



Meeting of the New York Works Task Force

July 25, 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. Overview
2. New York State's Capital Budget Process
3. Alternative Capital Budget Processes
4. Proposed Criteria for Capital Investment Decisions
5. Next Steps
6. Closing Remarks



Agenda

1. Overview

- Introduction by Denis M. Hughes, Co-Chair

2. New York State's Capital Budget Process

3. Alternative Capital Budget Processes

4. Proposed Criteria for
Capital Investment Decisions

5. Next Steps

6. Closing Remarks



NEW YORK WORKS TASK FORCE

OVERVIEW – CAPITAL PLANNING

IMPLEMENTATION PLAN AND STATEWIDE STRATEGY

Implementation Plan and Statewide Strategy



Comprehensive Capital Plan

Capital Planning Tools
(Template & Criteria)

Budget Development

Identify Current Processes
(Capital Survey)

CORNERSTONES



Cornerstones

1st Cornerstone Identification and Evaluation

Objective July 2012: Assess 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 for submission in October 2012



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



Agenda

1. Overview
2. New York State's Capital Budget Process
 - Presentation by NYS Budget Director Robert Megna
3. Alternative Capital Budget Processes
4. Proposed Criteria for Capital Investment Decisions
5. Next Steps
6. Closing Remarks

NEW YORK WORKS TASK FORCE

Assessment of Current Capital Planning Processes Survey Results

JULY 25th, 2012

Assessing the Current Capital Planning Process: Survey Results

- Created web based survey model to gather intelligence on current capital planning processes across the state;
- Solicited input from 37 entities statewide;
- Included respondents ranging from Adirondack Park Agency to MTA;
- Focused 27 questions on capital planning and decision making; and
- Evaluated results for statewide comprehensive reform.

Capital Planning Survey

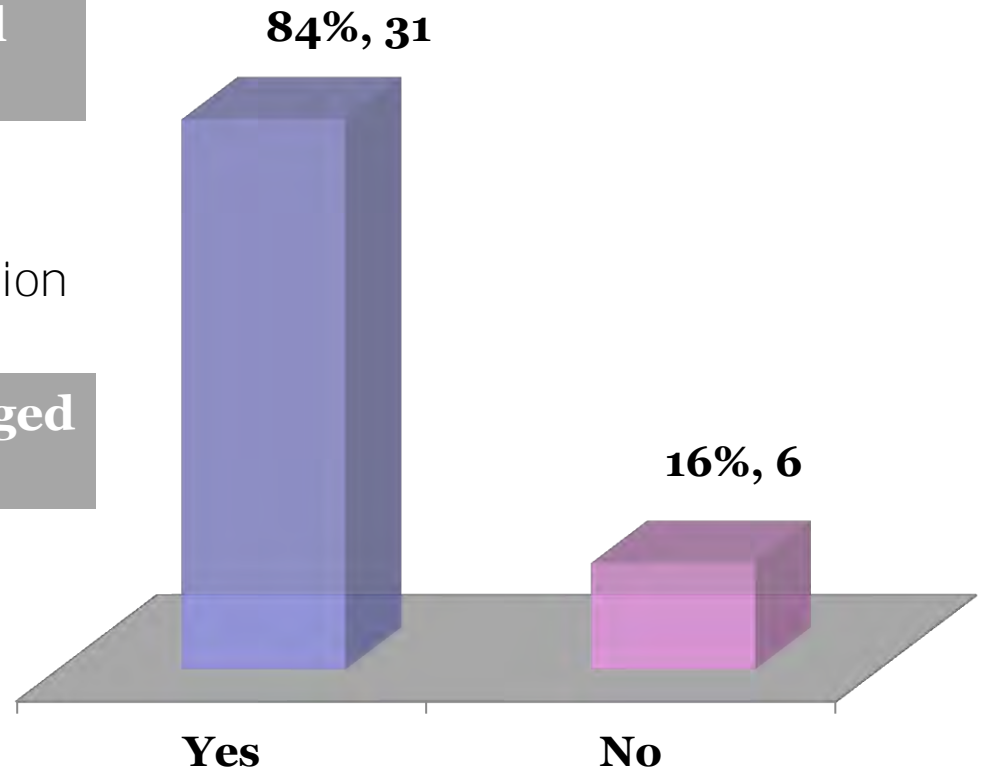
All 37 Entities Completed the Survey
6 Entities Reveal Unique Planning Features

3 of the 37 Surveyed are Financial Conduit Entities:

- Department of State
- Dormitory Authority
- Empire State Development Corporation

3 of the 37 Surveyed are not Engaged Directly in Capital Planning:

- Adirondack Park Agency
- Department of Labor
- Department of Public Service



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

Survey Results

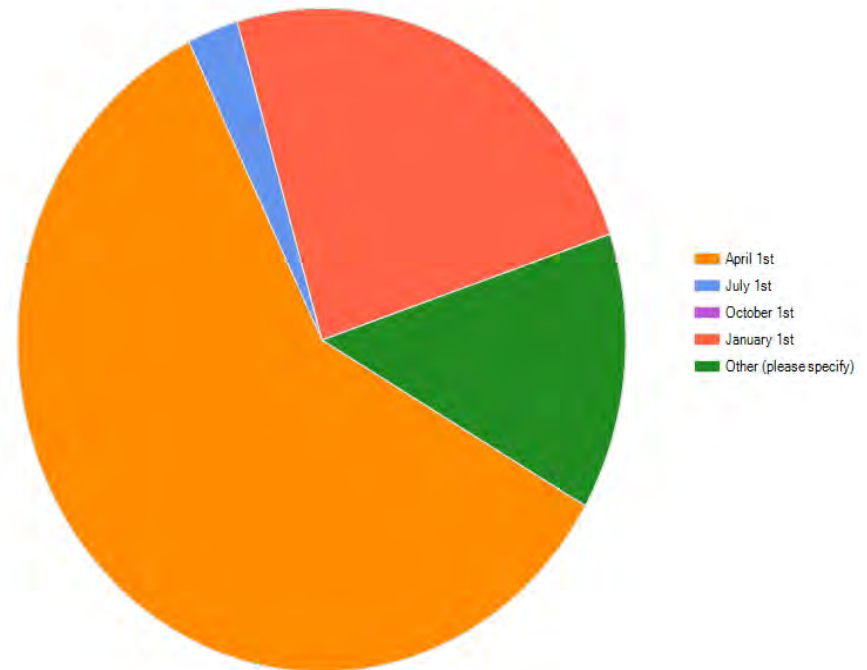
The Capital Planning Process

When does your agency's fiscal year begin?

	Response Percent	Response Count
April 1st	59.5%	22
July 1st	2.7%	1
October 1st	0.0%	0
January 1st	24.3%	9
Other (please specify)	13.5%	5

Example: SUNY's FY begins July 1st, the State University Construction Fund's (SUCF's) FY begins April 1st. SUCF is charged with the execution of SUNY's capital appropriations.

When does your agency's fiscal year begin?



