

*The
New*

NY

WORKS

Task Force





Public Forum
of the
New York Works Task Force

Buffalo, NY

August 15, 2012



On May 3, 2012, Governor Andrew M. Cuomo, Senate Majority Leader Dean Skelos and Assembly Speaker Sheldon Silver announced the membership of the NY Works 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.



Agenda

1. Introductory Remarks
2. Current State of Capital Finance and Budgeting in New York State
3. Capital Planning Implementation Plan and Criteria for Capital Investment Decisions
4. Discussion
5. Closing Remarks



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1. Introductory Remarks

- By New York Works Task Force Member the Honorable Byron W. Brown, Mayor of Buffalo

2. Current State of Capital Finance and Budgeting in New York State

3. Capital Planning Implementation Plan and Criteria for Capital Investment Decisions

4. Discussion

5. Closing Remarks



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 - Presentation by Mike Novakowski of the Department of the Budget
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New York Works Division of the Budget Capital Overview

August 2012

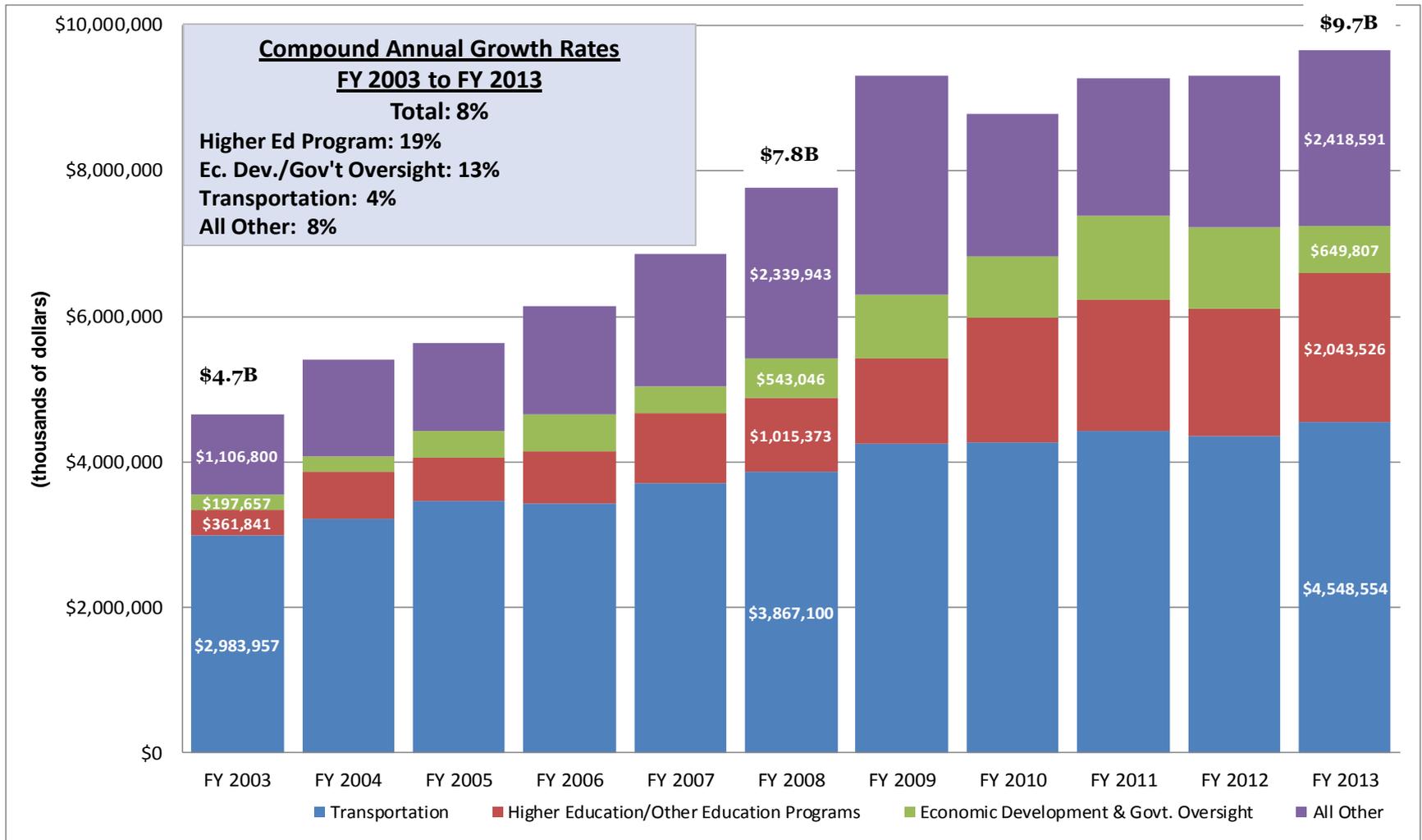
Overview

- In FY 2013, the State expects to spend \$9.7 billion on capital works and purposes, an increase of 3.8 percent from FY 2012 (FY ended March 31, 2012). From FY 2003 to FY 2013, capital spending increased at approximately 8 percent annually.
- New York State's primary government (the "State") accounts for a little less than 30 percent of total capital spending by governmental entities; the rest is done by localities (including New York City) and public authorities (e.g., MTA; Thruway; Port Authority).
- The State authorizes its share of capital spending as part of the annual budget process. Other governmental entities approve capital spending through their own distinct governmental and administrative processes (e.g., MTA Capital Program and Review Board).
- The State finances its capital activities from three sources: long-term bonds, State pay-as-you-go resources, and Federal aid.
- In FY 2013, bonds will finance 54 percent of capital spending; State "pay-as-you-go" resources, 27 percent; and Federal aid, 19 percent.
- Most long-term bonds to finance State capital activities are issued by State public authorities (principally, the Dormitory Authority and Empire State Development Corporation) acting as agents on behalf of the State.
- The debt issued by authorities on behalf of the State is secured by State resources and viewed by investors as an obligation of the State (authorities also issue "conduit" debt that is not a State obligation).
- The "pay-as-you-go" share of capital spending consists of Federal aid and State funding for projects that, for the most part, are not eligible for tax-exempt bond financing.

