts issuing its own bonds was $1,686,283. If all approximately 560 non-Abbott operating districts sell bonds, the estimated combined cost for only one issue per district is a staggering $26,230,960, with this figure increasing every time a district sells its bonds. The amount of money saved by avoiding these costs could provide millions of dollars in savings to the taxpayers. It is logical that fewer individual school district bond issues will result in less cost.

The Legislature also contemplated that the Authority might issue debt for non-Abbott operating districts to finance their 60% or less local share of the cost of the facilities,[40] and also provided a mechanism so that the Treasurer could intercept State funds earmarked for a district and pay these monies directly to the Authority, if a district defaulted on its debt service.[41] However, since there is a uniform rating of AA or Aa2 for all school districts, and all are secured by the Fund For Support of Free Public Schools,[42] there may be other financing scenarios that should be considered. OIG does not make a recommendation as to the proper structure to accomplish this task. Rather OIG recommends that the Authority periodically issue bonds or certificates of participation to meet the combined financing needs of those school districts which choose to participate, thus reducing the costs of issuance and providing taxpayer savings.

[40] N.J.S.A. 18A:7G-19.

[41] N.J.S.A. 18A:7G-21.

[42] N.J.S.A. 18A:56-1 *et seq.*

The Office of the Inspector General recommends that the Department of Community Affairs adopt regulations prohibiting a school district's financial advisor from underwriting or bidding on that district's debt.

School districts, which are already at a disadvantage because the bond issuing process is fairly foreign to them, must have independent advice. Their professional advisors should avoid even the appearance of a conflict of interest. In both instances detected by OIG, the financial advisor/underwriter was able to provide advice with respect to the structure, timing, terms and other similar matters, and then immediately prior to submitting its bid, have the school district execute a waiver. There is no way of knowing whether the terms recommended by the financial advisor/underwriter were the most advantageous to the district or rather were best suited to the underwriter's needs and ability to submit the lowest bid. OIG does not imply that the financial advisor/underwriter in these two instances committed any wrongdoing.

Nonetheless, an unscrupulous financial advisor might set up the bond structure so that he would be the low bidder, particularly if he wanted to satisfy a particular bond purchaser's needs. Clearly, if a financial advisor has only the school district to serve, there will be no doubt about whether the financial advisor is acting in the best interests of the client, instead of the best interests of the underwriter or the purchaser of the bonds. A ban on financial advisors bidding as underwriters on their clients' bonds would provide a level playing field for all bidders on the bonds. Also the taxpayers would ultimately pay more in debt service if a financial advisor/underwriter were to advise for the benefit of his underwriting master. Consequently, OIG recommends that the Department of Community Affairs adopt regulations prohibiting a financial advisor for a school district from underwriting or bidding on that district's debt, similar to that proposed in Attachment D.

The Office of the Inspector General recommends that the Department of Community Affairs adopt regulations requiring that school districts hire professionals for set fees negotiated (or bid) in advance, and prohibiting fees based on a percentage of debt issued.

Professional services should be billed based on work performed, which is the method required for State bond issues, and not based on an unrelated percentage of the principal amount of the bonds. Bond counsel and financial advisors should perform the tasks that are necessary and required for each transaction, irrespective of the amount of bonds sold. They should not receive more money simply because a school district must undertake a larger borrowing. Moreover, when fees are based on the amount of debt issued, professionals are in a position to be rewarded financially for advice to school districts to issue more debt. Instead, they should be paid a fee, related to the work provided, negotiated in advance and evidenced by a written agreement. Accordingly, OIG recommends that the Department of Community Affairs adopt regulations, prohibiting school districts from paying professionals fees based on a percentage of the amount of bonds sold and requiring set fees negotiated (or bid) in advance and contained in a written agreement. A proposed regulation is contained in Attachment E.

ATTACHMENT A

AUTHORITY DISTRICTS AS OF SEPTEMBER, 2001

THE 30 CURRENT ABBOTT DISTRICTS:

Asbury Park City ♢	Irvington Township ♢	Paterson City *
Bridgeton City	Jersey City *	Pemberton Township
Burlington City	Keansburg Borough	Perth Amboy City
Camden City ♢	Long Branch City	Phillipsburg Town
East Orange City	Millville City	Plainfield
Elizabeth City	Neptune	Pleasantville City
Garfield City	New Brunswick City	Trenton City ♢
Gloucester City	Newark City *	Union City
Harrison Town	City of Orange Township	Vineland City
Hoboken City	Passaic City	West New York Town

THE 31 DISTRICTS CURRENTLY RECEIVING MORE THAN 55% STATE AID:

Audubon Park Boro	East Newark Boro	Paulsboro Boro
Barnegat Township	Egg Harbor City	Pemberton Boro
Bass River Township	Fairfield Township	Penns Grove-Carneys Pt Regional
Buena Regional	Greater Egg Harbor Regional	Pine Hill Boro
Brooklawn Boro	Hi Nella	Prospect Park Boro
Chesilhurst	Lakehurst Boro	Rancocas Valley Regional
Commercial Township	Maurice River Township	Salem City ♢
Cumberland Cty Vocational ‡	New Hanover Township	Shiloh Boro
Cumberland Regional	North Hanover Township	Victory Gardens
Lawrence Township	Oxford Township	Woodlynne Boro
Delsea Regional H.S. District		

