
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: November 19, 2010
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Anthony F. Annese, Vice Chair
Senator Steven V. Oroho
Steven Petrecca
Beth Schermerhorn
Paul Stridick



ALSO PRESENT:

James Vari
Executive Director

Rosemary Pramuk
Senate Republican
Jerry Traino

Thomas LaBue
Commission Staff

Assembly Republican
Commission Aides

Meeting Recorded and Transcribed by
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(A teleconference meeting of the New Jersey Commission on Capital Budgeting and Planning was held on November 19, 2010. Members present via telephone were Senator Steven V. Oroho.)

B. CAROL MOLNAR (Chair): I would like to call the meeting to order.

In accordance with the Open Public Meeting Law, the Commission has provided adequate notice of this meeting by giving written notice of the time, date, and location. A notice of the meeting was filed at least 48 hours in advance by mail and/or fax to the Trenton *Times* and the *Star-Ledger*, and filed with the Office of the Secretary of State.

We will now do a roll call.

MR. VARI (Executive Director): Senator Sarlo. (no response)

Senator Oroho. (no response)

Assemblywoman Pou. (no response)

Assemblyman Wolfe. (no response)

Mr. Romano. (no response)

Mr. Stridick.

MR. STRIDICK: Here.

MR. VARI: Mr. Petrecca.

MR. PETRECCA: Here.

MR. VARI: Ms. Schermerhorn. (no response)

Ms. Cimiluca. (no response)

Mr. Annese.

MR. ANNESE (Vice Chair): Here.

MR. VARI: Ms. Molnar.

MS. MOLNAR: Here.

MR. VARI: Madam Chair, we have four members present, so we don't have a quorum, but we--

MS. MOLNAR: Mr. Traino's here for Mr. Wolfe, right?

MR. VARI: Yes.

MS. MOLNAR: Okay.

Our next item is the Executive Director's report. I don't believe there is one today. Approval of the minutes will have to wait until the next meeting.

So we'll begin with our capital requests. I'd like to welcome, from the Department of Corrections, Melinda Haley, Special Legal Advisor.

Good morning.

MELINDA HALEY: Good morning, Madam Chairperson, and members of the Commission.

My name is Melinda Haley; I'm the Special Legal Advisor to Commissioner Gary Lanigan, on whose behalf I appear today.

Seated with me is Assistant Commissioner of Administration Carmella Elmer, on my left; and to my right is Director of Operations Bruce Hauck. And we also have various DOC personnel from the Administration and Capital Construction Units.

The mission of the New Jersey Department of Corrections is to protect the public by operating safe, secure, and humane correctional facilities. The mission is realized through effective supervision, proper classification, appropriate treatment of offenders, and by providing services that promote successful reentry into society.

Far removed from being a wish list, I would categorize our projects as must-haves. We realize funding is limited, but we have grave

concerns about the crumbling infrastructure of several of our most secure prisons. The combination of an aging prison, filled with a critical mass of inmates, and a dearth of capital investment provides for a true recipe for disaster.

Truthfully, we cannot continue to survive without capital investment. As such, we have attempted to prioritize our needs; and while it may not be possible to address all of these issues, we feel that capital investment now will ultimately save monies while protecting the public -- our most vital concern.

Unmet capital improvements, year after year, have not only caused a serious deterioration of our physical plants throughout the Department, they have compromised basic services and potentially the safety of staff and the public.

Let me begin with our most pressing capital needs within the Department.

The New Jersey State Prison's West Compound, constructed in 1871, is in dire need of a total renovation. The Department is requesting \$213.6 million to accomplish this. Currently, there are approximately 1,070 inmates housed in that wing. Major repairs are urgently needed in order to maintain this part of the facility, which includes replacement of water main and sewer lines, cells, toilets, sinks, and fixtures. Consider that the "worst of the worst" inmates are housed in New Jersey State Prison. Not only is this a health issue, but failure to address the infrastructure issues proffered here constitute a true public safety concern.

This year, as in prior years, the Department is also requesting funding for backup generators and electrical upgrades. Consider the

implications if the power fails in any one of the facilities. A life-threatening situation could ensue, as the facility would be in the dark and many of the cells and gates would either fail to open or need to be locked by hand. The ramifications of such a scenario are frightening. The price tag for this capital budget request is \$168.1 million.

Yet another significant issue facing the Department of Corrections is our compliance with the New Jersey Uniform Fire Safety Code. Significant upgrades and improvements must be made to all facilities to meet new building and fire codes. Funding is vital in order to ensure the safest conditions to guard against potential loss of life due to fire at any one of the facilities.

At this time, the Department is forced to remain non-compliant with the New Jersey State Fire Code until and unless we obtain monies. Non-compliance with the fire codes can lead to substantial fines issued by the Department of Community Affairs of up to \$5,000 per violation, per day, per institution. The Department has been cited by the DCA on numerous occasions for its violations, and requests for funding date back to 1983. The continuous failure to fund this project endangers the lives of staff, inmates, and the public. The Department of Corrections is forced, on an ongoing basis, to relieve officers from regular duty assignments in order to conduct 24-hour watch as a temporary measure to ensure safety; instead of installing alarms, suppression systems, and fire escapes as required. We need \$105.9 million to bring our prisons into fire safety code compliance.

It is imperative that we replace and renovate roofs. Deterioration due to water leakage creates not only structural damage, but presents public safety concerns. The Department is requesting funding for

these projects in order to reduce hours spent on repairing the damage. For instance: The roof at East Jersey State Prison, home to some 1,500 inmates, has been in need of repair for more than a decade. At present, there is scaffolding under the dome to literally prevent the ceiling from collapsing.