Overview

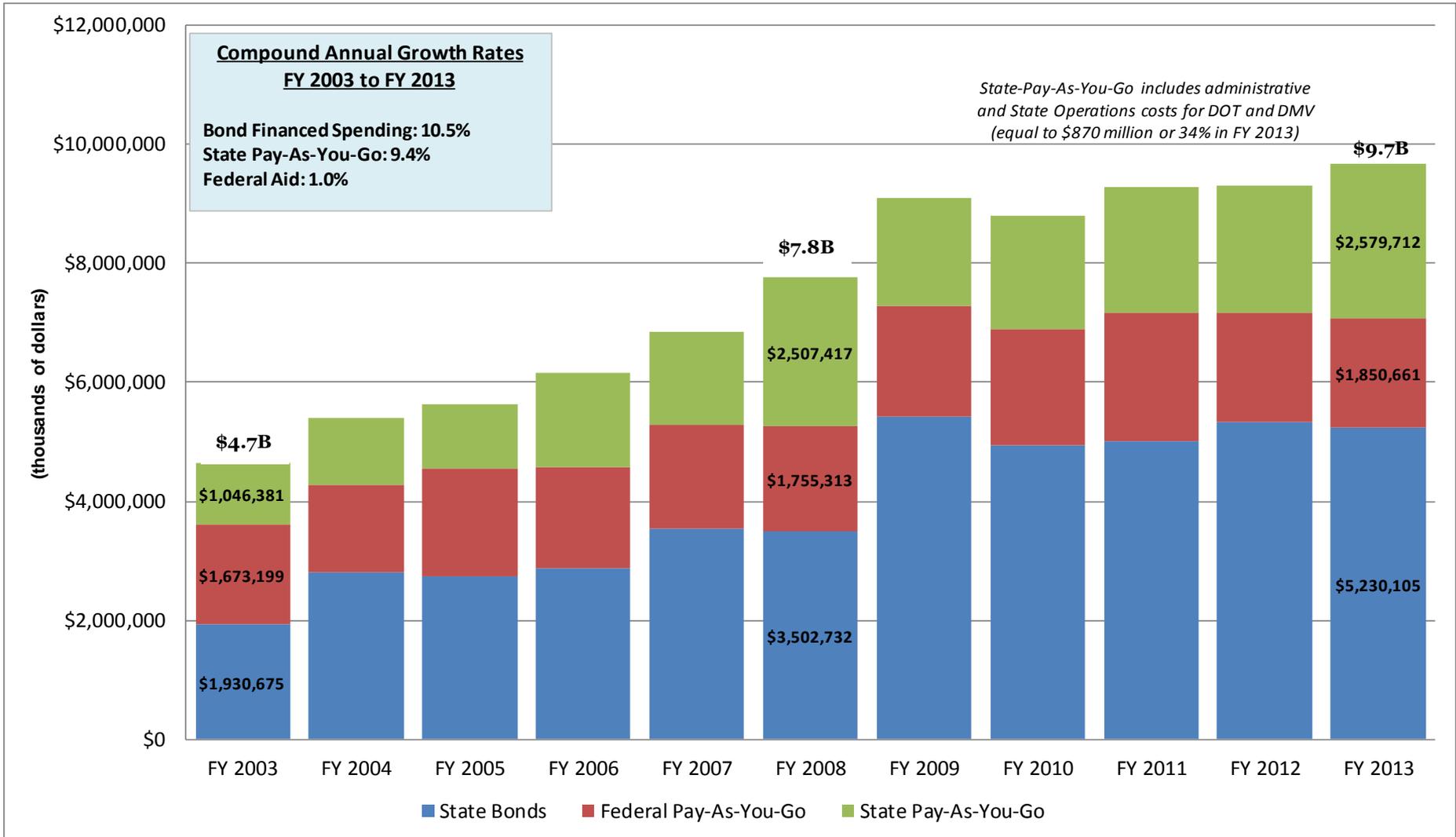
- The State does not have a comprehensive, unified, long-term process for evaluating and prioritizing capital projects within its own budget process.
- The State's capital planning process is marked by "silo-based" decision-making without reference to statewide priorities -- and a legislative process that often favors capital spending directed by legislators.
- The State's historical lack of attention to capital planning and affordability has created pressure on the State's debt limits.

Where It Goes: State Capital Spending by Purpose (All Sources)



- By comparison, the growth rate over this period was 7 percent for Medicaid, 5 percent for Education aid, and 5 percent for State Operations.