THE 6 CURRENT LEVEL II MONITORED DISTRICTS:

Atlantic City ☒	Camden City	Salem City
Asbury Park City	Irvington Township	Trenton City

* State operated districts
♢ Level II districts
‡ County Vocational School
☒ Atlantic City is not an Abbott District and does not receive more than 55% in State Aid

ATTACHMENT C

STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

EXECUTIVE ORDER NO. 26

WHEREAS, the policies and procedures of the State with regard to the issuance of bonds, notes and other obligations (hereinafter"bonds") and the awarding of underwriting, bond counsel, architectural, engineering and other professional contracts were established by Executive Order No. 79 issued on January 12, 1993 and Executive Order No. 92 issued on May 4, 1993; and

WHEREAS, it was recognized that an analysis of the effect of these policies and procedures should be conducted by the Executive Branch after they had been in place for a number of months and that, in connection with such analysis, it was appropriate to solicit the views of the public and of the affected issuers, service providers and professionals; and

WHEREAS, Executive Order No. 6 issued on January 27, 1994created an Advisory Panel on Government Contracting Procedures (hereinafter "Advisory Panel") and directed that the Advisory Panel make a comprehensive review of the existing procedures for: the issuance of bonds; the selection of underwriters in connection with the issuance of bonds; the retention of attorneys or law firms in connection with the issuance of bonds; and the retention of any engineering, architectural or other professional firms; and

WHEREAS, the Advisory Panel was directed to report its findings and detailed recommendations as to whether the existing procedures should remain in place or be altered in order to better accomplish the goals of achieving the best economic results with the highest quality of service and integrity in the award of State contracts at the lowest cost; and

WHEREAS, the Advisory Panel has issued its report, dated July 29, 1994, which sets forth its recommendations with respect to the policies and procedures that were implemented in accordance with Executive Orders No. 79 and No. 92; and

WHEREAS, the Advisory Panel has recommended modifications to the present procedures that will ensure that the citizens of the State are informed of specific criteria applied in the selection of the method of bond sale and the selection of professionals; and

WHEREAS, implementation of the Advisory Panel's recommendations will help to ensure that the methods used by the State, its agencies and authorities for issuing bonds and awarding contracts for professional services will secure public confidence and result in the receipt of the highest quality service at the lowest prices;

NOW, THEREFORE, I, CHRISTINE TODD WHITMAN, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

METHOD OF BOND SALE

1. The policy of the State generally requiring that all bonds of the State and its agencies and authorities (hereinafter "issuers"or "contracting entities") to be sold on a competitive basis is hereby continued. In certain circumstances, however, where it is determined that a negotiated sale would better serve the requirements of a particular financing, negotiated sales may be conducted, if otherwise permitted by law. The circumstances under which a negotiated bond sale shall be permitted shall include the following:

a. Sale of complex or poor credits;

b. Sale of a complex financing structure, including those transactions that involve the simultaneous sale of more than one series with each series structured differently;

c. Volatile market conditions;

d. Large issue size;

e. Programs or financial techniques that are new to investors; and

f. Variable rate transactions.

2. Where issuers engage in similar types of transactions on a somewhat regular basis, such issuers may make determinations with respect to the method of sale, consistent with section 1 of this Order, which will be utilized for two or more transactions, provided that the transactions are part of a larger bonding program of similarly secured financings. In this instance, issuers shall render public determinations with respect to these financing programs at least annually.

3. Any decision of an issuer regarding the method of sale fora bond issue shall be made by resolution which shall be available to the public. If the issuer is the Treasurer of New Jersey (the"Treasurer"), the Treasurer shall render a written determination which shall be available to the public. When an issuer determines that the sale of bonds should be negotiated with an underwriter based on the standards enumerated in section 1 of this Order, justification in support of such a decision should not be stated in general terms, but should be specific to the particular bond sale. Such findings shall be filed with the Treasurer within five (5) days of the decision.

SELECTION OF FINANCIAL ADVISORS, SENIOR MANAGERS AND CO-MANAGERS

4. Issuers whose bonds are secured by appropriations from the State's General Fund, the full faith and credit of the State or otherwise in whole or in part by State revenues, shall adhere to the following procedures and criteria in connection with the selection of financial advisors, senior managers and co-managers:

a. A request for proposal and criteria for selection shall be developed by the issuer and the Treasurer for each financing. Criteria for such selection shall include, but not be limited to, the following:

   1) Quality of response regarding the proposed bond structure, credit, and/or marketing strategy;

   2) Sophisticated cash flow capabilities as required by a particular financing;

   3) Development of a new idea;

   4) Demonstrated ability to distribute New Jersey securities;

