
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

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

DATE: November 14, 2003
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

B. Carol Molnar, Chair
Anthony F. Annese, Vice Chair
Senator Wayne R. Bryant
Assemblyman Peter J. Biondi
Patrick R. Brannigan
Gary Brune
Kevin P. McCabe
Robert A. Roth



ALSO PRESENT:

David Rousseau
(Representing John E. McCormac)

Michael Lihvarcik, Acting Executive Director
New Jersey Commission on Capital Budgeting and Planning

Meeting Recorded and Transcribed by
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B. CAROL MOLNAR (Chair): I'd like to call the meeting to order. In accordance with the Open Public Meeting Law, the Commission has provided adequate public notice of this meeting by giving written notice of time, date, and location. The notice of the meeting has been 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'll now take a roll call.

MR. LIHVARIK (Acting Executive Director): Assemblyman (*sic*)
Littell. (no response)

Senator Bryant. (no response)

Assemblyman Cryan. (no response)

Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Here.

MR. LIHVARIK: Mr. Rousseau, for Treasurer McCormac.

DEPUTY TREASURER ROUSSEAU: Here.

MR. LIHVARIK: Mr. McCabe.

MR. McCABE: Yes, here.

MR. LIHVARIK: Mr. Brune.

MR. BRUNE: Here.

MR. LIHVARIK: Mr. Brannigan.

MR. BRANNIGAN: Here.

MR. LIHVARIK: Mr. Roth.

MR. ROTH: Here.

MR. LIHVARIK: Mr. Annese.

MR. ANNESE: Here.

MR. LIHVARIK: And Ms. Molnar.

MS. MOLNAR: Here.

MR. LIHVARCHIK: Madam Chairwoman, we have a quorum.

MS. MOLNAR: Thank you.

In your packet, you received a notice from me designating Michael Lihvarcik as our interim acting Executive Director. I'd like to welcome him to our meeting.

MR. LIHVARCHIK: Thank you.

MS. MOLNAR: The first item on our -- oh, I'm sorry -- is the approval of the minutes for the Commission meeting on October 10. Is there a motion to approve?

DEPUTY TREASURER ROUSSEAU: So moved.

MR. ROTH: Second.

MS. MOLNAR: Any comments or changes or suggestions? (no response)

If not, we'll take a vote on the minutes.

MR. LIHVARCHIK: Assemblyman Littell. (no response)

Senator Bryant. (no response)

Assemblyman Cryan. (no response)

Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Yes.

MR. LIHVARCHIK: Mr. Rousseau, for Treasurer McCormac.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. McCabe.

MR. McCABE: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: Ms. Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: Madam Chairwoman, we have eight votes in the affirmative.

MS. MOLNAR: Thank you.

Our next item on the agenda is the debt report presentation. I'd like to welcome Ann Flynn.

Good morning.

Could you introduce your staff?

A N N G. F L Y N N: Yes.

Good morning. My name is Ann Flynn. I'm the Director of the Office of Public Finance. I have with me this morning Jim Petrino, the Deputy Director of Public Finance.

We're here this morning to present to you the State debt report, which speaks to the State debt as of June 30, 2003. With that, I'd like to call your attention to the report, which was distributed to you all previously, and we would just propose to go through that briefly, tab by tab.

Tab A sets forth the legislative requirements, as required by the act, which is basically to present to you a report on the State's overall debt.

Tab B briefly describes the debt management goals. And on the first point, which is to maintain the investment grade rating for the State's long-term debt, I am very happy to report to you this morning that late yesterday, Fitch, who had previously had the State on negative watch outlook, removed

that. And that had been a designation on the State debt rating since March of this year. So that was good news.

Under Tab C, you will note the different types of debt that the State is authorized to issue. It includes general obligation bonds subject to appropriation debt, and what we call *moral obligation*.

Tab D presents to you the debt service as of June 30, 2003, for all of the bonds outstanding for Fiscal Year '03, '04, and five years going forward. That is all contained in Schedule D-1. It is broken out by G.O. debt and the various other types of debt issued by the State. We've also incorporated under D-2 the authorized, unissued, and outstanding debt as of June 30, 2003. And in this particular report, we have done a comparison of the same types of issues to 6/30/02, and that's reflected in the far right column of D-2.

Tab E of your report talks about the debt reconciliation to the CAFR. It shows the total debt outstanding, less and plus obligations not included in the CAFR.

Under Tab F, you'll find the State of New Jersey's rankings versus what is proposed by the various rating agencies. You'll see, in the column on the far right, that even if the State were to issue an additional 1 billion in new debt, that our ranking, which is presently at four, would remain the same.

Tabs G through K, basically, show you the different types of bond programs, starting with Fiscal Year '04 and going forward, for bond issues that we presently contemplate going forward for future years.

Under Tab G, it presents the general obligation indebtedness for Fiscal Years '04, going forward.

Under Tab H, we have the anticipated debt issues for TTFA, which presently includes the transaction done over the summer.

Under Tab I, we show the Garden State Preservation Trust, the anticipated future bond issues. Presently, we have in there the 500 million, and we do have the additional 150 million that was approved by the voters earlier this month.

Tab J represents issues for the New Jersey Educational Facilities Authority. We recently sold bonds for the Dormitory Safety Trust Fund, and still have a future bond issue for the Capital Improvement Fund of about \$77 million.

Tab K reflects the school construction program through the New Jersey Economic Development Authority. We anticipate about a billion two for Fiscal Year '04; and then '05, '06, and '07, approximately \$1 billion.

Tab L is basically the breakout by principal and interest for all of the bond issues reflected in Schedule D-1. We have it for Fiscal Year '03, '04, and five years going out. It's broken out principal and interest, and we also reflect the ratings on those outstanding bond issues, the type of credit, as well as the final maturity.

Under Tab M, under the CAFRA, we have the net lease payments reflected as of June 30, again showing it for Fiscal Year '03, '04, and five years going forward.

Under Tab N and O, we have the most recent *Moody's* reports. Under Tab O, we have the 2003 State debt medians that we have used in preparing this report.

Tab P is the act itself.

Under Tab Q, we have outstanding debt as of June 30, broken out by general obligation, subject to appropriation, moral obligation, plus the adjustments for the CAFRA at the bottom.

And we've included in Tab R, since we've been very busy since June 30, all of the subsequent events since that point in time, which include several refunding bond issues as well as new money issues. The rates have continued to remain low so we have been active with our refunding. And it also picks up at the bottom of R-1, the two issues approved by the voters earlier this month for the dam, lake, and stream, as well as for the additional 150 million for Garden State.

And with that, I thank you and would welcome any questions you may have for us.

MS. MOLNAR: Thank you.

I had just one question on the Transportation Trust Fund. Our Commission had recommended 930 million for Fiscal Year 2004, and what was actually appropriated -- it looks like 805 million. How do you reconcile that with H-1, which shows 924 million being issued?

MS. FLYNN: We had money from prior years that had not been funded with bond issues.

DEPUTY TREASURER ROUSSEAU: I think I'll take a shot at clarifying that, too. You're comparing apples to oranges.

MS. MOLNAR: Okay.

DEPUTY TREASURER ROUSSEAU: The 805 is the appropriation from the General Fund. The 924 is the bonds that are issued. The combination of the spending program is the pay-as-you-go portion of that 805; plus the 924 in bonding gave us a capital program of about--

Mike, about one-two, or something like that -- 1.2 billion.

MR. LIHVARIK: One-point-two; two-eight.

MS. MOLNAR: Oh, okay.

MR. LIHVARCHIK: So that's why there are two -- one's the bonds, one's the State appropriation.

MS. MOLNAR: Okay. So you have both, then, to use.

MR. LIHVARCHIK: If I could just add one thing. The way that it works is, is that the Department develops a plan as to how much cash they're going to need. And Dave is absolutely correct. The cash need, basically, is composed of the amount of pay-as-you-go capital and the amount of bond proceeds that are issued that go into and actually pay for projects. Whereas, the appropriation, basically, just is the constitutional dedication, and it's something that is completely separate.

MS. MOLNAR: All right. Good.

Thank you for clarifying that.

Any other questions or comments? (no response)

Mr. Annese.

MR. ANNESE: Madam Chair, I'd like to direct this question, through you, to whoever you would like to direct it to, or to anyone who would want to discuss it. If we look on Section B-1, we're talking about the debt management goals. We're recommending that the G.O. debt stays level, but we're silent on the debt of the moral obligation or debt subject to appropriation. If we look at Q-1, those two sections are the lion's share of our debt. I'm suggesting perhaps we should consider the possibility of considering those other two types of debt in the recommendations of this report. And I'll refer that to you, to whomever you would like to discuss that issue.