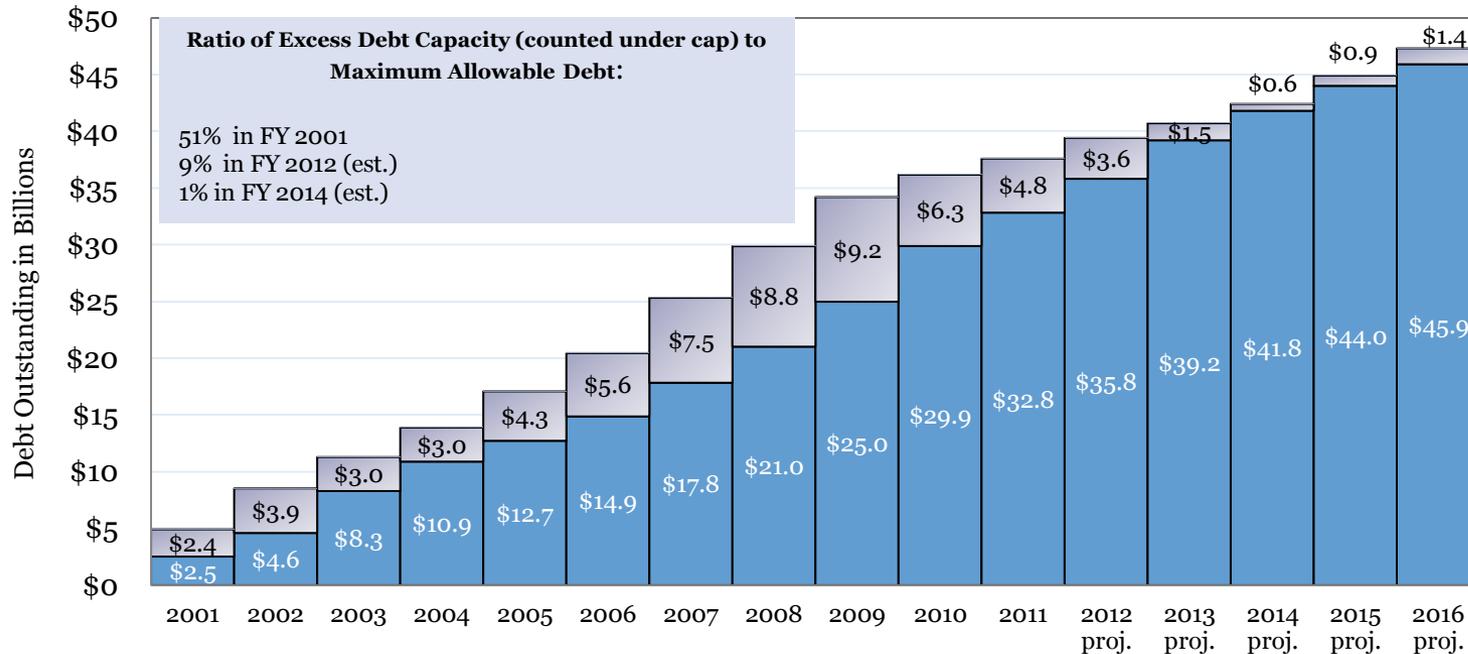
How It's Paid For: Financing Sources of Capital Spending



Summary of the State's Debt Limits

- The limits, which are set in statute, cover all State-supported debt issued on or after April 1, 2000.
 - **Debt outstanding** is limited to 4 percent of State personal income.
 - **Debt service** is limited to 5 percent of governmental receipts.
 - Prohibits bonding for non-capital purposes and limits maturities to no more than 30 years.
- Approximately 60 percent of State-related debt is counted under the cap.
- The State annually calculates compliance with the limits in October. The calculation is based on debt outstanding at the end of the prior fiscal year.
- If either limit is exceeded, the State would be prohibited from issuing any new State-supported debt for one year.
- Bonds where the State has a contingent commitment, such as tobacco bonds, are not subject to the limit. The State took advantage of this loophole to issue \$4.2 billion in tobacco bonds.
- Unlike the Federal debt ceiling, the State limit is not expected to be raised periodically, but is instead meant to maintain affordable debt levels.

Debt Limit History and Forecast



ESTIMATED DEBT OUTSTANDING – SUBJECT TO CAP (millions of dollars)									
Year	Personal Income	% Personal Income Growth	% Personal Cap %	Cap \$	Debt Outstanding Since April 1, 2000	\$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity	
FY 2012	983,868	4.7%	4.00%	39,355	35,803	3,552	3.64%	0.36%	
FY 2013	1,017,103	3.4%	4.00%	40,684	39,192	1,492	3.85%	0.15%	
FY 2014	1,061,148	4.3%	4.00%	42,446	41,843	602	3.94%	0.06%	
FY 2015	1,122,828	5.8%	4.00%	44,913	44,047	866	3.92%	0.08%	
FY 2016	1,183,444	5.4%	4.00%	47,338	45,930	1,408	3.88%	0.12%	
FY 2017	1,243,645	5.1%	4.00%	49,746	47,161	2,585	3.79%	0.21%	

