



**New York Works Task Force**  
*The September Report*  
2012



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# I. Nature of Engagement & Scope

# Nature of Engagement & Scope

- » Navigant Capital Advisors (“NCA”) assisted with the drafting of this September Report (“The Report”) at the request of the New York Works Task Force (“Task Force”) to evaluate the development of a statewide capital planning process to more effectively and strategically allocate the State of New York’s capital investment funding and to assist the Task Force in fulfilling its obligations pursuant to the State Finance Law, Article 5-E, Section 69-i
- » The subject matter of the Report is limited to the following:
  - Background of the Task Force;
  - Task Force’s work to date;
  - Description of the State of New York’s goals for the statewide capital planning effort;
  - Identification of capital planning best practices within public and private organizations;
  - Description of the tools the Task Force is developing to ensure consistent capital planning processes for statewide review and consolidation; and,
  - Next steps and timeline for the Task Force’s establishment of the statewide capital planning effort
- » The Report, subject to the qualifications and limitations set forth in Appendix – B, summarizes the review of historical financial and capital reports provided by the Task Force, as well as certain other publicly available information. Consistent with the requirements of the engagement, the Report is based solely on reliance upon:
  - Review of presentations and studies provided by the Task Force;
  - Interviews with mutually agreed upon Task Force members; and,
  - Interviews with the Executive Director of the Task Force and staff at certain State entities involved in capital planning and budgeting functions

## II. Background

# Background

## *Task Force Creation*

**Constrained by already high taxes and a statutory cap on debt, the State must allocate its limited capital resources more efficiently and effectively to grow the economy**

- » Through 46 agencies and authorities, New York State expects to spend approximately \$21 billion in support of capital expenditures in fiscal year 2013 alone, represented by \$9.7 billion for 24 agencies and \$11.7 billion for 22 authorities
- » Currently, the State does not have a comprehensive, unified, long-term process for evaluating and prioritizing capital projects across all agencies and authorities
- » The State's existing capital planning is marked by "silo-based" decision-making without reference to statewide strategic priorities; rigorous evaluation of projects' impact on the economic well-being of the State, particularly economic growth and job creation, is not always conducted
  - For example, over the past decade, the State has not taken sufficient account of demographic and economic growth trends, resulting in misallocation of precious capital resources
- » The historical lack of attention to capital planning and affordability has created untenable pressure on the State's debt limits; Division of the Budget projections anticipate significant reductions in available debt capacity going forward and that this reduction will seriously constrain the State's ability to make capital investments
- » All of these considerations led Governor Cuomo and State Legislative leaders to create the Task Force, bringing together leading finance, labor, planning, and transportation professionals to coordinate a statewide infrastructure plan that will more effectively and strategically allocate New York's capital investment funding and create thousands of jobs

# Background

## Task Force Creation

Capital funding has traditionally been allocated in “silos” without a centralized focus on efficient and effective deployment of capital resources

### AGENCY FUNDS COME FROM

#### STATE INCOME

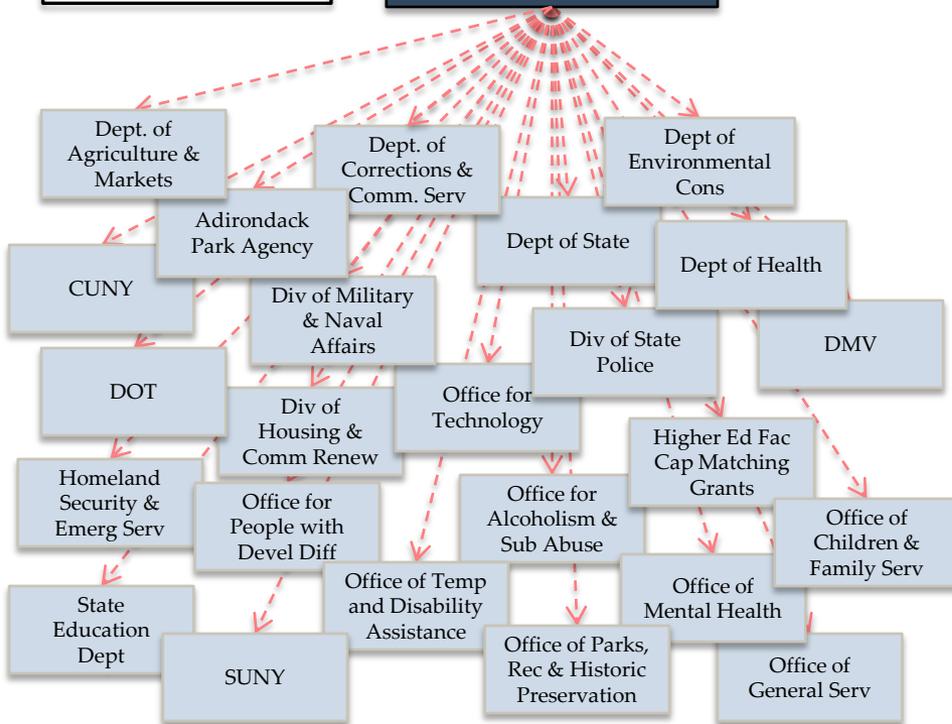
- Tax Receipts

#### FEDERAL GOVERNMENT

#### PUBLIC FINANCE

- Bond Proceeds

#### NEW YORK STATE ADOPTED BUDGET



### AUTHORITY FUNDS COME FROM

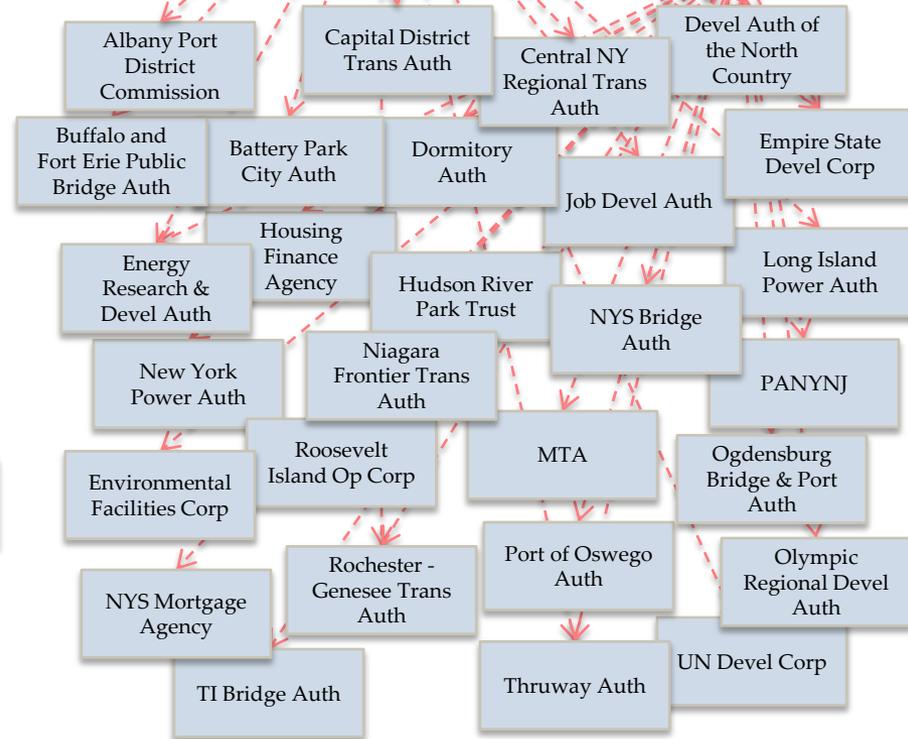
#### FEDERAL GOVERNMENT

#### STATE INCOME

- Tax Receipts
- Tolls, Fares, Fees

#### PUBLIC FINANCE

- Bond Proceeds



# Background

## *Task Force Creation*

**The New York Works Task Force was created to serve as a catalyst for infrastructure-led job creation and economic growth throughout the State, while ensuring fiscal responsibility and more effective and efficient deployment of capital**

- » The 2012-13 Enacted Budget established the New York Works Task Force (the “Task Force”)
- » The goal of the Task Force is to fundamentally reform the way State agencies and authorities spend billions in capital and infrastructure funds each year, increase collaboration among State agencies and authorities, more effectively and efficiently deploying capital, and, most importantly, promote economic growth throughout the State
- » For the first time in its history, New York State will develop a coordinated, statewide infrastructure plan that will effectively and strategically allocate New York’s capital investment dollars, combining both leading public and private-sector planning concepts
- » Additionally, the Task Force will explore financing mechanisms, suggest methods to accelerate and improve construction, and determine ways to increase availability of capital dollars to spur economic activity throughout the State, all of which are crucial given the scarcity of capital resources
- » The Task Force consists of industry experts in finance, labor, planning and transportation