MS. MOLNAR: Okay.

Is there any comment on that?

DEPUTY TREASURER ROUSSEAU: I'll comment. It would be a worthy goal, but it's just totally unrealistic when you're going to be issuing a--

I mean, we have to issue a billion dollars of bonds a year for school construction. It's an issue between -- had already been authorized by the Legislature and have not yet been issued. I don't think there's any feasible way it can be done. You're going to be talking about issuing TTF bonds in the future for -- at least the same amount in the future. We've got a billion dollars a year of school construction. We've got \$500 million to preserve open space. The question is, do you give up any of those important-- The only way you could do that is to give up those important programs. I don't think that it's anything that we can do.

MS. MOLNAR: Is there an equivalent of this Commission in each House -- Senate and Assembly -- that oversees, has a plan as far as appropriations? I know there's an Appropriations Committee, but--

DEPUTY TREASURER ROUSSEAU: Well, once the Legislature passes the law and authorize the school construction bonds or the Garden State Preservation, or whatever, then it's an executive function for the issuance and management of that debt. Now some of the programs, the debt requires specific appropriations by the Legislature from those bond acts, so they get a second approval process by approving the specific project. So, like the Garden State Preservation Trust, they then approve the actual projects. I'm trying to think of something else that they actually approve. Anything we do from the Building Authority, they have to approve a resolution on the Building Authority. But other than that, once the bonds are approved either by the Legislature, usually-- Moral obligation bonds are approved by the Legislature, subject appropriation and moral obligation are approved by the Legislature, and then GOs are approved by the voters. Then it's ultimately up to the Treasurer, basically, to determine when to sell bonds, when not to sell bonds, how to structure, and so on.

MS. MOLNAR: Is there any overall master plan as far as capping our appropriations, like is there a number in anybody's mind saying we should never go over 20 billion, or is there any number in anyone's mind?

DEPUTY TREASURER ROUSSEAU: No. I think what we've tried to do, though -- and Ann will correct me here -- is over the last two years, we've tried to, wherever possible, take advantage of the market. I'll let Ann explain the swaps that we've done on school construction, where we've basically locked in the \$3 billion. Correct me if I'm wrong--

MS. FLYNN: That's correct.

DEPUTY TREASURER ROUSSEAU: --but the \$3 billion, that we'll issue over the next three years, we locked in at current interest rates as a hedge against those interest rates going up. So we're trying to do what-- I mean, refundings-- I mean, it seems like every time I look we're doing another refunding. I'll let Ann explain more about what we've actually been doing to try to manage that debt service load.

MS. FLYNN: Right. As Dave has indicated, what we've done is, because rates are so low right now and for some reason continue to remain low, we have done refundings quite often of all types of debt, but primarily the appropriation debt, as a means to lower debt service on outstanding bonds. So that when we do have new money needs, as Dave mentioned for Garden State, for school construction, for some of the programs through EFA, we have been able to, in addition to borrowing for new money needs at lower rates, we've also been able to reduce the debt service on the outstanding debt. So that has been a measure we have used to try to reduce debt service.

Additionally, as mentioned, we entered, or the Economic Development Authority entered, into hedges against rising interest rates. Eventually rates will have to go back up, and what we have done for at least 3

billion of the school construction program is lock in a rate anywhere from about 3.2 percent to about 3.8 percent for 20-year debt. So that since we know that is a program that is going to have to be funded over time to meet school construction needs, if rates at the time -- and let's say 2005 are really 4.5 to 5 percent -- we will have locked in the cost to the State at somewhere closer to 3.5 percent. So we have tried to manage and work under the lower rates right now for future debt.

The other point I'd like to make is that the rating agencies watch us very closely. I think it's a real plus that they took -- at least Fitch, for the time being, has taken us off negative rating outlook. And in part, that is based on increased revenues to the State. But we are also trying to very carefully manage future debt issues by taking advantage of ways to reduce debt service costs, both ongoing and future, to the State.

DEPUTY TREASURER ROUSSEAU: I would think that over the last two years, I guess -- correct me if I'm wrong here -- the only things that have been authorized by the Legislature over the last two years is the \$200 million that the voters just approved on streams, and Camden -- I guess, would be the only--

MS. FLYNN: And DMV.

DEPUTY TREASURER ROUSSEAU: And DMV.

Yes, so over a two-year period, you're talking about only \$400 to \$500 million in new authorized debt that's been approved by the Legislature and this Governor.

MS. MOLNAR: Mr. Roth.

MR. ROTH: Madam Chair, you mentioned that you've locked these rates in for -- what did you say -- three or five years?

MS. FLYNN: The hedges start from September '04 through '07.

MR. ROTH: Now, is there any cost associated with that lock in?

MS. FLYNN: There are the typical costs of issuance. You need bond counsel opinions and you do pay the providers who enter into the swaps with you. The State does not directly pay. It's taken out of the overall rate return to the State.

MR. ROTH: Okay, but those rates are still fairly low?

MS. FLYNN: Are very good.

MR. ROTH: The higher end, I think you said, was 3.8?

MS. FLYNN: Just to give you an example. We sold school, new money construction bonds that were not hedged back in -- I think it was October--

JAMES PETRINO: Yes.

MS. FLYNN: --of '02, at a rate of about 4.44, if I recall, for 20-year bonds.

MR. PETRINO: That's correct.

MS. FLYNN: And our hedges go anywhere from 3 point -- I'll just give you the overall -- from about 3 to about 4.3, so we're well under what the market is at the present time. And again, the market has been all over, but I think the long-term expectation is that rates will rise eventually.

MR. ROTH: One further question. Just to give me a point of reference, can you tell me what the debt service is as a percentage of the entire State budget?

MS. FLYNN: Yes. We have it per capita.

MR. PETRINO: Yes. We don't have it--

MS. FLYNN: We have it on a per capita basis, but we could get you that other number.

MR. PETRINO: I don't have the whole budget.

MS. FLYNN: We don't have the whole thing.

MR. PETRINO: No.

DEPUTY TREASURER ROUSSEAU: Actually, if somebody has a calculator, it's just simple for '04 -- it would be just the 1.6 number on Page D-1 divided by, roughly, 24 billion. That's what this year's appropriation act is, 24. I think everything here is on -- yes, that would roughly be what it is. I don't know if anybody has a calculator.

MS. FLYNN: That's per capita, right.

MR. ROTH: Okay. Thank you.

MS. MOLNAR: Do we any other questions or comments?

Mr. Biondi.

ASSEMBLYMAN BIONDI: Thank you, Chair.

Just a question. I've been reading where the Governor is looking to merge three universities, and a projected cost of 3 billion. There's been no consideration for that in this report at all?

MS. FLYNN: That is not contained in this report, no.

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

If not, I believe we usually vote every year to accept -- the wording is to accept the debt report. So do I hear a motion to accept the debt report as presented?

MR. ROTH: So moved.

MS. MOLNAR: Okay.

Do I hear a second?

DEPUTY TREASURER ROUSSEAU: I'll second it.

MS. MOLNAR: Any further comments? (no response)

If not, we'll take a vote.

MR. LIHVARIK: Senator Littell. (no response)

Senator Bryant. (no response)

Assemblyman Cryan. (no response)

Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Abstain.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. McCabe.

MR. McCABE: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: Ms. Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: Madam Chairwoman, we have seven votes in the affirmative. The motion passes.

MS. MOLNAR: Thank you very much.

Thank you for your presentation.

Our next department, we are welcoming the New Jersey Building Authority, Charles Chianese.

Good morning. Would you introduce your attendees?

CHARLES CHIANESE: I will, Madam Chair.

MS. MOLNAR: Thank you.

MR. CHIANESE: Thank you, Madam Chair, members of the Commission. Good morning.

On October 21, the New Jersey Building Authority Board approved the project report, which is before you this morning for consideration. The project report was submitted on behalf of the Pinelands Commission as a supplemental project report to the original project report, which was approved by this Commission.

With me this morning, to my left, your right, is John Stokes, the Executive Director from the Pinelands Commission. To my right is Carl Costantino, the Senior Project Manager for the New Jersey Building Authority. Also with us is Jay Riches, a facilities manager for the Pinelands Commission; as well as the architectural engineering firm, Lammey and Giorgio, in which we have Tony Giorgio, as well as Grant Peatman, who is the Project Manager.