These are the Department's most pressing needs. We respectfully ask you to consider that public safety is unquestionably at risk, and without capital investment we may not be able to fulfill our mission.

The Department faces the following challenges on a daily basis: increased demands of aging--

(sound of phone ringing)

MR. LABUE: Hello?

SENATOR OROHO (on phone): Yes, Tom?

MR. LaBUE: Yes.

MR. VARI: Let him know he's on speaker.

SENATOR OROHO: Yes, it's Steve Oroho. How are you doing?

MR. LaBUE: Okay.

MR. VARI: Senator Oroho has joined us by phone.

MS. MOLNAR: Okay.

MR. LaBUE: Excuse me.

MS. HALEY: The Department faces the following challenges on a daily basis: Increased demands on aging physical plants across all facilities; ongoing use of trailer units well beyond their useful life; and maintenance of deteriorating and sometimes obsolete infrastructure.

Security, as well as health and safety code compliance, is given the highest priority in the Department's capital plan. However, the reality is that due to the limited amount of capital funds available to the Department in recent years, and the size and scope of numerous ongoing emergency repairs, the Department is unable to address its multiple and increasing capital improvement needs. Repairs, temporary housing situations, and potential lawsuits are an inefficient use of public money and prevent us from providing the level of service that is required of this Department and the State.

There are other authorities regarding compliance with Federal and State fire, environment, and health and building codes that govern our Department. Compliance with these laws assists in ensuring safety and security. Failure to comply will lead to fines and more emergency repairs, which are not efficient use of taxpayer dollars. In order to ensure that inmates are secure and the public is safe, this Department must be able to take preventative measures to fix many outstanding issues plaguing our facilities.

A primary capital challenge facing the Department of Corrections is the continued maintenance of the existing physical plant and infrastructure. The Department has also been cited for violations by the Public Employee Occupational Safety and Health, and the Department of Environmental Protection for health and environmental hazards on several occasions. Asbestos cleanup is essential to the Department's compliance with DEP and PEOSH regulations. Asbestos cleanup is vital to ensure the safety and health of the Department's staff as well as the offender population.

There are locking systems, camera and surveillance systems, and towers that need to be replaced and/or upgraded to maintain public safety. Note that we are requesting funding for eight of the Department's 12 facilities. We understand that this is substantial; however, we firmly believe that taxpayer dollars must be spent on prevention and a permanent solution to these issues.

The complete fiscal 2012 capital budget consists of 28 projects, with a total cost of \$551.4 million.

Thank you for the opportunity to present our capital needs. I will now open the microphone to the Assistant Commissioner and Director, to respond adequately to your questions.

MS. MOLNAR: Thank you.

I have two questions: One, what is the status of the class action suit?

MS. HALEY: Currently, it's still in the discovery stage -- it's very early on. No settlement or anything has been discussed at this point.

MS. MOLNAR: What are they alleging?

MS. HALEY: Among other things, they're alleging that the conditions of confinement in the West Compound are inhumane and violate the State and Federal Constitutions. The complaint cites various allegations with regard to antiquated sinks, toilets, plumbing, inadequate waste and sewage -- all sorts of conditions of confinement. Again, but as we stated, these things are just allegations at this point.

MS. MOLNAR: Okay. My other question: East Jersey State Prison -- that's the one in Avenel, I believe, right? Maybe I've been on this Commission too long -- it was my understanding that there was some talk

of not pouring any more money into it, it was so old. That perhaps we were going to replace it. Is that still being bounced around, that idea?

A S S T. C O M M I S S I O N E R C A R M E L L A E L M E R:
At this point, there are no discussions that we have taken part in that would lead to a replacement of the facility.

MS. MOLNAR: Okay. I thought there was a feasibility study; it was cheaper to build a new one than try to bring this up to code. That may have been a couple of years ago. Okay, thank you.

Any questions or comments?

Mr. Annese.

MR. ANNESE: I'd like to follow up a little bit about the -- the question about repair versus replacement. When we're talking about numbers like \$500 million, the question before me that jumps out is: At what point is repair, to quote your report, "throwing good money after bad," and we should perhaps consider replacement completely? Has that analysis been done?

ASSISTANT COMMISSIONER ELMER: No, that analysis has not been done at this point.

MR. ANNESE: All right, thank you.

MS. MOLNAR: Question -- Mr. Vari.

MR. VARI: Concerning requests for number one, the \$10.5 million to rehabilitate the West Compound: Does that have to be funded in one year, or is that the type of project that could be phased in, possibly over two or three years?

B R U C E H A U C K: Based on the overall construction, sir, it probably could be phased in as other construction has been done in the past.

MS. MOLNAR: Any other questions or comments? (no response)

If not, I want to thank you for coming today.

MS. HALEY: Thank you.

MS. MOLNAR: Our next department is the Department of Military and Veterans Affairs. I'd like to welcome Raymond Zawacki, Deputy Commissioner of Veterans Affairs.

D E P U T Y C O M M . R A Y M O N D L . Z A W A C K I :
Thank you, Madam Chairwoman. Good morning to you and the members of the Commission.

With me this morning is Mr. Ed Sain, who is the Director of our Installations Division; and Mr. Roger Bushyeager, who is the Director of our Fiscal Division. Also joining us is Michael Dzurisin, who is a special staff officer -- or principal staff officer in the Installations Division.

It is my pleasure to present you with the Department of Military and Veterans Affairs Fiscal Year 2012 capital improvement plan. This plan is in keeping with the Adjutant General's vision of providing state-of-the-art facilities to meet mission requirements and to enhance the readiness of our New Jersey National Guard, while maintaining the best possible services so richly deserved by our New Jersey veterans. It is imperative that the State and this Department are always vigilant in ensuring that the Guardsmen's and veterans' needs are met.