Survey Results

The Capital Planning Process

Does your agency engage in a long-range capital planning process? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	83.8%	31
No	16.2%	6*

“No” responses reflect financing conduits (DA, DOS, ESD) that rely on client entities, or entities that do not have a capital plan (APA, DOL, DPS)

Highlights of Planning Process

- ✓ 5 to 20 Year Capital Plan assessment performed with annual reviews (e.g., OPRHP, DOH, Homes and Community Renewal, CDTA, 5 Years; LIPA, TIBA, 10 Years; MTA, Thruway Authority, 20 Years)
- ✓ Projects identified through Capital Master Plan or **Facilities Master Plan consistent with entity’s mission** (HRPT, CUNY, DOH, Thruway Authority, SUNY)
- ✓ Projects reviewed with regional staff , divisions, Metropolitan Planning Organizations (transportation) and public participation (housing)
- ✓ Criteria, regional trends (population, travel patterns) and target funding levels determine priorities (MTA, LIPA)
- ✓ Executive level staff, board, or trustees approve projects for budget submission to DOB (CUNY, NFTA, NYSERDA, LIPA, NYPA, BPCA)

Survey Results

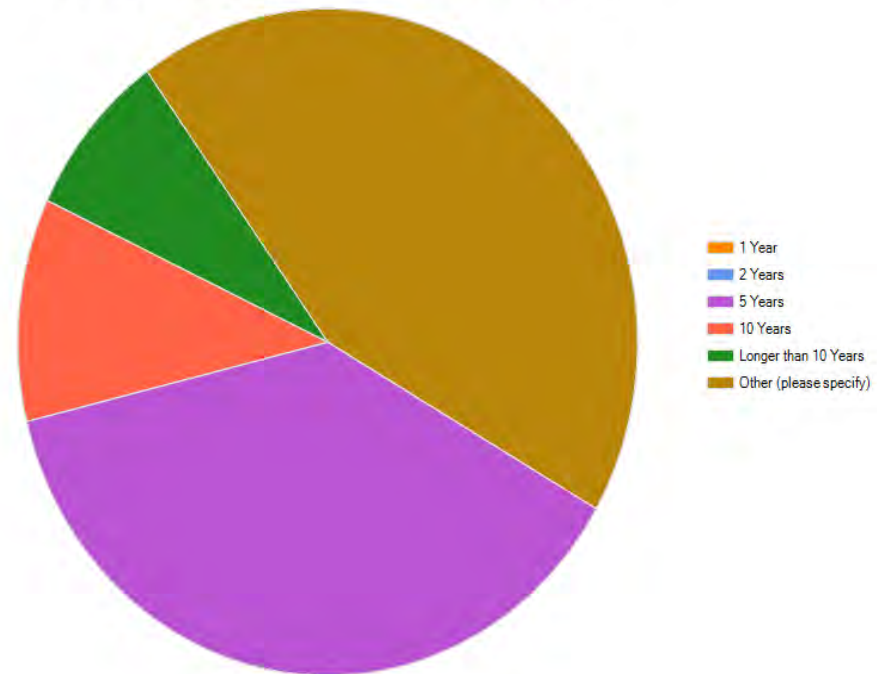
The Capital Planning Process

What is the planning horizon for capital programs and projects?

	Response Percent	Response Count
1 Year	0.0%	0
2 Years	0.0%	0
5 Years	37.8%	14
10 Years	10.8%	4
Longer than 10 Years	8.1%	3
Other (please specify)	43.3%	16

Example: NYSERDA has a 3-year horizon required by the Public Authorities Accountability Act.

What is the planning horizon for capital programs and projects?



Survey Results

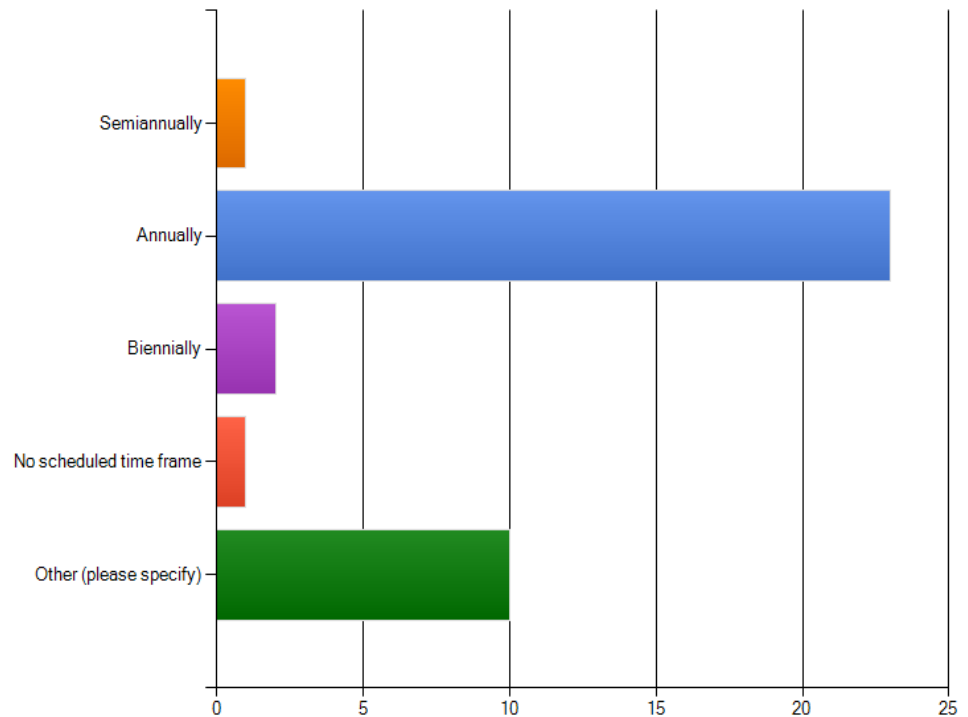
The Capital Planning Process

Is there a regular cycle in which the planning process is undertaken and/or updated?

	Response Percent	Response Count
Semiannually	2.7%	1
Annually	62.2%	23
Biennially	5.4%	2
No scheduled time frame	2.7%	1
Other (please specify)	27.0%	10

Example: The Central NY Regional Transportation Authority employs a quarterly process.

Is there a regular cycle in which the planning process is undertaken and/or updated?



Survey Results

The Capital Planning Process

Is the planning process formalized through written guidance or other directives? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	78.4%	29
No	21.6%	8

Highlights of Written Guidance and Directives

- ✓ State law/regulations/by-laws require: coordination with institution/facility representatives (CUNY); description of access to capital and publication of intended uses of capital (EFC); requirements and schedules for 5-Year capital plans
- ✓ Federal law and requirements on procedures and schedules (NYSHCR)
- ✓ Formal call letter sent to regional offices on guidance and prioritizing capital projects
- ✓ Extensive guidebook to Regional Councils on how the State will evaluate projects (leverage, jobs, local support) in addition to Strategic Plan (ESD)
- ✓ Management Services Agreement, Energy Resource Plan, Planning Criteria and Guidelines (LIPA)
- ✓ Policies and bond covenants and 3rd party consultant input on NYSDOT and FHWA guideline condition rating (NYSBA)