The New Jersey Building Authority has enjoyed a long-standing relationship with your Commission and appreciates the opportunity to come before you this morning. I should also note that the project report before you this morning for consideration does not require any additional financing. The project is being funded from project surplus funds that have been accrued on behalf of other projects.

At this time, with your approval, Madam Chair, I would like to ask John Stokes, Executive Director of the Pinelands Commission, to briefly overview the project. After Mr. Stokes's overview, we would be happy to address any questions that Commission members may have.

Madam Chair, if this is acceptable--

MS. MOLNAR: Sure.

MR. CHIANESE: --Mr. Stokes will continue.

JOHN C. STOKES: Thank you, Madam Chair.

Again, thank you very much for hearing us today. Just to give you a little bit of background on the property and the project, the Pinelands Commission's Headquarters are located on a four-and-a-half-acre remnant of a historic farmstead, known as Fenwick Manor. The property consists of four historic buildings and, then, one new office building that was constructed several years ago.

The Fenwick Manor farmstead is a historic property of not only state significance, it's also included on the National Register of Historic Places and represents a very significant part of Pinelands' history, in that Elizabeth White, who was credited with developing the cranberry for marketing purposes, called Fenwick Manor her home.

Several years ago, we approached the New Jersey Building Authority about renovating the four historic buildings on the property, primarily for life safety considerations. Those buildings include the manor itself and what we call a carriage house -- those two buildings are used for offices for our staff -- a historic barn which is currently used for storage, and then a historic outhouse -- I believe it's a four-seater -- which isn't in use today.

The Building Authority contracted for a preliminary assessment of the project, and I guess an architect and engineer did review the property and the work that needed to be done and estimated at that time the project to cost upwards of about \$1.15 million. That is the project that, with your prior support, the administration's support and the Legislature's support, was approved back in 2002. At that point in time, the Building Authority contracted with the architect and engineering firm that would do the detail design and development for the project. It was at that point that detailed, comprehensive investigations of the structural integrity of the facilities, the environmental conditions, and the like were done. And as a result of those detailed

investigations, which actually included cutting holes in walls to analyze structural integrity, soil testing, various types of environmental testing--

The construction cost estimate was increased to about \$1.95 million, which brings us here today to seek your support for the additional \$800,000 to complete the project.

And, Madam Chair, with that I will stop and would be happy to answer any questions that any member might have.

MS. MOLNAR: Thank you.

Any questions or comments?

Mr. Annese.

MR. ANNESE: The \$800,000 you're requesting at this point -- would that complete the project?

MR. CHIANESE: Yes.

MR. STOKES: Yes.

MR. ANNESE: Is anything hidden? In other words, you've already anticipated the problems that you had with the original plans and anticipated the \$800,000. There won't be any undisclosed problems that--

MR. STOKES: The architectural and engineering work has, virtually, all been completed at this point. So the project will be ready to go out to bid, I suspect, within the next couple of months if the funding is provided. So we wouldn't anticipate any other issues arising.

MR. ANNESE: All right. Thank you.

MS. MOLNAR: Thank you.

MR. ROTH: Madam Chair.

MS. MOLNAR: Yes. Mr. Roth.

MR. ROTH: Could you, please, explain the urgency of doing this this year, as opposed to some future year when perhaps the State would be in better fiscal condition?

MR. STOKES: Yes, I'd be happy to. I wish I had thought to bring some photographs of the facilities for you. The buildings are occupied by members of our staff, and frankly, there are serious life safety issues regarding ingress and egress, regarding structural integrity of the facilities, and the like. It would be my view that to leave the facilities as they are now would continue a very serious life safety issue, and I think we would have to seriously consider alternatives which, perhaps might, in the long run, be as expensive, if not more expensive.

MR. ROTH: How many employees are at the facility?

MR. STOKES: Well, our staff currently numbers around 60. Not all of the employees are on site, because frankly we haven't felt that we had the facilities there to accommodate them. So we have about six or seven employees that are located off-site at this point in time.

MR. CHIANESE: Mr. Roth, if I can also add. With regard to this particular project, the additional \$800,000, this in no way does impact the State's financial position, because it is being paid for directly from dedicated bond proceeds, which already exist. So no additional financing would take place, nor does it require any additional appropriation.

MR. ROTH: Well, the funds may already be in place, but perhaps there might be another project, with other more urgent needs, that could be financed with those same funds.

MR. CHIANESE: I certainly would agree with that. But for the reasons Mr. Stokes has outlined, we did look at it from a life safety perspective and some real structural integrity issues that do exist.

MR. ROTH: Thank you.

MR. LIHVARCHIK: Just to add, the staff from the Capital Planning Commission (*sic*) has been out. We've been out to see the Pinelands Commission. They actually have people sitting in, if I remember, closets. Thank God the people weren't claustrophobic, but we've done several site visits, and the project is a worthy project.

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

I believe, in your packet, you have a resolution that we should vote on -- Resolution 03-1. I will just read the last paragraph. "Be it resolved that the New Jersey Commission on Capital Budgeting and Planning recommends approval of the supplemental project reports, for renovations to the existing facilities in the Pinelands Commission headquarters, to the Governor and the Legislature."

Do I hear a motion to approve this resolution?

SENATOR BRYANT: Move it.

MS. MOLNAR: Do I hear a second?

DEPUTY TREASURER ROUSSEAU: Second.

MS. MOLNAR: Okay. We'll take a vote.

MR. LIHVARCHIK: Senator Bryant.

SENATOR BRYANT: Yes.

MR. LIHVARCHIK: Assemblyman Biondi.

ASSEMBLYMAN BIONDI: Yes.

MR. LIHVARCHIK: Mr. Rousseau.

DEPUTY TREASURER ROUSSEAU: Yes.

MR. LIHVARCHIK: Mr. McCabe.

MR. McCABE: Yes.

MR. LIHVARCHIK: Mr. Brune.

MR. BRUNE: Yes.

MR. LIHVARCHIK: Mr. Brannigan.

MR. BRANNIGAN: Yes.

MR. LIHVARCHIK: Mr. Roth.

MR. ROTH: Yes.

MR. LIHVARCHIK: Mr. Annese.

MR. ANNESE: Yes.

MR. LIHVARCHIK: Ms. Molnar.

MS. MOLNAR: Yes.

MR. LIHVARCHIK: Madam Chairwoman, we have nine votes in the affirmative. The motion carries.

MS. MOLNAR: Thank you very much.

MR. CHIANESE: Madam Chair, members of the Commission, thank you.

MR. STOKES: Thank you very much.

MS. MOLNAR: Okay. Moving right along, our next presentation. I'd like to welcome the Department of Military and Veterans Affairs, Brigadier General Glenn Rieth.

BRIGADIER GENERAL GLENN K. RIETH: Good morning.

MS. MOLNAR: Good morning.

Could you introduce your staff?

BRIGADIER GENERAL RIETH: Certainly will. I've got with me Michael Smith, who is the Department's Chief of Staff; Wayne Hunt, our Fiscal Director; and Major, Retired, Michael Dzurisin, who is the Installations Division Budget Officer. And we also have Walt Parker, who is our Design Chief, in the cheap seats.

Good morning. It's a pleasure to present you with our Department of Military and Veterans' Affairs '05 capital improvement plan. This plan is in keeping with my vision of providing state-of-the-art facilities to meet the mission requirements and to enhance the readiness of our National Guard, and maintaining the best possible services so richly deserved by our New Jersey veterans.

The capital plan is focused on only six projects, totaling 2.1 million. That addresses our most critical concerns.

The first request of 250,000 is for the replacement of two HVAC systems at the Paramus Veterans Home that have exceeded their normal service life. This is the first phase of a two-phased project to replace four of the HVAC units. All four units are 15 years old and supply heating, ventilation, and air conditioning to all the residents. Framing members, drip pans, structural panels, and mounting points are rusting through and, in many cases, unreachable and irreplaceable. Failure to replace these units will adversely affect the ability of the facility to provide heating and cooling to the residents.

Our No. 2 priority is a request for 627,000, which is for the State share for construction of a 7,986 square-foot, all-purpose room at the same facility, at Paramus Veterans Home. The total cost of the project is 2.17 million, with the Federal Veterans VA contributing 1.4 million. I would also like to add that the State share is being supplemented with a \$135,000 donation through American Legion Post 170, located in Rochelle Park, New Jersey, Bergen County.

The all-purpose room will be used for daily resident activities, as well as a place for the home's volunteer staff to gather and conduct their work. Currently, all residents' activities are being held in the facility dining area, which conflicts with the scheduling of meals and other activities. Building the

all-purpose room will enhance the quality of life for our veterans who reside at the facility, by providing them with a separate and dedicated area for social gatherings and activities. The photo below (in statement) shows a group of Paramus veterans utilizing an empty room to play cards, because there was no room in the cafeteria.