Currently we have over 100 soldiers and airmen serving in Iraq, Afghanistan, and the Horn of Africa. They are due to return home early next year. In August of this year, over 750 soldiers and airmen safely returned home from their year-long deployment in Iraq and Afghanistan.

Since September 11, 2001, more than 11,400 soldiers and airmen were deployed in support of overseas contingency operations all across the globe.

This capital plan is focused on 12 projects totaling \$8 million that address our most immediate concerns.

The first request of \$747,000 addresses the roof replacement of buildings one and two at the Paramus Veterans Home. These roofs have exceeded their life expectancy and need to be replaced. Currently there are approximately 10 water leaks that have been isolated through the use of tarps. The use of tarps has had a better result than constant patching of the roof which, in some cases, only diverts the leak to a different area.

To this point, damage to interior living areas has been limited to failing ceiling tile. Continued water infiltration will eventually cause damage to the roof substructure, and generate mold and mildew growth which violates Veterans Administration healthcare standards. Failure to replace the roofs will ultimately affect the ability of the facility to provide the necessary resident care, and result in shutting down the Home and displacing the residents.

This project is fully designed and is awaiting funding. The funding request represents the 35 percent State share of the project. The photos below depict the deteriorating roofs.

Priority two requests \$875,000 for the replacement of boilers at the Atlantic City, Burlington, Morristown, and Westfield armories.

(sound of phone ringing)

MR. LaBUE: Hello?

MR. VARI: Is the Senator still on the line, or did he--

MR. LaBUE: It doesn't appear that he is.

MR. VARI: Okay.

MR. LaBUE: The line is dead.

MR. VARI: Sorry for the interruption.

DEPUTY COMMISSIONER ZAWACKI: The average age of the boilers in question are 30-plus years old and not energy efficient. They require constant maintenance and put a strain on our yearly operating budget. Over the last two fiscal years an average of \$275,000 was spent on repairs to the boilers at the four facilities. The replacement boilers will be energy efficient, with the potential annual savings of \$50,000 in utility costs.

Priority three requests \$960,000, of which \$800,000 will be used to cover the cost for engineering, designing, and repairing the sinking drill floor at the Cherry Hill Armory; and \$160,000 to reimburse the Department for the engineering and design of the sinking drill floor at the Atlantic City Armory. The Atlantic City drill floor repair will be part of a memorandum of agreement between the Department of Law and Public Safety and the Department of Military and Veterans Affairs, for the funding of renovations and the operation of community crime prevention programs entitled "A Safe Strategy for Safe Streets and Neighborhoods."

Engineering studies were performed at both facilities which identified poor subsoil conditions caused by water infiltration into the upper levels of the substrate. Corrective action would include a piling and pinning system to raise and secure the floor slabs. The Cherry Hill project is eligible for 50 percent Federal funding.

Priority four requests \$675,000 for roof replacements at the Cherry Hill, Newark, and Westfield armories. These roofs have greatly

exceeded their original 20-year life cycle and are in a state of serious disrepair. The leaking roofs directly contribute to uninhabitable space and structural damage.

We have also identified a multi-year program to repair roofs at 40 facilities. Roof replacements, wherever feasible, will convert flat rubber roofs to 50-year sloped metal roofs. The Commission has supported this urgent roof repair initiative in previous budget submittals. Unfortunately, the roofs continue to deteriorate. Federal funding will pay for 75 percent of the construction of a sloped metal roof that replaces an existing flat roof at our armories.

Priority five requests \$400,000 which will provide funding for window and HVAC control replacement at the Atlantic City, Westfield, and Burlington armories. These projects will focus on reestablishing building moisture protection and reducing energy costs. These projects are matched with 50 percent Federal funding.

Priority six requests \$650,000 to reestablish building moisture protection by re-pointing all exterior mortar joints at the Jersey City, Teaneck, and Morristown armories. All facilities are 50-plus years old and the exterior mortar joints are starting to deteriorate, allowing water infiltration into the building. If allowed to continue, major damage to the facility infrastructure will occur, resulting in structural degradation and costly repairs.

Priority seven requests \$193,000 to provide an emergency generator at the Vineland Veterans Home Administration Building. This is the 35 percent State share of this project. The Federal Veterans Administration will provide the other 65 percent.

The existing Administration Building was joined to the new replacement home as part of the construction, but did not include an emergency generator system. The installation of an emergency generator will allow for uninterrupted operations in the event of a power failure. Additionally, the Vineland Home is unable to fund this requirement under the line of credit program.

Priority eight is for \$295,000 to fund emergency power generation at the Jersey City and Teaneck armories. These facilities are strategic operations centers that we need to maintain our ability for continued command and control, along with an operational base during emergencies. This will allow for rapid force deployment to homeland security, terrorism, and natural disasters. This \$295,000 represents 25 percent of the State share to complete this project.

I have identified 8 of our Department's 10 (*sic*) priorities to you today. I would like you to also consider the remaining 4 projects as well, but in the interest of time I am submitting those as written testimony only.

With your support, the Department of Military and Veterans Affairs will continue to ensure the security of New Jersey's citizens and provide services to our deserving veterans.

I thank you for the opportunity to make this presentation, and my staff and I are prepared to answer any questions you may have.

MS. MOLNAR: Thank you.

I have two quick questions. Sometimes the Federal government matches 75 percent, 65 percent, or 50 percent. What is the difference? When do they do what?