   5) Quality of relevant service to the State in previous transactions;

   6) Experience with similar financings in which the firm and its proposed financing team participated;

   7) Proposed fees for the particular bond sale; and

   8) Sufficient capital to participate in underwriting the issue.

b. The issuer shall provide particular consideration for firms with a presence in New Jersey and for minority-owned and women-owned firms.

c. The issuer and the Treasurer shall select the financial advisor, senior manager and/or co-manager for the financing.

d. The firm(s) solicited, the firm(s) selected and criteria applied in connection therewith shall be made available to the public.

e. Such procedures may include a process whereby a group, or "pool," of financial advisors, senior managers and/or co-managers may be utilized for two or more transactions, provided that the transactions are part of a larger bonding program of similarly secured financings. Issuers may elect from such pools without soliciting separate proposals provided the pools are established via procedures and criteria consistent with this Order.

5. Issuers, other than those referred to in section 4 of this Order, shall: (a) formulate procedures consistent with the above criteria for the selection of financial advisors, senior managers and/or co-managers; (b) select such financial advisors, senior managers and/or co-managers based on said procedures and criteria; and (c) make the selection, procedures and criteria available to the public. Such procedures shall provide for an open and competitive process. Information regarding the firm(s) solicited, the firm(s)selected and criteria applied shall also be made available to the public by issuers.

6. Issuers shall undertake the selection process outlined in section 4 of this Order except in those rare instances in which each of the following three criteria have been met:

a. An innovative idea has been brought to the issuer;

b. A request for proposal cannot be constructed without communicating the new idea; and

c. The issue would not benefit from a competitive selection process.

SELECTION OF BOND COUNSEL

7. Appointments of bond counsel shall generally be made on a competitive basis where price is a factor but not the sole factor. The Attorney General of New Jersey (the "Attorney General") shall develop guidelines for the solicitation of such counsel. However, where unusual circumstances may require the appointment of bond counsel with a particular expertise, such as unique prior experience with a transaction, direct appointments shall be permitted.

8. When bond counsel appointments are made pursuant to N.J.S.A. 52:17A-13 or where the Attorney General acts as general counsel to an issuer, the Attorney General shall establish procedures for the appointment of bond counsel on a competitive basis and under criteria that place great weight on the bond counsel's qualifications and suitability for a particular transaction as well as the bond counsel's fee proposal.

a. Such criteria shall include, but not be limited to, the following:

   1) Experience of the bond counsel and the proposed team with similar transactions;

   2) Familiarity with the State laws relevant to the proposed bond issue;

   3) Proficiency with securities, tax and other laws relevant to the financing;

   4) Quality of proposed legal strategy with respect to specific questions posed in the request for proposal;

   5) Quality of past legal services rendered to the State and its authorities; and

   6) Fees.

b. Such procedures and criteria may include a process whereby a group, or "pool," of bond counsel firms may be appointed to serve as counsel to frequent bond issuers for a term not to exceed two years. Issuers may select from such pools without soliciting separate proposals for each bond issue, provided the pools are established via procedures and criteria consistent with this Order. This "pool" process shall, where appropriate, involve the establishment of a fee schedule for such transactions at the outset of the term.

c. Such procedures and criteria may include a process whereby bond counsel may be utilized for two or more transactions, provided that the transactions are part of a larger bonding program of similarly secured financings and further provided such procedures and criteria are consistent with this Order.

9. In cases where the Attorney General is not statutorily required to appoint bond counsel or does not serve as general counsel to an issuer, issuers are hereby directed to establish their own competitive appointment processes based on the criteria enumerated in section 8 of this Order to ensure the selection of the most qualified firms at the lowest possible fees.

10. In establishing policies and procedures for the selection of bond counsel, issuers and the Attorney General shall provide particular consideration for New Jersey law firms and minority-owned and women-owned law firms.

11. The policies and procedures established by issuers with respect to the appointment of bond counsel, as well as procedures established by the Attorney General in accordance with N.J.S.A. 52:17A-13, shall be available to the public.

APPOINTMENT OF ARCHITECTS, ENGINEERS AND ACCOUNTANTS

12. The State and its contracting entities shall continue to utilize, to the fullest extent practicable, competitive practices for the selection of architects, engineers and accountants. Contracting entities shall establish their own procedures for competitive selection of architects, engineers and accountants. Such practices shall be aimed at the fundamental goals of ensuring that each contracting entity of the State will receive the best services at the lowest costs. Information regarding such procedures shall be made available to the public.

13. Any selection of architects, engineers and accountants shall include particular consideration for minority-owned and women-owned firms.

30-DAY REPORTS

14. Within 30 days of the closing of a bond issue, the allocation of bonds and fees received by each member of the underwriting syndicate and a breakout of the costs of issuance paid by the issuer shall be reported to the Treasurer and be publicly available.