I want to publicly acknowledge all the support we received from our veterans organizations, both in donations and the numerous volunteers who so eagerly gave of their time and energy for our veterans.

Priority No. 3 totals 480,000, and it addresses our fire/life safety concerns. This is a continuation of a multi-year initiative to correct various violations and to ensure our facilities are in compliance with all fire/life safety codes and standards. It includes the installation/upgrade of fire suppression systems at six guard facilities. The Federal Government will also contribute 1 million to support the projects.

Priority No. 4 is a request for 500,000 to renovate existing program space at the Lakehurst Naval Air and Engineering Station, Picatinney Arsenal, and the Mercer and Hammonton Armories. These renovations will allow for the strategic relocation of various National Guard units within the state. These relocations will provide a more efficient command and control system, as well as a quicker response time to any situation as required, whether on a state or national level. Both the State and Federal Government will share equally in this process, with each contributing 500,000.

Priority No. 5 requests funding of 134,000, which focuses on re-establishing building moisture protection, with complete roof replacements, at the Cape May and Washington Armories. Both flat roof systems were installed in the late 1950s and are currently in a serious state of disrepair. Both projects will replace the current leak-prone and high maintenance flat roof

system with shingled, sloped roofs. This will dramatically decrease repair costs while creating a long lasting and aesthetically pleasing feature. The photo below (in statement) depicts an armory which had a flat roof system converted to a shingled, sloped system. And that facility there (indicating photo), that we're showing, is Mount Holly.

Our final request is Priority No. 6, is for \$100,000 to provide funding to conduct a force protection enhancement study for the Department of Military and Veterans' Affairs campus, located in Lawrenceville. The campus currently has eight buildings, housing various program activities which include the New Jersey National Guard Headquarters, the Homeland Security Center of Excellence, Department of Treasury Motor Pool Operation, and a National Guard Armory and Vehicle Maintenance Facility. The entire campus sits on a 75.1-acre site located in a residential setting.

This study will identify the necessary force protection enhancements, and provide a phased approach to modify the campus facilities without changing their character, functionality, and overall appearance to the surrounding community.

I appreciate your continued support in helping us implement an effective, long-range capital plan that meets the training needs of your National Guard, and provides those critical services and programs so richly deserved by New Jersey's veterans.

I would now like to take a moment to bring you up-to-date on the various projects that have been initiated or completed with previous years' funding.

First and foremost, I would like to report that the construction of the new Vineland Veterans' Home is progressing according to schedule. The new home is scheduled to be completed and open in September of '05. The

photos on the next page (in statement) show the basic footprint of the facility and the erection of the structural steel framing.

At the Brigadier General William C. Doyle Cemetery, we have been moving forward with the U. S. Department of Veterans' Affairs in completing various projects as identified in our recently completed master plan.

A \$5.2 million project to install over 9,600 precast concrete inground burial crypts was completed in July of this year. With an anticipated interment rate of over 2,500 this fiscal year, the installment of this system alleviated serious groundwater problems and increased overall operational efficiency.

In September of this year, Federal funding was received in the amount of 1.6 million from the U.S. Department of VA for a project to construct 1,680 aboveground columbarium niches and 1,449 inground cremains burial sites.

At Lakehurst Naval Air Engineering Station, we are continuing the design of a consolidated logistic and training facility. The project is currently at the design/development stage, or 35 percent design completion. This project will be federally funded and will be completed in three phases at an estimated cost of \$58.6 million. This 619,000 square-foot training and maintenance complex will significantly contribute to increasing the training and readiness of our units, and enhance the capability to provide necessary vehicle maintenance and logistical support.

With your continued support, we were able to accomplish various projects at our armories. These projects included the installation of fire suppression systems at our Cherry Hill, Dover, Flemington, Freehold, Woodbridge, and Woodbury facilities. Roof replacements were completed at the Morristown and Mount Holly Armories. Window replacements are ongoing

at the Bordentown, Cape May, Hammonton, Mount Holly, and Tuckerton Armories. Much needed asbestos abatement programs were completed at the Cape May, Hammonton, Lawrenceville, Mount Holly, and Tuckerton Armories.

These improvements support our ongoing commitment to the soldiers and airmen of the New Jersey National Guard, to provide world-class facilities to meet mission requirements and to maintain their high state of readiness.

With over 200 structures at an average age of 49 years old, we remain the fourth largest department in total assets and the third largest in total buildings. With a veterans population ranked as the ninth largest in the nation, and the oldest, it is imperative to have quality facilities available for their care and well-being.

During the past year, over 1,500 New Jersey National Guardsmen responded to more than 250 domestic and civil support missions. These included two community outreach programs for our homeless veterans, the support of one winter storm, the power outage in New York City, Hurricane Isabel, and our most recent mission in support of Operation Enduring Freedom, where 160 New Jersey Guard members from the 253rd Transportation Company are providing transportation support for the 101st Airborne in southwest Asia. Another 520 soldiers are deployed at various military bases to backfill personnel currently deployed overseas.

We also continue to provide security at the Salem and Oyster Creek Nuclear Power Plants. Over 36,000 State active duty man-days were expended in support of these operations.

Our facilities are also used for after-school youth activities as part of the National Guard's Drug Demand Reduction Program. Over 6,300 students, from 47 schools throughout the state, participated in community

sponsored activities at our facilities. These programs serve as a positive alternative to idleness and drug abuse.

I trust you can see, from the photos we have included, the capital funding made available to us has been put to good use.

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.

Any questions or comments?

Mr. Brannigan.

MR. BRANNIGAN: General, the information provided indicates that New Jersey has the ninth largest veterans population and the oldest, and I understand that we are also going to be deploying and increasing thousands of National Guard for the current war on terrorism, in the near future.

Number one, is there an indication that our veterans population will be increasing over the years; and number two, since we have such a large, older population, what is the status of the cemetery as far as being able to meet future needs, and what is the current demand on the cemetery?

BRIGADIER GENERAL RIETH: The William C. Doyle Cemetery is the number one State Veterans' Cemetery in the country as far as the amount of business they do on a daily basis. For instance, today we have 17 interments. We're looking at closing this year out with approximately 2,500 for the year. We've extended the life with the pre-installed crypts, that will absolutely extend the life of the cemetery, and also with the niche columbariums that we're in that current phase.

As far as the life of the cemetery, about 25 years with the current configuration. And obviously, with the global war on terrorism and the

commitment of all of our soldiers and airmen, there will be an increase of the veterans community here within New Jersey. There's no question about that.

MR. BRANNIGAN: Thank you.

MS. MOLNAR: Mr. Brune.

MR. BRUNE: General, good morning.

BRIGADIER GENERAL RIETH: Good morning.

MR. BRUNE: Just a couple of questions. I want to understand the priority ranking that you've listed here. You've got a project I think we've seen in the past, the construction of an all-purpose room in Paramus, listed above the fire safety compliance. And I know we've done some fire safety compliance by virtue of your testimony -- places like Cherry Hill and Dover and Flemington. I guess sometimes we're trying to sense the degree of risk that's in the fire safety projects, which is sometimes hard to tell from the description. So I guess the question is, can you help us with the fire safety compliance aspects of the armories you've listed, versus the higher priority of constructing an all-purpose room?

BRIGADIER GENERAL RIETH: You know, we gave a lot of thought to that. We've been asking, now, for the all-purpose room. If you go up to the Paramus Home and you see where the veterans have to share the space with the cafeteria, where we're putting them into small rooms, we were very happy to find out, just recently, that we would get the 1.4 from the VA, and we would also get that additional money from the American Legion up there. So I wanted to make it a higher priority, just to reinforce the fact that it's certainly necessary. The VA is stepping up. The veterans organizations are stepping up. It's a high priority for us within the department.

As far as comparing it to the fire safety issues within the facilities, we continue to move forward with them. There's no question that the facilities

are old. They average 49 years. We could obviously have changed those around, but I did want to give it the priority, because, again, our veterans are certainly in need of it up there at Paramus.

MR. BRUNE: Could I just clarify, are they out of compliance now, the ones you're asking for, the fire safety money for it?

BRIGADIER GENERAL RIETH: Yes, sir.

MR. BRUNE: Because there are code violations that are known.

BRIGADIER GENERAL RIETH: Yes, sir. We regularly get written up by the fire chiefs, and code violations are there.