Survey Results

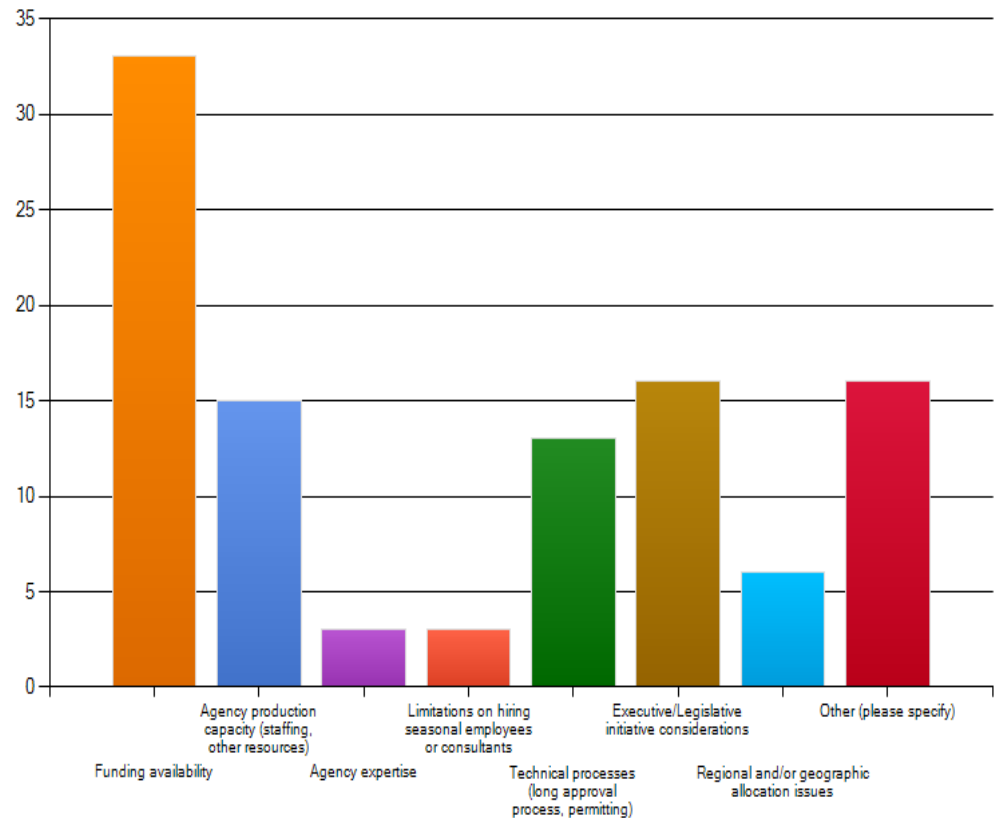
The Capital Planning Process

What major constraints affect your long-range capital planning process? (You may choose more than one answer.)

	Response Percent	Response Count
Funding availability	89.2%	33
Agency production capacity (staffing, other resources)	40.5%	15
Agency expertise	8.1%	3
Limitations on hiring seasonal employees or consultants	8.1%	3
Technical processes (long approval process, permitting)	35.1%	13
Executive/Legislative initiative considerations	43.2%	16
Regional and/or geographic allocation issues	16.2%	6
Other (please specify)	43.2%	16

Example: Uncertainty of state and Federal funding, including Federal reauthorization process for surface transportation funding, affect long-range planning.

What major constraints affect your long-range capital planning process? (You may choose more than one answer.)



Survey Results

The Capital Planning Process

Are funding constraints incorporated in your capital planning process? If Yes, briefly describe how you address your needs with the funding constraints below.

	Response Percent	Response Count
Yes	78.4%	29
No	21.6%	8

Highlights of Funding Constraints in Planning Process

- ✓ Business model forecasts spending levels reflecting different scenarios (weather effects, reliability) reviewed against corporate mission, strategic guidance and permitted funding level
- ✓ Core projects identified with funding prior to consideration of other projects. Comprehensive list identifies additional projects should funding become available.
- ✓ Available funding requires ranking of projects and monthly analysis of revenue trends and construction costs
- ✓ Planning targets provided to regional offices based on revenue estimates and projections

Survey Results

Agency Decision Making and Goals

Does your agency have clearly articulated capital program goals? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	78.4%	29
No	21.6%	8

Highlights of Capital Program Goals

- ✓ Capital program goals defined in waiver agreements with Federal agencies. Lab accreditations, certifications and health and safety features must be demonstrated.
- ✓ Trustee resolution governs the capital budget request **in support of the university's mission. Request is prioritized** based on several criteria.
- ✓ Goal oriented policy emphasizing maintaining current infrastructure, and fulfilling long-standing responsibilities.
- ✓ Goals delineated along business lines for surface transportation, aviation, property and central administration.
- ✓ Goals defined in Regional Council guidebook (project readiness, financial viability, economic impact)

Survey Results

Agency Decision Making and Goals

Does your capital planning process produce a strategy for achieving these goals? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	75.7%	28
No	24.3%	9

Highlights of Planning Strategy

- ✓ Each region relies on the region's Strategic Plans for specific goal strategies
- ✓ Long-term capital needs assessment defines asset investment strategies for agencies and asset category. This is done at 5-year intervals
- ✓ Strategy delineates goals along business lines for surface transportation, aviation, property and central administration.
- ✓ Goals defined in Regional Council guidebook (project readiness, financial viability, economic impact)
- ✓ Data driven, programmatic and mission/business plans consider program strengths and needs as well as individual needs and campuses

Survey Results

Agency Decision Making and Goals

Estimate the relative influence (as percentages) of the following categories of agency staff on the capital planning and program process.

	Response Percent	Response Count
Program Staff	94.6%	35
Agency Budget Staff	86.5%	32
Professional licensed staff (e.g., engineers, architects, project managers)	83.8%	31

Relative Staff Influence	Program Staff		Agency Budget Staff		Professional Licensed Staff	
	<u>No. of Respondents</u>	<u>%</u>	<u>No. of Respondents</u>	<u>%</u>	<u>No. of Respondents</u>	<u>%</u>
Less than 25%	12	34%	18	57%	13	42%
26% - 49%	10	29%	11	34%	10	32%
50% - 75%	8	23%	3	9%	7	23%
More than 75%	5	14%	0	0%	1	3%
Total	35	100%	32	100%	31	100%
	*2 N/A response		*5 N/A response		*6 N/A response	

NOTES: Example: In the category of program staff, 10 respondents found program staff to be between 26% and 49% influential in the capital planning process. One entity, NYSERDA, found professional licensed staff to be 90% influential in the planning process.

Survey Results

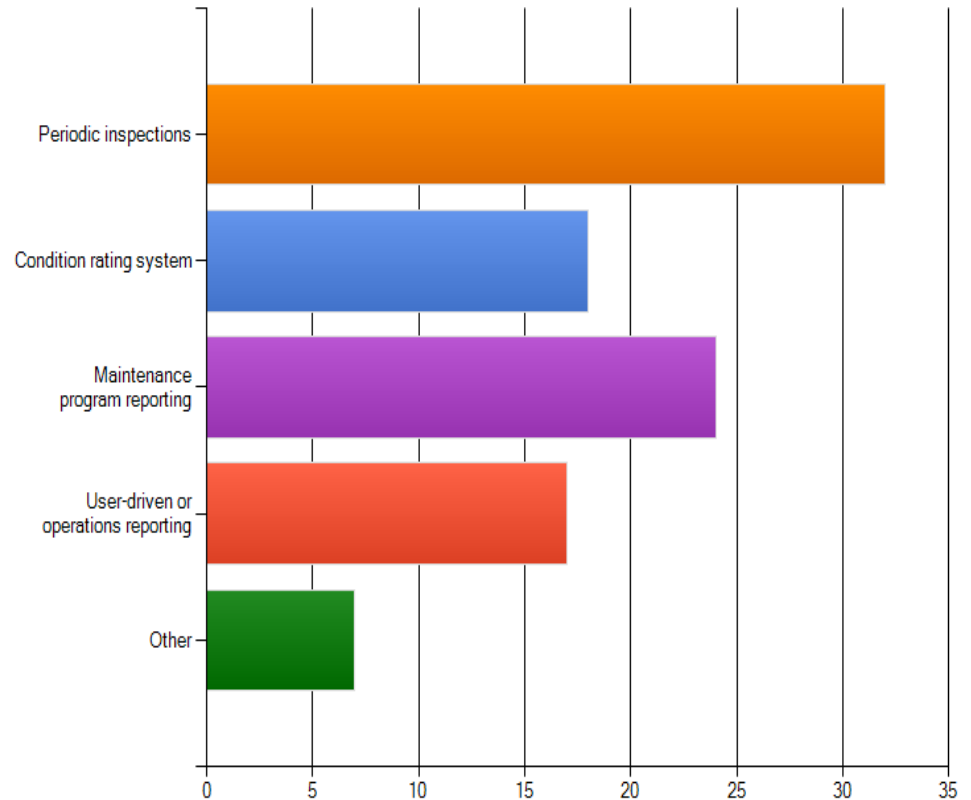
Inventorying Infrastructure and Identifying Capital Projects

How does your agency assess the status of existing infrastructure and capital assets? Briefly describe below. (You may choose more than one answer.)