ANNUAL DEBT MANAGEMENT PLAN

15. Each issuer shall annually, on or before January 31, render a debt management plan with respect to its bond financing programs to the Treasurer. This plan shall include information on the outstanding debt and debt service costs for the prior and current year and shall also describe the proposed bond issues for the year outlining the size and purpose of each transaction; the expected sale date of the issue; the security and expected ratings for each transaction; the expected method of sale and the method of selecting financial professionals consistent with the terms of this Order.

APPLICATION AND EFFECTIVE DATE

16. This Order shall apply to the State, its agencies and all authorities that are required to submit their minutes, resolutions or actions for gubernatorial approval or veto. Additionally, the State's participation in all other financings shall, to the extent practicable, be conditioned on compliance with the procedures and criteria set forth herein. "State's participation" includes but is not limited to instances in which a financing: 1) is secured directly or indirectly by the moral obligation of the State; or 2)is secured or financed directly or indirectly by State appropriations; or 3) includes as part of an issuer's offering statement State financial information. The determination as to whether it is practicable to apply this Order to such financings shall be made concurrently by the Treasurer and Attorney General.

17. This Order shall take effect on January 1, 1995 (the"effective date") and shall supersede Executive Order No. 79 (Florio) and Executive Order No. 92 (Florio) as of that date; however, any agency and authority required to comply with the terms of this Order may do so prior to the effective date and in lieu of the terms of Executive Orders No. 79 and No. 92, provided such agency or authority has adopted the procedures necessary to comply with all aspects of this Order.

SUBSEQUENT REVIEW

18. The Advisory Panel is hereby directed to reconvene and hold at least one public hearing on or about one year from this Order's effective date for the purpose of obtaining public testimony regarding the implementation of this Order. Thereafter, the Advisory Panel shall recommend modifications, if any, necessary to better achieve the objectives of this Order as expressed above.

GIVEN, under my hand and seal this 25th day of October in the Year of Our Lord, One Thousand Nine Hundred and Ninety-Four and of the Independence of the United States, the Two Hundred and Eighteenth.

/s/ Christine Todd Whitman

GOVERNOR

Attest:
/s/ Peter Verniero
Chief Counsel to the Governor

ATTACHMENT B

ISSUANCE COSTS BY SCHOOL DISTRICTS AND NJ EDA

Sponsor Name	ATLANTIC CITY BOARD OF EDUCATION			
		COI Total	$53,946	
		Bond Counsel	$18,651	FOX, ROTHSCHILD,O'BRIEN & FRANKEL
Bond Dated	5/16/01	**Financial Advisor**	$15,470	CAPITAL FINANCIAL ADVISORS, INC.
Bond Amount	$32,448,000	**Accountant/Auditor**	$0	TRACEY HEUN
Term in Years	14	**Printer**	$5,965	UNIVERSAL PRINTING COMPANY
Call Protection (Yrs)	10	**Bond Advertising**	$1,430	
Range	2003 - 2016	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.613 %	**S and P**	$11,000	AAA
		Moody's	$0	

Sponsor Name	BERKELEY HEIGHTS TOWNSHIP BOARD OF EDUCATION			
		COI Total	$32,280	
		Bond Counsel	$16,542	McMANIMON & SCOTLAND LLC
Bond Dated	1/31/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$6,239,000	**Accountant/Auditor**	$800	NOKE AND HERD
Term in Years	20	**Printer**	$5,206	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,866	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.619 %	**S and P**	$6,000	AA
		Moody's	$0	

Sponsor Name	BRIELLE BOROUGH BOARD OF EDUCATION			
		COI Total	$33,633	
		Bond Counsel	$17,285	McLAUGHLIN, BENNETT
Bond Dated	2/27/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$6,915,000	**Accountant/Auditor**	$5,000	ARMOUR S. HULSART & CO.
Term in Years	20	**Printer**	$1,388	ARMOUR S. HULSART & CO.
Call Protection (Yrs)	0	**Bond Advertising**	$1,980	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.719 %	**S and P**	$6,000	AA
		Moody's	$0	

Sponsor Name	*BROOKLAWN BOROUGH BOARD OF EDUCATION*			
		COI Total	$50,240	
		Bond Counsel	$12,863	PARKER, McCAY & CRISCUOLO P.A.
Bond Dated	3/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$1,559,000	**Accountant/Auditor**	$9,951	INVERSO & STEWART, LLC
Term in Years	20	**Printer**	$4,406	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,760	
Range	2002 - 2021	**Trustee/Custodian**	$16,500	COMMERCE BANK
Net Interest	4.95 **%**	**S and P**	$3,000	AA
		Moody's	$0	

Sponsor Name	*BYRAM TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$46,997	
		Bond Counsel	$15,677	McMANIMON & SCOTLAND LLC
Bond Dated	3/8/01	**Financial Advisor**	$4,983	PUBLIC FINANCIAL MANAGEMENT, INC.
Bond Amount	$10,000,000	**Accountant/Auditor**	$12,385	NISIVOCCIA & COMPANY
Term in Years	20	**Printer**	$5,982	NISIVOCCIA & COMPANY
Call Protection (Yrs)	10	**Bond Advertising**	$1,485	
Range	2002 - 2021	**Trustee/Custodian**	$0	NJ/ARM
Net Interest	4.684 **%**	**S and P**	$0	
		Moody's	$5,000	Aaa