MR. BRUNE: Is it fair to say that the money that we've already provided for the places, like Cherry Hill and Dover, were the -- particularly -- how shall I say, the projects of greatest need, and these are somewhat less of, in terms of fire safety? I guess I'm trying to gauge the--

BRIGADIER GENERAL RIETH: No. I mean, again, most of the facilities were in need, and we just, kind of, prioritized them looking at the number of soldiers that were in the units, the community involvement, after-school programs. We tried to look at a lot of different issues when we determine what armory would go before the next armory. But at the end of the day, they were all in need of -- to get in code.

MR. BRUNE: I guess you're saying, at the end of the day, if we had a dollar to provide, you'd rather we provide it to the room in Paramus than the fire safety projects that were listed below it. Is that a fair conclusion?

BRIGADIER GENERAL RIETH: That's fair, yes.

MR. BRUNE: Okay.

BRIGADIER GENERAL RIETH: Because again, we've been asking. The VA has committed to 1.4 million for the project. The American

Legion has stepped up, and the VA is not going to continue to have that money made available to us if we don't act upon it.

MR. BRUNE: Just one last thing. There seems to be a bit of a discrepancy here. Is it a 8,000 square-foot room or a 5,000 square-foot room, because we have two numbers here we're working with?

BRIGADIER GENERAL RIETH: It's 79 -- 8,000.

MR. BRUNE: So it's 8,000.

And that the cost we're seeing here is the cost of constructing and furnishing the room, or is it just the building?

BRIGADIER GENERAL RIETH: Yes, it does include furnishings.

MS. MOLNAR: Mr. Lihvarcik.

MR. LIHVARCHIK: Through the Chair, could we just have a listing of the fire/life safety projects -- the armories that are out of compliance, why they're out of compliance?

BRIGADIER GENERAL RIETH: Bordentown, Burlington, Hammonton, Newton, Tuckerton, and Woodstown.

MR. LIHVARCHIK: And the reasons that they would be out of compliance?

BRIGADIER GENERAL RIETH: For fire suppression systems.

MR. LIHVARCHIK: Solely for the suppression systems?

WAYNE HUNT: Well, it could be making sure that the doors swing the right way for egress. It could be exit signs. It could be all those types of things that would be related to fire/life safety code.

MR. LIHVARCHIK: Could we just have something that we could review?

BRIGADIER GENERAL RIETH: Sure.

MR. LIHVARCHIK: The last question that I have is, given the emphasis on money for Homeland Security, I know that it's primarily for operating, but is there any money available for some of these upgrades that support the troops?

BRIGADIER GENERAL RIETH: We continue to get money from both DOD and from the new Homeland Security, under Governor Ridge, at the Federal level, for a lot of our upgrades within the facilities. But again, in most cases, they do require a match for us to be able to move forward.

MR. LIHVARCHIK: Through the Chair, if we could just have a listing of how much Federal money that you've received under the Homeland Security for these upgrades, it would be appreciated.

Thank you.

MS. MOLNAR: Mr. Annese.

MR. ANNESE: Yes. Getting back to the all-purpose room for a minute, could you tell us how many people this room would service?

BRIGADIER GENERAL RIETH: Right around 300, sir.

MR. ANNESE: And would this be open primarily to residents, or would people who are living at home come in to use the facilities as well?

BRIGADIER GENERAL RIETH: A combination of both. It will be used for the residents, but it will allow the loved ones to come in when they meet with the veterans, a common space where they could come together. Again, right now, they all just go into the cafeteria, and then basically are thrown out when it's time for breakfast, lunch, and dinner meals.

MR. ANNESE: Okay. Thank you.

MS. MOLNAR: Any other questions or comments?

Mr. Brannigan.

MR. BRANNIGAN: General, the funds received from the Department of Homeland Security, as I understand it, the majority of those funds are technologically oriented, for computers and for things at your headquarters and for things directly related to personnel and force.

BRIGADIER GENERAL RIETH: Most are. In some cases, Pat, we have received some money for some security and some passive systems to put around the armories. But the majority is, you're correct.

MS. MOLNAR: Any other questions or comments? (no response)
If not, I want to thank you, General, and your staff for coming today.

Our next department is the Department of Human Services. I'd like to welcome Jacob Eapen.

J A C O B E A P E N: Good morning, Madam Chair, members of the New Jersey Commission on Capital Budgeting and Planning.

To my left is Jim Zapicchi of the Office of Budget Planning.

I'm honored to be able to appear before you to present the Department of Human Services' 2005 capital budget. Let me begin by saying, on behalf of Commissioner Harris and the Department, we appreciate all that we have been able to accomplish with the assistance and support of the Commission and the staff at OMB.

As the social service agency for the State of New Jersey, the Department of Human Services serves more than one million of our most vulnerable citizens. As such, our annual requests for funding are based on very clearly defined principles and goals. Our top priority must always be to protect the most vulnerable citizens of our State. We are aggressively pursuing the Statewide Automated Child Welfare Information System, generally known as

the SACWIS. We must also make sure that our consumers are safe whenever they are visiting or residing in any of our facilities.

Whenever they reside in one of our 13 institutions that provide 24-hour residential care, their comfort is also a major concern. In addition, we must be certain that we are in compliance with all the applicable regulatory standards, including building codes, fire codes, Federal laws and regulations, and accreditation standards. Like any prudent homeowner, we must make wise investments in the maintenance of our buildings and properties in order to avoid costly repairs down the road.

We must be good stewards of the New Jersey environment. And to that extent, we continue to remediate any environmental problems that we discover in our facilities, and we want to make sure that we do not create new ones. And we want to make certain that our operations are as energy-efficient as possible.

Each year our requests exceeds the amount of funding that is available to be appropriated to complete them. But with your support, we have been able not only to maintain our facilities, but also to upgrade them significantly.

Based on your past recommendations, this year we have completed several major capital projects and made substantial headway in a number of others. Specifically, in 2003, we have: Installed fire suppression systems at the DYFS regional schools located in Ewing, Vineland, and Woodbridge; added new classroom spaces at the regional schools administered by the Office of Education in Atlantic, Camden, and Cape May counties; completed the boiler replacement project at the North Jersey Development Center, administered by the Division of Developmental Disabilities in Totowa, Passaic County; completed the first half of the steam line tunnel replacement project at the

Woodbine Developmental Center, which is also administered by the Division of Developmental Disabilities in Woodbine, Cape May County; continued to make headway on work begun in 1996 that is needed to upgrade all our facilities in regard to the cleanup of hazardous material, the remediation of underground fuel storage tanks, improving the environmental fitness, and making them ADA compliant. In addition, we continue to make plans for a number of other projects that will be made possible through the funding that you supported in FY 2004.

With this funding, we plan to: Begin replacing the second half of the steam tunnel at Woodbine Developmental Center; continue development of the SACWIS for the Division of Youth and Family Services; and begin the first half of a HVAC improvement project at the Vineland Developmental Center. And, as you know, our requests carry forward in the coming years.

While they continue to be extensive, you can see that each year we are able to show that we have made tremendous progress. As we look ahead at 2005, the Department, once again, has a number projects for which it is requesting funding. I know that you have received detailed information for all our projects.

This morning, I would like to take a few moments to review the projects that we believe are most critical. Following that, I will be happy to discuss aspects of any individual project. And in order to make sure that I am able to answer questions, representatives from the divisions are with me today.

At the top of the list is a request for a third-year funding for the SACWIS project. This computerized system is critically important to allow the division to improve case management, permanency planning, and safety for the children in its care. Indeed, New Jersey is one of the last states in the country to implement this federally mandated, state-of-the-art system, a point that has

been made repeatedly in the extended media coverage that has focused this year on the shortcomings of DYFS.

In response to the problems that have surfaced at DYFS this year, Governor McGreevey has said that the agency must be transformed. Madam Chair, SACWIS is one of the key tools for the transformation of DYFS. To date, you have approved a total of \$9.2 million to begin implementing this system. This funding has been matched by an equal amount of Federal funds, for a total of \$18.4 million.

In FY 2005, we are requesting an additional \$10.4 million, which, as before, will be matched by an equal amount of Federal funds, making a total of 20.8 available for us. This will bring the Federal and the State investments in the system to a total of 39.2, or slightly two-thirds of the \$57.4 million that we need for the completion of the system.

We have made tremendous progress in SACWIS. In fact, we have reviewed the bids which have come in. We're in the process of making the final selection, and the Commissioner wants to make an announcement of the final vendor by December 15.

