
Commission Meeting

of

NEW JERSEY COMMISSION ON CAPITAL BUDGETING AND PLANNING

LOCATION: 33 West State Street
Trenton, New Jersey

DATE: November 16, 2012
10:00 a.m.

MEMBERS OF COMMISSION PRESENT:

Anthony F. Annese, Vice Chair
Senator Steven V. Oroho
Assemblyman Declan J. O'Scanlon Jr.
Thomas Neff
Steven Petrecca
Robert Romano
Beth Schermerhorn



ALSO PRESENT:

Thomas J. Solecki
Executive Director

Jerry Traino
*Assembly Republican
Commission Aide*

Meeting Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

(The New Jersey Commission on Capital Budgeting and Planning held a teleconference meeting on November 16, 2012, at 10:00 a.m. Members of the Commission present via teleconference were Anthony F. Annese, Vice Chair; Senator Steven V. Oroho; Assemblyman Declan J. O'Scanlon Jr.; Thomas Neff; Steve Petrecca; Robert Romano; and Beth Schermerhorn.)

ANTHONY F. ANNESE (Vice Chair): I would like to call the meeting to order.

Carol, unfortunately, had a death in the family; her brother passed away yesterday and that is why she is not with us today. And she gave me a call and asked me to step in for her, so I will. So if I stumble a little bit, please bear with me.

The first order I have to do is I have to make the public announcement.

In accordance with the Open Public Meetings Law, the Commission has provided adequate notice of this meeting by giving written notice of the 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 Secretary of State.

Tom, could you call the roll, please.

MR. SOLECKI (Executive Director): Yes.

Senator Oroho.

SENATOR OROHO: Here.

MR. SOLECKI: Senator Sarlo. (no response)

Assemblyman Fuentes. (no response)

I'm sorry -- Assemblyman Fuentes. Are you here? (no response)

I will consider him absent.

Assemblyman O'Scanlon. (no response)

Mr. Traino?

MR. TRAINO: Yes, I'm here -- filling in until he comes on.

MR. SOLECKI: Okay. You can vote on most-- You can vote on approval of the minutes, which is the only action we're going to have today, as far as I know.

MR. TRAINO: Okay.

MR. SOLECKI: Rob Romano.

DEPUTY STATE TREASURER ROMANO: Here.

MR. SOLECKI: Steve Petrecca

MR. PETRECCA: Here.

MR. SOLECKI: Beth Schermerhorn.

MS. SCHERMERHORN: Here.

MR. SOLECKI: Tom Neff.

MR. NEFF: Here.

MR. SOLECKI: And Anthony Annese.

MR. ANNESE: Here.

MR. SOLECKI: Joanne Cimiluca. (no response)

Carol Molnar is absent.

Mr. Annese, we have a quorum.

MR. ANNESE: Okay, very good.

The first issue -- the first order of business -- is the approval of the minutes. Does anyone have any discussion or corrections of the minutes? (no response)

Okay, hearing none, may I have a motion to approve the minutes?

SENATOR OROHO: Senator Oroho -- a motion to approve.

MS. SCHERMERHORN: This is Beth -- so moved.

MR. ANNESE: Okay. Should we have a roll call on that?

MR. SOLECKI: Yes.

Senator Oroho.

SENATOR OROHO: Yes.

MR. SOLECKI: Mr. Traino, for Declan O'Scanlon.

MR. TRAINO: Yes.

MR. SOLECKI: Rob Romano.

DEPUTY STATE TREASURER ROMANO: Yes.

MR. SOLECKI: Steve Petrecca.

MR. PETRECCA: Yes.

MR. SOLECKI: Beth Schermerhorn.

MS. SCHERMERHORN: Yes.

MR. SOLECKI: Tom Neff.

MR. NEFF: If I'm permitted to vote yes, I vote yes; but since I wasn't here last time, I don't know if I'm even allowed to vote on minutes for a meeting I wasn't at. I vote yes if you need my yes.

MR. SOLECKI: Thank you.

And Mr. Annese.

MR. ANNESE: Yes.

MR. SOLECKI: Okay, the minutes have been approved.

MR. ANNESE: Okay, fine; thank you.

The first department we have to look at is the Department of Corrections. Is there any discussion or comments on the Department of Corrections?

MR. SOLECKI: I just heard a beep -- has somebody just joined us?

ASSEMBLYMAN O'SCANLON: Yes -- Assemblyman O'Scanlon. Sorry I'm a couple of minutes late, folks.

MR. SOLECKI: Okay, welcome aboard. You haven't missed much; we've just approved the minutes, and Jerry Traino approved them on your behalf.