	Response Percent	Response Count
Periodic inspections	86.5%	32
Condition rating system	48.6%	18
Maintenance program reporting	64.9%	24
User-driven or operations reporting	45.9%	17
Other	18.9%	7

Example: DEC uses a computerized Maintenance Management System to record asset inventory and condition on the date of inspection (every two years).

How does your agency assess the status of existing infrastructure and capital assets? Briefly describe below. (You may choose more than one answer.)



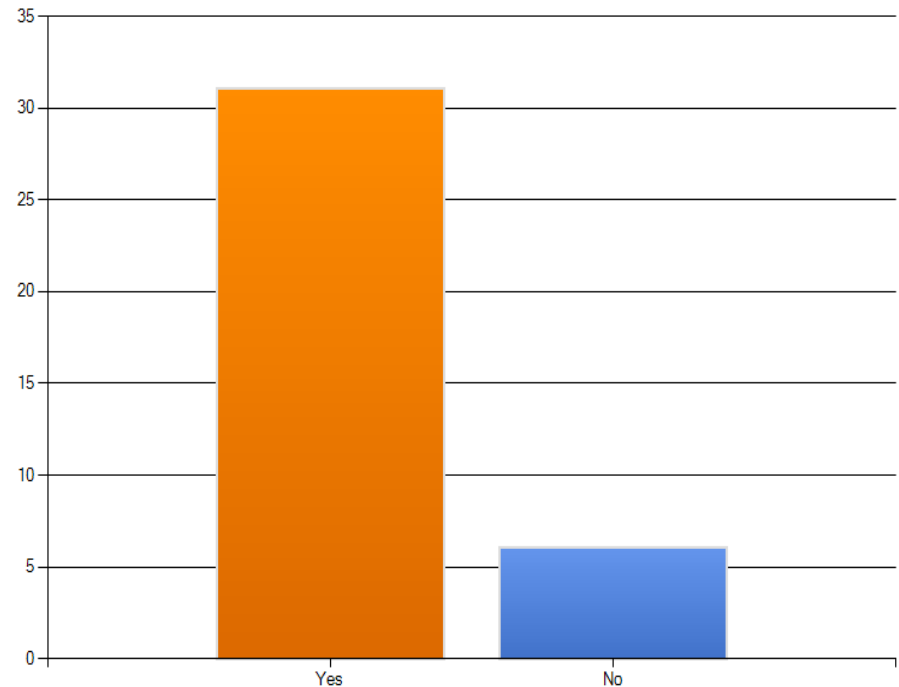
Survey Results

Inventorying Infrastructure and Identifying Capital Projects

Does your agency maintain an infrastructure and capital asset inventory? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	83.8%	31
No	16.2%	6

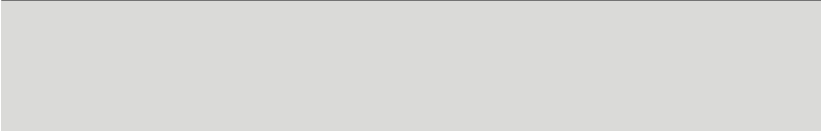
Does your agency maintain an infrastructure and capital asset inventory? If Yes, briefly describe below.



Survey Results

Inventorying Infrastructure and Identifying Capital Projects

Does your agency maintain a target rating or condition scale for an asset to be in a state of good repair? For example 75% must be rated 3 (fair or better).



	Response Percent	Response Count
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Yes	37.8%	14
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No	62.2%	23
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Highlights of Target Levels of State of Good Repair

- ✓ State of Good Repair Study (2007) provides guidance on life expectancy of individual assets (CUNY)
- ✓ 4-Point scale used to rate asset condition, with 4 being worst (MTA)
- ✓ For multi-family developments, some segments of the portfolio are inspected in accordance with the uniform physical conditions standards protocol established by HUD (NYSHCR)
- ✓ Maintenance work orders prioritized based on 0-3 scale with 3 being of the highest priority. Rating is dynamic dependent on time, conditions and new information.
- ✓ Targeted bridge condition rating from 5.05 to 5.15. For highway system, goal is to have 5% or less of the system in fair to poor condition. (TA)
- ✓ **Federal Transit Administration’s Economic Requirements Model** used to rate physical assets. (CNYRTA)

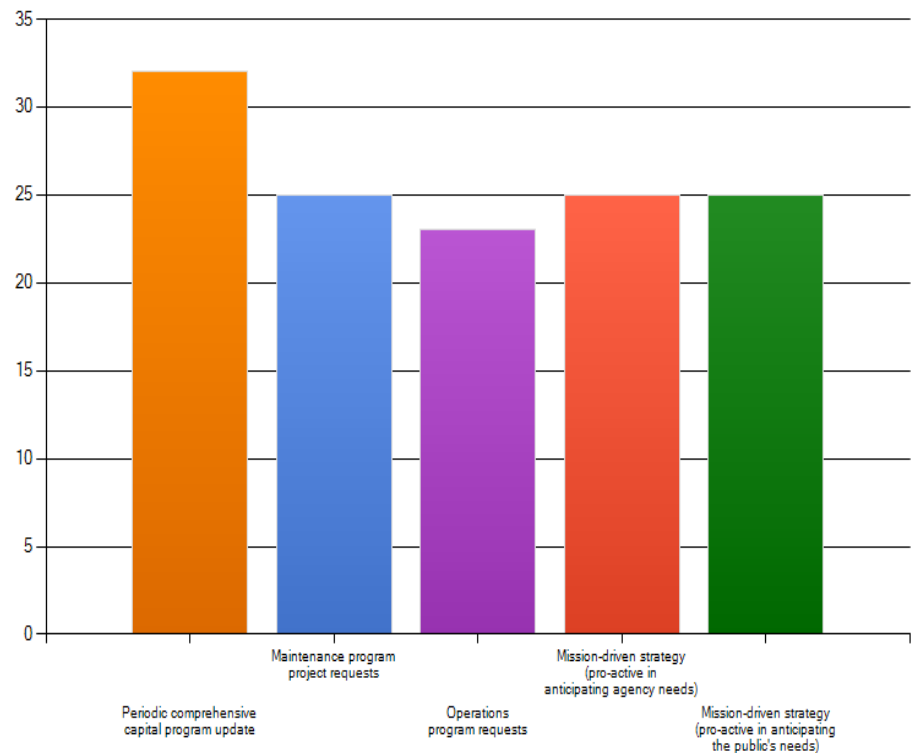
Survey Results

Inventorying Infrastructure and Identifying Capital Projects

How are potential capital projects identified and initiated in your agency? Briefly describe below. (You may choose more than one answer.)

	Response Percent	Response Count
Periodic comprehensive capital program update	86.5%	32
Maintenance program project requests	67.6%	25
Operations program requests	62.2%	23
Mission-driven strategy (pro-active in anticipating agency needs)	67.6%	25
Mission-driven strategy (pro-active in anticipating the public's needs)	67.6%	25

How are potential capital projects identified and initiated in your agency? Briefly describe below. (You may choose more than one answer.)