Sponsor Name	*CHATHAMS SCHOOL DISTRICTS BOARD OF EDUCATION*			
		COI Total	$64,505	
		Bond Counsel	$25,720	McMANIMON & SCOTLAND LLC
Bond Dated	5/2/01	**Financial Advisor**	$7,897	CAPITAL FINANCIAL ADVISORS, INC.
Bond Amount	$19,038,000	**Accountant/Auditor**	$15,000	NISIVOCCIA & COMPANY
Term in Years	25	**Printer**	$5,964	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,837	
Range	2002 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	5.099 **%**	**S and P**	$0	
		Moody's	$6,250	Aa2 Aaa

Sponsor Name	*DELRAN TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$29,495	
		Bond Counsel	$9,904	McMANIMON & SCOTLAND LLC
Bond Dated	4/5/01	**Financial Advisor**	$6,105	COMMERCE CAPITAL MARKETS, INC.
Bond Amount	$4,807,000	**Accountant/Auditor**	$300	INVERSO & STEWART, LLC
Term in Years	21	**Printer**	$6,106	PACKARD PRESS
Call Protection (Yrs)	9	**Bond Advertising**	$1,540	
Range	2003 - 2023	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.794 **%**	**S and P**	$0	
		Moody's	$4,000	Aaa

Sponsor Name	*DUMONT BOROUGH BOARD OF EDUCATION*			
		COI Total	$28,881	
		Bond Counsel	$8,933	ROGUT, McCARTHY & BHEND
Bond Dated	5/3/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$1,700,000	**Accountant/Auditor**	$8,500	DICKINSON, VRABEL & CASSELLS
Term in Years	20	**Printer**	$3,070	BEACON OFFSET
Call Protection (Yrs)	0	**Bond Advertising**	$2,564	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.925 **%**	**S and P**	$0	
		Moody's	$3,250	Aaa

Sponsor Name	*EAST BRUNSWICK TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$48,838	
		Bond Counsel	$22,356	McMANIMON & SCOTLAND LLC
Bond Dated	5/16/01	**Financial Advisor**	$9,678	MUNICIPAL CAPITAL MANAGEMENT LLC.
Bond Amount	$16,100,000	**Accountant/Auditor**	$1,500	SAMUEL KLEIN AND COMPANY
Term in Years	20	**Printer**	$5,578	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,738	
Range	2003 - 2022	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.855 **%**	**S and P**	$0	
		Moody's	$6,250	Aaa

Sponsor Name	*EGG HARBOR TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$83,339	
		Bond Counsel	$50,823	McMANIMON & SCOTLAND LLC
Bond Dated	5/3/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$56,400,000	**Accountant/Auditor**	$788	SWARTZ & CO.
Term in Years	24	**Printer**	$5,492	PACKARD PRESS
Call Protection (Yrs)	11	**Bond Advertising**	$1,654	
Range	2002 - 2025	**Trustee/Custodian**	$10,928	NJ/ARM
Net Interest	5.096 **%**	**S and P**	$0	
		Moody's	$12,000	Aaa

Sponsor Name	*FRANKLIN TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$39,150	
		Bond Counsel	$23,167	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	2/7/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$3,154,000	**Accountant/Auditor**	$513	PETER KOWALICK, JR.
Term in Years	20	**Printer**	$6,976	BURRUPS PACKARD
Call Protection (Yrs)	10	**Bond Advertising**	$1,997	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.674 **%**	**S and P**	$4,500	AAA
		Moody's	$0	

Sponsor Name	*FRENCHTOWN BOROUGH BOARD OF EDUCATION*			
		COI Total	$46,045	
		Bond Counsel	$16,972	PARKER, McCAY & CRISCUOLO P.A.
Bond Dated	5/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$1,439,000	**Accountant/Auditor**	$1,335	WILLIAM M. COLANTANO
Term in Years	14	**Printer**	$4,432	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$2,278	
Range	2003 - 2016	**Trustee/Custodian**	$15,750	COMMERCE BANK
Net Interest	4.625 **%**	**S and P**	$3,000	AA
		Moody's	$0	

Sponsor Name	*HADDON TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$43,137	
		Bond Counsel	$18,557	McMANIMON & SCOTLAND LLC
Bond Dated	4/11/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$9,500,000	**Accountant/Auditor**	$14,000	BOWMAN AND COMPANY
Term in Years	21	**Printer**	$2,500	BOWMAN AND COMPANY
Call Protection (Yrs)	9	**Bond Advertising**	$1,540	
Range	2002 - 2022	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.855 **%**	**S and P**	$0	
		Moody's	$5,000	Aaa