DEPUTY COMMISSIONER ZAWACKI: The 65 percent involves projects that we partner with the Veterans Administration in funding. And I'll let Mr. Sain respond to the other.

E D W A R D S A I N: Madam Chair, the percentage of Federal support depends on a variety of factors. As Ray has indicated, Veterans Administration projects are supported on a 65-35 percent ratio. On the Federal National Guard projects, they are supported either at 50-50 or 75-25, and that depends on the location, in that on State property the share is 50-50 for armories on State property; 75-25 on armories located on Federal property. And, additionally, maintenance and repair projects are funded on a 50-50 basis, and renovations and construction projects are funded on a 75-25 percent basis. So that, as the example indicated, if we were simply repairing a roof, the Federal government would pick up 50 percent of the cost of repairing the roof. However, in the work classification definitions, if we were to replace a flat roof with a standing seam metal roof, the Federal government defines that as a construction activity and pays for 75 percent of the cost of doing that work. That is one of the reasons why the Department has advocated that rather than replacing roofs in terms of the traditional flat ones, when we go to standing seam metal roofs, one, we get a better product; and two, it costs the State less money.

MS. MOLNAR: My other question: As a lifelong resident of Westfield, I appreciate all the money you're pouring into our Armory. I'm curious: What is the status of the proposed cell tower that is being contemplated in Westfield?

MR. SAIN: The status of the cell tower is, I believe, that T-Mobile is conducting an A-106 archeological environmental study that needs to be submitted to Treasury in its lease negotiations.

MS. MOLNAR: All right, so it's still in the investigation stage.

MR. SAIN: It's still in the negotiation stages with T-Mobile and Treasury.

MS. MOLNAR: It would be attached to the building? Some of them are attaching them to the buildings.

MR. SAIN: It will be a free-standing tower located at the rear of the property on a piece of land that's about 30 feet by 30 feet for the base of the tower, and some supporting equipment at the base.

MS. MOLNAR: Has the Department of Military and Veterans Affairs heard from any of the neighbors yet?

MR. SAIN: I haven't heard from any of the neighbors, but I'm sure that Treasury or someone has heard from the neighbors.

MS. MOLNAR: Thank you.

Any questions or comments?

Mr. Annese.

MR. ANNESE: I almost hate to say this, but if one branch of the government -- the Federal government -- will pay for half the costs over here, and another branch of the Federal government over there will pay for 50 percent of the costs, maybe we can use some type of arbitrage -- for lack of a better word -- to get it all paid for by different branches of the government paying different percentages to get more work done. Or are there some rules against that in the application process?

MR. SAIN: Well, I believe the concept of the National Guard, and specifically our Department, is those cost-sharing ratios were supporting the military troops assigned to the armories. I can't speak how the rest of the Federal government contributes to the State operation.

MR. ANNESE: Okay.

And my next question -- perhaps (indiscernible), Madam Chair, to whomever you wish -- the request for our share of the roof work: How much of our ongoing roof funds would pay for that? Or is that part of the process?

MR. VARI: Well, what we're thinking for '12 is to do what we have done in the past several years, and that would -- have a statewide pot of money for roofing requests. In this case, as in '11, it would be the receipts from the sale of real property. We would have budget language to allow us to appropriate \$5 million from the sale of real property receipts. So from there, we would look at all the various roof requests from the departments and weigh them, and make our decision probably in the fall; and then inform the Commission, just as we've done the last several years.

MR. ANNESE: All right, thank you. That's it.

MS. MOLNAR: All right; Mr. Vari.

MR. VARI: Quick question on the Atlantic City Armory -- a couple of questions. First: I assume that the MOA funds you're receiving are being matched as if they were State dollars -- so they're being matched with the Federal -- there's a Federal match there on that project?

MR. SAIN: Yes, there is a Federal match, and we are taking the position that the money contributed by Law and Public Safety is the State match toward some of the costs of the project, yes.

MR. VARI: Can you just explain what the work is going to be at the armory -- what they're going to rehabilitate? I notice they're not going to fund the boiler, but they're going to do the drill floor, for example.

MR. SAIN: The initial project's undertaking is the installation of helical piles into the -- strike that. We're removing the existing asphalt drill floor that exists in the armory. It is sinking and has probably dropped a foot in depth from the rest of the building structure. The engineering solution is they are putting in about 100-and-some-odd helical piles. They're constructing concrete grade beams, a concrete floor cap over that, and at the same time installing the necessary plumbing and mechanical work to address the phase two renovations of the project -- which is basically building some bathrooms on the right hand side of the facility as you're looking at it, some offices for the recreational program folks, and some storage area for those folks. And we are making some parking lot improvement studies right now. The boiler replacement was not part of the agreement that we reached with Law and Public Safety regarding the drill floor renovation.

MR. VARI: Of all the requests for boiler replacements, I assume then that Atlantic City would be your top priority now, since that facility's--

MR. SAIN: Well, Atlantic City and a couple of other places that have got old boilers -- yes.

MR. VARI: Yes, but Atlantic City is where there's funding going into for other renovations.

MR. SAIN: We have made a commitment to make improvements to Atlantic City, as you may be aware. We did, probably

four or five years ago, make an investment of a couple million dollars in replacing the new roofing system over the drill floor area, and that has a standing seam metal roof over it. So we have basically started to make it a weather tight, really good building, and now we're working on the interior enhancements.

MR. VARI: Okay, thank you.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: I'd just like to follow up a little bit on this sinking floors. Have you done the engineering studies to show the ground is now stable, and that we don't have any sink holes or any future problems in that floor sinking more as time goes on?