Survey Results

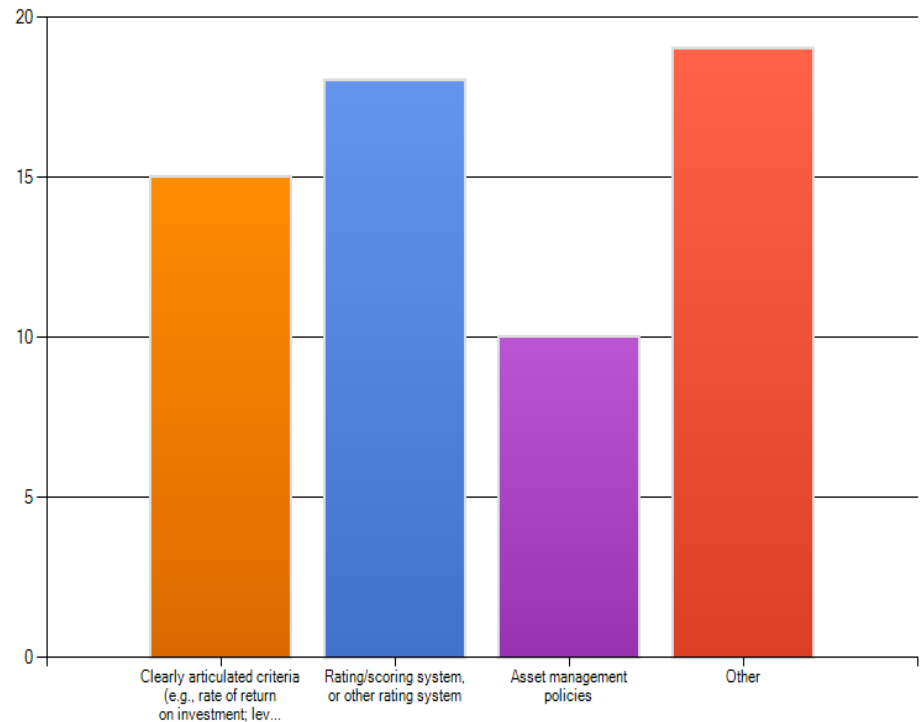
Prioritizing and Estimating Capital Projects

How does your agency prioritize capital projects for funding? Briefly describe below. (You may choose more than one answer.)

	Response Percent	Response Count
Clearly articulated criteria (e.g., rate of return on investment; leveraging of resources, including Federal funding; revenue generating, including new tax receipts)	40.5%	15
Rating/scoring system, or other rating system	48.6%	18
Asset management policies	27.0%	10
Other	51.4%	19

Example: ESD Regional Councils have Strategic Plans with articulated criteria. Projects are prioritized and scored.

How does your agency prioritize capital projects for funding? Briefly describe below. (You may choose more than one answer.)



Survey Results

Prioritizing and Estimating Capital Projects

Is the impact of future operating costs considered in the development, selection and scoping of capital projects? For example, maintenance and repairs, operating costs of new facilities, utilities, etc. If Yes, briefly describe below.

	Response Percent	Response Count
Yes	89.2%	33
No	10.8%	4

Highlights of How Operating Costs are Included in Project Evaluation

- ✓ In conducting technical review, finance and design and construction teams evaluate the underlying business model and assumptions around maintenance and operating costs. Projects without a clear revenue source are not funded or are returned to applicant for revision. (ESD)
- ✓ **“Project Gates” process monitors projects through** design and construction phases to ensure project is delivering best value on a life-cycle cost basis, including minimal or reduced impact on operating costs. (MTA)
- ✓ Agency underwriters consider future operating costs on whether or not to provide financing for multi-family developments or one-to-four family homes; to provide mortgage insurance for projects; or to purchase home mortgages originated by local banks. (NYSHCR)

Survey Results

Prioritizing and Estimating Capital Projects

Describe how facility operators are incorporated in the development/design process.

	Response Percent	Response Count
Facility operators are not used in the development/design process	18.9%	7
Facility operators are incorporated in the development/design process as described in the text box below	81.1%	30

Highlights of How Facility Operators are Incorporated in the Development/Design Process

- ✓ Building and facility operator input is solicited during the development/design process, as well as regional and central office level staff in project development.
- ✓ Facility managers provide input during planning and design phases and are asked for feedback on completed projects.
- ✓ SUNY Dorm program project scope meetings include residence life staff and facility management staff during the design phase of the project.
- ✓ Facility operators participate in the scope development process by establishing project requirements, commenting on and reviewing design documents, conducting or supporting analysis to evaluate the project, and reviewing project estimates.

Survey Results

Prioritizing and Estimating Capital Projects

Does your agency employ a standard methodology or process for determining project scope? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	59.5%	22
No	40.5%	15

Highlights of Scope Methodology

- ✓ Scope for multi-family developments and one-to-four family houses determined by the developer and licensed professionals. The scope is evaluated by lenders, tax-credit investors and other professionals.
- ✓ Grant process includes a description of the general scope of the project, with subsequent meetings to refine the project. A final scope is included in the subcontract or as an amendment to the primary contract.
- ✓ The Project Justification Document contains a draft scope of the project, including various alternatives. The documents are reviewed by National Grid. LIPA decides which projects are of appropriate risk score to fall within funding guidelines. National Grid then performs more detailed engineering to refine the project.
- ✓ Separate Scoping Unit in the Dept. of Engineering provides consistency and standardized treatment of evaluating projects based on program goals, life cycle, repair history, etc.

Survey Results

Prioritizing and Estimating Capital Projects

Once scope is determined, how does the agency ensure that cost estimates are accurate? Briefly describe below. (You may choose more than one answer.)

	Response Percent	Response Count
Utilization of outside scope validators or other outside evaluations regarding cost and scope	62.2%	23
Agency panel or review process	54.1%	20
Other	37.8%	14

Highlights of Cost Estimate Accuracy

- ✓ Staff expertise in use of market values and data as well as outside consultants to conduct value engineering studies during design process
- ✓ Internal review process with professional staff using professional estimating tools and publications, and cost estimates from previously bid projects.
- ✓ Utilization of outside scope that provides agency with detailed cost estimates and includes several budget reviews at 30%, 60% and 100% of design development. Complex projects require a third-party reviewer to help validate costs.
- ✓ Review of historical unit costs and actual costs for similar projects, in addition to a quarterly and annual reconciliation of budgeted vs. actual costs.

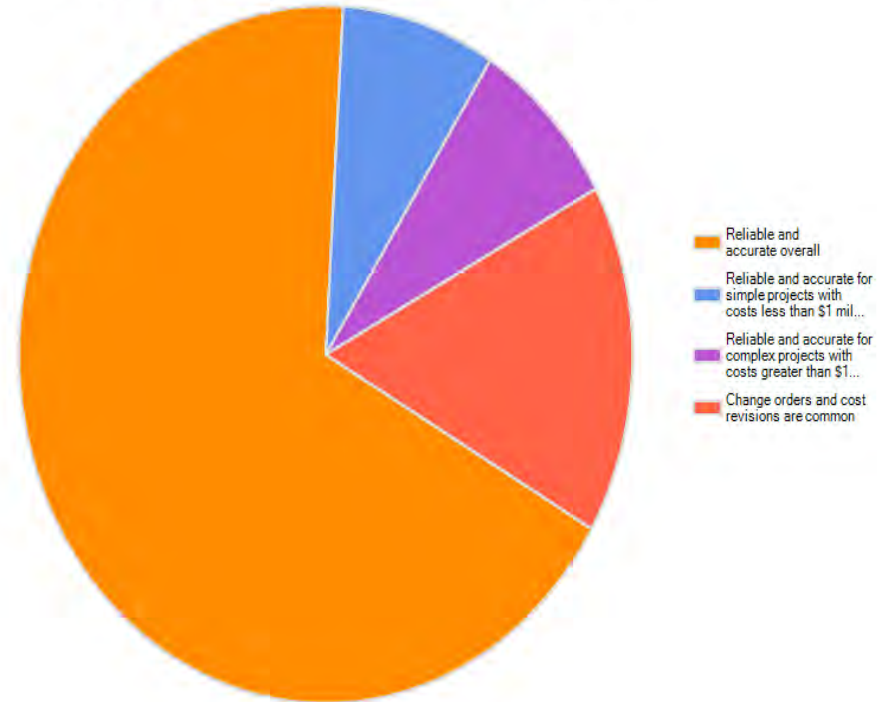
Survey Results

Prioritizing and Estimating Capital Projects

How would you rate your agency's cost estimation process?