Sponsor Name	*HADDONFIELD BOROUGH BOARD OF EDUCATION*			
		COI Total	$45,460	
		Bond Counsel	$14,527	PARKER, McCAY & CRISCUOLO P.A.
Bond Dated	1/24/01	**Financial Advisor**	$9,500	PUBLIC FINANCIAL MANAGEMENT, INC.
Bond Amount	$6,889,000	**Accountant/Auditor**	$300	INVERSO & STEWART
Term in Years	20	**Printer**	$4,095	UNIVERSAL PRINTING COMPANY
Call Protection (Yrs)	10	**Bond Advertising**	$2,069	
Range	2002 - 2021	**Trustee/Custodian**	$9,000	THE BANK OF NEW YORK
Net Interest	4.76 **%**	**S and P**	$3,900	AAA
		Moody's	$0	

Sponsor Name	*HAMBURG BOARD OF EDUCATION*			
		COI Total	$42,999	
		Bond Counsel	$9,099	McMANIMON & SCOTLAND LLC
Bond Dated	3/1/01	**Financial Advisor**	$8,074	COMMERCE CAPITAL MARKETS, INC.
Bond Amount	$3,074,000	**Accountant/Auditor**	$1,500	FERRAIOLI, WIELKOTZ, CERULLO
Term in Years	20	**Printer**	$7,166	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,580	
Range	2002 - 2021	**Trustee/Custodian**	$10,000	COMMERCE BANK
Net Interest	4.723 **%**	**S and P**	$0	
		Moody's	$4,000	Aaa

Sponsor Name	*HAMILTON TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$77,686	
		Bond Counsel	$27,914	DeCOTIIS, FITZPATRICK & GLUCK
Bond Dated	3/28/01	**Financial Advisor**	$22,656	PUBLIC FINANCIAL MANAGEMENT, INC.
Bond Amount	$22,167,900	**Accountant/Auditor**	$3,900	HODULIK & MORRISON, P.A.
Term in Years	20	**Printer**	$7,500	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,858	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.75 **%**	**S and P**	$12,000	AAA
		Moody's	$0	

Sponsor Name	*HARDYSTON TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$43,660	
		Bond Counsel	$22,116	McMANIMON & SCOTLAND LLC
Bond Dated	3/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$13,532,000	**Accountant/Auditor**	$5,000	FERRAIOLI, WIELKOTZ, CERULLO
Term in Years	30	**Printer**	$6,454	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$2,170	
Range	2002 - 2031	**Trustee/Custodian**	$0	NJ/ARM
Net Interest	4.906 **%**	**S and P**	$0	
		Moody's	$5,750	Aaa

Sponsor Name	*HOPE TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$28,692	
		Bond Counsel	$13,266	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	4/3/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$1,952,000	**Accountant/Auditor**	$1,000	ARDITO & CO., LLP
Term in Years	20	**Printer**	$6,806	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$2,310	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.795 **%**	**S and P**	$3,000	AAA
		Moody's	$0	

Sponsor Name	*LACEY TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$81,165	
		Bond Counsel	$37,083	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	3/27/01	**Financial Advisor**	$20,000	J.J. DARBY & CO. INC.
Bond Amount	$24,722,000	**Accountant/Auditor**	$1,500	JUMP,SCUTELLARO & CO.
Term in Years	25	**Printer**	$6,952	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,815	
Range	2002 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.961 **%**	**S and P**	$12,000	AAA
		Moody's	$0	

Sponsor Name	*LAFAYETTE TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$27,098	
		Bond Counsel	$10,884	McMANIMON & SCOTLAND LLC
Bond Dated	3/8/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$4,477,000	**Accountant/Auditor**	$2,750	DICKINSON, VRABEL & CASSELLS
Term in Years	20	**Printer**	$6,202	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,631	
Range	2003 - 2022	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.739 **%**	**S and P**	$0	
		Moody's	$4,000	Aaa

Sponsor Name	*LAKELAND REGIONAL HIGH SCHOOL BOARD OF EDUCATION*			
		COI Total	$38,883	
		Bond Counsel	$10,511	McMANIMON & SCOTLAND LLC
Bond Dated	1/30/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$4,334,000	**Accountant/Auditor**	$15,000	NISIVOCCIA & COMPANY
Term in Years	20	**Printer**	$4,500	NISIVOCCIA & COMPANY
Call Protection (Yrs)	10	**Bond Advertising**	$1,686	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.741 **%**	**S and P**	$5,500	AAA
		Moody's	$0	

Sponsor Name	*LITTLE FALLS TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$23,299	
		Bond Counsel	$10,065	McMANIMON & SCOTLAND LLC
Bond Dated	2/8/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$2,970,000	**Accountant/Auditor**	$496	CANNONE & CO.
Term in Years	20	**Printer**	$6,422	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,658	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.679 **%**	**S and P**	$3,000	AAA
		Moody's	$0	

Sponsor Name	*MENDHAM BOROUGH BOARD OF EDUCATION*			
		COI Total	$49,172	
		Bond Counsel	$14,200	McCARTER & ENGLISH LLP
Bond Dated	2/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$12,570,000	**Accountant/Auditor**	$15,000	NISIVOCCIA & COMPANY
Term in Years	25	**Printer**	$7,742	(NONE LISTED)
Call Protection (Yrs)	10	**Bond Advertising**	$1,615	
Range	2002 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.821 **%**	**S and P**	$9,000	AA
		Moody's	$0	