# Background

## Task Force Structure

**Of the Task Force's 15 members, nine are appointed by the Governor and six by the State Legislature**

Name	Appointed by	Title
Denis M. Hughes	Governor	Former President, NYS AFL-CIO, Task Force Co-Chair
Felix G. Rohatyn	Governor	Former Chairman, Municipal Assistance Corp., Task Force Co-Chair
Hon. Byron W. Brown	Governor	Mayor of Buffalo
Mike Fishman	Governor	President, 32BJ - Service Employees International Union
Peter Goldmark	Governor	Independent Consultant & Columnist
Gary LaBarbera	Governor	President, Building & Construction Trades Council of Greater New York
Carol Kellermann	Governor	President, Citizens Budget Commission
Hon. Stephanie A. Miner	Governor	Mayor of Syracuse
Robert D. Yaro	Governor	President, Regional Plan Association
John D. Cameron, Jr., P.E.	Senate Majority	Chairman, Long Island Regional Planning Council
Robert F. Mujica, Jr.	Senate Majority	Chief of Staff to the Senate Majority & Secretary to Finance Committee
Hon. Ronald J. Canestrari	Assembly Majority	Assembly Majority Leader
Hon. Herman D. Farrell, Jr.	Assembly Majority	Chairman of the Assembly Ways & Means Committee
Margot Brandenburg	Senate Minority	Associate Director, Rockefeller Foundation
Raymond N. Cudney, P.E.	Assembly Minority	Principal, Beardsley Design Associates

# Background

## Task Force Structure – Sector Focus with Regional Deployment



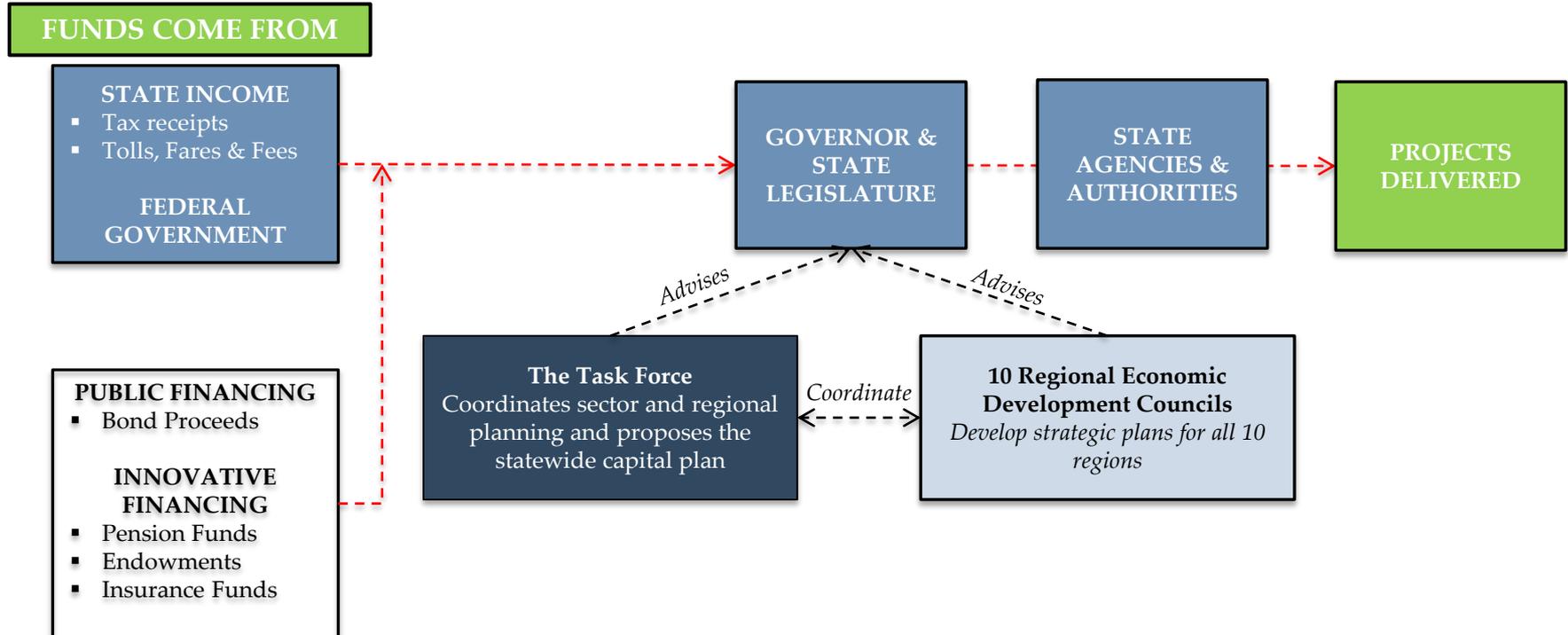
Transportation	Environmental Focus	Higher Education	Social Services & Public Health	Public Power	Development Projects	Financing Conduits	Safety & Security	Administrative Services
Albany Port Dist. Comm.	Adirondack Park Agency	CUNY	Dept. of Health	Energy Research & Devel. Auth. *	Battery Park City Auth.	Dormitory Auth.	Div. of State Police	Div. of the Budget
Buffalo & Ft. Erie Public Bridge Auth.	Dept. of Agr. & Markets	Higher Ed. Facilities Capital Matching Grants	Div. of Housing & Community Renewal	Long Island Power Auth.	Empire State Devel. Auth. *	Empire State Devel. Auth. *	Div. of Military & Naval Affairs	Dept. of State
Capital District Trans. Auth.	Dept. of Environmental Conservation	State Educ. Dept.	Housing Finance Agency *	New York Power Auth.	Roosevelt Island Operating Corp.	Energy Research & Devel. Auth. *	Dept. of Corrections & Community Serv.	Dept. of Labor
Central NY Regional Trans. Auth.	Dev. Auth. of the North Country	SUNY	Office for People w/ Develop. Difficulties		United Nations Dev. Corp.	Environmental Facilities Corp. *	Div. of Homeland Security & Emerg. Serv.	Office of General Services
Dept. of Motor Vehicles	Environmental Facilities Corp. *		Office of Alcoholism & Substance Abuse			Housing Finance Agency *		Office of IT Services
Dept. of Transportation	Hudson River Park Trust		Office of Mental Health			Job Development Auth.		
Metro. Transportation Auth.	Office of Parks, Rec. & Hist. Preservation		Office of Temp. & Disability Assist.			State of NY Mortgage Agency		
Niagara Frontier Trans. Auth.	Olympic Regional Devel. Auth.		Office of Children & Family Services					
NYS Bridge Auth.								
Ogdensburg Bridge & Port Auth.								
Port Authority of NY & NJ								
Port of Oswego Auth.								
Rochester-Genesee Trans. Auth.								
Thousand Islands Bridge Auth.								
Thruway Auth.								
<b>10 Regional Economic Development Councils</b>								

\* Included in more than one sector

# Background

*How will it work?*

The Task Force will advise the Governor and the Legislature on how to efficiently deploy State and Federal funds statewide and maximize the impact of capital investment



# Background

## *How will it work?*

**The Regional Economic Development Councils (the “REDCs”) were created to develop and drive long-term strategic plans for economic growth in their respective regions, creating a community driven, bottoms-up approach to both economic and job growth**

- » The REDCs are comprised of both public and private-sector leaders, ensuring that a broad range of viewpoints are considered and accounted for
- » Navigant has interviewed select REDC leaders to better understand their roles and responsibilities in the long-term strategic capital planning process, as well as to get their initial thoughts on the process to date; interviewees included:
  - F. Michael Tucker
    - President and CEO, Center for Economic Growth
    - Member of the Capital Region REDC
  - Marianne Garvin
    - President and CEO, Community Development Corporation of Long Island
    - Member of the Long Island REDC
  - Howard A. Zemsky
    - Managing Partner of the Larkin Development Group
    - Chairman of the Niagara Frontier Transportation Authority
    - Co-Chair of the Western New York REDC

# Background

## *How will it work?*

**The REDCs support the goals and recent achievements of the Task Force and look forward to continued collaboration to grow New York State's economy and create jobs**

### Insights from interviews with REDC members

- » Thanks to the REDCs, community stakeholders are communicating more effectively than ever
  - The REDCs have given previously underrepresented constituencies a voice in the planning process
  - Smaller municipalities, often overlooked due to their size, are being heard
  - Regional strategic plans have come together with ease and are improving with each iteration
  - The collaboration and interaction of the REDC members working together to develop the strategic plans have been valuable in and of themselves
- » As a result, the REDCs are well positioned to provide input into the Task Force's statewide capital plan
- » Establishing continuity of process and goals in implementing the statewide capital planning process is important to the REDCs, as is ensuring that New Yorkers continue to put aside their parochial interests and focus on improving the whole State
- » REDC members are eager to increase coordination among the REDCs to share ideas and values across the regions and to work together to better the entire State
- » The REDCs look forward to learning more about and contributing to the Task Force's statewide capital plan as it develops and to working with the Task Force to grow the State economy and create jobs

# Background

## Task Force Goals

**The goals of the Task Force are to coordinate capital investment decisions, advise on the best methods to finance those projects, and allocate resources for the highest and best purpose**