MR. SAIN: Well, there are two areas that have problems. The one in Atlantic City -- I can't really speak. There were engineering studies; we've done a lot of analysis. Part of the problem is attributable to the soil conditions where they built the Armory. I think there was some contribution, that we can't confirm, from the tunnel construction that got done not too far from the Armory, and I think perhaps made some soil disturbances when they were building the tunnels. The engineering solution that we are proposing for Atlantic City, that we are actually doing, will be a permanent long-term solution, because we can get the drilling equipment into the drill floor and we're able to fix that correctly.

The set of circumstances in Cherry Hill is, we are built right adjacent to the river. The problem that is occurring there is a consolidation of organic soils that are down beneath the foundation. The only permanent solution to that would be an actual excavation and replacing it with proper fill. That's not practical considering that the building is currently sitting on

top of the site. So there is a proposed engineering solution that basically drills holes, injects a cement grout to stabilize the soil, and prevents any further subsistence (*sic*) of the building foundation itself. And that's what we're proposing to do.

MR. ANNESE: All right, thank you.

MS. MOLNAR: Any other questions or comments? (no response)

If not, I want to thank you for coming.

DEPUTY COMMISSIONER ZAWACKI: Thank you.

MS. MOLNAR: Our next department is Department of Environmental Protection. I'd like to welcome David Barth, Director, Division of Financial Management and Planning, and General Services.

E. DAVID BARTH: Good morning, Madam Chair.

With me I have Dave Rosenblatt, who is the Administrator of our Engineering and Construction Group within Natural and Historic Resources.

On behalf of the Department, I would like to thank the Commission for this opportunity to present our Fiscal Year 2012 capital needs.

By way of recap, I would like to summarize for you those needs. The Department's request totals \$1.1 billion, with \$180 million in Federal funding support, approximately \$300 million from the Environmental Infrastructure Trust, and \$90 million in anticipated dedicated funding that's available for capital purposes.

The balance of our need, \$493 million, is allocated as follows: For wastewater, which recognizes a major expansion in the program, is \$148

million. Parks and Forestry, we're looking at another \$76 million that's beyond the dedicated CBT funds that are available; the same with Fish and Wildlife at \$17 million. Engineering and construction is \$20 million, which basically represents the capital money that's necessary to provide match to HR-6 funding -- there is no dedicated resources that provide that source. We have then Palisades Interstate Park Commission, Mosquito Control, the expansion or the continuation of the Green Acres Program, and the Brownfields and Underground Storage Tank Remediation program that is beyond the available resources that are dedicated under CBT legislation.

This \$493 million capital need represents approximately 47 percent of the Department's entire capital budget. It supports the needs of the Department in environmental infrastructure financing; flood control efforts; open space acquisition; and request of several in, but not of, agencies for the Palisades Interstate Park Commission and Mosquito Control Commission.

The remainder of our capital need is supported by dedicated resources that sustain shore protection, recreational development through the CBT dedication; and site remediation work.

To touch upon a few of those items that require capital funding that is not from dedicated sources, I'll try and hit the high-priority items.

Flood control. Providing the necessary match to Federal Hanson Report-6 funding remains the Department's top priority. Specifically, \$11.3 million in State funds will leverage \$29.8 million in Federal monies. Major projects that will be continued in Fiscal Year 2012 include matching requirements for the Green Brook, South River, Saddle River, and Passaic River at Harrison. It is important to note that the

Federal ARRA monies appropriated to the Corps of Engineers in February of 2009 are still supporting \$20 million in construction costs over the next year. Our match must be available to continue these efforts.

Included in our request is the funding necessary to support the North Jersey District Water Supply Commission's management and operation of the first completed Federal flood control facility on the Ramapo River.

Brownfields remediation and underground storage tanks: In Fiscal Year 2012, the Department is requesting additional funding that is beyond the allocation of the constitutionally dedicated CBT monies. Over the past two years, the hazardous discharge site remediation fund -- HDSRF, as it's known in a lot of circles -- is capitalized with this dedication of CBT funding to Brownfields. That source has experienced an unprecedented demand due to economic downturn and the unavailability of private funding to support Brownfields redevelopment. The unmet need estimated by EDA is at \$125 million.

For the first time since 2006, the balance in the Petroleum Underground Storage Tank Fund will drop below \$20 million. Under the constitutional language that dedicated the CBT revenues, when that happens it will trigger reallocation of the 25 percent that's earmarked for Brownfields -- thus the reallocation will take \$13.7 million that otherwise would have been going to Brownfields, and direct it to the Underground Storage Tank Program.

Accordingly, the Department is requesting an additional \$13 million in capital funds to keep the Brownfields appropriation level at \$25 million. Along with this, the Department is seeking an \$11 million

appropriation of capital funds to keep the Underground Storage Tank funding levels at \$25 million as well.

Environmental infrastructure financing: On Tuesday, the Environmental Infrastructure Trust sold \$141 million in revenue bonds at an interest rate of 3.8 percent that will finance 88 wastewater treatment and drinking water projects with a combined project cost of \$316 million. This year's financing program, which utilizes both the Environmental Infrastructure Trust revenue debt and the Department's Federal Capitalization Grants -- which provide zero interest loans -- will provide a blended rate to the borrowers that range from 0.97 percent to 1.95 percent, depending on the type of project.

This year, a second round of financing is expected in April for those projects that weren't quite ready by yesterday's closing. Those additional projects will support \$49 million in wastewater treatment projects and \$19.7 million in water supply projects.

