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# *Commission Meeting*

of  
NEW JERSEY COMMISSION ON  
CAPITAL BUDGETING AND PLANNING

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

**DATE:** October 1, 2010  
10:00 a.m.

**MEMBERS OF COMMITTEE PRESENT:**

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



**ALSO PRESENT:**

James F. Vari  
*Executive Director*

Brian Alpert  
Christopher Hughes  
*Senate Republican*  
*Committee Aides*

*Meeting Recorded and Transcribed by*  
The Office of Legislative Services, Public Information Office,  
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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 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 do a roll call.

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

Senator Oroho.

SENATOR OROHO: Here.

MR. VARI: Assemblywoman Pou. (no response)

Assemblyman Wolfe. (no response)

MR. VARI: Deputy State Treasurer Romano. (no response)

Mr. Stridick.

MR. STRIDICK: Here.

MR. VARI: Ms. Schermerhorn.

MS. SCHERMERHORN: Here.

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

Mr. Petrecca.

MR. PETRECCA: Here.

MR. VARI: Mr. Annese.

MR. ANNESE: Here.

MR. VARI: Ms. Molnar.

MS. MOLNAR: Here.

MR. VARI: Madam Chair, you have six members present. We don't have a quorum.

MS. MOLNAR: Okay.

MR. VARI: However, we can receive testimony.

MS. MOLNAR: Okay, so we will not do Items 4, 5, and 6.

There's no Director's report today, so we'll start with our presentations.

Our first is Interdepartmental. I'd like to welcome Steven Sutkin, Director of the Division of Property Management and Construction.

**S T E V E N M. S U T K I N:** Good morning, Madam Chair and Commission members, and thank you for the opportunity to present the Department of Treasury's Fiscal Year 2012 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 Steven Sutkin. I'm the Director of Division of Property Management and Construction, and with me today is Bernard McLaughlin, Deputy Director for Property Management and Construction.

The Fiscal Year 2012 capital budget requests a total of \$791.9 million to fund projects through Fiscal Year 2018. Of that total, \$143.1 million is requested in Fiscal Year '12. Excluding the \$98 million constitutional dedication of State sales tax revenues for Open Space Preservation and \$10 million from the Clear Energy Fund for energy

efficiency projects, \$23.1 million is requested to address the most critical capital needs of the State-owned facilities managed by Treasury.

Highlights of the Fiscal Year 2012 Interdepartmental request are as follows, and additional projects detailed herein are included in the attached capital budget summary.

As in the past, those projects assigned top priority by the Division request funding to repair or replace critical building systems and equipment in State-owned facilities.

The first project that we have identified is cooling tower replacement at the Department of Environmental Protection building, which is at 401 East State Street in Trenton, and our estimate for the project is \$1.3 million.

This project was previously approved, and all engineering and drawings are complete. However, the funding was frozen. Failure to move forward with this project may result in losing the ability to cool the building during warmer weather. It is also an annual operating system that's required for certain heating functions as well.

The cooling tower that services the building is failing. It is approximately 25 years old and past recommended life expectancy. The operational impact of a failure could be an inability to occupy the building and a consequent shutdown of DEP operations.

The second item is fire life safety items at various locations in the amount of \$1.8 million. Funding for this request is required to install automatic sprinkler systems in both the Executive State House and the Health Office, building and others. Recommendations from the State's insurance carriers, as well as violations issued from the Division of Fire

Safety, Department of Community Affairs, support these efforts. All other sections of the State House and Annex have had sprinkler systems installed. In addition, we are requesting funds to address fire safety issues, as I noted in the Health Department building, the Division of Revenue Mill Hill building, and others that are itemized in the attachments.

In addition to these items, funding is also requested to cover the expense of certain replacements of fire alarm system control panels and detection systems at various locations. Repeated attempts to repair these control panels had limited success and, in most cases, parts are no longer available, necessitating a full replacement.

The third item is for window replacement in the Executive State House at an estimated cost of \$2.7 million. An energy audit of the Executive State House that was conducted in August 2008 noted that the windows are in poor shape and require replacement. Each year there is a greater safety concern as the condition of the exterior wood components continue to deteriorate. Additionally, the windows allow moisture to infiltrate and reduce the effectiveness of the HVAC systems.

The fourth item includes roof replacement at various locations at an estimated amount of \$18 million. Working with our roofing consultant, DPMC has determined that several State-owned buildings in the Capitol Complex are years overdue for roof replacement. Based on the roof consultant's reports, the Beneficial Insect Lab in West Trenton, the Distribution Center, the OIT Hub, the Executive State House, and Thomas Edison State College Kelsey building roofs will need to be addressed. The continued deferral of these roof maintenance projects has cost the State significant dollars in emergency roof repairs and interior work resulting

from water infiltration. Continued deferral of these projects will ultimately cost the State much more when old, untouched or patched roofs fail, resulting in moisture exposed interior workspaces that require repair and mold remediation, and potentially expose staff to health-related risks.