While SACWIS is the Department's highest priority, a second priority is preservation of our infrastructure. Sixteen of the top 25 items on our list are intended to meet that goal. We are requesting a total of 30.5 million for the 16 projects. All are for long-needed improvements to or replacement of HVAC, electrical, and roofing systems in our facilities. As many of us know, our facilities were built in the early years of the 20th century. As these structures age, their needs become more critical.

Our most pressing need is to finish replacing the steam line tunnel at the Woodbine Developmental Center, and we have attached pictures of the Woodbine Developmental Center, the steam tunnel, to the package that we

submitted. This tunnel carries the lines that provide the only means of steam distribution for the entire facility. Steam is used for heat, hot water, and cooking. Without it, the facility would literally become uninhabitable.

After extensive testing of the structural integrity of the tunnel, which dates to the 1930s, when the Developmental Center was built, our engineer concluded that it was on the verge of collapse and needed extensive work. He also concluded that the most cost-effective solution would be to demolish the tunnel walls and ceiling, and build new ones. Half of this tunnel, or about 600 feet, has been replaced through the use of \$1.5 million, which was appropriated in 2001.

We anticipate receiving an additional 1.5 million from the FY 2004, from the Statewide Fire, Life Safety and Renovations Account, to replace the second half of the tunnel. In FY 2005, we are requesting \$3 million to replace the 1,200 feet of steam lines that run through the tunnel. Because of the condition of the tunnel that encloses the steam lines, we are concerned that any delay in completing this project could lead to the failure of the entire system. If that should occur, it would be impossible for us to continue to deliver essential services in that facility without affecting the health and safety of our clients and our staff. It is likely that the facility would then have to be closed and its residents evacuated. And currently, we have 518 residents using this Woodbine facility.

Another project that we consider critical is replacement of the HVAC system in the seven ICF/MR cottages on the East Campus of the Vineland Development Center. The existing system is more than 30 years old, and it is not able to maintain a temperature lower than 80 degrees Fahrenheit in warm weather. This does not meet Federal ICF/MR standards. The problem with the system was that it was designed to cool large, open rooms. When these

rooms, which were used for sleeping, were subdivided into smaller rooms in order to receive Federal ICF/MR certification, the HVAC system was not upgraded. As a result, air distribution is uneven and some parts of the cottages never cool adequately.

This project has been divided into two stages: The first stage, which involves upgrading the HVAC system in four of the seven cottages, will be funded through the \$1.6 million appropriated in the Department's budget for FY 2004. The second stage of the project, which involves replacing the HVAC system in the three remaining cottages, is included in our request for FY 2005. We are, roughly, 35 residents per cottage. So, for the remaining three -- the number of residents occupying the three cottages is, roughly, 105. We are requesting 1.4 million to complete this work. Again, we have attached pictures of this project, also, with the package that we had given out.

Additionally, we are requesting \$3 million to install the fire suppression and emergency lighting system at Ancora Psychiatric Hospital in Camden County. Additional funding is needed to complete this project. The life safety aspects of this project will be funded through the line of credit that the Commission approved. As part of this project, extensive asbestos abatement will be required. While this construction is going on, residents will be relocated to Elm Hall, which will be the spring space. But Elm Hall must be brought up to code if it is to be used for this purpose. Our request of \$3 million will fund the renovation of Elm Hall, asbestos abatement in all patient occupied buildings, and design fees. The number of residents who are currently in Ancora is around 700.

The final among the most critical projects that I would like to review is the HVAC improvement in the New Lisbon Development Center in New Lisbon, Burlington County. This project involves replacing the cooling

towers and air handlers, and rebuilding the chillers, which are the only source of cooling for 18 residential living areas and several program buildings. At this time, we have, roughly, 546 residents in this facility. The cooling units, which are more than 20 years old, have already been cited by the Federal Government for not supplying the correct air volume and proper heating and cooling temperatures. Through this project, we also plan to replace the boiler, which is about 50 years old.

I hope this brief overview has been helpful. Thank you, Madam Chair and members of the Commission, for your warm reception and the funding recommendations that you have approved in the past, and I'm sure you'll approve in the future.

Thank you.

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

If not, thank you for your presentation.

MR. EAPEN: Thank you.

MS. MOLNAR: Our next department is the Department of Health and Senior Services. I'd like to welcome James Blumenstock.

Good morning, and could you introduce your staff.

JAMES S. BLUMENSTOCK: Good morning, Madam Chair, Commission members. It certainly is a pleasure to be here this morning to present the Department of Health and Senior Services' capital needs for the Fiscal Year 2005. Again, my name is Jim Blumenstock. I am the Deputy Commissioner for Public Health Protection and Emergency Preparedness. I certainly am here today representing the position interests of Dr. Clifton Lacey, our Commissioner of Health, and by extension, the 2,200 men and women that represent our Department. With me, to my immediate left, is Dennis Flynn, who is the Assistant Commissioner for the Division of Public Health and

Environmental Laboratories; and to his left is Mr. John Fasanella, who is our Director of Budget Office.

Before we discuss the Department's capital needs for Fiscal Year 2005, I would very much like to update you on the status on a very important Department initiative -- that being the replacement of our current undersized and deteriorating laboratory facility, which is approximately 40 years old. The need for a new state-of-the-art laboratory has been well-documented in the events of 2001, as well as current events, such as the most recent anthrax scare at the Anacostia Naval mail-handling facility in suburban Washington and, much closer to home, the post office mail-processing and distribution center in Whippany, which as recent as early this week we had an episode. Both of which reemphasized the basic fact that a critical component of terrorism preparedness is a fully-equipped and secure State public health laboratory.

I am happy to report that considerable progress is being made on this vital project. The New Jersey Building Authority has prepared a project report that will be presented in the near future, which projects a funding mechanism and timetable to begin the RFP process for the hard design of a new laboratory. Once approved, there is a three-to-four-year window of opportunity to complete and construct the new facility. This report is supported by a fully updated technical study conducted by one of New Jersey's most prestigious architectural firms, CUH2A, recommending a site location and detailed project plan for moving forward with this important initiative.

As an interim measure -- to provide critically needed space to address our overcrowding and also to allow for the expansion of testing services for chemical terrorism agents and biological monitoring, both capacities of which are essential for our state's preparedness -- the Department is working very closely with the Department of Law and Public Safety to prepare to occupy

approximately 24,000 square feet of laboratory space projected to be vacated by the New Jersey State Police Forensic Laboratory, by the end of this calendar year, at their Sierra Park location in Ewing Township. And certainly, it is our hope that in the first half of calendar year '04 we will be in a position to occupy that space that, again, will provide us critically needed relief to expand some of our most important testing services.

As we move forward with New Jersey's terrorism preparedness and response efforts, it is equally important to address the pressing capital needs of our entire public health and environmental laboratory infrastructure. And again, it's important to pause here for a moment to really give you a full appreciation of the scope of work that our laboratory performs. On an annual basis, they conduct approximately two to three million tests looking for, certainly, environmental contaminants and human illness. Not only are there the traditional public health concerns, such as tuberculosis, sexually transmitted disease, HIV/AIDS, food and water borne illness, drinking water quality, rabies, Lyme disease, and other tick borne diseases, but certainly the more emerging and pressing diseases, such as West Nile Virus and, most recently, SARS.

As being a 30-year career servant, I can clearly state that our laboratory, and some 200 strong, are really the unsung heroes of public health. They provide a critical service to, certainly, the investigators of our Department, but more importantly, to the public that we are charged to serve.

To accomplish our mission and to accomplish this, the Department's Fiscal Year 2005 capital budget request totals \$1.9 million. This request includes the purchase of essential replacement laboratory equipment and laboratory renovations, which are technologically required to maintain accurate levels of laboratory testing, as well as maintain the current laboratory facility at

an acceptable health and safety standard, not only for our employees but also for our host community.

The lion's share of our \$1.9 million request is to replace outdated technology in our diagnostic laboratories, as we increase our capabilities to detect and identify public health threats with a greater degree of accuracy and speed. Generally, the life span of laboratory instruments is between five and seven years. Many of the instruments we are planning on replacing are much older than that. Replacement is needed to maintain a technical capability to detect environmental contamination and diagnose or confirm human disease.

These new and replacement technologies are required to remain current and to automate laboratory systems in various program areas. For example, screening our 110,000 newborns each year for potentially life-threatening metabolic disorders; to test drinking water and its quality; looking for heavy metals and naturally occurring radioactivity; and other areas of public health concerns such as blood lead testing, not only for our children but also for our adults who may be exposed in occupational settings.