ASSEMBLYMAN O'SCANLON: I can always count on Jerry to make good decisions for me.

MR. SOLECKI: I assume you agree to approve those minutes?

ASSEMBLYMAN O'SCANLON: I do, yes.

MR. SOLECKI: Thank you.

The first department we're talking about is the Department of Corrections. Anthony Annese is the Vice Chair, because Carol is unable to make the meeting today. And I believe Anthony asked if there were any questions -- we haven't heard any. Do you have any questions?

SENATOR OROHO: I just--

MR. SOLECKI: Go ahead.

SENATOR OROHO: I just have a question regarding, actually, Priority No. 2. And, just as a general comment, I do appreciate the descriptions that have come from each of the departments. I think they've gotten significantly better from when I first started on this Commission.

But in No. 2 it talks about some cell window replacements.

MR. SOLECKI: Yes.

SENATOR OROHO: And it talks about that they've been presented with a cell window that meets tamper-proof requirements and

whatnot. But now where they're talking about the costs involved -- you have the construction costs of \$2.7 million; then the talk about design costs of \$270,000, and fees and other -- over \$500,000. Any idea what those-- If we've already selected a window, why would we have design costs? Can somebody give me an explanation as to what some of these fees and costs are?

MR. SOLECKI: My understanding is the \$3.5 million that they are requesting is strictly for the windows themselves, which are \$5,700 per window. So we're talking about 600 windows. The design costs, the engineering costs -- that's already been done and Corrections has paid for that on their own dime. Some background: Albert C. Wagner holds about 1,300 males; most of them are younger males between the ages of 18 to 30. They're serving time as adults, medium security; there is some maximum security. A younger crowd tends to be a more violent crowd, a more excitable crowd. I was out there to see these old windows; this is my second year in a row that I've been out there. And, in fact, a vendor had installed a sample of the new window. And when you look at these old windows, what's happening is they can pry off the wood and they're making shivs out of it.

SENATOR OROHO: They're making weapons -- yes.

MR. SOLECKI: It's a serious problem. And it's been--

SENATOR OROHO: My comment isn't on the priority or the project itself. I actually-- I've toured a number of prisons where-- And you'd be amazed at how many weapons they can make out of-- They're very creative. But in looking at this one, I just sort of-- So the \$3.5 million

is really for all the construction? Because in their description it talks about \$2.7 million for construction and then that \$800,000 for other stuff.

MR. SOLECKI: Yes.

SENATOR OROHO: We don't have to take time right now. Maybe if the Department could just-- If I could just get some sort of explanation about what those other fees and costs might be, and what the design costs might be. Or if some-- It says that they already paid for the design--

MR. SOLECKI: Right.

SENATOR OROHO: And at \$3.5 million, really (indiscernible) all construction costs?

MR. SOLECKI: Right.

SENATOR OROHO: Well, that's fine. I just wanted to understand what were those other costs. And if what we're saying is that \$3.5 million is all related to the windows themselves, fine. I just want an explanation of what those other costs might be.

MR. SOLECKI: I will make sure I get clarification from Corrections and send out an e-mail to the members of the Commission on that.

SENATOR OROHO: All right. Thank you.

MR. SOLECKI: It is a good question, Senator, because in a lot of cases-- We're talking about a three-step process.

SENATOR OROHO: So this will be my question, and not Tom Neff's question.

MR. SOLECKI: Yes. You know, a lot of times agencies are asking for a capital project and they've not gone out and had a preliminary

estimate, or they've not gone out and had formal design or formal engineering done. So we struggle here sometimes to find out, "Hey, has the design and engineering been done and are you ready to go to construction?"

SENATOR OROHO: Good point, good point, yes.

MR. SOLECKI: Or do we need to step back and do the design and engineering which, in some cases, can set us back a year or so.

SENATOR OROHO: Yes.

MR. SOLECKI: My understanding in going out there -- although it's not clear in this narrative -- is that they've already got the windows specced out; they've talked to several vendors, which leads me to believe they've already paid for the design and engineering. But I will get confirmation on that and let you all know, formally, what the response to that question is.

ASSEMBLYMAN O'SCANLON: And, real quick, just another question while we're at it.

MR. SOLECKI: And this is who?

ASSEMBLYMAN O'SCANLON: Declan O'Scanlon.

MR. SOLECKI: Thank you, Assemblyman O'Scanlon.

ASSEMBLYMAN O'SCANLON: Sorry about that.

While we're at it, some explanation to give us some background and a way to answer a member of the public who might stand up and say, "You voted to spend \$5,000 per window." That may very well be the going rate, and it may be necessary, but to the public it could sound outrageous. I just would like some way to answer that question if it ever came up.