Going forward, the Department is proposing an annual financing program that seeks to set the bar at \$550 million to \$560 million per year. To do that, we need additional resources that are beyond the available Federal funding levels and what the Infrastructure Trust can match. Next year this represents approximately \$148 million in new monies, along with \$5.8 million that remain available from the 1981 Water Supply Fund for the drinking water projects.

Based on a recent project needs survey, there is \$21 billion in unmet wastewater and drinking water needs in the State of New Jersey.

Shore protection funding: New Jersey's Shore Protection Program remains viable with an annual dedication of the \$25 million from

the Realty Transfer tax. That funding, coupled with Federal and local support, has been and will continue to be critical to the State's efforts to protect our coastline and support the tourism industry.

Over the past calendar year, the Department has sponsored beach construction projects that were completed in the past year in Avalon, Sea Isle City, and North Wildwood.

The DEP has participated with the Corps of Engineers on projects currently in Harvey Cedars and Ocean City. Absecon, Atlantic City, and Cape May Meadows will be going out to construction shortly.

DEP is preparing for beach construction without Federal sponsorships in several areas that deal with the north end of Atlantic City, and we've begun reconstruction on a bulkhead in Red Bank.

Our Fiscal Year 2012 capital request focuses on fundings that continue -- that will cover Long Beach Island and Port Monmouth.

As in the past, our request for dedicated shore protection funds will be used, in large part, to leverage approximately \$31.7 million in Federal monies.

Site remediation: Our Fiscal Year 2012 capital needs for site remediation include \$79.6 million in funds to continue ongoing remediation projects, waterline replacements, operation and maintenance on cleaned-up sites, and the closure of sanitary landfills. Offsetting part of these needs, we anticipate approximately \$10 million from the Federal Superfund program and \$44.6 million from the CBT dedication. To date, the availability of the CBT dedication has allowed the State to avoid the issuance of general obligation debt that was authorized in the 1986 bond fund and the 1996 bond fund.

Recreational development: In 2009, more than 18 million visitors attended and utilized the State Park system. Recreation opportunities are provided in 40 State Parks, 11 State Forests, three recreation areas, 118 Wildlife Management Areas, 43 natural areas, and more than 50 historic sites and districts. These areas encompass over 820,000 acres of New Jersey. In all, the Department is responsible for over 1,900 structures within that system.

As you know, in 2006 the voters approved a constitutional amendment dedicating a piece of the CBT dedication as a stable funding source to support the maintenance and the development of recreational opportunities within our Parks and Wildlife Management Areas. This amendment has drastically and dramatically changed the Department's capital request.

While the Department's capital needs, as represented in the budget, represents approximately \$108 million throughout the Park system and the Wildlife Management Areas, only \$15 million is considered available in any given fiscal year from the CBT dedication. Accordingly, our capital request identifies the unmet need of \$93.7 million.

Out of this year's funding, the Department, through the Division of Property Management and Construction, will be awarded construction contracts to replace the bulkhead at Forked River State Marina, restore the concrete battery at Fort Mott, upgrade utility services at Monmouth Battlefield, and expand the Visitors Center at Monmouth. Energy conservation projects include work at Hacketstown and Pequest fish hatchery.

For Fiscal Year '12, the capital projects identified in this request include continuing sanitary facility upgrades throughout the system, road and bridge repairs throughout the system, and day-use facility improvements.

The last two items I'd like to touch upon are the Palisades Interstate Park Commission, which again includes the request of \$4.9 million for recreational development work, roadway improvements along the Henry Hudson Drive; and \$400,000 in historic preservation at Fort Lee.

The State Mosquito Control Commission is requesting approximately \$899,000 to replace heavy equipment used by the county mosquito control commissions, and \$169,000 for open marsh water management projects at the Forsythe National Wildlife Refuge.

Currently within the Mosquito Control Commission's inventory of equipment there's 130 pieces of equipment. Within that group there are several that are assigned throughout the state that qualify as capital equipment. The range of these capital equipment items, all which probably represent a cost in excess of \$70,000, are 20 to 38 years old. Currently the Department spends over \$100,000 to maintain those pieces of equipment because of their age.

In closing I would like to thank you for your time. Dave and I are available to answer any questions you may have.

MS. MOLNAR: Thank you.

This is very informative information -- very helpful.

I had a few questions. The equipment used by the county mosquito control commissions -- do they pay a fee to use this equipment?

MR. BARTH: Once the counties have the mosquito control -- the piece of mosquito control equipment, they're responsible for maintaining it once it's in their possession, unless that maintenance is a major item to repair it. But the ongoing, day-to-day operating expenses -- oil changes, those types of things -- are the responsibility of the county once they borrow that piece of equipment.

MS. MOLNAR: When they borrow it, though, don't they pay the State a fee?

MR. BARTH: No, they do not -- not that I am aware of.

MS. MOLNAR: We give it to them to use for free?

MR. BARTH: Right, yes.

MS. MOLNAR: That's surprising.

MR. BARTH: I can confirm that.

MS. MOLNAR: I live in Union County, and that budget goes up billions every year. I'm amazed. I would think the counties would pay something.

Also, the old equipment -- could you sell the old equipment to the county? Would they be interested in buying any of this?

MR. BARTH: What the Department tries to do is, depending on the different counties and what projects they need and the types of equipment necessary, we more or less coordinate the movement of that piece of equipment from Middlesex County to Cape May County, because Cape May may need it next year. So as opposed to allowing one county to take ownership and retain ownership, we try and manage who needs the equipment when.

MS. MOLNAR: I was thinking of the old ones. You said it's 38 years old. Would there be any interest by the county to take that piece?

MR. BARTH: We can certainly look at that and we can report back to the Commission.

MS. MOLNAR: Okay, thank you.