Sponsor Name	*MONMOUTH BEACH BOROUGH BOARD OF EDUCATION*			
		COI Total	$28,382	
		Bond Counsel	$11,250	McMANIMON & SCOTLAND LLC
Bond Dated	3/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$3,351,000	**Accountant/Auditor**	$3,000	ARMOUR S. HULSART & CO.
Term in Years	24	**Printer**	$6,354	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,889	
Range	2003 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.809 **%**	**S and P**	$0	
		Moody's	$4,000	Aaa

Sponsor Name	*MONTGOMERY TOWNSHIP BOARD OF EDUCATION*				
		COI Total	$138,130		
		Bond Counsel	$53,237	McMANIMON & SCOTLAND LLC	
Bond Dated	4/4/01	**Financial Advisor**	$42,304	COMMERCE CAPITAL MARKETS, INC.	
Bond Amount	$54,608,000	**Accountant/Auditor**	$2,901	GROENDYKE ASSOCIATES	
Term in Years	29	**Printer**	$7,192	McMANIMON & SCOTLAND LLC	
Call Protection (Yrs)	10	**Bond Advertising**	$1,748		
Range	2003 - 2031	**Trustee/Custodian**	$0	(NONE LISTED)	
Net Interest	4.976 **%**	**S and P**	$17,000	AA	AAA
		Moody's	$12,000	A2a	Aaa

Sponsor Name	*MONTVALE BOROUGH BOARD OF EDUCATION*			
		COI Total	$31,231	
		Bond Counsel	$8,958	ROGUT, McCARTHY & BHEND
Bond Dated	5/1/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$5,983,000	**Accountant/Auditor**	$8,500	DICKINSON, VRABLE & CASSELLS
Term in Years	20	**Printer**	$3,385	BERGAMINI
Call Protection (Yrs)	0	**Bond Advertising**	$2,694	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.823 **%**	**S and P**	$0	
		Moody's	$5,000	Aaa

Sponsor Name	*RIVER VALE TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$46,636	
		Bond Counsel	$18,712	McMANIMON & SCOTLAND LLC
Bond Dated	3/21/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$12,834,000	**Accountant/Auditor**	$12,450	LERCH, VINCI & HIGGINS LLP
Term in Years	20	**Printer**	$3,114	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,430	
Range	2001 - 2020	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.5 **%**	**S and P**	$0	
		Moody's	$9,500	Aaa

Sponsor Name	*RIVERTON BOROUGH BOARD OF EDUCATION*			
		COI Total	$46,645	
		Bond Counsel	$15,073	PARKER, McCAY & CRISCUOLO P.A.
Bond Dated	3/22/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$1,500,000	**Accountant/Auditor**	$8,270	INVERSO & STEWART LLC
Term in Years	15	**Printer**	$4,392	PACKARD PRESS
Call Protection (Yrs)	8	**Bond Advertising**	$1,705	
Range	2002 - 2016	**Trustee/Custodian**	$12,500	COMMERCE BANK
Net Interest	4.35 **%**	**S and P**	$3,000	AA
		Moody's	$0	

Sponsor Name	*SCOTCH PLAINS - FANWOOD BOARD OF EDUCATION*			
		COI Total	$34,772	
		Bond Counsel	$11,432	McCARTER & ENGLISH LLP
Bond Dated	5/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$9,000,000	**Accountant/Auditor**	$10,952	BARRE & COMPANY
Term in Years	20	**Printer**	$4,028	IMAGE MASTER
Call Protection (Yrs)	10	**Bond Advertising**	$1,680	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.703 **%**	**S and P**	$0	
		Moody's	$5,000	Aaa

Sponsor Name	*TEANECK TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$47,656	
		Bond Counsel	$20,238	McMANIMON & SCOTLAND LLC
Bond Dated	4/3/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$11,816,000	**Accountant/Auditor**	$15,000	LERCH, VINCI & HIGGINS LLP
Term in Years	29	**Printer**	$2,906	BURRUPS PACKARD
Call Protection (Yrs)	10	**Bond Advertising**	$1,881	
Range	2002 - 2030	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.981 **%**	**S and P**	$0	
		Moody's	$5,750	Aaa

Sponsor Name	*TENAFLY BOROUGH BOARD OF EDUCATION*			
		COI Total	$57,248	
		Bond Counsel	$29,116	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	3/29/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$13,475,000	**Accountant/Auditor**	$12,500	LERCH, VINCI & HIGGINS
Term in Years	24	**Printer**	$3,112	BERGAMINI PRINTING
Call Protection (Yrs)	10	**Bond Advertising**	$1,760	
Range	2003 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.851 **%**	**S and P**	$9,000	AAA
		Moody's	$0	