TOTAL STATE-SUPPORTED (millions of dollars)	
Debt Outstanding Prior to April 1, 2000	Total State-Supported Debt Outstanding
16,969	52,772
15,348	54,540
13,718	55,562
12,126	56,172
10,593	56,523
9,132	56,293

New York Works Update

- The Governor established the New York Works Task Force to coordinate capital infrastructure plan among State agencies and authorities and other initiatives, such as expediting of permit approvals.
- The Task Force has 15 members. There are nine Governor appointments, and six Legislative appointments and Executive Director Margaret Tobin.
- The New York Works Task Force effort encompasses all 47 State agencies and authorities, including such capital intensive authorities as the MTA, Thruway Authority, and the Port Authority of NY/NJ.
- DOB has been working with the Second Floor and the Task Force in implementing a statewide strategy that will ultimately result in a comprehensive capital plan. Planning and execution has been divided into four phases: (1) Identification and Evaluation, (2) Capital Prioritizing Tools, (3) Budget Development, (4) Comprehensive Capital Plan.

New York Works Results to Date

- Presentations were made to the Task Force Members that included an overview of capital projects spending, debt issuances, credit structures, and debt limitations. Also presentations were performed by the Regional Councils and Port Authority of NY/NJ to provide an overview of their capital planning process.

Identification and Evaluation

- At the direction of the Governor's office, the State conducted surveys of 37 State entities on capital planning practices and performance and investment measures.
- The survey results were summarized and shared with the Task Force members in July 2012. At the same time, consultants for the State, UGL services, made recommendations on best practices for capital planning.
- Most governmental agencies undertake capital planning processes, but this criteria and approaches differ across all entities, complicating coordination efforts.

Capital Planning Survey

Key Findings

Model Practices

- ✓ 84% engaged in a long-range capital planning process
- ✓ 62% updated capital plans annually
- ✓ 78% followed written guidelines /directives
- ✓ 78% had program goals and a strategy for achieving these goals
- ✓ 84% maintained a capital asset inventory
- ✓ 68% rated cost estimation process as reliable and accurate

Capital Planning Survey

Key Findings

Challenges

- ✓ 62% lacked a target rating or condition scale for state of good repair
- ✓ 41% had clearly articulated criteria for prioritizing capital projects
- ✓ 16% noted change orders and cost revisions as common
- ✓ 70% noted unique, external processes that impact decision making (e.g., Federal requirements, Metropolitan Planning Organizations)
- ✓ 46% had no performance measures to evaluate capital investments
- ✓ 70% did not measure a return on capital investments

New York Works Next Steps

August: Create Prioritizing Tools

- Develop template to streamline and standardize capital projects planning.
- Establish statewide criteria as guidance in planning process.
- Integrate processes/systems to facilitate Statewide capital planning by sector/region.

September: Implement into Budget Development

- Implement process for State entities to submit capital budget requests (Capital Projects Database).
- Integrate template and criteria into capital budgets.
- Include any necessary statutory changes into FY 2014 Executive Budget.

November: Assemble Comprehensive Capital Plan

- Comprehensive Capital Plan to be vetted and approved by NY Works Task Force.
- Replaces silo-based planning with focus on shared systems.
- Coordinates state entity investments in a statewide document.