As both the new State laboratory and an interim satellite lab are in the final planning stages, the Public Health and Environmental Laboratories will continue to use the requested facility repair funds only for the most pressing health and safety issues associated with our current laboratory facility. These include HVAC air balancing; chemical fume hood replacement; water system replacement; correction of ongoing temperature control problems, that could certainly alter the accuracy of many of our sensitive testing procedures; built-in autoclave replacement, which is most critical for the proper waste disposal and also sterilization of supplies; and minor retrofits required when we want to reoccupy existing space, once our satellite space is occupied and we move some of our program areas out to Sierra Park.

I can certainly sit here and give you my assurance, and that of my Department, that the facility repair funds will be managed most prudently, recognizing that our goal and desire is to move to a new facility within three to four years. So certainly only those repairs that are critical for the accuracy of our testing and the safety of our employees will be expended.

We appreciate the opportunity to appear before you today and present to you a summary of our mission-critical capital needs. Dennis, John, and I will certainly be glad to entertain any questions that you may have at this time. Again, thank you.

MS. MOLNAR: Thank you.

Any questions or comments? (no response)

It's so quiet today.

If not, I want to thank you for your presentation.

MR. BLUMENSTOCK: Thank you for the opportunity.

MS. MOLNAR: Well, our last department is Interdepartmental Accounts. I'd like to welcome Edmund Jenkins, Director of the Division of Property Management.

EDMUND F. JENKINS: Good morning, Madam Chair, Commission members, and thank you for the opportunity to present the Department of Treasury's Fiscal Year 2005 Interdepartmental capital budget request. The Interdepartmental request is submitted by the Division of Property Management and Construction on behalf of the Department of Treasury and State agencies in the Capitol Complex.

My name is Edmund Jenkins, Director of the Division of Property Management and Construction. With me today, to my left, is Bernard McLaughlin, Deputy Director of Property Management; and also, to his left, is

John Gennese, a familiar face, I'm sure, to many of you up there, who is now on the other side of the fence.

As you are aware, the DPMC is statutorily responsible for the operation and maintenance of office space in the Capitol Complex, and the renovation of State-owned facilities. Therefore, the Division's capital budget request is typically driven by its responsibility to safeguard the conditions of these facilities, preserve the State's investment in these assets, and ensure compliance with current workplace standards and codes.

Before I present the highlights of the Fiscal Year 2005 capital request, I would like to thank the members of the Capital Commission for their support of past years' requests, particularly those projects involving security. As you know, following the events of 9/11 and the subsequent increased terror alert system initiated by the Office of Homeland Security, the DPMC requested, and the Capital Commission granted, the establishment of a statewide account to fund security projects. The DPMC, working with the State Police, completed a comprehensive vulnerability assessment to define the buildings most at risk and the scope of needed security upgrades.

The requisite funding provided by the Commission has enabled the Division to initiate and complete a substantial number of security enhancement projects, including the installation of bollards, exterior lights, window film, anti-ram barriers, and lab renovations to the Health and Agriculture Building and Lab; the installation of concrete planters around various buildings; and the security upgrades for the New Jersey Network towers at various locations. Other projects identified and prioritized by the DPMC and the State Police for capital security funding through Fiscal Year 2005 include security improvements to the State House, the installation of closed-circuit TV with remote monitoring at the DEP complex and the Labor Building, and security cameras at the OIT hub;

perimeter alarms and security window film at the State Museum; and exterior security, such as motion detectors, metal detectors, and barricades for events at the War Memorial, Heritage Days, and bike race.

Again, I thank the Commission members for their support of the statewide security account, enabling us to aggressively pursue these projects. The Division will continue to work closely with the State Police to address security issues.

The Fiscal Year 2005 capital budget requests a total of \$837.2 million to fund projects over seven years. Of that total, approximately 66 million is requested in Fiscal Year 2005. In light of the State's continuing financial crisis, the Division carefully reviewed projects to be included in this year's request, paying specific attention to emergent conditions, and health and life safety issues. The top-ranked projects you have before you represent significant building repairs and infrastructure equipment replacements that are essential not only to the continued operation of these facilities, but also to providing a clean and safe work environment for employees and constituents. These projects have been deferred in past years, and conditions have deteriorated to a point that, if not addressed, could result in catastrophic failure and subsequent loss of the use of the building.

More importantly, circumstances are such now that these projects require attention within a short period of time to ensure the security and welfare of State employees and the public. Employees are asked to put forth their best work ethic in buildings that leak, have unresponsive HVAC systems, torn carpeting, and faulty restroom facilities. Similarly, the public must endure these same deteriorated conditions to avail themselves of State services. These conditions are objectionable, to say the least, and violate the tenets of a clean and safe work environment.

It's a sad fact that the State, through its lease agreements, holds its landlords to a higher standard for providing a conducive environment for employees and constituents alike. However, the State-owned buildings lag far behind leased facilities in maintaining the most basic elements of a clean and safe work environment.

Many of the State-owned facilities require critical mechanical, plumbing, roofing, and building envelope repairs. The existing equipment is well past its useful life and replacement is sorely needed. Malfunctioning mechanical systems without available replacement parts are creating indoor environmental concerns and flooding. The DPMC is providing ongoing maintenance but has had to make costly, emergency band-aid repairs.

For example, the Taxation Building experienced two incidents of water damage as a result of failed HVAC equipment. In both cases, more than \$100,000 in damages were sustained and employees had to be relocated, causing a disruption in service. Failure of the domestic water pumps resulted in a work slowdown as employees were forced to wait in lines to use facilities until water pressure could be restored to the entire building.

Exhibits at the museum and the auditorium were closed or canceled due to moisture infiltration issues. Failure of the roof at the Mary Roebling Building resulted in the emergency relocation of State employees from the 12th floor for approximately 10 months while repairs were completed. In addition, fireproofing and ceiling tiles sustained water damage. The emergency relocation, repairs, remediation, and replacement of the roof cost the State approximately \$1.4 million.

Without proper remediation, building conditions will continue to deteriorate, resulting in potential health risks to occupants, shutdown of the facilities, and continued costly emergency repairs. If approved, the funding will

be used to address building envelope projects at the State Museum, Library, Taxation, and Labor Buildings. Funding will also be used for HVAC equipment and plumbing repairs at the Library, Taxation, DEP, Records Storage Center, Distribution Center, Thomas Edison State College, and Labor.

In conjunction with the necessary infrastructure and building envelope repairs, many State-owned buildings also require remediation of interior conditions that violate clean and safe workplace standards. Similar to the critical facility repairs, these workplace initiatives have been long deferred due to budget constraints. The lack of attention to issues such as recarpeting, repainting, and upgrades and repairs to restrooms and interior doors have resulted in unsafe conditions that negatively impact employees and visitors, and expose the State to more emergency repairs and financial implications due to safety hazards.

Other top ranked projects involving critical facility repair include replacement of the chiller units and cooling tower at the OIT hub. The existing equipment is 20 years old and is no longer working to full capacity, increasing the risk of complete failure. This facility is a 24-hour-per-day, 7-day-a-week operation that is the main information technology and printing center for the State. The core function of the facility and its equipment is entirely dependent upon the continued operation of the cooling system.

As indicated in their descriptions, these projects involve the core building systems necessary to continue the safe operation of the facilities. The examples I provided you clearly illustrate the need to resolve these issues now, rather than continue to pay exorbitant maintenance and emergency repair costs for obsolete systems that threaten catastrophic failure, notwithstanding the potential cost of defending workplace standard complaints. These are not just bricks and mortar requests. They have a human face. Funding for these projects

is an investment in the State's workforce, its constituency, and its property assets.

The list of priority requests also include energy-related projects that involve replacing magnetic lighting ballasts with energy efficient electronic ballasts and fluorescent bulbs, and continued funding for engineering and construction costs related to natural gas conversion. Completion of these projects will result in a more efficient use of the State's energy resources, and produce savings in heating costs, equipment replacement, reduced maintenance, emission credits, and reduced air permit rates.

Finally, the Fiscal Year '05 Interdepartmental capital includes funding requests for several statewide accounts and agency projects for which a priority ranking was not assigned. The statewide accounts, including hazardous material removal, Americans With Disabilities, and Open Space Preservation, have been typically funded centrally by OMB in order to prioritize the needs of all agencies. Continued funding of these accounts will allow for the completion of projects submitted by the State agencies, provided the required criteria is met.