These priority projects and those remaining, that are not detailed in this summary, speak to the continuing emergent conditions in many of the buildings in the Capitol Complex. In some cases they represent initiatives put forth by DPMC on behalf of the tenant State agencies in these buildings. As indicated in their descriptions, these projects involve core building systems necessary to continue the safe operation of the facilities. Funding is necessary to resolve these issues now, rather than continue to pay exorbitant maintenance and repair costs that buy only short-term, temporary repairs.

While it may seem cheaper to perform patch-up repairs, the continued deterioration of the buildings expose the State to more far-reaching projects as one system's failure has a domino effect, taxing and perhaps damaging another core system.

Environmental hazards cannot be overlooked as PEOSHA- -- the Public Employee Occupational Safety Hazard Act -- mandated remediation of these conditions has proven to be all-encompassing and very costly.

The interdepartmental request also contains the statewide accounts that are funded centrally by OMB in order to prioritize requests submitted by all the agencies. These include the Capitol Complex security account, Americans with Disabilities, hazardous waste removal, and other smaller accounts. In addition, the DPMC is requesting funding for

renovation projects pertaining to State leased facilities, also known as tenant fit-out. This funding is essential to current efforts to close certain leases and reduce the central rent budget through consolidation within State-owned and magnet lease sites.

In closing, I would like to thank you, Madam Chair, and members of the Commission for its consideration of this year's capitol budget and past support. I ask that you carefully consider these projects that are intended to proactively address long overdue mechanical and building system issues before we must react to expensive emergency shutdowns and repairs.

I would also like to thank Mr. Vari and Mr. LaBue of the Commission for their ongoing input and assistance.

MS. MOLNAR: Thank you.

I just had one question -- or two questions -- about priority three, the Executive State House window replacement. Number one, has the building been designated an historic building, since it's over 200 years old?

MR. SUTKIN: I don't know.

**B E R N A R D M c L A U G H L I N:** Yes, it has been, because when we had to do the repairs on the steps--

MR. SUTKIN: Oh, it has?

MR. McLAUGHLIN: --I think we had to comply with that.

MR. SUTKIN: I'll get back with more definitive information to confirm it.

MS. MOLNAR: Okay.

MR. SUTKIN: I believe it has also.

MS. MOLNAR: Then my other question is: Will the windows be historically accurate? Do you try to replicate the windows?

MR. SUTKIN: Yes, we would. The architect that we'd engage would take into consideration the esthetic features of the State House.

MS. MOLNAR: They wouldn't be wood, though; they're now vinyl, these replacement windows?

MR. SUTKIN: The architect would take into consideration balancing the cost, and the esthetic features, and the historic nature. And we'd also be guided by the historical council in whatever we do associated with the State House and the grounds.

MS. MOLNAR: So the \$2.7 million -- you don't know what type of windows in that number? Whether it's wood versus vinyl?

MR. SUTKIN: It was a very rough estimate offered by the consultant who did the study.

MS. MOLNAR: Okay, thank you.

Any questions or comments?

Senator.

SENATOR OROHO: Yes, thank you very much, Madam Chair.

I understand that the departments have already submitted their responses to the discussion points, which I commend the discussion points that he has. I was going through -- I noticed that many of the questions that I had are already in the discussion points, so I look forward to taking a look at those responses.

One of the things I just had a question on: The continuing statewide projects -- how does that fit in with the other priorities versus the

new priorities? Since they're continuing projects, do they go to the top of the list of priorities to try to finish these projects, or are they just fit in with the rest of the capital planning?

MR. SUTKIN: Which items are you--

SENATOR OROHO: When it talks about the continuing statewide projects -- the Americans with Disabilities compliance projects--

MR. SUTKIN: Oh, I see.

SENATOR OROHO: --the energy efficiency, the hazardous materials -- that sort of thing.

MR. SUTKIN: Those are-- It's a balance, because those funds are specifically dedicated for certain initiatives, whether it's to address Americans with Disability Act issues, or a hazardous issue that has to be addressed. And they're annual funds that--

SENATOR OROHO: So these are dedicated sources of funding?

MR. SUTKIN: Right.

SENATOR OROHO: Okay, thank you.

MS. MOLNAR: Mr. Stridick.

MR. STRIDICK: Yes, thank you, Madam Chair.

I just have a question and, again, it's part of a discussion point that you guys are always (indiscernible) get to the point before us. But what is the delta -- getting back to the State House fire suppression system -- the delta between the cost of that project and, really, the upcharge on insurance every year? Because I believe it mentions that it's been a really ongoing insurance issue in the Executive part of the State House.

MR. SUTKIN: I believe it's an insurance issue, and a concern, but I really-- I'm not sure that it necessarily has raised our rates.

MR. McLAUGHLIN: I think what they're being referred to is that FM Global, who is our risk insurance carrier, has pointed that out as a deficiency for all of those augments to the fire suppression systems and fire alarm systems. Our rates are based on -- I think it's 0.45 cents per \$100 of assessed value, and that is arrived at by a broad look at the whole condition of the entire portfolio. So as we do these different things to lessen the risk, the opportunity arises for that to become maybe a 0.42 percent or something like that.