I had a question about shore protection. I'm a big fan of Cape May, and that World War II bunker -- you used to be able to walk on it. I don't think you can now. Is there any remediation being done to the erosion and the tip of the State of New Jersey there in Cape May.

DAVID B. ROSENBLATT: Yes, we are actually getting ready to go to-- Well, the Corps of Engineers are ready to go to -- contract an award for a beach replenishment project in that area. It's the lower Cape May Meadows project that--

MS. MOLNAR: What are they going to do, exactly?

MR. ROSENBLATT: Beach fill.

MS. MOLNAR: They are actually going to fill the beach back up in Cape May Point?

MR. ROSENBLATT: Yes.

MS. MOLNAR: Oh, when you say Meadows-- I don't think of the Point as the Meadows. Okay.

The other question I had-- Oh, the infrastructure. You said the Environmental Trust just sold some bonds. I guess they're refund-- They're revenue anticipation bonds, when you say bonds -- revenue bonds?

MR. BARTH: Yes, that's correct. Those bonds that are sold by the Infrastructure Trust are repaid by loan repayments from the borrowers.

MS. MOLNAR: What is the term and use for those revenue bonds?

MR. BARTH: The term is 20 years--

MS. MOLNAR: Wow.

MR. BARTH: --which is, in effect, matched by what the Department provides in Federal money at a 20-year loan, at zero rate. So what the Infrastructure Trust-- Their loan would be at whatever the bonds were sold -- 3.8 percent -- and the Department's other half of the financing to a borrower is lent for 20 years at zero percent. So the effective blended rate is 1.9 percent to the borrower for 20 years.

MS. MOLNAR: Now, where does the State of New Jersey get the funds to pay the interest to the--

MR. BARTH: The State of New Jersey receives money from the Federal government out of the -- from EPA, under the State Capitalization Grant. That's a grant that's deposited to the State Revolving Fund and we originate loans using Federal monies.

MS. MOLNAR: And that's also 20 years?

MR. BARTH: As those Federal loans are repaid, those repayments also provide second-generation loans.

MS. MOLNAR: So we're paid by the Federal government over a 20-year period as well?

MR. BARTH: No, we draw down from the Federal government as project costs are incurred. So we may receive-- This year we received an \$80 million grant from the Federal government that is financing projects that closed the other day. We will be drawing down those funds over the next two-and-a-half years to pay direct construction costs. As the borrowers

repay that money, or at least that portion that is the Department's share, those monies become available for second-generation loans under the State Revolving Fund Program.

MS. MOLNAR: Okay. From a cash-flow point of view, where do we get the funds to pay the bond holders the interest?

MR. BARTH: The bond holders of the Infrastructure Trust--

MS. MOLNAR: Yes, we have to pay them 3.8.

MR. BARTH: --are paid back through the loan repayments that the borrowers make to the Infrastructure Trust.

MS. MOLNAR: Oh, I thought that was turned around and loaned out again. You're saying, not all of it.

MR. BARTH: There are two halves of the program: There's a half of the program that the Infrastructure Trust provides the funding through the sale of revenue bonds. Those investors that purchase those bonds are paid back by the borrowers of the loan. The borrower repays-- It's easier to kind of think of this -- the borrower makes two payments back -- two repayments: one that goes to the trust to pay back the trustees of that revenue debt; the other half of the payments come back to the Department. The Department's money is used for second-generation loans.

MS. MOLNAR: Oh, okay. But the borrower only pays us back 1.95 percent.

MR. BARTH: On a blended rate -- yes.

MS. MOLNAR: So we still are paying out 3.8 percent. So the difference is--

MR. BARTH: The Trust--

MS. MOLNAR: Where's the Trust with the difference?

MR. BARTH: The trustees are getting 3.8 percent back.

MS. MOLNAR: Oh, they are? Okay.

MR. BARTH: Right. They're getting 3.8 percent back. However, when you look at the fact that a borrower doesn't have to pay the Department anything-- When you look at the amount of interest being paid over a full loan, it's only half of that 3.8 percent.

MS. MOLNAR: Okay, so you're saying there's not a cash flow issue--

MR. BARTH: No, there's not.

MS. MOLNAR: --paying the borrowers-- I'm sorry, the bond holders.

MR. WILSON: Will this be in our debt report -- these refund bonds? Is that something that's in the debt report?

MR. VARI: I'd have to check with Jim Petrino.

MS. MOLNAR: And also: They usually put a potential borrowing-- There's an April 2011 borrowing that they're talking about, too.

MR. PETRECCA: Those bonds aren't considered a part of the State's long-term debt.

MS. MOLNAR: They're not, even though they're 20 years, right?

MR. PETRECCA: No, they're not part of the State's long-term debt.

MS. MOLNAR: How do you define long-term debt?

MR. PETRECCA: Bonds that are issued which the State's General Fund will pay for.

MS. MOLNAR: Oh, okay. All right, I get it.

Thank you for your patience.

Any questions or comments? (no response)

Gee (laughter). Thank you very much for coming.

Okay, our next and last department is Judiciary. I'd like to welcome Shelley Webster, Director of the Office of Management and Administrative Services.

SHELLEY R. WEBSTER: Good morning.

Thank you for this opportunity to discuss the Judiciary's capital budget priorities for Fiscal Year 2012.

I have here with me Robert O'Neill and Vincent Burke, who will help answer any questions that you may have when we're completed.