The agency initiatives are put forth by the DPMC on behalf of the State departments, and represent key issues that require resolution and the identification of a funding source. For example, if approved, construction of the Justice Complex Parking Garage will provide 2,400 parking spaces for employees of the Departments of Law and Public Safety, Labor, Health and Senior Services, and Agriculture. Parking is already at a premium and is becoming more urgent as the City of Trenton continues to formulate plans to develop housing on the sites of two of the State's existing lots. The loss of these surface lots will displace approximately 1,600 parking spaces.

A recent study completed on behalf of the Department of Health and Senior Services recommended a new, state-of-the-art public health and environmental laboratory to deal with the increased threat of bioterrorism. Funding for the design is requested in Fiscal Year '05. Both of these projects address legitimate operational concerns; however, the magnitude of the financial commitment needed will likely require the identification of a funding source other than the General Fund.

In closing, I would like to thank the Commission for its consideration of this year's capital budget, and past support. Approval of this year's priority requests will fund critical building infrastructure projects that have been deferred in the past but now require immediate attention. These conditions are volatile and have proven themselves to be extremely expensive when handled under emergent circumstances. I urge you to carefully consider these projects not just as an investment in the State's property assets, but more importantly to safeguard the employees and constituents that provide and use State services.

Again, I thank you Madam Chair and members of the Commission for the opportunity to present this year's request. My thanks, also, to Mike Lihvarcik and the Commission staff for their ongoing support and assistance. My staff and I are now at the ready to answer any questions that you might have.

MS. MOLNAR: Thank you.

MR. JENKINS: You're welcome.

MS. MOLNAR: Any questions or comments?

Mr. Brune.

MR. BRUNE: Ed, good morning.

MR. JENKINS: Good morning.

MR. BRUNE: Two questions. Have we approached the Building Authority on any of these projects? I'm specifically wondering about -- in Priority No. 1, it does talk about replacing mechanical systems, and I'm wondering in cases where you're replacing a HVAC, as opposed to repairing something, and then on things like where we're replacing chillers and cooling towers and maybe the waterproofing at State buildings.

MR. JENKINS: Yes, we've entertained that possibility as something we would like to effort, and speak to them and see whether they could fund it through bonding or something to that effect. So it's something that we would like to do and certainly will pursue that.

MR. BRUNE: The only other question is, PSE&G, I guess, the utility-type rebates where you're installing something that's more efficient than what you're taking out--

MR. JENKINS: Yes.

MR. BRUNE: --can we assume that the cost we're seeing here is net of that, or have you considered that at all?

MR. JENKINS: Well, see, the rebate-- It's funny. We just had a little talk as we were coming down here. The rebates actually expire in May. Now there's no way of knowing whether PSE&G will resurrect that. They most likely will. But the savings -- these costs do not include those savings.

MR. BRUNE: Okay. Thank you.

MR. JENKINS: You're welcome.

MS. MOLNAR: Any other questions or comments?

Senator Bryant.

SENATOR BRYANT: Just a follow-up. Even though the rebates qualify or end in May, have we approached them about entering into an agreement prior to May so that we can get the rebates?

MR. JENKINS: We have not, but we certainly will. I mean, that's a very good suggestion -- to do that prior to them expiring and then just to, kind of, grandfather.

SENATOR BRYANT: I assume that they want us to do it, and therefore, if we want to go ahead--

MR. JENKINS: Oh, I'm sure they would. Yes. I'm sure it's just a formality. I'm sure the--

SENATOR BRYANT: Exactly. We spent a lot of money on the State House, and I always worry about the maintenance. Can you give this Commission a report as to what maintenance you did last year and what you plan to do this year? Because part of what happened over 30 years, that's why it got in such disrepair. I understand, as we did the maintenance here, that we were going to constantly have ongoing maintenance programs so we would never get to the position of having to spend the kind of money we did to make the State House.

BERNARD McLAUGHLIN: Jennifer, do you want to--

Jennifer Osborne used to be the building--

SENATOR BRYANT: You could submit it to us. I don't need it now.

MR. McLAUGHLIN: Oh, okay.

MR. JENKINS: Okay.

SENATOR BRYANT: I just wanted to see what you did last year and what you plan to do this year.

MR. McLAUGHLIN: Yes, there is an ongoing maintenance plan, Senator.

MR. JENKINS: Without a doubt.

MR. McLAUGHLIN: We'll get you a copy.

SENATOR BRYANT: And lastly, and it's probably one you all don't want to touch on -- one of the first places that people see in this State House is the Governor's Office, and it's part of the original State House, as I understand it. And it's the worst looking part of the whole State House. Are there any plans to make that place look like something? I mean, it's the first impression that we have when you come here, but we did every place else, but we just stopped at that door and we never did anything. Are there any plans to do anything in that part of the State House? And as a matter of fact, it's the most historical part of the State House.

MR. McLAUGHLIN: As a matter of fact, there is plans, and I guess it was scheduled and postponed at one point. The money is put aside to do it.

JOHN GENIESSSE: Well--

MR. McLAUGHLIN: Go ahead.

MR. GENIESSSE: Yes.

I believe -- I'm John Geniesse, by the way. I guess you surely knew that. The Building Authority approved funding for the Executive part of the State House, I believe. It might have been two or three years ago, but it never went through the whole approval process with the-- But there is, originally, I think, an \$80 million project estimate for that, and never completely went through the approval process.

SENATOR BRYANT: Could you give this Commission just a report--

MR. GENIESSSE: Sure.

SENATOR BRYANT: --as to where it stands and what steps would have to be necessary.

Thank you, Madam Chair.

MS. MOLNAR: Yes, thank you.

Mr. Brannigan.

MR. BRANNIGAN: As a resident of part of that facility -- and I often feel that if you show our hair shirt when we schedule-- Most of the important meetings that the Governor's Office has with the public occur in Room 252, which is probably one of the ugliest rooms in the State. People come in and they certainly say they can't be spending money on their facilities, when they're in that room.

But another issue that concerns me, because it is such an ancient and magnificently beautiful building and the woodwork is beautiful -- but the HVAC systems, I don't think it's a healthy building. I personally have asthma, and at the end of every day I have difficulty. And an hour and half after I get home, I'm breathing okay. So that, I think-- We even have problems of rodents and squirrels coming in and dying in the walls. And periodically, we have enormously foul smells that people have to avoid certain sections of that building. And actually, you can go around and see where the maintenance staff do a good job to try and help you. They come in, they caulk up cracks to keep the smell out. So I think that it's not only from a historic point of view, but I think from a health point of view of the systems.

If you ever saw something that's happy, it's to watch these young kids who come in -- hundreds of them every day -- and they look at the pictures on the walls, and the docents who are State employees do such a good job. You see, people just are happy to be there, and I think people respect the facility and their State House. When the corrections are made to the HVAC system, something should be done about how 30 years ago, when they put in the HVAC system, they just put them down, covered over moldings, so that it's going to be

a difficult job. But I think it's one that should be looked at, because people are proud of their State House.

And one of the things that Governor McGreevey did when he brought in that beautiful little statue of Lincoln, which is the model for the Lincoln Memorial -- and people come in, they talk about it in history. So it's beyond an office space. This is an important part of our culture here in New Jersey, and I support the good work that the Senator has done for many, many years and calling for these things to be done.

MR. JENKINS: To your point on air quality, we do run tests, air quality wise, and it is within the balance, just so you know, but your point is well-taken.

MS. MOLNAR: Mr. Lihvarcik.

MR. LIHVARIK: Yes, I just have one question. And that is on the CNG leak detection system. As I understand it, there are fueling stations throughout the state that are used to fuel CNG cars. This would basically provide some security in case there was some type of a leak while the cars were being refueled. New Jersey Transit and DOT, primarily New Jersey Transit, has a CNG bus program. I know that they have received money from various sources to implement that program. I'm just curious if anybody has done any coordination with Transit to see how they do their leak detection and where they get their money from, and if possibly we could tap into that.

MR. McLAUGHLIN: We have not as yet. We're working on this cooperatively with the Department of Purchase and Property, who really runs these facilities. The immediate concern was to make sure the current conditions were safe, but we'll certainly contact the DOT, and that's a good idea.

MR. LIHVARIK: Thank you.

MS. MOLNAR: Any other questions or comments?

I'd like to welcome John Geniesse back on the other side of the table. It's good to see you.

And I want to thank you for your presentation.

MR. JENKINS: You're quite welcome.

MS. MOLNAR: Is there any other business, new or old? (no response)

If not, our next meeting is Friday, December 12. I hope you can all make it. You have to be here in person to vote, no designees are allowed, so we'll see you on the 12th.

Meeting adjourned.

(MEETING CONCLUDED)