MR. STRIDICK: So it's not of great consequence to the overall portfolio.

MR. McLAUGHLIN: It's not a direct dollar ratio -- you spend this much, you get this much reduction in insurance -- no.

MR. STRIDICK: Okay, thank you.

MR. SUTKIN: And that's speculative. I don't think we've engaged in those discussions through the Division of Risk Management -- what the consequent decrease in cost would be.

MR. STRIDICK: Thank you.

MS. MOLNAR: Any other questions or comments?

SENATOR OROHO: Just as a follow-up of what-- How often would those insurance reviews go on? Is it something that we do, at our request, to ask for a rating reduction?

MR. SUTKIN: The Division of Risk Management handles the contracting. It's a Division within the Department of Treasury. We can

ask how often those discussions take place. I think it's a several-year contract where they negotiate the rates. I don't think it's annual.

MR. McLAUGHLIN: But I think they do annually look at those to-- I mean, the basic thing they look at is to adjust the values of the building, ascertain the replacement values, things like that. But you'd really have to ask them. They--

SENATOR OROHO: Just my last question: When any of these major projects are going on, is it a proactive step on our part to meet with Risk Management to say, "Here's the projects we've done," so that they are well aware of the projects, and why, maybe, some of our insurance costs should either come down or at least stay the same?

MR. SUTKIN: We meet with the Division of Risk Management regularly and apprise them on our more significant projects, because the smaller projects really have no impact because of the State's larger portfolio. But any time it's above a certain square footage, or a certain cost, our protocol is to meet with them so they're aware of any additional facilities that need to be put on the policy.

SENATOR OROHO: Okay, thank you.

MS. MOLNAR: Any other questions or comments?

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

MR. SUTKIN: Thank you.

MR. McLAUGHLIN: Thank you.

MS. MOLNAR: Our next department is the Department of Children and Families. I'd like to welcome Laurie Hodian, Director of Administration.

**L A U R I E H O D I A N:** Good morning, Madam Chair and members of the Commission. Thank you for the opportunity to appear before you today.

As you know, my name is Laurie Hodian, and I am the Director of Administration for the Department of Children and Families. In that position, I have, amongst other responsibilities, managerial oversight for the Department's Office of Facilities and Support Services.

I have with me today the Director of that office, Rob Butcavage, to my right; and as well, Joseph Lenahan, the Regional Management Coordinator for DCF State-owned facilities.

The Department of Children and Families remains committed to the Governor's message of fiscal responsibility in State government, and we understand the current fiscal constraints in today's economy. As such, we have limited spending as much as possible.

In preparation for today, we thoroughly evaluated our capital budget needs and limit our request to only four projects that we consider absolutely critical. Each of these projects has been evaluated according to emergent need, taking into account our obligation to protect the health, welfare, and safety of the children and families we serve; and to maintain or bring our facilities into compliance with existing codes and regulations.

I will briefly highlight the importance of each project.

Our first priority is asbestos removal from 10 regional schools. The total cost for this project is \$1.1 million, of which \$210,000 is requested for FY '12. The department operates 18 regional schools in State-owned buildings. These schools provide educational services and support for approximately 700 children and young adults each year. These

are students who exhibited cognitive, physical, behavioral, and emotional disabilities, or are pregnant or parenting teens. Six of those schools have DYFS-licensed child care centers for the infants and toddlers of the parenting students.

The potential health hazard to children and staff, and the need to comply with the Department of Community Affairs' Asbestos Hazard Abatement regulations and the Federal Asbestos Hazard Emergency Response Act makes asbestos abatement our number one priority.

In November of 2007 the Whitman Company, which was awarded the contract to re-inspect all of our schools, determined that 12 of the 18 facilities required asbestos abatement. Based on Whitman's evaluation of the conditions of the facilities, the Department developed an Asbestos Management Plan in which our regional schools were prioritized based upon the condition of the materials at each facility. Two schools have been fully abated to date. Of the remaining 10, Passaic, Atlantic, and Bergen County Regional Schools have been designated as most in need of asbestos abatement, and they are our Department's priorities for asbestos abatement activity in FY '12.

There is extensive cracking at the seams and in the floor thresholds of the linoleum flooring at these three schools. The linoleum and mastic, which has asbestos-containing materials, is non-friable, meaning that asbestos fibers are not released unless the surface is abraded. Because the floors are deteriorating, we need to abate the linoleum and mastic as soon as possible. It is also necessary to address the transite panels which also contain asbestos.

Our second priority is the emergency generators at our two remaining Residential Treatment Centers, at an estimated cost of \$170,000. Our Department currently operates three State-owned residential Treatment Centers that provide housing and educational services to children with severe behavioral health issues. The Centers were constructed in 1973 and, as funding for maintenance has declined, the facilities have suffered some deterioration. With the projected phase-out of the Woodbridge RTC on January 1, 2011, we have not included that site in our request this year.