And look, I have the question, too -- \$5,000 does sound like a lot of money. I'm sure there's an explanation, but I just would like to have it.

MR. SOLECKI: Okay.

Any other questions about Priority No. 2 -- the window replacement at Albert C. Wagner Youth Correctional Facility? (no response)

Jumping up to Priority No. 1, as it works out, it looks like they want, as Priority No. 1, to take care of their steam line replacement. As you can see in the narrative, the steam lines are a mess. This has been an ongoing problem for several years. A couple of months ago they had an emergency we had to come up with \$1 million to solve; I believe it was about 1,000 feet of piping that just ruptured. But this request is to try to deal with the problem from a bigger picture point of view in a longer term.

The other thing that you'll note is that there are two facilities involved here -- Albert Wagner and Garden State Youth Correctional Facility are right next to each other. Between them they serve about 3,100 males -- again, most of them the younger crowd. So the reason why we have two prisons next to each other -- at least the way it's been told to me -- is that there is gang relations and we need to keep certain populations separated from one another. But the important thing to understand here is that Albert Wagner's steam system also supplies the energy over to Garden State. So this doesn't affect just one prison; it's affecting two of them.

An option we're exploring right now is, perhaps, to see whether or not Garden State Youth should have its own HVAC system and not be dependant on the steam generation plant that exists at Albert Wagner.

That may be a cheaper and more effective alternative, and we're working with the Energy Committee to find out exactly what that cost might be.

And then Priority No. 3 is Garden State Reception -- again, right next door to Wagner. I was out there-- They've got an entire wing that is shut down; it probably holds about 15 to 20 offices. Corrections is under a mandate to start getting the residents an education and these rooms were all used as training rooms. And we can't use them because they are contaminated with asbestos. It's basically a shut-down wing. Again, this problem has been going on for several years, so we're looking at somehow finding some funding to take care of that. Don't be surprised if you see, when we make our capital recommendations, that some of these top three priorities, if not all of them, are to try to get some funding together and start moving them.

Any other questions with Corrections? (no response)

MR. ANNESE: Okay, hearing none, then I guess we should move on.

The next department is the DEP. I do have a comment, or a question, Tom. As we were talking earlier, we seem to have an awful lot of requests from this Department -- over 100. Can you explain that, please?

MR. SOLECKI: Yes. We have a couple of departments that send us hundreds -- or dozens -- of requests. And that's why we try to ask agencies to focus on their top three or four priorities. When we begin to rank some of these projects and these priorities, the reality of the situation is there is no way we're going to be able to take care of all 100 of DEP's capital projects.

DEP is a little bit of an aberration from the rest of the departments, because when it comes to DEP capital projects we don't use General Fund appropriation money but, instead, we use funds that are dedicated from the Corporate Business Tax -- the CBT funds. DEP is limited in what they can do in the way of capital projects to the extent that they're going to receive receipts from the CBT funds. So basically what happens each year is we'll do a projection of what those CBT receipts will be, and DEP will take those receipts and allocate them as far as they can go to their top priorities. So whether they send us three priorities at \$100 million or 100 priorities at \$100 million, they can only do up to the amount they receive in the way of receipts from the Corporate Business Tax. Does that help?

MR. ANNESE: Yes.

Does anyone have any other questions or comments about DEP?

SENATOR OROHO: I'm just questioning-- I guess this goes for a number of departments-- With respect to Hurricane Sandy, is there going to be a need for resubmissions from any departments or will DEP need to add anything to their requests?

MR. SOLECKI: Interesting you should ask.

I basically sent e-mails to most of the departments -- Corrections, Human Services, JJC, DEP -- and asked them if they've had any substantial impact to their capital assets because of the storm. Fortunately, they've all come back and said no with one exception -- and as it works out, it's DEP. They called me last night, and their Commissioner has directed that they be given an opportunity to reprioritize their projects

based on the impact caused by Hurricane Sandy. It's not clear when they're going to get me that reprioritization; when they do I will make sure I share it with members of the Commission.

SENATOR OROHO: All right. Well, thank you.

And the two things that Anthony was talking about before: With respect to the authority of this Commission, I thought, basically, we were advisory and, quite frankly, that each department goes through and does their priorities. We then give our comments as to what we think should be approved. But then each department and the Administration really gets -- when they submit their budgets for the departments -- really gets to say which projects are going to either be operating expenses or operating dollars. It's all under appropriations -- operating dollars or what gets classified as "a capital item." And yet we're recommending and advisory, aren't we? I mean, we don't necessarily have the ability to disapprove any of these projects, do we?