### **I. Coordinate Capital Planning Across All State Agencies and Authorities**

- » The Task Force will bring the agencies and authorities, as well as the REDCs, under one strategic umbrella to ensure careful utilization of capital resources
- » Capital plans will be analyzed not by narrow, internal needs within the particular agency or authority but by sector and region, with consideration for statewide economic growth and job creation
- » The Task Force anticipates that the coordination of statewide capital planning efforts will be iterative during the first few fiscal year cycles, beginning with FY2014
- » The Task Force has already made a tremendous amount of progress, including: (i) launching a series of workshops to engage the agencies and authorities, (ii) seeking public input through informational forums regarding the planned statewide capital planning efforts, (iii) distributing a template to gather information about the agencies' and authorities' capital plans, (iv) and began preparation for consolidation of the capital plans and delivery of recommendations, beginning in November

### **II. Funding & Financing Options**

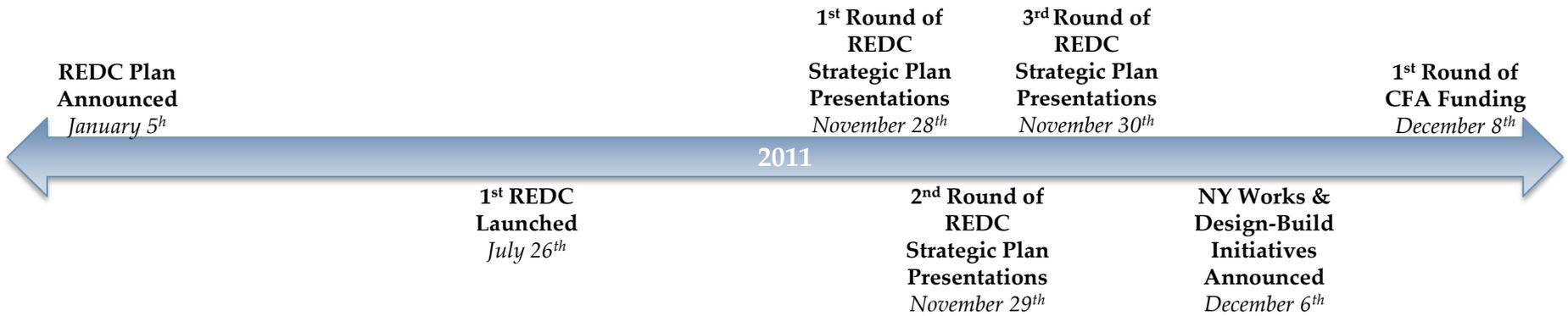
- » The agencies and authorities are directly funded from the State budget and/or have separate revenue streams and bonding capacity
- » The Task Force will work to identify new sources of revenue and new financing structures to pay for the State's pressing infrastructure needs
- » The Task Force will evaluate whether the State has available all the processes and tools necessary to leverage and augment capital resources
- » Through a statewide review, better visibility to capital resources will be apparent, ultimately allowing for more efficient and effective deployment of capital, creating more opportunities for economic development and job creation
- » Given the nature of the Task Force and its members, a fresh perspective will be available to apply to all capital deployed and determine whether or not there are additional innovative, new funding and financing structures not currently used by the State that can help to close the gap between capital needs and available capital resources

### **III. Accelerate Planning and Construction Processes**

- » The Task Force is working to improve the way the State develops and executes capital projects
- » Having visibility across sectors and regions will allow common attributes of projects to be visible to multiple constituencies and allow for cross-functional communications across all of the State's agencies and authorities, leading to more efficient and effective capital deployment
- » The Task Force will review the current permitting and regulatory framework, as well as evaluate how the State can protect the environment in the long-term, and create safe working conditions, while ensuring projects are completed in a timely and cost-effective manner

# Background

## 2011 Accomplishments



Date	Accomplishment	Date	Accomplishment
01/05	Governor Cuomo outlined an action plan to fundamentally transform New York State's government and economy. As part of the strategy, the Governor called for the formation of the REDCs to work with State agencies and authorities to better allocate resources and create jobs	11/30	Mohawk Valley, North Country, and Western New York REDCs strategic plans are presented
07/26	Governor Cuomo launched the first REDC (Western New York) to redesign the relationship between the State government and businesses to stimulate regional economic development and create jobs statewide.	12/06	Governor Cuomo, Senate Majority Leader Skelos, and Assembly Speaker Silver announced an agreement to create the New York Works and design-build initiatives, with \$1 billion in accelerated State funding as a job-creating investment
11/28	Long Island and Finger Lakes REDCs strategic plans are presented	12/08	Governor Cuomo announced that \$785 million has been awarded through the REDC initiative, continuing efforts to redesign the way State government works in order to drive economic growth and create jobs
11/29	Southern Tier, Capital Region, Central NY, New York City, and Mid-Hudson REDCs strategic plans are presented		

# Background

## 2012 Accomplishments

**NY Works Initiative Officially Announced** *January 5<sup>h</sup>*     
 **1<sup>st</sup> Round of Accelerated NY Works Projects** *April 3<sup>rd</sup>*     
 **1<sup>st</sup> Implementation Council Meeting** *June 20<sup>th</sup>*     
 **2<sup>nd</sup> Task Force Meeting** *July 25<sup>th</sup>*     
 **Syracuse Regional Forum** *August 16<sup>th</sup>*     
 **Farmingdale Regional Forum** *August 28<sup>th</sup>*     
 **3<sup>rd</sup> Task Force Meeting** *October 9<sup>th</sup>*     
 **Capital Plan Recommendations** *November – March 2013*

2012

**2012-2013 Budget Announced** *March 27<sup>th</sup>*     
 **Task Force Members Appointed** *May 3<sup>rd</sup>*     
 **1<sup>st</sup> Task Force Meeting** *June 4<sup>th</sup>*     
 **Buffalo Regional Forum** *August 15<sup>th</sup>*     
 **Albany Regional Forum** *August 20<sup>th</sup>*     
 **2<sup>nd</sup> Implementation Council Meeting** *September 19<sup>th</sup>*     
 **Capital Templates Due** *October*

Date	Accomplishment	Date	Accomplishment
01/04	2012 State of the State Address officially launches new economic development to invests billions of dollars in key public-private sector partnerships and rebuilding infrastructure to create thousands of new jobs across the State	07/25	2 <sup>nd</sup> Task Force Meeting reported the survey results of the current capital planning processes across all agencies and authorities, as well as laying the foundation for the consolidated capital planning process that the Task Force will undertake
03/27	Governor Cuomo, Senate Majority Leader Skelos, and Assembly Speaker Silver announced an agreement on the 2012-2013 New York State Budget with a plan to invest billions of dollars to rebuild the State's roads, bridges, parks, and other infrastructure	08/15 to 8/28	Public Regional Forum were held in Buffalo, Syracuse, Albany, and Farmingdale to discuss the template and criteria and seek input on the capital budget process for the State that the Task Force is developing
04/03	An additional and accelerated \$200 million investment for 38 NY Works projects that will repair 287 miles of roads and 23 bridges in the Hudson Valley and create thousands of jobs.	09/19	2 <sup>nd</sup> Implementation Council Meeting, served as a "workshop" for implementing the new, standardized capital planning template that will drive the statewide consolidation process
05/03	Task Force members appointed, with Margaret Tobin named the Executive Director	10/09	3 <sup>rd</sup> Task Force meeting to be held, to consider the September Report and the Department of Transportation's two-year capital plan, among other items
06/04	1 <sup>st</sup> Task Force Meeting held covering the current capital budget and funding issues, overview of REDC accomplishments and strategies going forward, and overview of the Port Authority of NY & NJ's 10-year capital plan	Oct.	The provided capital plan templates will be due from the State agencies and authorities, detailing their strategic plans and projected capital needs over the next 10 years
06/20	1 <sup>st</sup> Implementation Council Meeting gathered the State agencies and authorities to roll-out the survey of current capital planning processes	Nov. to Mar. 2013	The Task Force will consolidate the results from the capital planning workshop and provided templates and make recommendations to the Governor and State Legislature for the 2013-2014 Budget

## III. Situational Assessment

# Situational Assessment

## *Current Situation*

**With State agencies planning over \$40 billion in capital spending through fiscal year 2017, and State authorities planning billions more, reform in capital allocation practices must be implemented to ensure that the State can meet its infrastructure needs while operating within the State's debt capacity limits**