	Response Percent	Response Count
Reliable and accurate overall	67.6%	25
Reliable and accurate for simple projects with costs less than \$1 million	8.1%	3
Reliable and accurate for complex projects with costs greater than \$1 million	8.1%	3
Change orders and cost revisions are common	16.2%	6

How would you rate your agency's cost estimation process?



Survey Results

Prioritizing and Estimating Capital Projects

Briefly describe your agency's IT systems that support the capital planning process.

Highlights of IT Systems that Support Capital Planning

- ✓ CUNY maintains the Capital Improvement Plan (CIP) database, a standardized capital planning system used by all colleges that contains proposed project scopes and assists CUNY in projecting costs of capital projects. The database allows sharing of information between the colleges and central office.
- ✓ DEC uses the Maintenance Management System to prioritize capital projects and assist in the capital planning process.
- ✓ **MTA operates the “Impact” system to manage funding and budgets of the capital program. New York City Transit’s “Project Status Reporting” (PSR) system supports management of all active capital projects. MTA is instituting a Transit Asset Management (TAM) database to evaluate asset data for the 20-year Needs and 5-year plan development processes. Also, the MTA Capital Program Dashboard provides budget and schedule information on the MTA’s website.**
- ✓ NYSHCR uses CDOL-- a web system that accepts applications for local program and capital funding and SHARS which is a mainframe system that provides comprehensive project tracking, reporting, and control. Data in this system are available to program staff to create program reports.

Survey Results

Program Requirements and Performance Measures

Are there external planning and programming requirements that impact your programs? If Yes, briefly describe below. (You may choose more than one answer.)

	Response Percent	Response Count
Yes, Federal requirements	62.2%	23
Yes, Other outside processes or requirements	70.3%	26
No	18.9%	7

Highlights of External Planning and Programming Requirements

- ✓ NYC Fire Department regulations, NYC building code compliance and zoning regulations, NYC Department of Environmental Protection regulations, etc. and academic accreditation regulations. (CUNY)
- ✓ Army Corps of Engineers standards; FAA regulations for radio towers, FCC regulations for radio systems; EPA rules and regulations; LEED standard; Governor's Executive Orders; Dept. of Transportation rules and regulations; Dept. of Health rules and regulations; NYS Building Code; Dept. of Labor asbestos and lead paint rules and regulations. (DEC)
- ✓ MWBE requirements, SEQRA, smart growth laws, green building laws, Davis-Bacon, and local zoning (ESD)
- ✓ General Services Administration, Public Works Canada, Canada Border Services Agency, federal agencies in the U.S. and Canada program requirements drive infrastructure and other facility related investment. (BFEPBA-"Peace Bridge")
- ✓ Aviation has many projects dictated by FAA requirements. PATH has various Federal and legal requirements, including ADA compliance. Projects are subject to security-related mandates and additionally, the PA is subject to various state and local permitting and other requirements, depending on the specific project. (PA NY & NJ)

Survey Results

Program Requirements and Performance Measures

Does your agency use performance measures to evaluate the effectiveness of its capital investments? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	54.1%	20
No	45.9%	17

Highlights of Performance Measures

- ✓ Park use is measured to evaluate public utility of park improvements (Hudson River Park Trust).
- ✓ Annual tracking of job creation by project and private sector leveraging (ESD)
- ✓ Analysis of improved traffic throughput and flow with prospective and retroactive evaluation (Buffalo and Fort Erie Public Bridge Authority-**"Peace Bridge"**)
- ✓ Waterfront Revitalization Program and Brownfield Opportunity Areas contracts require quantifiable results report, including land improved, square footage of new development and leveraging of investments (DOS).
- ✓ New transit vehicles measures include: miles between service interruptions and cost per revenue vehicle mile (Central NY Regional Transportation Authority)

Survey Results

Program Requirements and Performance Measures

Does your agency measure return on capital investments? If Yes, briefly describe below.

	Response Percent	Response Count
Yes	29.7%	11
No	70.3%	26

Highlights of Return on Investment Measures

- ✓ Return on Investment used for income producing assets (Hudson River Park Trust)
- ✓ Cost-benefit analysis done prior to project development, and job analysis for economic impact after project completion (ESD)
- ✓ All economically justified projects must produce positive net present value with the expected service life of the equipment (NYPA)
- ✓ Energy projects based on return on investment for energy savings (OGS)

Survey Results

Program Requirements and Performance Measures

Does your agency coordinate/collaborate with other agencies (e.g., transportation, human service delivery), private entities (e.g., non-profits), or government levels (e.g., Federal government, NYC Office of Management and Budget), in developing capital programs and projects? This may also include agencies in overlapping geographic areas. If Yes, briefly describe below.

	Response Percent	Response Count
Yes	73.0%	27
No	27.0%	10

Highlights of Collaboration

- ✓ State and Federal agencies including NYS Parks, NYS DOB, NYS DEC, NYC Parks and NYC OMB; for transportation projects with NYS DOT and US DOT; for disaster related projects with NYS SEMO and US FEMA; and private entities, such as park tenants (Hudson River Park Trust)
- ✓ NYS Division of Budget, NYC Office of Management and Budget, Dormitory Authority of the State of New York, private entities (CUNY)
- ✓ For flood protection and coastal erosion projects US Army Corps of Engineers; for wildlife observation and boating access US Fish & Wildlife Service; and for invasive species control US Forest Service (DEC)
- ✓ State agencies (e.g. DOT, DEC, DOH, Power Authority, ESDC), local municipalities (NYCDPR, NYCDEP, Municipal Water for Darien Lakes, etc.), and private entities (e.g. Friends Groups, Foundations, Not-For-Profits), also collaboration to share services and/or develop funding resources (OPRHP)

Survey Results

Criteria Selections by Sector

State Entities by Sector	Clearly articulated criteria (e.g., rate of return on investment; leveraging of resources, including Federal funding; revenue generating, including new tax receipts)	Rating/scoring system, or other rating system	Asset management policies	Other				Energy Conservation	Performance Objectives	Regulatory/Contractual Compliance	Strategic Plan/Mission Driven
				Maintenance							
				Preservation	Sustainable	Health & Safety	Operating Cost Savings				
TRANSPORTATION											
Albany Port District Commission	✓	✓	✓	✓	✓	✓	✓				
Buffalo & Fort Erie Public Bridge Authority				✓	✓	✓				✓	
Capital District Transportation Authority	✓	✓		✓	✓						
Central NY Regional Transportation Authority		✓		✓		✓	✓			✓	
Department of Transportation	✓	✓	✓	✓	✓	✓				✓	
MTA		✓		✓	✓	✓	✓		✓	✓	
Niagara Frontier Transportation Authority	✓	✓		✓	✓		✓		✓	✓	
NYS Bridge Authority	✓			✓	✓		✓				
Ogdensburg Bridge & Port Authority	✓	✓	✓								
Port Authority NY & NJ		✓	✓	✓	✓	✓	✓				
Port of Oswego Authority	✓										
Rochester Genesee Regional Transportation Authority		✓								✓	
Thousand Islands Bridge Authority		✓		✓							
Thruway Authority		✓	✓		✓	✓	✓	✓			
Total Transportation Entities Using Criteria	50%	79%	36%	71%	64%	50%	50%	7%	0%	14%	43%