The emergency backup generators at the residential Treatment Centers and the 18 Regional Schools are obsolete, undersized, and unreliable. While all of them need to be replaced, our most pressing concerns are for the two RTCs. The equipment at the remaining two sites is 37 years old, and cannot be relied on to provide the backup needed during an emergency.

As you know, when power is lost the consequences can be serious. Backup generators are needed for fire alarms, heat, hot water, and emergency lighting. While the Residential Treatment Centers do have backup generators that currently enable proper functioning of the fire alarms and essential emergency lights in the event of a power outage, these aging generators are not a reliable or permanent solution. Moreover, these outdated generators do not have the capacity to provide adequate power for the rest of the residents' needs. In the event of a power outage the Residential Treatment Centers face losing their power to their freezers, ovens, heaters, hot water heaters, and the air conditioning systems and, in the case of the Vineland facility, its sewage system.

The installation of new emergency generators, including the required electrical upgrades to expand utilization and capacity, is required to ensure that we are prepared during a power outage.

DCF has developed a plan that has prioritized these two remaining treatment facilities in need of generator replacement by the asset criticality to the overall mission of the Department. The Vineland Residential Treatment Center is our first priority site. The incapacity of this generator to power the facility's sewage system, a compactor/grinder, is a major health concern. Moreover, the replacement parts for this specific model are very difficult to obtain.

The Ewing Residential Treatment Center is our second priority. Replacement parts for the generator at this facility are also very difficult to find, and capacity and service life are limited.

Our third priority is roof replacement at the Vineland Residential Treatment Center for a cost of \$280,000.

The concrete canopy roof structure at the Vineland RTC, which houses 34 residents, has shifted and cracked. Thanks to the support of the Commission in Fiscal Year 2009, we are able to proceed with one of the much-needed structural roofing projects for our other remaining Residential Treatment Center in Ewing. The Vineland canopy roof has the same structural problems that Ewing's had, and is also a priority project for the Department.

Our fourth and last priority is replacement of the two HVAC rooftop units at the Vineland Residential Treatment Center, at a cost of \$75,000. The existing 15-ton Goodman rooftop HVAC units at the Vineland RTC were installed in 1995, and they are the main source for

heating and air conditioning in the cafeteria, kitchen, and all the administrative offices.

The Department has been informed by several State vendors that these rooftop units, which are 15 years old, have outlived their operational expectancy, and that due to the age of the equipment and the extensive interior rusting that has already occurred, these units can be expected to fail. This has been evidenced by the numerous breakdowns that Vineland has experienced with the HVAC units over the last three years.

In support of the Governor's Energy Master Plan, all of the DCF renovations and facility improvements plans are designed to be energy efficient. The HVAC unit at the Vineland RTC will be replaced with Energy Star-rated equipment, and the refrigerant in the new HVAC equipment will be friendly to the environment.

The natural gas-burning generators at the Center will be replaced by state-of-the-art technology, reducing fuel consumption. The LED lighting for use with the new generators will require less electricity.

We have limited today's request to only those projects that we believe are truly critical. As noted earlier, we are mindful of the fiscal crisis in the State, and are committed to the Governor's message of fiscal responsibility in State government. The Department will continue to limit spending on capital projects as much as possible.

I want to thank the members of the Commission for this opportunity to address you and discuss the department's capital budget needs for Fiscal Year 2012.

If you have any questions, we'd be happy to try to answer them.

MS. MOLNAR: Thank you.

Any questions or comments?

Senator.

SENATOR OROHO: I know there was, in the discussion point -- I appreciate the question. With respect to the concrete canopy, is there any eminent danger of failure that we should be addressing right away?

MS. HODIAN: I'll let Joe--

J O S E P H L E N A H A N: I've had our Department's agency engineering consultant look into it, and we will be bracing. Vineland is identical to Ewing, which is now funded and will start on Monday.

SENATOR OROHO: Right.

MR. LENAHAN: But to answer your question -- the longer we wait, yes. The longer we wait, there will be-- There is current cracking, and there will be continued cracking.

SENATOR OROHO: So there are already cracks--

MR. LENAHAN: There are cracks, yes.

SENATOR OROHO: So we know there is stress already on the--

MR. LENAHAN: Yes.

SENATOR OROHO: Should that move up in priority? I mean, I know the asbestos is the-- And that's over a phasing period. But should the concrete canopy -- if there is eminent danger -- should that move up in priority?

**ROBERT BUTCAVAGE:** I'm not sure there's imminent danger for it to be falling down right now. We went with the Ewing project for quite a while, and now with the same type of cracking it's not in an area where the residents are -- it's on the outside, correct, Joe?

**MR. LENAHAN:** It's--

**MR. BUTCAVAGE:** Outside of the--

**MR. LENAHAN:** A pedestrian walkway, which is outside where the students travel daily -- so, yes. Ewing we have braced. We have-- Our architect designed braces to have installed at Ewing. So, to answer your question--

**SENATOR OROHO:** Okay.

And with respect to the phasing on the asbestos: Two schools have been done, I guess, already?