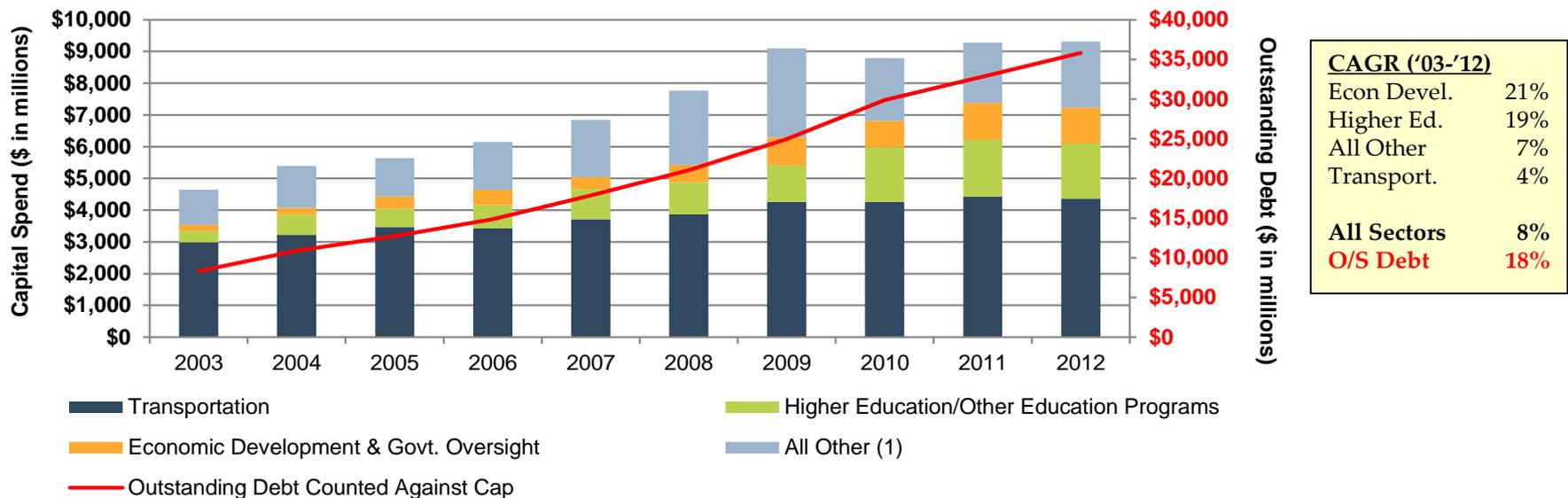
- » The State does not have a comprehensive, unified, long-term process for evaluating and prioritizing capital projects within its own budget process
  - The allocation of capital resources has traditionally been done in “silos” without reference to statewide needs, priorities, or ability to pay
  - This has led to a rapid increase in capital investment in some areas, while leaving other areas potentially underfunded
- » The State's historical lack of attention to capital planning and affordability has created pressure on the State's debt limits

# Situational Assessment

## Capital Allocation & Funding

From 2003-2011, State on-budget capital spending increased significantly

- » Prior to 2011, capital spending had nearly doubled over the prior decade; since 2011, fiscal discipline has kept capital spending flat
  - While transportation still receives the largest share of appropriations, annual spending continues to trend towards increases related to economic development and higher education projects
- » Prior to 2011, total outstanding debt grew at a compounded annual growth rate of 18%, suggesting that the majority of the capital spending increase had been financed by debt, without commensurate increases in revenue
- » In the State's current capital plan, the percentage of capital expenditures financed by debt is projected to decrease by 8% from 2012 to 2017



Note: Other sectors include Mental Hygiene; Public Protection; Parks and Environment; General Government; and Education - EXCEL

# Situational Assessment

## Survey Results

**To assess current capital planning practices, the Task Force and the Division of the Budget surveyed the State entities that account for a majority of capital spending**

» All 37 entities that were surveyed responded, representing 8 of the 9 sectors

### Transportation

Albany Port District Commission  
Buffalo & Fort Erie Public Bridge Authority  
Capital District Transportation Authority  
Central NY Regional Transportation Authority  
Department of Transportation  
Metropolitan Transportation Authority  
Niagara Frontier Transportation Authority  
NYS Bridge Authority  
Ogdensburg Bridge & Port Authority  
Port Authority of NY & NJ  
Port of Oswego Authority  
Rochester-Genesee Regional Transportation Authority  
Thousand Islands Bridge Authority  
Thruway Authority

### Environmental Focus

Adirondack Park Agency  
Department of Agriculture & Markets  
Department of Environmental Conservation  
Development Authority of the North Country  
Hudson River Park Trust  
Office of Parks, Recreation & Historic Preservation

### Social Services & Public Health

Department of Health  
Division of Housing & Community Renewal

### Financing Conduits

Dormitory Authority  
Empire State Development  
Environmental Facilities Corporation  
Energy Research & Development Authority

### Development Projects

Battery Park City Authority  
Roosevelt Island Operating Corporation  
United Nations Development Corporation

### Higher Education

CUNY  
SUNY

### Public Power Sector

Long Island Power Authority  
NY Power Authority  
Department of Public Service

### Overhead & Administrative Services

Department of Labor  
Department of State  
Office of General Services

# Situational Assessment

## Survey Results

### The survey revealed a number of differences among the State entities' planning processes

- » A majority of these agencies and authorities already undertake several key steps in developing their capital plan:
  - 84% engage in a long-range capital planning process
  - 62% update capital plans annually
  - 78% follow written guidelines / directives
  - 78% have program goals and a strategy for achieving these goals
  - 84% maintain a capital asset inventory
  - 68% rate cost estimation process as reliable and accurate
- » Many of the entities lack key, internal metrics to appropriately develop and prioritize their capital plan
  - 62% lacked a target rating or condition scale for state of good repair
  - 59% lacked clearly articulated criteria for prioritizing capital projects
  - 46% had no performance measures to evaluate capital investments
  - 70% did not measure a return on capital investments
- » Several external factors were identified that hinder the entities ability to prepare a long-term capital plan
  - Nearly 90% stated funding availability as the biggest challenge in preparing a long-term plan
  - Approximately 50% cited executive and legislative considerations as the next largest concern
  - Approximately 70% noted unique, external pressures that impact decision-making (i.e., Federal requirements)

# Situational Assessment

## *Design-build Contracts*

**Given the State's aging infrastructure and growing backlog of urgent state-of-good-repair needs, recent legislation was passed to allow for more efficient delivery of capital projects**

- » Design-build contracting is a method of project delivery in which a single contract is executed with one entity to provide both construction and engineering services, allowing for expedited and increasingly efficient project delivery, as well as reduced project costs, by:
  - Overlapping design and construction, allowing for constructability review during the design process, making it possible for materials and equipment procurement and, subsequently, construction work to begin sooner
  - Reducing the potential for duplication of effort between parties
  - Allowing for focus on best-value procurement, rather than negotiated initial lowest bid, followed by costly change orders
  - Speeding up construction start by decreasing the potential for contractual disputes
  - Creating innovation in construction technologies by including the contractor in the design process
- » The new legislation allows several entities the ability to engage in design-build contracting, including:
  - New York State Thruway Authority;
  - Department of Transportation;
  - Office of Parks, Recreation & Historic Preservation;
  - Department of Environmental Conservation; and,
  - New York State Bridge Authority

# Situational Assessment

## *Design-build Contracts*

**The State has already begun expediting a number of projects under the new legislation as a “jump-start” to economic and job growth in the State**

- » The Department of Transportation has been the biggest proponent of the legislation thus far, already initiating five design-build contracts to renew or replace 34 of its bridges under the New York Works accelerated bridge program
  - » The ability to solicit these projects under just a few contracts has allowed the Department of Transportation to initiate and complete projects in a time frame that would not have been possible under previous terms; at the same time, the Department of Transportation has completed these contracts \$1.3 million under budget
- » In addition, the Port Authority of New York and New Jersey has begun to explore more extensive use of public-private partnerships, including design-build-finance for projects such as the Goethals Bridge.

# Situational Assessment

## *Public-Private Partnerships*

**While design-build contracting will allow for more expedited and efficient capital project delivery, the State will still need to address the increasingly limited resources available to fund these expedited projects**

- » To address the issue, the State should consider allowing a full-range of public-private partnerships, including those in which a private entity finances the project, designs and builds it, and then operates and maintains the site
- » There are several benefits that can be realized by using more extensive PPPs:
  - Moves the risk of financing to the private sector, rather than the State
  - Places the immediate burden of costs to build, operate, and maintain the site on the private entity contracted, freeing up short-term funds for the State to re-allocate
  - Lowers life-cycle costs, given the private entity responsible for operating and maintaining the site is also responsible for designing and building
- » However, there are several considerations to take into account when implementing private financing as a PPP, including:
  - Associated risk is ultimately still born by the taxpayers, as financing from the project is typically backed by the revenue streams it produces (i.e., tolls, fares, or fees paid by those who use the infrastructure)
  - The risk of return is ultimately greater in a private setting; private financing can often lead to higher tolls, fees, or fares implemented on the user to realize the necessary rate of return expected by investors
  - Partnerships often fail if the revenues projected from the proposed project do not come to fruition, which has often been the case in highway related PPP projects