Consistent with last year, we're not asking for funding for our most pressing needs involving information technology. Those needs still persist, and we continue our efforts to ensure that information technology systems remain viable. As you know, our computer systems support the work of the entire statewide judiciary, with more than 1 million Superior Court cases; the entire statewide municipal court system, with more than 6 million cases; the New Jersey State Police; local police departments; the Motor Vehicle Commission; and other State and county agencies, including those in the criminal justice system.

We are keenly aware of the need to prioritize as never before and are not placing our current IT needs before you today. Discussions about technology will have to wait for sometime in the future.

Again, we understand the fiscal posture of our State, but I think I would be remiss if I did not advise you now of the long-term implications

to the Judiciary if we are unable to identify funding sources to address our ongoing and long-term information technology needs.

But to prepare to meet with you today, I worked with our judges and staff to reduce our request to just three essential projects that we need to address in Fiscal Year 2012.

First is the \$1.9 million project in process for the Mercer County Criminal Courthouse. The Criminal Courthouse has become not just obsolete, but a safety hazard. Reports of collapsing staircases, falling ceilings, and other such stories have been addressed by the Mercer County Executive, with plans for a new criminal courthouse. Construction has begun and the Judiciary must be ready to have functioning office space when the new county-funded courthouse is ready for us to move in.

The County assumes the cost of the facilities; however, the Judiciary is responsible for the cost to outfit and furnish the space for the staff. Please be assured that before we look to purchase anything new, we will reuse every piece of furniture we can, from what is in the Courthouse now to what we might find in the State's supply of surplus office equipment -- which we go to frequently.

But those efforts will not meet the full demand to furnish the new space. Therefore, we make this request to address those furnishings we cannot redeploy for use in the new complex but must purchase new. We need systems furniture and other requirements for nine courtrooms, criminal division judges and staff, grand jury, as well as juror rooms, public area seating, interview rooms, judges' libraries, break rooms, attorney meeting rooms, probation drug court, intake, and high density records storage. The new Criminal Courthouse will enable the Judiciary to

maximize services to approximately 10,000 litigants, 1,200 grand jurors, 4,000 petit jurors, and an unknown number of concerned or involved members of the public.

Second, the final phase of the Gloucester County Justice Complex project involves moving Family Division staff to the newly constructed facility; and the County renovating the existing family building so that the County Administration and staff, that currently have offices in the Courthouse on 1 North Broad Street, can relocate to the Family building. This will allow the civil courts to expand with additional court rooms, conference rooms, attorney-clients rooms, and other necessary space requirements. The cost for this is \$75,000.

And finally, I must describe the needs of the Richard J. Hughes Justice Complex. Housed in the Complex are the Administrative Office of the Courts; chambers for the justices of the Supreme Court, judges of the Tax Court, judges of the Appellate Division; the clerks' offices for the Supreme Court, the Appellate Division, the Superior Court, and the Tax Court; as well as various Executive Branch offices. Over the past few years we have been able to update and repair many of our offices, but we have more to do and the situation is becoming critical.

Today we are requesting \$850,000 to complete the final phases of the critical initiative to replace deteriorating, obsolete furniture and partition structures to eliminate existing safety hazards, and to create more usable and cost-efficient space for 110 Judiciary staff in the Superior Court clerks' offices. This project provides for modular workstations that meet safety and space allocation standards, and corrects dangerous electrical circuits. Since the Complex was built more than 25 years ago, the growth

of automated and electronic systems has resulted in dangerous overloading of electrical and cable systems. Capacity is simply inadequate to handle the requirements of today's Judiciary. The clerk's office serves more than 7,000 litigants and attorneys who visit to conduct court business every year and manages millions of court records.

All of this adds up to a request today of about \$2.8 million in capital funds. We appreciate the difficulty of the task before you, and are extremely sensitive to the needs of New Jersey residents who are relying on the State to conserve funds and limit spending.

In an ideal world, we wouldn't be here today. We're fully aware of the State's fiscal situation. However, the health and safety needs of staff, judges, attorney, and the general public who use these three court facilities -- the Mercer County Courts, the Gloucester County Courts, and the Richard J. Hughes Complex -- can no longer be ignored.

Thank you for your time, and we're here and are available to answer any questions you may have.

MS. MOLNAR: Thank you.

I had one question: I know it's been at least 10 years -- the cost of the court system was moved from the counties to the State.

MS. WEBSTER: Yes.

MS. MOLNAR: Now, this cost-sharing that you mentioned -- the county assumes the cost of the facilities, and the Judiciary is responsible for the cost to outfit and furnish the space. Is that set by statute?

MS. WEBSTER: It's--

R O B E R T O' N E I L L: The Constitution? When they amended the Constitution?

MS. WEBSTER: It's part of the Court Unification Act, I think.

MS. MOLNAR: Oh, okay. So, yes, it's by statute -- Court Unification.

I'm surprised that they didn't get any kind of cost sharing with the counties for the fit-out portion.

MS. WEBSTER: Yes, anything that's not connected to the building, the State has to pay for.

MS. MOLNAR: Okay, I understand. Thank you.

Any questions or comments? (no response)

Thank you very much for coming.

MS. WEBSTER: Again, thank you for your time.

MS. MOLNAR: Our next meeting is December 10.

MR. VARI: The 10th -- debt report and final recommendations.

MS. MOLNAR: And debt report and recommendations. We might have the meeting downstairs in the museum room -- maybe. I think it's now Senate Appropriations room or something -- some Appropriations committee room.

MR. VARI: Correct.

MS. MOLNAR: We'll keep you posted.

Any other items? (no response)

If not, I hope you have a great turkey day, and I'll see you in about three weeks.

MR. VARI: Correct. Thank you.

MS. MOLNAR: Meeting adjourned.

(MEETING CONCLUDED)