Sponsor Name	*TEWKSBURY TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$62,068	
		Bond Counsel	$44,055	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	2/27/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$8,996,000	**Accountant/Auditor**	$985	DICKINSON,VRABEL & CASS
Term in Years	25	**Printer**	$6,288	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$1,870	
Range	2002 - 2026	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.899 **%**	**S and P**	$7,000	AAA
		Moody's	$0	

Sponsor Name	*TOMS RIVER REGIONAL BOARD OF EDUCATION*			
		COI Total	$67,630	
		Bond Counsel	$24,725	DeCOTIIS, FITZPATRICK & GLUCK
Bond Dated	5/15/01	**Financial Advisor**	$21,847	CAPITAL FINANCIAL ADVISORS, INC.
Bond Amount	$18,700,000	**Accountant/Auditor**	$1,762	COWAN, GUNTESKI & CO.,P.A.
Term in Years	19	**Printer**	$5,880	UNIVERSAL PRINTING COMPANY
Call Protection (Yrs)	10	**Bond Advertising**	$1,708	
Range	2003 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.874 **%**	**S and P**	$10,000	AAA
		Moody's	$0	

Sponsor Name	*VENTNOR CITY*			
		COI Total	$38,039	
		Bond Counsel	$16,797	PARKER, McCAY & CRISCUOLO P.A.
Bond Dated	5/17/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$6,181,000	**Accountant/Auditor**	$8,500	BOWMAN & COMPANY, LLC
Term in Years	19	**Printer**	$3,000	BOWMAN & COMPANY, LLC
Call Protection (Yrs)	10	**Bond Advertising**	$1,871	
Range	2003 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.85 **%**	**S and P**	$6,000	AAA
		Moody's	$0	

Sponsor Name	*WALLKILL VALLEY REGIONAL BOARD OF EDUCATION*			
		COI Total	$58,140	
		Bond Counsel	$29,665	WILENTZ, GOLDMAN & SPITZER P.A.
Bond Dated	5/15/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$4,753,000	**Accountant/Auditor**	$12,675	LOUIS A. LEDERHAAS
Term in Years	20	**Printer**	$6,398	PACKARD PRESS
Call Protection (Yrs)	8	**Bond Advertising**	$1,951	
Range	2002 - 2021	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.733 **%**	**S and P**	$5,500	AAA
		Moody's	$0	

Sponsor Name	*WAYNE TOWNSHIP BOARD OF EDUCATION*			
		COI Total	$37,673	
		Bond Counsel	$8,915	ROGUT, McCARTHY & BHEND
Bond Dated	5/8/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$6,968,000	**Accountant/Auditor**	$13,500	LERCH, VINCI & HIGGINS LLP
Term in Years	15	**Printer**	$5,620	PACKARD PRESS
Call Protection (Yrs)	10	**Bond Advertising**	$2,319	
Range	2002 - 2016	**Trustee/Custodian**	$0	(NONE LISTED)
Net Interest	4.453 **%**	**S and P**	$0	
		Moody's	$5,000	Aa2

Sponsor Name	*NEW JERSEY ECONOMIC DEVELPOMENT AUTHORITY*			
		COI Total	$232,087	
		Bond Counsel	$59,854	WOLFF & SAMSON
Bond Dated	3/21/01	**Financial Advisor**	$0	(NONE LISTED)
Bond Amount	$500,000,000	**Accountant/Auditor**	$0	(NONE LISTED)
Term in Years	18	**Printer**	$60,233	BURRUPS PACKARD
Call Protection (Yrs)	10	**Bond Advertising**	$0	
Range	2002 - 2019	**Trustee/Custodian**	$17,500	FIRST UNION NATIONAL BANK
Net Interest	4.801 **%**	**S and P**	$52,500	AA
		Moody's	$42,000	Aa2

TOTAL NUMBER OF BONDS 37

ATTACHMENT D

Definition:

“Financial Advisor” or “Investment Advisor” means any person, corporation or other entity, who for a fee or other remuneration from the district, provides opinions, advice or otherwise assists the district in making financial decisions, including but not limited to: the structure of an indebtedness; the length of the indebtedness; the annual debt service payments; appropriateness of securing bond insurance; timing of a sale; confirming and identifying the low bidder; generating projected debt service and cash flow scenarios; reviewing the issuer's financial position; projecting the debt capacity of the issuer; providing bond market and other financial information; or assisting the issuer with presentations before the rating agencies.

If a district engages a financial advisor, investment advisor or any other professional or advisor for the purpose of advising and assisting the district in the incurring of debt or the investment of the district’s funds, from bond proceeds or any other source, the district may not engage the financial advisor, investment advisor or other professional or advisor to also sell, market, underwrite or otherwise trade in that district’s indebtedness.

ATTACHMENT E

Districts which engage professionals, such as attorneys and financial advisors, to assist the district in the issuance of debt must establish fees in advance of the commencement of the work. Such fees may not be based upon a percentage of the debt issued. The fees and other terms of the engagement shall be set forth in a written agreement with the professional.