**MS. HODIAN:** Yes.

**SENATOR OROHO:** How many schools would that be per-- Would that basically be two schools per year; except, I guess, to get 470,000, it's maybe four or five schools?

**MR. BUTCAVAGE:** We're asking for \$210,000 for this Fiscal Year, and that would be for three schools.

**MS. HODIAN:** Three.

**SENATOR OROHO:** For three schools?

**MS. HODIAN:** Yes.

**MR. BUTCAVAGE:** That's \$70,000 (indiscernible).

**SENATOR OROHO:** Is there any sort of-- The issue of, if we were to pull those projects forward, have you thought of -- would there be

any significant savings to get them done sooner rather than later? I mean, the total project is -- I guess is what -- \$1.1 million?

MR. BUTCAVAGE: One-point-one million, correct.

MS. HODIAN: Yes.

MR. BUTCAVAGE: Is there any significant savings if we try to do them all at the same time?

SENATOR OROHO: Correct -- or over a two-year period.

MR. BUTCAVAGE: I'm not sure. I would have to check with the--

MS. HODIAN: We could check--

SENATOR OROHO: If you would--

MS. HODIAN: --and try to get back to you.

SENATOR OROHO: If you could -- is there any economy to scale type of thing, to give out a contract.

MR. LENAHAN: What we normally do is, when we have abatement conducted at one of our schools, we relocate the staff to another school.

SENATOR OROHO: Okay.

MR. LENAHAN: So we normally do one school at a time, because it's a full (indiscernible) job.

SENATOR OROHO: I got you.

MR. LENAHAN: While there might be savings, we still have to be able to--

SENATOR OROHO: You need the space.

MR. LENAHAN: --meet our clients' needs, yes.

SENATOR OROHO: Yes, okay. Thank you.

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

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

MS. HODIAN: Thank you very much.

MS. MOLNAR: I'd like to welcome the Commission on Higher Education -- Dr. Glenn Lang, Acting Executive Director of the New Jersey Commission on Higher Education.

Good morning.

**G L E N N B. L A N G, Ed.D.:** Good morning to the Chair and members of the Commission.

I'm Glenn Lang and, since August 1, I have been serving as the Acting Executive Director of the New Jersey Commission on Higher Education. I'm accompanied by Ms. Elizabeth Garlatti, who is our Director of Finance and Research at the Commission.

I appreciate the opportunity to appear before you today to provide testimony on the capital preservation and maintenance needs of our 12 senior public colleges and universities.

Annually, the Commission comes before you to make its case for capital support for renewal of the State's assets at the senior public colleges and universities. In the last several years, the Commission has suggested funding deferred maintenance projects at the colleges and universities, and we're renewing that request this year.

Through the establishment of a dedicated project that includes an institutional match, the colleges and universities could prioritize deferred maintenance projects such as fire safety; ADA compliance; heating,

ventilation, air conditioning, and cooling upgrades; and the implementation of energy-saving technologies to allow on-going operational savings.

Our senior public institutions are critical State assets, not only for the value of their real estate, but for the promise of a future for generations of students to come. The shared responsibility for the maintenance of State assets would make it clear that both the State and institutions are committed to sustain safe, accessible, well-maintained campuses for all students, while protecting the investments that have already been made.

Without meaningful State investment in the capital needs of colleges and universities, current students and their families have been forced to contribute more through special fees and tuition increases to the development and maintenance of these State assets. In these tough economic times, even small cost increases make college out of reach for many of New Jersey's best and brightest.

Students at our colleges and universities will become the driving force of the new economy and the best of our natural resources, which will preserve the health and competitiveness of New Jersey's business and industry. It is vital that the State maintain its emphasis on college access and affordability. Investment by this Commission in the preservation and maintenance needs of colleges and universities will have the short-term impact of creating construction jobs and the long-term impact of maintaining affordability for all students.

I want to thank you for this opportunity.

MS. MOLNAR: Thank you.

In the past, I believe, you suggested a 1 percent (*sic*) match. Is that what you're looking for?

**ELIZABETH GARLATTI:** We're open to your suggestion; but yes, we have suggested a dollar-for-dollar match. And the institutions -- obviously I believe the presenters about the interdepartmental account -- named all of the same kind of projects that are available at our institutions of higher education. And, in addition, of course, there would be the ability to take advantage of energy cost savings as well. And so there is a sense of urgency about many of these projects that we've heard from the other agencies at our colleges.

MS. MOLNAR: Have you estimated any estimated cost savings at all -- energy savings, for example?

MS. GARLATTI: It varies so widely, because the size of the projects-- For instance, projects at the University of Medicine and Dentistry of New Jersey are in the range of tens of millions of dollars; whereas the projects at some of our smaller institutions, like Ramapo or The College of New Jersey -- the project itself would be smaller, the machines would be smaller, so the cost savings would be smaller.