## IV. Long-term Capital Planning

# Long-term Capital Planning

## *What are “Best in Class” practices?*

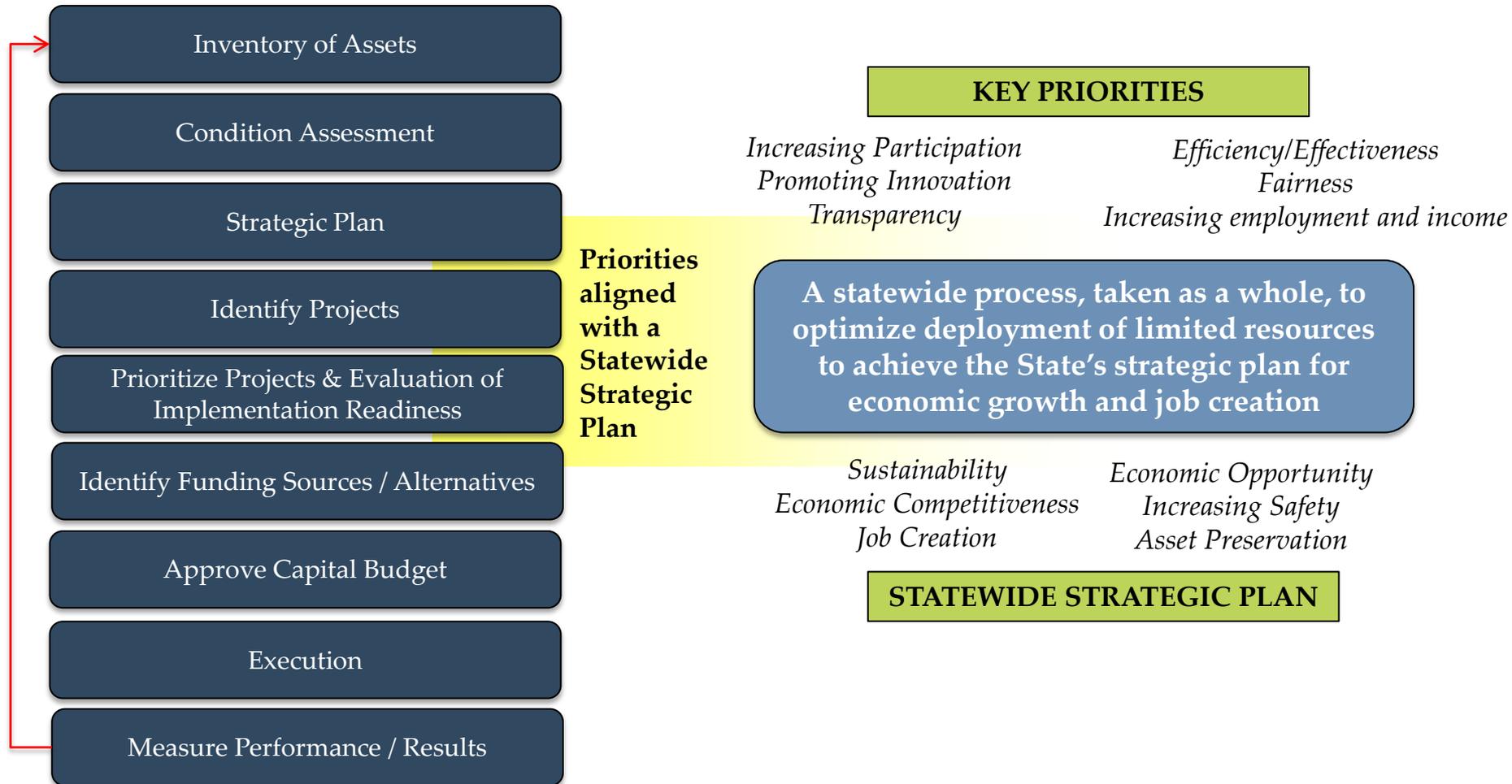
### Navigant reviewed “best in class” practices in both the public and private-sector to evaluate the Task Force’s proposed statewide capital planning process

- » Defined **strategic plan**, goals, and timelines for capital investment (typically covering 10 years)
  - Statewide vision, mission, philosophy to allocate its limited capital resources more efficiently and effectively to deliver services to its citizens and help grow the economy.
  - Defined outcome measures / result measurement
- » Fair, simple, and transparent **statewide capital planning process** with clearly articulated project evaluation criteria and templates to prioritize projects resulting in optimized and accelerated deployment of resources to meet infrastructure needs and the strategic plan.
  - Systematic approach and standardized tools to plan for, evaluate, document, and track projects to support the decision-making process in allocating capital resources and work
  - Priorities aligned to statewide strategic plan
  - Comprehensive view of statewide capital planning and defined hierarchy for prioritization of projects to ensure economic benefits and job creation are widely distributed and regional and statewide economic goals are achieved.
  - Coordinated approval process involving budget and capital asset expertise
- » Coordinated **capital plan management processes**
  - Strategic project management processes
  - Standardized reporting and project performance measurement and monitoring, including return on capital investment
- » Utilize **asset management plan** and coordinated system database to identify system needs and support capital decision-making

# Long-term Capital Planning

What are “Best in Class” practices?

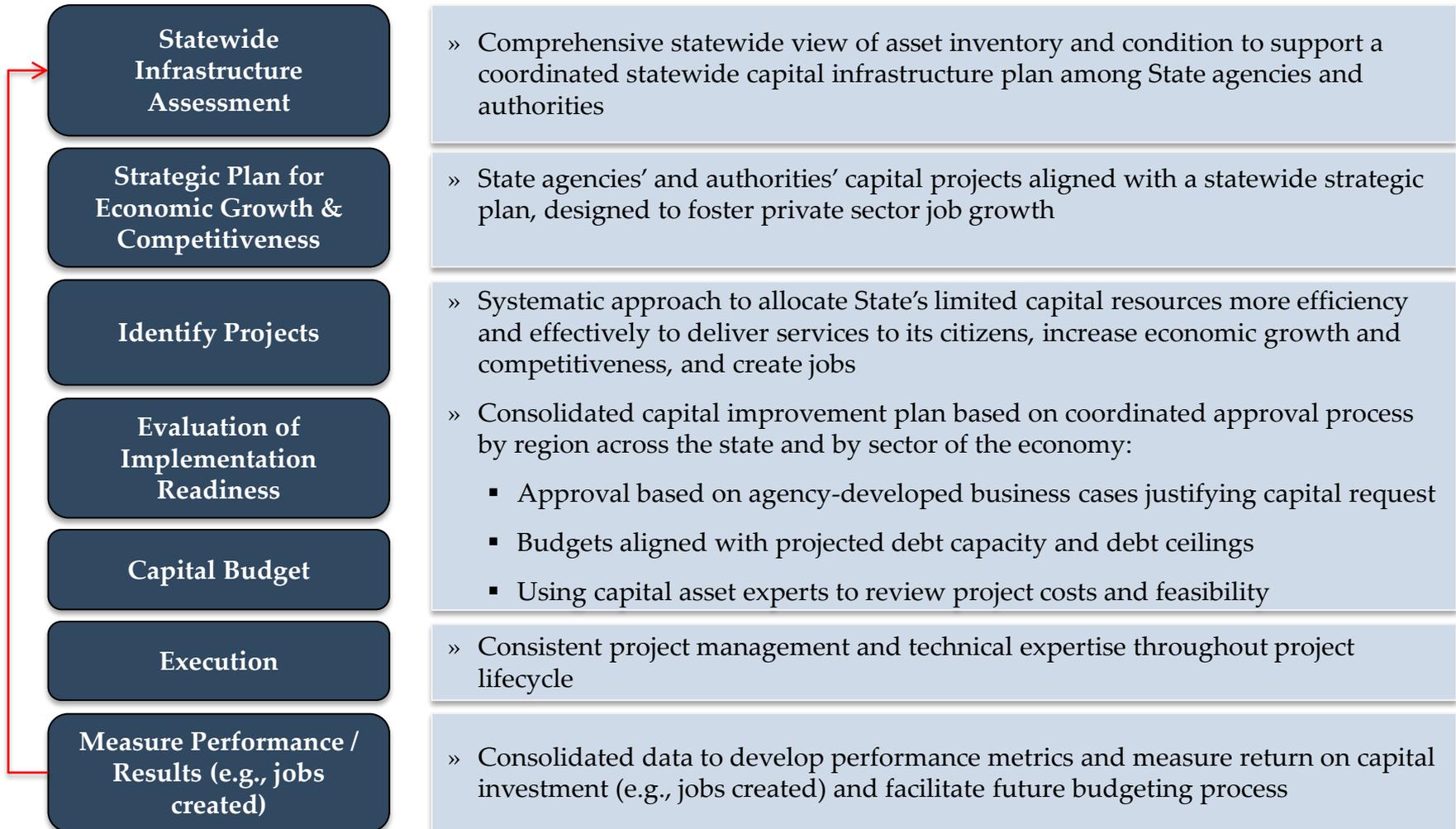
“Best in class” practices employ a systematic and iterative approach with standardized tools to align key priorities with strategic plan