MR. SOLECKI: That's correct; we don't have the ability to disapprove a project. We can, however, ask questions; we can make recommendations. For example, on the window replacement at Albert Wagner -- that's a worthwhile question and I think we need to bring it up. And we might decide to say, "Well, as far as this Commission is concerned, we don't agree with that cost, or maybe it shouldn't be as high a priority as you're ranking it."

SENATOR OROHO: Right.

MR. SOLECKI: Ultimately, that information, the Commission's recommendation gets forwarded to the Legislature and the Governor's Office. It's the Governor's Office that ultimately takes the

Commission's recommendation under advisement and makes a decision in terms of exactly what will be funded.

SENATOR OROHO: Yes, because a lot of these projects have been funded as part of their regular operating proposals; that I guess they could make a decision that either -- which (indiscernible) particular project is very much a priority; and I guess they could say that's a higher priority than, say, some other program or something like that. The department still has the ability to make the ultimate decision as to a trade-off between an operating expense or program and one of these projects.

MR. SOLECKI: I understand your point.

The fact of the matter is, these capital requests are not part of agency operating budgets. It's a separate pool of funds. Capital projects, in essence, must be greater than \$50,000, must extend the life of a long-term asset. Do agencies receive some funding in their operational budget for the purchase of equipment that maybe is less than \$50,000 or for some repairs that need to be made to their facilities that are less than \$50,000? Yes -- that amount is very minimal. So to answer your question, we don't have a whole lot of flexibility; departments don't have a whole lot of flexibility to use their operating funds to take care of capital projects. They're basically at the mercy of the capital funding that is provided to them. In the case of DEP, they're at the mercy of the level of constitutional funding and the receipts that come in from the Corporate Business Tax. The same thing with the Department of Transportation; they can only do capital projects up to what they can get out of the Transportation Trust Fund. These other agencies that don't have these dedicated receipts, they can only do up to

the amount that the Governor provides to them in the form of capital funding. Does that--

SENATOR OROHO: Yes, okay.

MR. SOLECKI: All right.

MR. ANNESE: All right. Thank you, Tom.

Does anyone else have any comments or questions on DEP?

(no response)

Okay then, let's move on to the next department, which is the Department of Human Services. So I'll open the floor to any comments or questions you may have.

MR. SOLECKI: Just a comment from myself. If you recall, last year it seemed like everything we were looking at -- the top priorities -- were roofs; and we still have some of them. But this year it seems like a lot of the top priorities are these HVAC systems: the co-generation plants, the generation of steam, electricity. And similar to Corrections, we're seeing the same thing here with Human Services. I will say Human Services has provided us with detailed information in terms of the payback periods. I could share that with you, if you think you'd find it useful. Basically what we would do here, as the Capital Commission staff, is we're going to forward that detailed information to the Energy Committee and they will take that under advisement and come back to us and say, "Yes, it makes perfect sense that these are, in fact, Human Services' number one priorities; the cost seems reasonable, and these are investments that we should seriously consider making."

MR. ANNESE: Thank you, Tom.

Anybody have anything else on this Department? (no response)

Okay. Next, we move on to the Interdepartmental Accounts.
Any comments here?

MR. SOLECKI: The three roofs -- they have to get done.
We're going to work to find a funding for that.

Some of these smaller projects-- We're trying to find out if we have some existing balances from excess funds that were provided for old projects. Once we close those old projects out, maybe we can throw them towards these smaller type of projects. Again, you have the Ashby Building duct work at No. 3 -- that's been an ongoing problem. Last year-- We've just provided funds, per the Commission's recommendation, to put a new roof on at Ashby. Now we need to deal with the duct work and, ultimately, solve the mold problem that exists over there.

MR. ANNESE: Okay, thank you, Tom.

Anybody else? (no response)

Okay, that wraps up our requests. Is there any other business anybody would like to bring up? (no response)

It's going to be a quick meeting today. May I have a motion to adjourn?

ASSEMBLYMAN O'SCANLON: So moved.

MR. SOLECKI: Is that Senator Oroho? I think it was.

MR. ANNESE: Tom, did you ask a question?

MR. SOLECKI: Yes, I asked who made the motion.

ASSEMBLYMAN O'SCANLON: I made the motion --
Assemblyman O'Scanlon. Sorry about that.

MR. SOLECKI: Thank you.

SENATOR OROHO: Second.

MR. ANNESE: Okay. All in favor, say aye. (affirmative responses)

Opposed? (no response)

Okay, meeting is adjourned. Thank you all very much.

ALL: Thank you.

(MEETING CONCLUDED)