MS. MOLNAR: Okay, thank you.

Any questions or comments?

Senator.

SENATOR OROHO: Maybe I just need to understand what the process is.

Do all the institutions come to you with their capital needs?

MS. GARLATTI: They actually come to you with their capital needs.

DR. LANG: To you.

SENATOR OROHO: So right now, before us today-- So there's no real data here to analyze a priority listing or anything like that.

MS. GARLATTI: The institutions submit their requests directly to the Commission on Capital Planning and Budget. They don't submit them to us. We get copies of them.

MR. VARI: Senator, the information comes into our database, and it's--

SENATOR OROHO: It's in the database, okay.

MR. VARI: Right, by institution, and it just-- Probably runs about 300 pages. So historically we haven't taken, analyzed each institution's request and printed that material. However, it would be available, if you--

SENATOR OROHO: We have all that data?

MR. VARI: That just came-- Yes, that just came in. They're not all in yet?

UNIDENTIFIED MEMBER OF AUDIENCE: (off-mike) Rutgers and two other schools are not in yet. I was waiting for all of them to come in and then I was going to send it out to everybody.

MR. VARI: Right, so we're waiting for two more institutions to come in.

UNIDENTIFIED MEMBER OF AUDIENCE: (off-mike) Just (indiscernible).

MR. VARI: And what that will give you is what each institution requested, and then a total.

SENATOR OROHO: Is it all done the same exact way: here's priority one, two, three, or four, or--

MR. VARI: Well, the priorities will be by-- No, I think the priorities will just keep running continuously. So as the institutions keep adding-- As a new institution comes in and puts in their priorities, it could be starting at priority--

SENATOR OROHO: So there is some way for this Commission to be able to prioritize or analyze -- resources are obviously limited, but in order to say what kinds of projects would be able to get those limited resources. Or as we basically said in the past, the higher education institutions get *X* percent of what they're requesting or a flat dollar amount--

MR. VARI: Well, I think in the past we -- I think the discussion over the last couple of years has been this matching that's been presented.

SENATOR OROHO: Let's say we come up with the match. Who decides what projects are most important? Is it each individual college, or is it the acting director or the director -- who decides where the money goes?

MR. VARI: I'm not sure we've really fleshed that out, have we? In terms of if there were a match and a pool of money?

DR. LANG: Under current law -- and correct if I'm wrong -- prior to 1995 we would have had that authority. Since higher education restructuring, the Commission does not have that authority. The information comes to you. That's one of the changes that was made with the elimination of the former Department of Higher Education.

SENATOR OROHO: Okay.

DR. LANG: There was a unit in the former Department of Higher Education that would review all that data, make recommendations, priorities, and send it forward. But that was eliminated.

SENATOR OROHO: So really, it should go into the whole database of all these projects that we're looking at to see where that priority listing would be. That seems to be the way it's structured.

MS. GARLATTI: Yes.

DR. LANG: Yes.

SENATOR OROHO: Thank you.

MS. MOLNAR: Could you get a summary, a grand total--

SENATOR OROHO: Yes, please.

MS. MOLNAR: --summary by college? Rutgers is asking for \$100,000, this college--

MR. VARI: As soon as these final two institutions report, we'll send that out.

SENATOR OROHO: What if we have specific questions on each institution? Will they be coming before us?

MR. VARI: Traditionally they haven't.

SENATOR OROHO: They have not?

MR. VARI: It's-- That's right.

SENATOR OROHO: What if they ask for \$1 billion? Can we request them to come and talk about it?

MS. GARLATTI: We would be happy to solicit additional information from the institutions on behalf of this Commission, if that would be your desire. Because of autonomy and restructuring, it's really the

boards of governors and the boards of trustees that determine the determination -- that make the determination for each college and university in terms of their priorities. But we can tease that out for you, if you would like.

SENATOR OROHO: I would like to-- Maybe, offline we can have a little further discussion about the process of how we-- Just so I understand, and that we can make our priorities better if necessary.

Thank you.

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

If not, I want to thank you for coming.

DR. LANG: Thank you.

MS. GARLATTI: Thank you.

MS. MOLNAR: Our final department is Office of Information Technology. I'd like to welcome Hagen Hottmann, Director of Infrastructure Support Services.

**H A G E N H O T T M A N N:** Good morning, Madam Chair and members of the Commission on Capital Budgeting and Planning.

Thank you for the opportunity to present the Office of Information Technology's capital budget request for Fiscal Year 2012.

Before I begin, I would like to extend the personal regrets of CTO Adel Ebeid, who is unable to be present today. My name is Hagen Hottmann; I report to Mr. Ebeid as Director, Infrastructure Support Services. I have responsibility for the information technology for which we are requesting capital funding.

Also allow me to introduce members of the OIT management team who are with me here today: Immediately to my right is Chief Fiscal Officer Ann Timmons; and to her right is Manager, Budget and Fiscal Services, Gary Alpert. And to my left is Statewide Data Center Optimization Officer, Gloria Broeker.