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Implementation Plan and Statewide Strategy

Comprehensive Capital Plan

Budget Development

Capital Planning Tools

Identify Current Processes
(Capital Survey)





Cornerstones

1st Cornerstone Identification and Evaluation

Objective July 2012: Assessed the current state of capital planning by New York State entities

- (1) Conducted capital programming and planning survey to 37 selected New York State entities
- (2) Identified capital planning processes from the survey results
- (3) Identified potential criteria for capital project evaluation based on the survey, other states' practices, and the recommendations of the New York Works Task Force



Cornerstones

2nd Cornerstone

Capital Projects Prioritizing Tools

Objective August 2012: Develop tools to coordinate capital planning and resource allocation statewide by region and sector

- (1) Develop a strategic plan that advances New York State's economic growth and competitiveness (i.e., creates jobs)
- (2) Establish statewide criteria to guide entities in capital planning to maximize return on investment and job creation
- (3) Design a recommended statewide capital plan template to standardize capital projects planning



Cornerstones

3rd Cornerstone Capital Budget Development

Objective September 2012: Implement process for entities to prepare capital budgets based on the statewide capital plan template and criteria

- (1) Commence statewide infrastructure assessment
- (2) Agencies and authorities adopt template creating a statewide capital planning by sector and by region
- (3) Coordinate New York State entities as they prepare FY 2013 – 2014 Executive Budget proposals



Cornerstones

4th Cornerstone

Task Force Recommends Statewide Capital Plan

Objective November 2012: Recommend FY 2013 – 2014 statewide capital plan for New York State entities

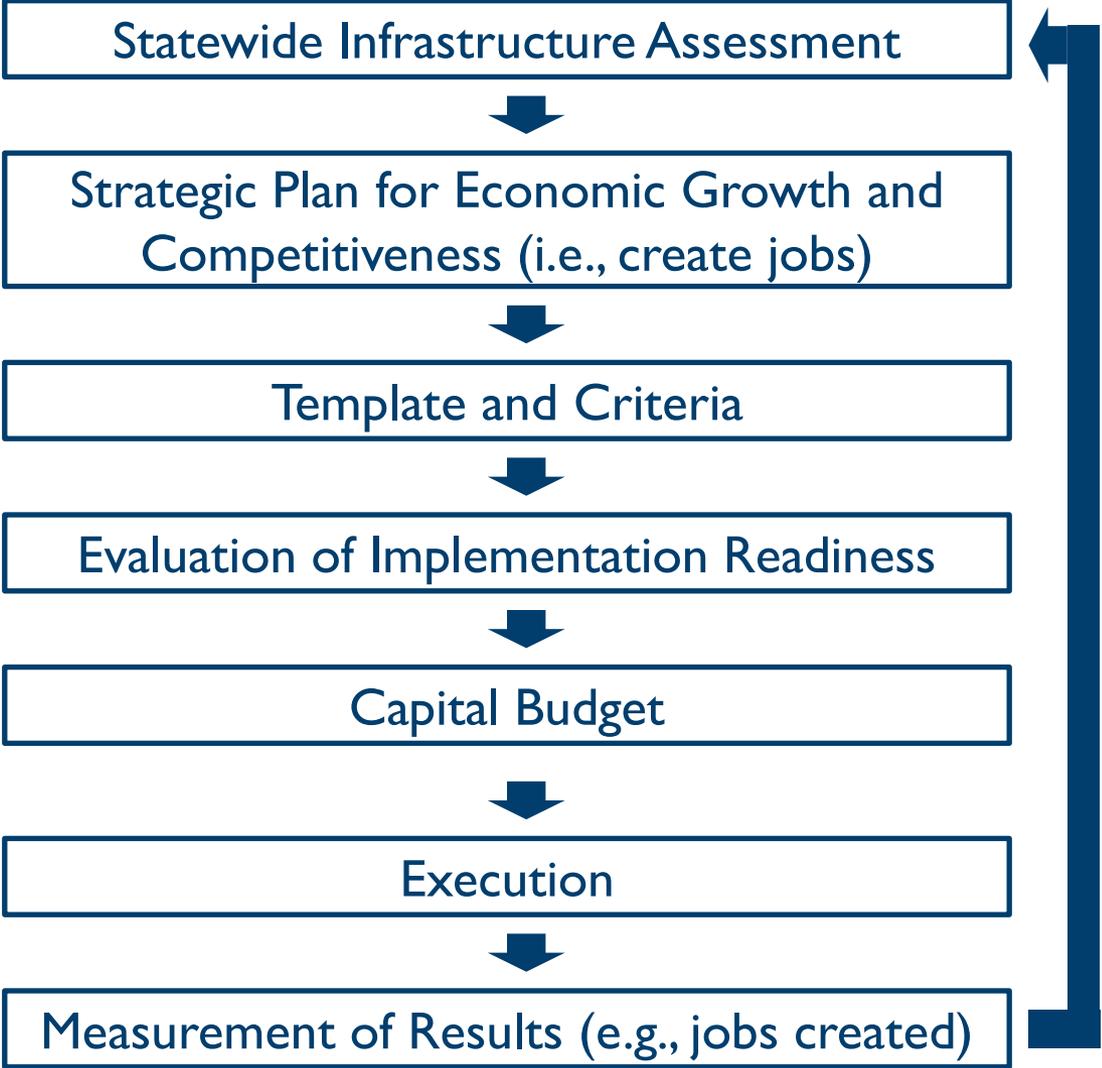
- (1) Builds on the strategic plan
- (2) Replaces silo-based planning with focus on shared systems and coordinated investments and improvements
- (3) Coordinates New York State entities' investments in a statewide document
- (4) Considers statutory changes