Survey Results

Criteria Selections by Sector

	Clearly articulated criteria (e.g., rate of return on investment; leveraging of resources, including Federal funding; revenue generating, including new tax receipts)	Rating/scoring system, or other rating system	Asset management policies	Other				Energy Conservation	Performance Objectives	Regulatory/Contractual Compliance	Strategic Plan/Mission Driven
				Maintenance							
				Preservation	Sustainable	Health & Safety	Operating Cost Savings				
State Entities by Sector											
ENVIRONMENTAL FOCUS											
Adirondack Park Agency											
Department of Agriculture & Markets										✓	
Department of Environmental Conservation				✓	✓	✓			✓		
Development Authority of North Country	✓		✓								
Environmental Facilities Corporation	✓										
Hudson River Park Trust	✓		✓	✓	✓						
Office of Parks, Recreation & Historic Preservation	✓			✓	✓	✓				✓	
Total Environmental Entities Using Criteria	57%	0%	29%	43%	43%	29%	0%	0%	0%	14%	29%
SOCIAL SERVICES & PUBLIC HEALTH											
Department of Health	✓	✓	✓						✓	✓	
Homes & Community Renewal	✓	✓		✓	✓	✓	✓		✓	✓	
Total Social Services & Public Health Entities Using Criteria	100%	100%	50%	50%	50%	50%	50%	0%	0%	100%	100%

Survey Results

Criteria Selections by Sector

	Clearly articulated criteria (e.g., rate of return on investment; leveraging of resources, including Federal funding; revenue generating, including new tax receipts)	Rating/scoring system, or other rating system	Asset management policies	Other				Energy Conservation	Performance Objectives	Regulatory/ Contractual/ Compliance	Strategic Plan/ Mission Driven
				Maintenance							
				Preservation	Sustainable	Health & Safety	Operating Cost Savings				
State Entities by Sector											
HIGHER EDUCATION											
CUNY				✓	✓	✓		✓	✓	✓	
SUNY				✓	✓	✓			✓		✓
Total Higher Education Entities Using Criteria	0%	0%	0%	100%	100%	100%	0%	50%	100%	50%	50%
DEVELOPMENT PROJECTS											
Battery Park City Authority		✓	✓								
Roosevelt Island Operating Corporation				✓	✓		✓				
United Nations Development Corporation			✓		✓	✓	✓			✓	
Total Development Entities Using Criteria	0%	33%	67%	33%	67%	33%	67%	0%	0%	33%	0%
PUBLIC POWER SECTOR											
Department of Public Service											
Long Island Power Authority		✓									
NY Power Authority						✓	✓			✓	✓
Total Public Power Entities Using Criteria	0%	33%	0%	0%	33%	33%	33%	0%	0%	33%	33%

New York Works Task Force Implementation Council Survey

Participating Entities

July 2012

<u>Agency</u>	<u>Survey Completed</u>
Adirondack Park Agency (APA)	Yes
Agriculture & Markets (Ag & Mkts)	Yes
Albany Port District Commission (APDC)	Yes
Battery Park City Authority (BPCA)	Yes
Buffalo & Fort Erie Public Bridge Authority (BFEPBA “Peace Bridge”)	Yes
Capital District Transportation Authority (CDTA)	Yes
Central NY Regional Transportation Authority (CNYRTA)	Yes
City University of New York (CUNY)	Yes
Department of Environmental Conservation (DEC)	Yes
Department of Health (DOH)	Yes
Department of Labor (DOL)	Yes
Department of Public Service	Yes

New York Works Task Force Implementation Council Survey

Participating Entities

July 2012

<u>Agency</u>	<u>Survey Completed</u>
Department of State (DOS)	Yes
Department of Transportation (DOT)	Yes
Development Authority of North Country (DANC)	Yes
Dormitory Authority (DA)	Yes
Empire State Development Authority (ESD)	Yes
Environmental Facilities Corporation (EFC)	Yes
Homes and Community Renewal (NYSHCR)	Yes
Hudson River Park Trust (HRPT)	Yes
Long Island Power Authority (LIPA)	Yes
MTA	Yes
Niagara Frontier Transportation Authority (NFTA)	Yes
NY Power Authority (NYPA)	Yes
NYS Bridge Authority (NYSBA)	Yes

New York Works Task Force Implementation Council Survey

Participating Entities

July 2012

<u>Agency</u>	<u>Survey Completed</u>
NYSERDA	Yes
Office of General Services (OGS)	Yes
Office of Parks, Recreation & Historic Preservation (OPRHP)	Yes
Ogdensburg Bridge & Port Authority (OBPA)	Yes
Port Authority NY & NJ (PA NY & NJ)	Yes
Port of Oswego Authority (POA)	Yes
Rochester Genesee Regional Transportation Authority (RGRTA)	Yes
Roosevelt Island Operating Corporation (RIOC)	Yes
SUNY	Yes
Thousand Islands Bridge Authority (TIBA)	Yes
Thruway Authority (TA)	Yes
United Nations Development Corporation (UNDC)	Yes



Discussion



Agenda

1. Overview
2. New York State's Capital Budget Process
3. Alternative Capital Budget Processes
 - Presentation by UGL Services
4. Proposed Criteria for Capital Investment Decisions
5. Next Steps
6. Closing Remarks



Alternative Capital Budget Processes – Other States

Prepared for:
New York Works Task Force

July 25, 2012

UGL Services has identified the following challenges:

- ✓ State entities are not subject to a comprehensive, uniform or consistent capital planning process.
- ✓ Criteria used by State entities to prioritize projects vary widely and are not applied consistently.
- ✓ Entities propose capital projects without a formal cost/benefit analysis or return on investment to ensure that investments are fiscally prudent.
- ✓ The State lacks comprehensive planning tools to prioritize projects and allocate scarce resources.
- ✓ Entities give little consideration to asset ratings or condition scales, or to whether proposed projects are core to the State's operations.