OIT faces significant challenges in executing its mission to ensure the State's application hosting capacity meets the growing needs of our Executive Branch agency clients. While this enterprise capacity is aging, to the point of decrepitude in some instances, at the same time it is being rapidly depleted as the State's hosting needs grow at a pace that far exceeds the State's ability to replenish and grow this capacity. Consequently we find ourselves at a juncture where equipment and facilities require significant maintenance and upgrades. The State, therefore, needs to make a focused investment to make the most of the application hosting capacity OIT has left, while making additional investment in new capacity, including taking advantage of the superior speed-to-market of outsourced solutions versus purely in-house solutions.

To this end, OIT has prepared a multi-year plan reflecting a comprehensive strategy consisting of both types of solutions. As background, note that in the fall of 2009 a critical infrastructure study was commissioned by the New Jersey State Police and OIT to assess the condition of the NJ State Police building 15 in West Trenton that houses OIT's River Road Data Center, one of the State's two enterprise production data centers. In addition to hosting applications for many of OIT's agency clients and for NJ State Police, the facility also houses the State's IT help desk and the State Police statewide radio communications system. Building

15 received a failing grade in the study's findings, which recommended immediate action to remediate what can be repaired.

One action we are taking in this vein of keeping the facility alive is a project underway with the Division of Property Management and Construction to address the most severe gaps in either safety or single points of failure in the electrical and cooling infrastructure. In addition, an Office of Homeland Security and Preparedness grant will be used to procure a mobile generator that would be used in case one of the four existing generators, all of which are beyond the manufacturer's recommended and supported life, should fail during a loss of utility power. Furthermore, the Department of Law and Public Safety is requesting Fiscal Year '12 capital funding to replace all four generators.

Looking to the future, however, because the investment necessary to expand the facility's capacity would be too great compared to the potential gain, new data center capacity must be added to meet the State's application hosting needs.

Additionally, electrical capacity is rapidly diminishing at OIT's Hub Data Center, the State's other enterprise production data center, which hosts not only applications for many of OIT's agency clients, but also the State's print operation which processes all checks, most licenses and registrations, and many reports both for the public and internal State use. This print operation is incompatible with a data center's needs, in addition to consuming significant floor space. Therefore, immediate action is necessary to replenish and grow the Hub's electrical capacity while finding a new home for the print operation.

In brief, in their current condition the data centers have very limited available capacity. This hinders or prevents the hosting of new applications such as Pensions' Interactive Voice Response; Motor Vehicle Automated Transaction, or MATRX, System; and administrative systems replacements for the payroll system, for example, or NJCFS or (indiscernible), as were the subject of a public information sharing session hosted by the Treasurer just last week.

In addition to the data centers and their unique facilities upgrade needs, hosting applications requires an information technology environment consisting of network, storage, server, and monitoring infrastructure, among others. Refreshing and growing these capacities are essential to a successful application hosting strategy.

Therefore, with the State's application hosting capacity facing all of the challenges noted, the State cannot continue to count on the successful delivery of information technology-based services to the public without doing something different. OIT is pursuing that difference through a multi-faceted, multi-year plan as follows:

First, refresh and grow information technology infrastructure at all data centers -- this is an ongoing activity. Second, mitigate electrical and cooling risks at the River Road Data Center. This is happening this year, as I mentioned earlier. Third, replenish and grow electrical capacity at the Hub Data Center. This will begin this year and continue next, and we'll discuss that more in a minute. Fourth, outsource print operations to remove it from the Hub Data Center. This is beginning next year and will continue for the next two, as I mentioned earlier. Fifth, leverage software or infrastructure as a service outsourcing. This is beginning this year through

the identification of outsource providers. Sixth, fit out network and storage capacity at OIT's Hamilton, or OARS, Data Center. This is for Fiscal Year '12, and I'll discuss it in a moment. Seventh, engage collocation service providers. This is beginning next year through the identification, again, of outsourcing participants. And eighth, establish and fit out a new data center, which is beginning this year through an RFP process.

Note that initiatives 5, 7, and 8 represent a phased migration of the State's application hosting capacity to embrace outsourced providers, taking advantage of this sector's relative speed-to-market versus purely in-house solutions.

Cumulatively, these recommendations will require the expenditure of over \$60 million spread over five years, beginning in Fiscal Year '12. Of this amount, OIT is requesting \$5.5 million through the capital budget process for Fiscal Year '12 to jumpstart our multi-year plan to refresh, modernize, and expand the State's enterprise application hosting capacity at existing and new facilities.

Our first capital budget request, corresponding to item 3 in OIT's plan, is for \$3.5 million for additional electrical capacity at the Hub Data Center. This request represents an integrated package of electrical upgrades that must take place concurrently to efficiently increase electrical capacity needed to host new applications. These enhancements should allow OIT to keep pace with anticipated application hosting growth at the Hub for the foreseeable future.