Proposed Criteria for Capital Investment Decisions

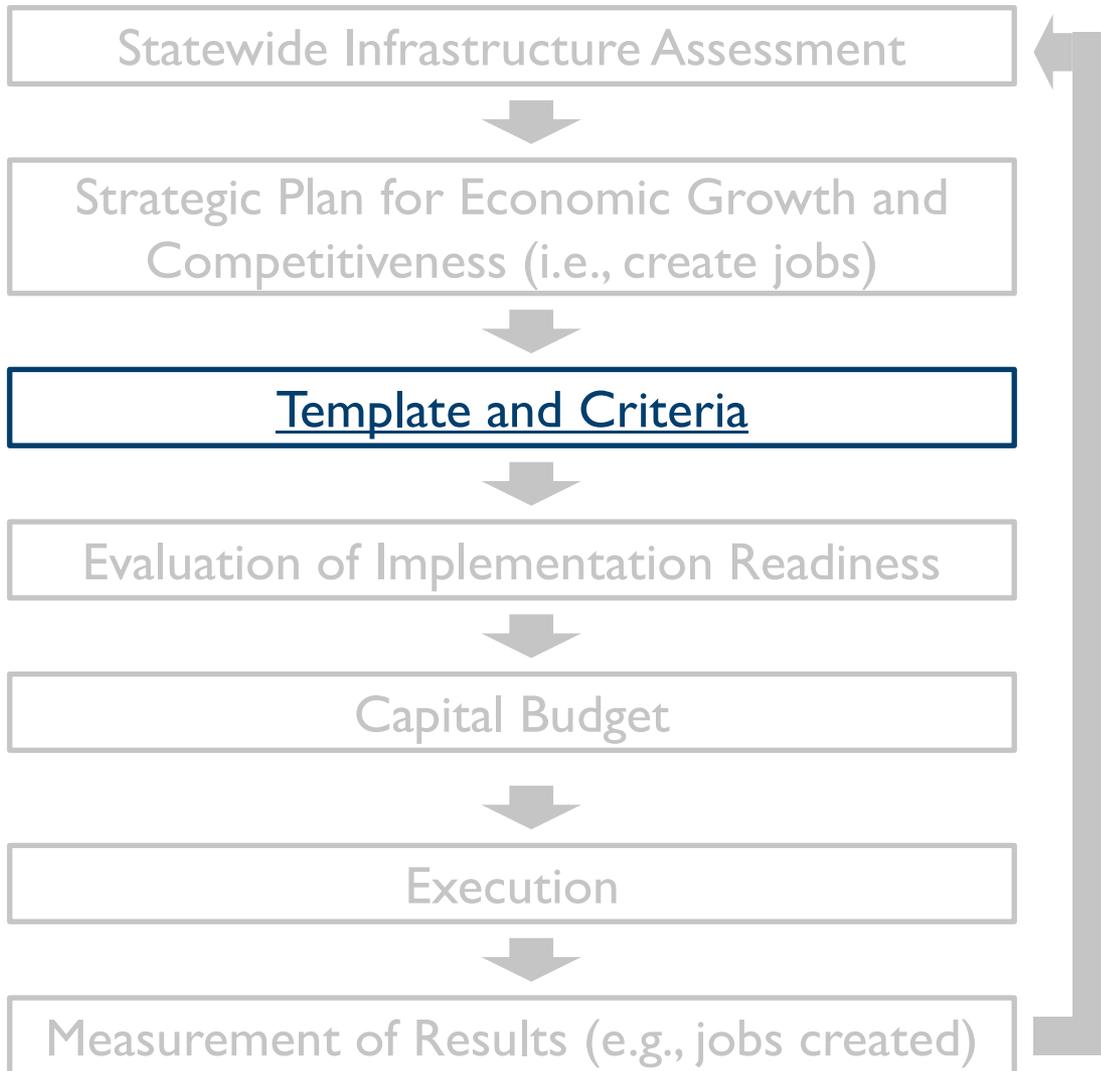


Task Force Process





Task Force Process





Criteria

1. State of Good Repair
(i.e., Lifecycle Management)
2. System, Not Project
3. Environmental and Financial
Sustainability
4. Maximize Return on Investment



Criteria

1. State of Good Repair
(i.e., Lifecycle Management)
2. System, Not Project
3. Environmental and Financial Sustainability
4. Maximize Return on Investment



State of Good Repair

(Lifecycle Management)

Definition

- A capital asset which is functioning as designed 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



State of Good Repair

(Lifecycle Management)

Question

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?



State of Good Repair

(Lifecycle Management)

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.



Criteria

1. State of Good Repair
(i.e., Lifecycle Management)
2. System, Not Project
3. Environmental and Financial Sustainability
4. Maximize Return on Investment



System, Not Project

Definition

- The economic system or network in which the specific asset 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



System, Not Project

Question

Will the users of this asset increase their productivity, lower operating costs, and create more jobs?



System, Not Project

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 the number of classroom seats is already high in this specialty. The focus is shifted to a subject area with greater unmet demand.



Criteria

1. State of Good Repair
(i.e., Lifecycle Management)
2. System, Not Project
- 3. Environmental and Financial Sustainability**
4. Maximize Return on Investment



Environmental and 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)



Environmental and Financial Sustainability

Question

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



Environmental and Financial Sustainability

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?



Criteria

1. State of Good Repair
(i.e., Lifecycle Management)
2. System, Not Project
3. Environmental and Financial
Sustainability
4. Maximize Return on Investment



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



Maximize Return on Investment

Questions

- Does this proposal lead to increased economic activity in the long term, and does it improve New York State's economic competitiveness?
- Does it make the state a more attractive place to live and do business?



Maximize Return on Investment

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 park generates jobs and sales, income, and property tax revenue.



Criteria

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(i.e., Lifecycle Management)
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Next Steps



Template

Statewide Capital Plan



By Region

- Capital District
- Central New York
- Finger Lakes
- Long Island
- Mid-Hudson
- Mohawk Valley
- New York City
- North Country
- Southern Tier
- Western New York



By Sector

- Transportation
- Environmental Focus
- Higher Education
- Social Services and Public Health
- Public Power Sector
- Development Projects
- Financing Conduits
- Security and Safety
- Administrative Services



Capital Plan Template

State of Good Repair

Capacity
Optimization

Transformational
Initiatives



- State of Good Repair
- System, Not Project
- Sustainability
- Maximize ROI



- State of Good Repair
- System, Not Project
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- State of Good Repair
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 - **By Mayor Brown**

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