# Long-term Capital Planning

## Task Force – Capital Planning Process

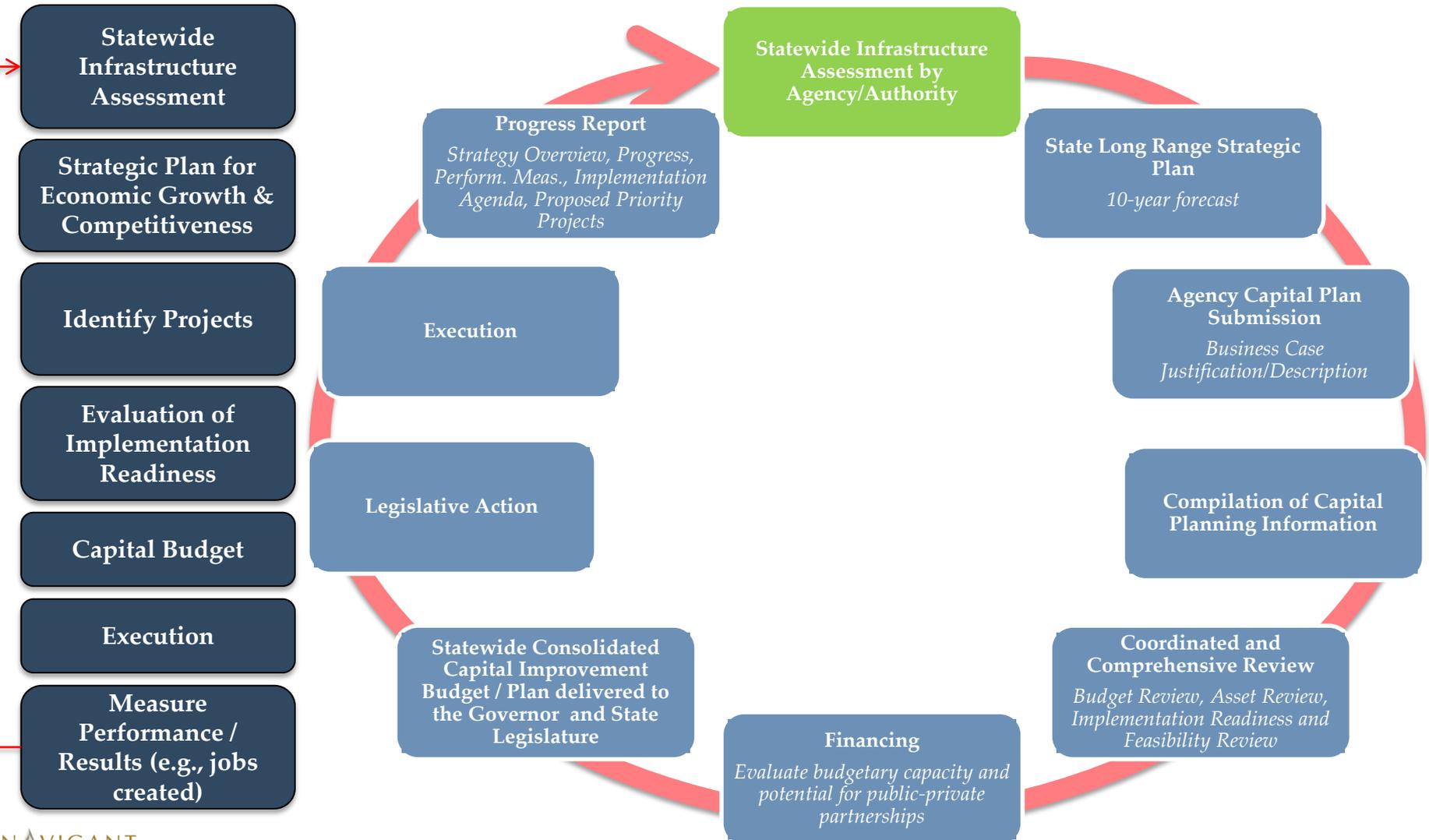
The Task Force has proposed a long-term capital planning process that is consistent with “Best in Class” public and private-sector practices



# Long-term Capital Planning

## Overview of Major Milestones

The following ongoing processes and key milestones are necessary to develop a rolling statewide asset assessment and capital plan



# Long-term Capital Planning

## Statewide Infrastructure Assessment



### Immediate Next Steps

- » September 2012
  - Commence initial statewide infrastructure assessment of capital needs, both approved and unmet
  - State agencies and authorities adopt template
  - Coordinate State entities as they prepare FY 2013 – 2014 Executive Budget proposals for submission in October 2012
  - Establish process to evaluate asset condition through coordination with Task Force and other State agencies and authorities

### Long-term Elements

- » Comprehensive inventory of statewide assets to facilitate understanding and prioritization of needs
- » Coordinated and comprehensive planning and needs assessment by State regions and by economic sectors

# Long-term Capital Planning

## *Strategic Plan for Economic Growth & Competitiveness*



### Immediate Next Steps

- » First top-to-bottom plan that advances the State's economic growth and competitiveness, and creates jobs
- » A 10-year, long-range strategic plan (State FY 2014 – FY 2023) guiding process document

### Long-term Elements

- » Fully defined and implemented 10-year strategic capital plan that advances the State's economic growth and competitiveness, and creates jobs
  - Statewide mission, vision, philosophy
  - Relevant statewide goals and benchmarks
  - Defined hierarchy of statewide goals and priorities for capital investment
- » Reviewed and updated every two years
  - Identify regional needs
  - Eliminate impediments to economic growth
  - Communicate with State agencies and authorities (i.e., guidance documents, case studies of successful strategies advancing plan, etc.)

# Long-term Capital Planning

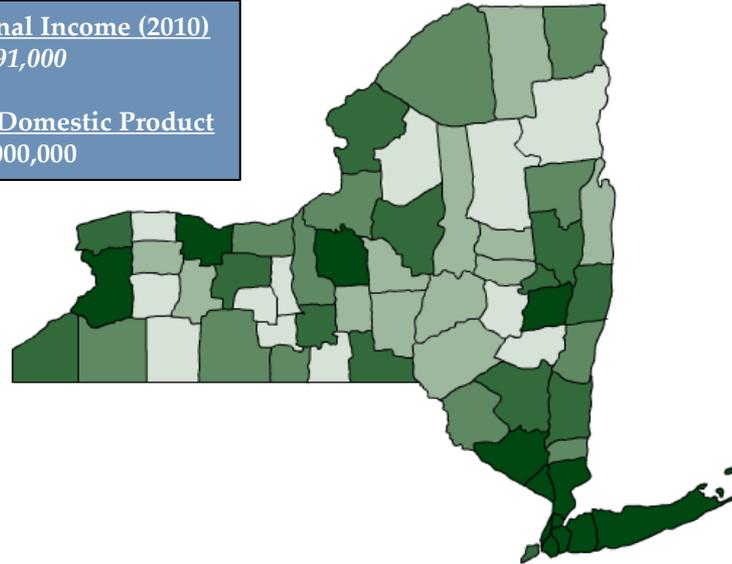
## Strategic Plan for Economic Growth & Competitiveness

### Demographics for Consideration in Developing the Strategic Plan

New York, Total employment, 2010

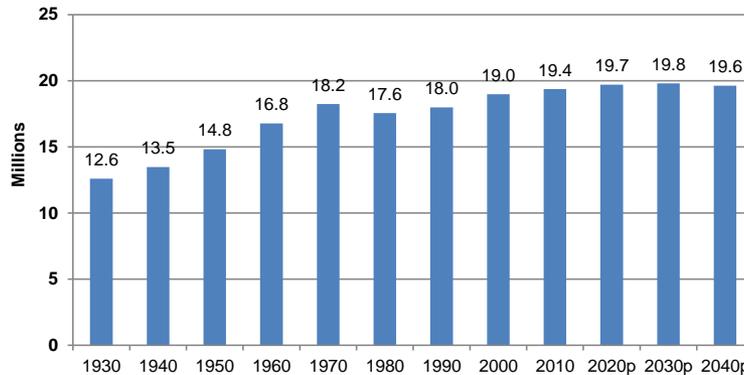
New York State Personal Income (2010)  
\$942,522,791,000

New York State Gross Domestic Product  
\$1,128,823,000,000

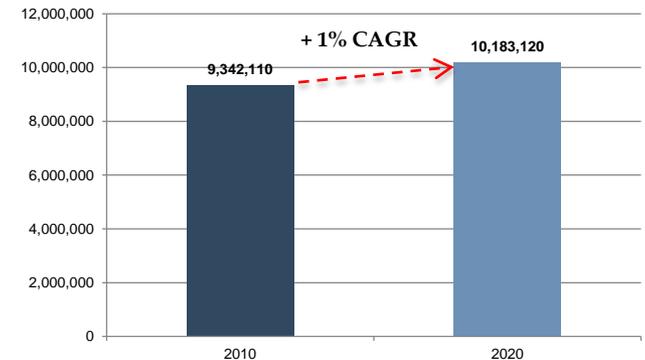


Source: BEA New York = 10,973,106 ■ 148,626 to 2,757,409 ■ 47,908 to 148,625 ■ 30,793 to 47,907 ■ 21,135 to 30,792 ■ 2,724 to 21,134

NYS Actual & Projected Population (1930 – 2040)



Projected Job Growth – Total Jobs (2010 – 2020)