Our second capital budget request, corresponding to item 6 in OIT's plan, is for \$2 million to expand the network and storage capacity at the Hamilton Data Center. The expansion of both network and storage

capacity will facilitate the hosting of high availability applications such as the Department of Human Services' Consolidated Assistance Support System, more commonly known as CASS, as well as their Document Image Management System, among others, including possibly Motor Vehicle Commission's MATRX system.

With high availability, an application's user community will have access to their system at nearly all times. It ensures that if the primary server or components of the infrastructure fail, then the application will automatically, or with limited manual effort, cut over to an alternate environment. This approach is far more sophisticated than disaster recovery, as it results in near-zero recovery time. Given the criticality of the business processes supported by these applications, it is imperative that we expand capacity as appropriate.

I would like to conclude by noting that every effort was taken to develop a cost-effective plan that weighs the State's fiscal situation against improvements that need to be made to successfully deliver information technology-based services to the Executive Branch and to the public.

I would also like to invite you, Madam Chair and members of the Commission, to visit any or all of the OIT data centers I've described.

Thank you for your time and I welcome any questions you have.

MS. MOLNAR: Thank you.

Any questions or comments?

Senator.

SENATOR OROHO: Thank you very much for your comments. And the idea of the multi-year, multi-faceted plan certainly makes sense to me.

Now, the first request being a \$5.5 million -- now is that something that -- say, it's approved this year. That's an integral part of the \$60 million plan?

MR. HOTTMANN: Yes, it's the first phase.

SENATOR OROHO: It's first phase. So once we say yes to that first phase, does it basically say that all the other phases are necessary to be done?

MR. HOTTMANN: Well, they're necessary to support the needs of the State -- the business needs of the State. It's not an obligation on the part of the Commission to fund the rest of the program.

SENATOR OROHO: Well, my point being is if we do the \$5.5 million, are we wasting any money if we decide not to do the rest of the phases?

MR. HOTTMANN: No.

SENATOR OROHO: Okay.

MR. HOTTMANN: The first two are necessary in the very short-term. The electrical operations at the Hub right now would allow us to host additional applications beyond those that are already on the drawing board.

SENATOR OROHO: That's what I saw. I saw the idea of you looking at the outsourcing and giving you a multi-faceted -- alternatives that you are looking at.

MR. HOTTMANN: Yes.

SENATOR OROHO: Now, the Hub Data Center -- where is that? Is that the River Road?

MR. HOTTMANN: That's in West Trenton. It's on the State Police compound.

SENATOR OROHO: State Police -- all right. And the storage capacity, all right? How much, versus what you have right now in total storage-- We all know storage capacity is going to continue to increase as we continue to use digital images, which I support completely. How much will that increase your total capacity? Is it like a 20 percent increase? Is it a 50--

MR. HOTTMANN: I would think it's going to be less than 10 percent. Our total capacity today is approximately 750 terabytes, which to translate that into something more practical, it's about 50,000 Blu-ray discs worth of data. So it's a significant amount of storage.

SENATOR OROHO: Every year your storage capacity, your need for storage area, increases.

MR. HOTTMANN: That's correct.

SENATOR OROHO: What is-- If we have less than 10 percent increase in storage here, what is your total add to inventory of storage each year?

MR. HOTTMANN: Storage grows between 20 and 35 percent a year, depending upon the--

SENATOR OROHO: Between 25 and 35. So we're only scratching the surface.

MR. HOTTMANN: Right. Well, this is specific to the Hamilton Data Center, where we're trying to set up a production

environment to support high availability applications. What that means is that you would have some of the infrastructure at The Hub, and a mirror image, if you will, at the Hamilton Data Center, so that you could fail over from one to the other. We don't have that currently for production at Hamilton, so that's what we need to establish there.

SENATOR OROHO: A little redundancy type-- Now, what about the issue of old storage and whatnot? Are we always looking, obviously, to clean off and put off-site other -- to bring capacity for storage for current needs?

MR. HOTTMANN: Yes, we've refreshed the technology as required, primarily driven by the vendor. I mean, they have certain end-of-service life that's associated with their technologies, and we have to request monies to keep up with that pace.

SENATOR OROHO: Thank you very much, I appreciate it.

MR. HOTTMANN: Thank you.

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

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

MR. HOTTMANN: Thank you.

MS. MOLNAR: Under other business, I'd like you to note that the meeting schedule has changed slightly. The debt report will now be December 10.

Now, Senator, did you want to chat at all -- you said off-line -- about the process on--

SENATOR OROHO: Oh no, that's just for my education.

MS. MOLNAR: Okay.

SENATOR OROHO: Just so I understand the whole process.  
How this fits -- serving on the Budget Committee.

MS. MOLNAR: All right. So our staff will get back to us when they have everything.

SENATOR OROHO: Yes.

MS. MOLNAR: All the information in.

SENATOR OROHO: That would be great.

MS. MOLNAR: Any questions, comments, discussion?

If not, the next meeting is October 22 in this room.

Meeting adjourned.

**(MEETING CONCLUDED)**