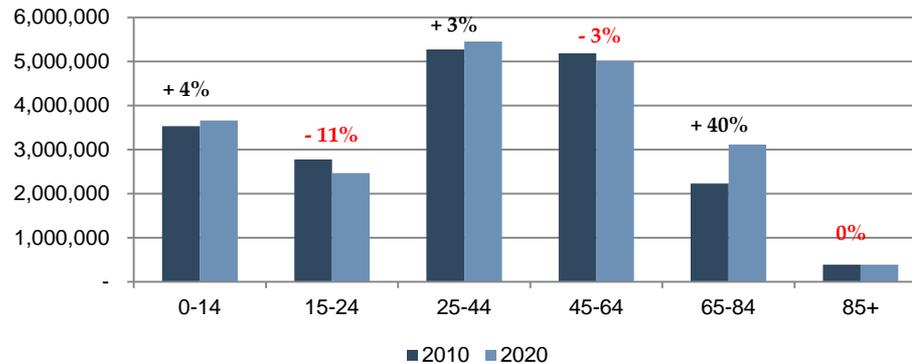
# Long-term Capital Planning

## Strategic Plan for Economic Growth & Competitiveness

### Demographics for Consideration in Developing the Strategic Plan

- » Over the next 20 years, significant changes in the characteristics of New York State's population will have an effect on the demand for public goods, both services and infrastructure

Projected Population Change, by Age (2010 – 2020)



- » The working-age population (25 to 64) is expected to decline in real numbers every decade from 2010 through 2030, even as the State's total population is projected to grow each period
- » The number of college-age children and young adults (15 to 24) are likely to decline by more than 1% a year from 2010 to 2020; by 2040, this group will have dropped from 14.3% of the state's population to 12.5%
- » The cohort of young school-age children (5 to 14) is projected to decline 3.6% over the period from 2010 to 2020, but then rise by 2030 to nearly the same numbers as 2010



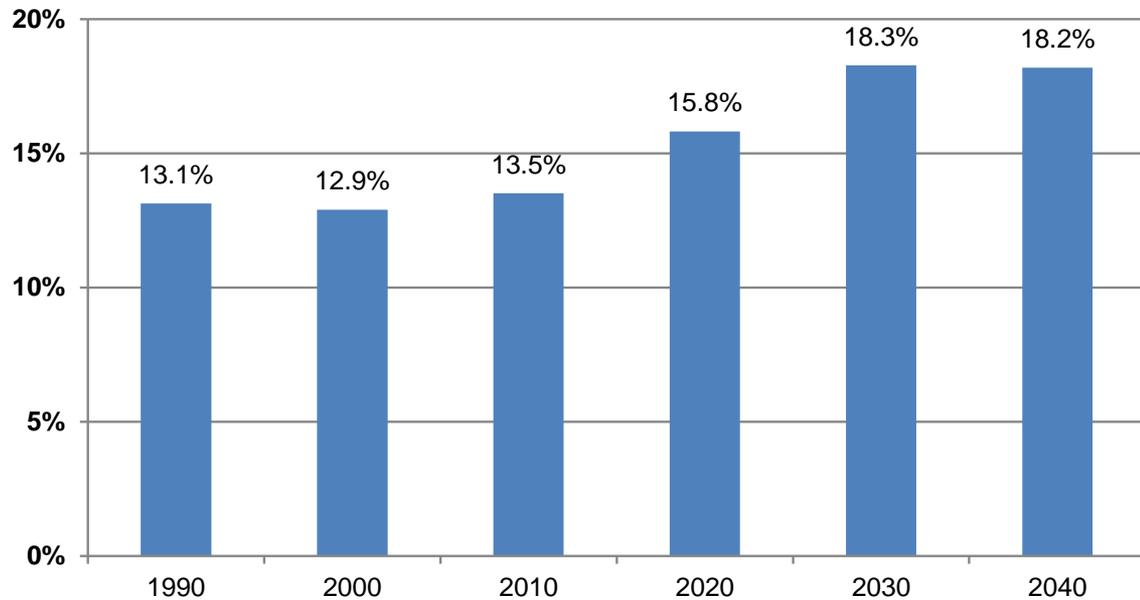
# Long-term Capital Planning

## Strategic Plan for Economic Growth & Competitiveness

### Demographics for Consideration in Developing the Strategic Plan

- » The retirement-age population (65+) is the fastest growing segment, expected to increase from 2.6 million in 2010 to 3.6 million by 2030, a 38% increase

Percent of the Population that is 65+



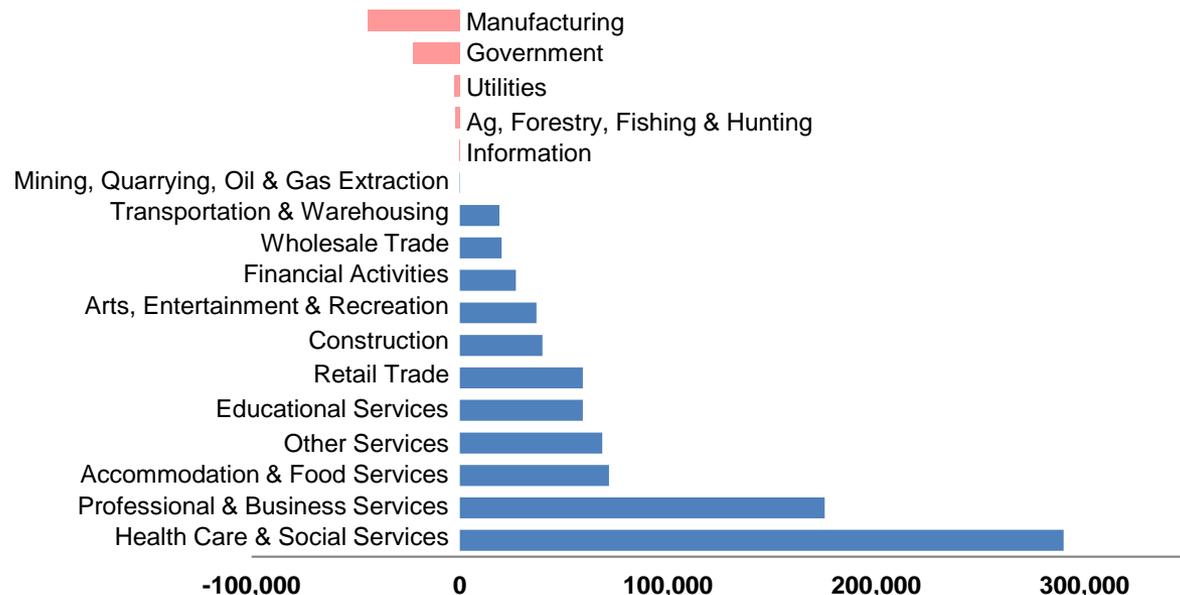
# Long-term Capital Planning

## Strategic Plan for Economic Growth & Competitiveness

### Demographics for Consideration in Developing the Strategic Plan

- » Changes in commerce will also affect the State's capital needs
- The manufacturing sector will likely continue to contract while the transportation and warehousing sectors are projected to increase, given the State's location in the center of the 50 million consumers living along the Northeast megalopolis corridor
  - A significant increase in the sector providing health care and social assistance, in growth rate and raw numbers of jobs, is associated with advances in medical research coupled with an aging population

**Projected Job Gains and Losses, 2010 to 2020**



# Long-term Capital Planning

## Identify Projects



### Immediate Next Steps

- » October 2012 – State agencies and authorities to submit capital plan template developed by the Task Force (see Appendix – A for capital plan template)
  - Capital projects first allocated among three “**Project Categories**”:
    - State of Good Repair
    - Capacity Optimization
    - Transformational Initiatives
  - Projects then evaluated by the established “**Prioritization Criteria**”:
    - Does the project contribute to a state of good repair?
    - Is the project part of a larger economic system or network?
    - Does the project improve environmental and financial sustainability?
    - Does the project maximize the return on investment?
- » November 2012 – Compile capital planning information by region, sector, and statewide level
- » Projects not meeting Prioritization Criteria will be excluded from the statewide capital plan

# Long-term Capital Planning

## Identify Projects – Project Categories



### State of Good Repair

#### » Definition

- Projects that maintain the entity's infrastructure in a state of good repair (i.e., addressing the assets maintenance, preservation, or extension of useful life) or are to comply with mandatory requirements. These projects ensure that a capital asset functions as designed and can be used with reasonable, average, or industry-standard ongoing operating expense. They may also extend an asset's remaining useful life beyond the repayment schedule of any project-specific debt.

#### » Example

- Department of Environmental Conservation engineers classify at least 24 dams as "high" and "intermediate" hazard structures, where failure poses serious threat to human life or significant property damage. After Hurricane Irene, safety inspections and engineering assessments review downstream hazard conditions and assess the dams' hydraulic and structural capacity and overall condition. At one dam, hydraulic and deteriorated concrete deficiencies are identified. Repairs are made to ensure that the dam will continue to operate as designed, safeguarding lives, property and the environment.

# Long-term Capital Planning

## Identify Projects – Project Categories



### Capacity Optimization

#### » Definition

- Projects that expand or repurpose facilities, buildings, or other capital infrastructure to match both current and anticipated user demand based on economic and demographic projections.

#### » Example

- Closing, selling, leasing, or otherwise repurposing a school where demographic changes result in decreased demand for classroom seats and make the continued operation and maintenance of the facility impractical.
- Replace the 136-year-old Portageville Bridge across the Genesee River to remove load and speed constraints and improve safety, thereby eliminating a major freight rail bottleneck on the Southern Tier Route. The route is a key part of the intermodal service linking Western New York with the New York City area and other East Coast ports.

# Long-term Capital Planning

## Identify Projects – Project Categories



### Transformation Initiatives

#### » Definition

- Projects that result in significant advancement of statewide or regional strategies. Such projects would have a dramatic impact on the State's long-term economic competitiveness and strength, job creation, or quality of life.

#### » Example

- The Metropolitan Transportation Authority's East Side Access project will connect the Long Island Rail Road's (LIRR) Main and Port Washington lines in Queens to a new LIRR terminal beneath Grand Central Terminal in Manhattan. The new connection will increase the LIRR's mobility into Manhattan, dramatically shorten travel time for Long Island and eastern Queens commuters traveling to the east side of Manhattan, and make possible the extension of Metro-North train service to Pennsylvania Station.

# Long-term Capital Planning

## Identify Projects – Prioritization Criteria



### Contribution to State of Good Repair

#### » Definition

- A capital asset which is functioning as designed and in compliance with regulations and can be used with reasonable, average, or industry-standard ongoing operating expense.
- A remaining useful life that exceeds the repayment schedule of any project-specific debt.
- Does the repair, renovation, or upgrade of this asset extend its useful life in a cost-effective way, either avoiding replacement or extending its depreciation schedule?

#### » Question to ask when evaluating

- Does the repair, renovation, or upgrade of this asset extend its useful life in a cost-effective way, either avoiding replacement or extending its depreciation schedule?

#### » Example

- A road's surface condition and ride quality are regularly evaluated. Maintenance limits the need for major rehabilitation work or reconstruction, which costs twice as much over the pavement's lifecycle than regular maintenance.

# Long-term Capital Planning

## Identify Projects – Prioritization Criteria



### System, Not Project

#### » Definition

- The economic system or network in which the specific asset, service system, or initiative plays a role is clearly improved, either operationally or financially.
- The proposed investment will improve the overall efficacy of the affected governmental or private sector function

#### » Questions to ask when evaluating

- Will the asset increase productivity, lower operating costs, and create jobs either directly or indirectly?
- Does it improve the overall efficacy of the governmental or private-sector system with which it will be linked?

#### » Example

- A new graduate school is proposed. When the school is evaluated as part of the overall network of higher learning in the region, it becomes clear that that number of classroom seats is already high in this specialty. The focus is shifted to a subject area with greater unmet demand.

# Long-term Capital Planning

## Identify Projects – Prioritization Criteria



### Environmental & Financial Sustainability

#### » Definition

- The environment that New Yorkers share will be demonstratively improved, whether with cleaner water and air, increased health and welfare, improved efficiency/productivity, or reduced demand on the overall system (e.g., energy delivery, highway and transit, staff time)
- The asset will either lower operating costs for the State and for users, or it will sufficiently increase the overall net income to the State to cover operating and debt service costs (net income can be both direct and indirect, and is a combination of taxes, tolls, fares, and fees)

#### » Questions to ask when evaluating

- Does the proposal increase the State's sustainability by improving the environment and/or lowering ongoing costs?

#### » Example

- A private group wants to make a donation of property to the State. The ongoing operating cost is estimated to be \$300,000 per year. Using a 5% ratio, the State would require either a fund of \$6 million or ongoing revenue to maintain this gift. How will the asset generate that funding either directly or indirectly?

# Long-term Capital Planning

## Identify Projects – Prioritization Criteria



### Maximize Return on Investment

#### » Definition

- The ratio of project return over project cost, measured broadly by the creation of direct and indirect jobs with good salaries and benefits in all sectors of the economy, including construction, manufacturing, leisure and hospitality, trade and transportation, technology, healthcare, education, and professional services.

#### » Questions to ask when evaluating

- Does this proposal lead to increased economic activity in the long term, and does it improve the State's economic competitiveness?
- Does the project make the State a more attractive place to live and do business?
- Does the project create economic opportunities for less advantaged New Yorkers?

#### » Example

- An undeveloped property accessible to transit and to markets has no sewer access. By increasing treatment plant capacity and extending the sewer system to the property, private-sector development becomes feasible. A new industrial part generates jobs and sales, income, and property tax revenue.

# Long-term Capital Planning

## Identify Projects



### Long-term Elements

- » Fully implemented capital plan template, guidelines and tools, subject to continuous updates and improvements as required, to facilitate a standardized statewide capital planning process via capital budget templates and criteria for development, modification and progress reporting of capital projects by agencies and authorities with full supporting details enabling various “roll-up” and “drill-down” ability of data

# Long-term Capital Planning

## *Evaluation of Implementation Readiness*



### **Immediate Next Steps**

- » Evaluate implementation readiness of agencies' and authorities' projects through identification of funding and financing sources to implement projects,
- » Evaluate agencies' and authorities' ability to successfully execute projects on-time and on-budget

### **Long-term Elements**

- » Conduct comprehensive implementation readiness evaluations, including agencies' and authorities' project management capabilities, to deploy capital dollars with maximum efficiency and impact, in accordance with the strategic plan to advance the State's economic growth and competitiveness and create jobs
- » Maintain a project pipeline of "implementation-ready" projects that advance the strategic plan

# Long-term Capital Planning

## Capital Budget



### Immediate Next Steps

- » November 2012 to March 2013
  - Review statewide capital plan roll-up and recommend FY 2013 – 2014 statewide capital plan for State entities
  - Identify recommendations for legislative actions

### Long-term Elements

- » Capital budget / plan to be submitted to the Governor and State Legislature for consideration
  - By agency and authority
  - By sector
  - By region
  - Statewide

# Long-term Capital Planning

## Execution



### Immediate Next Steps

- » Agencies and authorities execute capital programs
- » The Task Force to work with the agencies and authorities to improve implementation process

### Long-term Elements

- » Coordinated tracking and reporting by agency and authority, region, and sector
- » Agencies and authorities execute capital programs
- » The Task Force to work with the agencies and authorities to improve implementation process

# Long-term Capital Planning

## *Measure Performance / Results*



### Immediate Next Steps

- » Develop key performance measurement metrics

### Long-term Elements

- » Continuously measure performance and return on capital (i.e., economic growth and job creation statewide)
- » Provide progress reports documenting success in achieving strategic plan
- » Incorporate performance results into future year budgeting process and decision-making; revise strategic plan and processes, as necessary

## V. Next Steps & Timing

# Next Steps & Timing

Action Item	Timing
1. Collect capital plan templates from agencies and authorities	October 2012
2. Consolidate and analyze strategic capital plans provided	November 2012
3. Prepare recommendations as it relates to the 2013 – 2014 New York State Adopted Budget	November 2012 to March 2013
4. Governor Cuomo lays out statewide strategic vision in State of the State Address for the Legislature's consideration	January 2013
5. Finalize the 2013 – 2014 New York State Adopted Budget	March 2013

## VI. Appendix

# Appendix - A

# Appendix – A

## Capital Plan Template - Statewide

PROPOSED COMMITMENTS STATEWIDE											
[State Entity Name]											
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
	(\$ in thousands)										
<b>Program Components</b>											
[Examples of Categories Provided Below]											
[Support Space]	0	0	0	0	0	0	0	0	0	0	0
[Equipment]	0	0	0	0	0	0	0	0	0	0	0
[Capacity Replacement]	0	0	0	0	0	0	0	0	0	0	0
[Building Systems and Infrastructure]	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Capital Plan Categories</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix – A

## Capital Plan Template - Regions

PROPOSED COMMITMENTS BY REGION											
[State Entity Name]											
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
	(\$ in thousands)										
<b>Capital Region</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Central New York</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Finger Lakes</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Long Island</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Mid-Hudson</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Mohawk Valley</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix – A

## Capital Plan Template – Regions (cont'd)

PROPOSED COMMITMENTS BY REGION											
[State Entity Name]											
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
	(\$ in thousands)										
<b>New York City</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>North Country</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Southern Tier</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Western New York</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Statewide</b>											
State of Good Repair	0	0	0	0	0	0	0	0	0	0	0
Capacity Optimization	0	0	0	0	0	0	0	0	0	0	0
Transformational Initiatives	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Appendix - B

# Appendix – B

## Report Qualifications & Limitations

*This confidential report has been prepared for the New York Works Task Force (the “Task Force”) in conjunction with the Port Authority of New York and New Jersey pursuant to the Agreement, dated as of November 23, 2011, as supplemented by that certain Sixth Supplement to Attachment A, dated as of September 20, 2012, by and between NCA and the Port Authority of New York and New Jersey. This report contains information related to the Task Force and is being provided on a strictly confidential basis. The content of this report is not to be used for any other purpose and, except as may be required by law or any other regulatory or governmental authority having jurisdiction over the Port Authority, cannot be distributed without the written consent of NCA and may not, in any case, be relied upon by any third parties without NCA’s prior written consent.*

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*In addition but not in any ways limiting the foregoing, it should be noted that the source of all financial information or other information relating to the Task Force contained in the Tables, Figures and body of this Report was information provided to NCA by Task Force personnel.*

*It must be recognized that any projections of results or benefits set forth in the attached materials are necessarily, by their nature, inherently uncertain, and no warranty or representations, expressed or implied, is given that the results or benefits set forth in such projections will be achieved or realized, or otherwise with respect to any of the information contained herein.*

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