MARYLAND, WASHINGTON, MINNESOTA, VIRGINIA

STRATEGIC PLANS

- **Defined** timelines
- **Statewide criteria** and **templates** for agencies to submit and modify capital requests and to report progress for approved requests

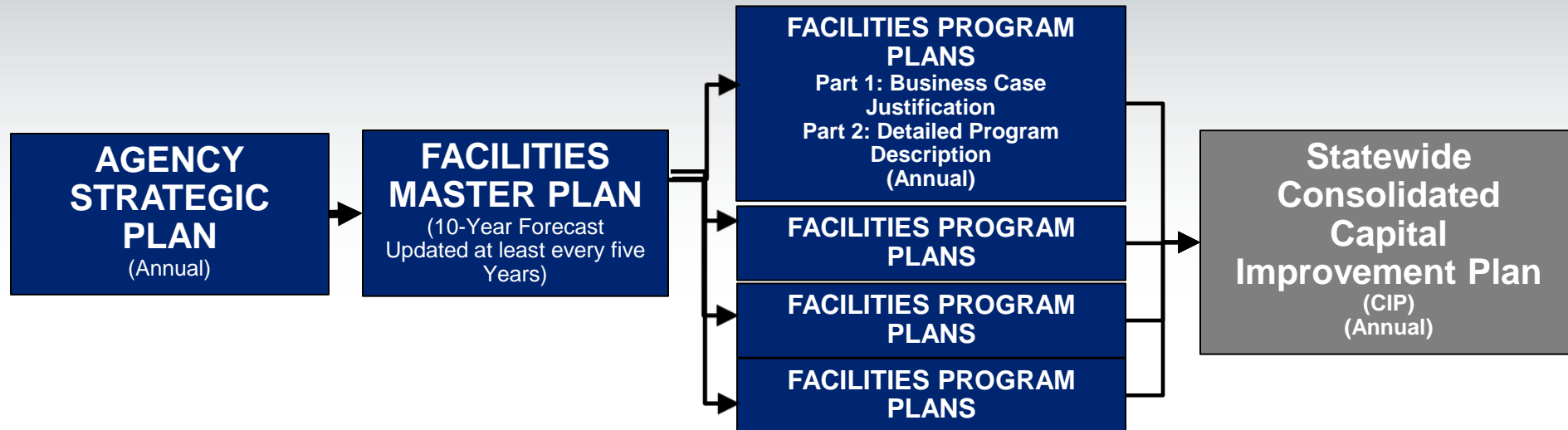
COORDINATED APPROVAL PROCESS

- Budget function: Impact on State **borrowing limits / debt cap**; enforces a trade-off mentality, requires close scrutiny for allocation of **scarce resources**.
- Capital Asset function: Ensures investments are aligned with State goals; provides technical expertise to review design and cost estimates for construction projects

COORDINATED CAPITAL INFRASTRUCTURE PLAN

- Strategic project management **prevents overspending** and exceeding cost projections
- Formalized tracking includes asset inventory and project **performance metrics**
- Planning tools include uniform measure of **return on capital investment**
- Coordinated IT systems allow **collaboration** between requesting agency, Budget and Real Estate functions

MARYLAND STATEWIDE FINANCIAL PLAN – SETS DEBT CAP LIMITS



Agency Strategic Plan: Operational goals & objectives; basis for decision-making

Facilities Master Plan: (1) Inventories infrastructure asset & real estate portfolios; (2) rates and quantifies asset conditions; (3) recommends and prioritizes proposed capital projects

Facilities Program Plans: Requirements developed for each proposed capital project;

- Part 1: Business case justification
- Part 2: Detailed program description

Consolidated Capital Improvement Plan: Multi-year plan; Approved Facility Program Plans

Budget and Real Estate Divisions ensure consistency of project with the agency's Strategic Plan and Facilities Master Plan. Additional focus of the reviews include:

Budget Review

- Determines how projects fit within the State's Debt Affordability parameters and the agency's current and projected budget; addresses issues/ questions related to bonding requirements

Real Estate Review

- Assesses proposed design and costs; projects/confirms impact to asset operating costs if investment is made; ensures investments made in core assets; identifies cost-effective alternatives that already exist within portfolio which could meet the agency's proposed need.

Statewide Capital Planning

How These Components Can Help NY Works Task Force



Component	Current Process	Alternative Process	Benefits of Alternative Process
Strategic Planning <i>(Statewide Criteria and Template)</i>	Not Required	Required	<ul style="list-style-type: none"> Establishes New York's goals and aligns project requests with those goals Provides criteria to assess each proposed capital request
Coordinated Approval Process by Region/Sectors	Silo-Based with State Entities and Budget Examiners	Coordinated with Budget and Capital Asset Functions	<ul style="list-style-type: none"> Approval based upon agency-developed business cases justifying each capital request Budget experts focus review against projected debt capacity and debt ceilings Capital asset experts review project costs and feasibility; avoids funding capital projects not aligned with New York's goals
Coordinated Planning & Tracking by Region/Sectors	Individual agencies track own projects	Coordinated and Comprehensive	<ul style="list-style-type: none"> Provides consistent project management and technical expertise throughout project lifecycle Provides data to develop performance metrics and measure return on capital investments to be used in future years budgeting process Provides better mechanisms to control costs and to periodically re-evaluate projects



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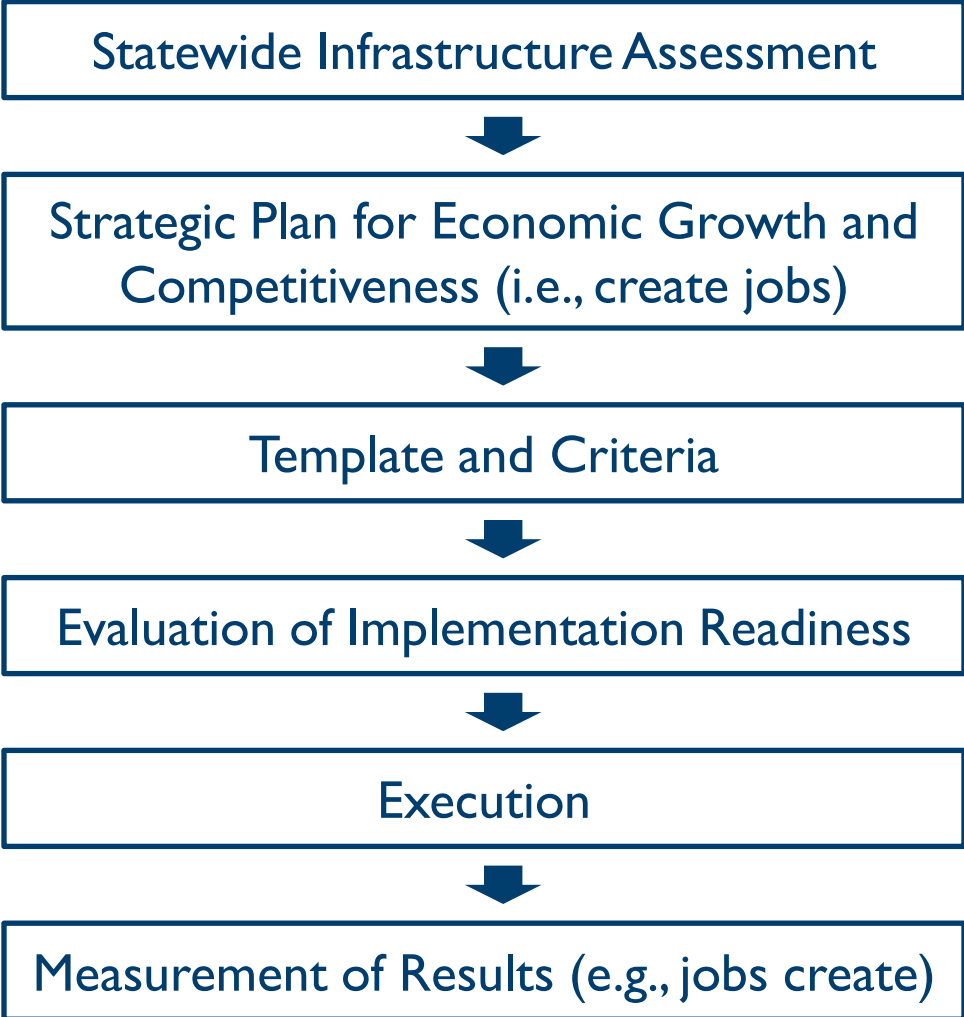


Proposed Criteria for Capital Investment Decisions

July 25, 2012

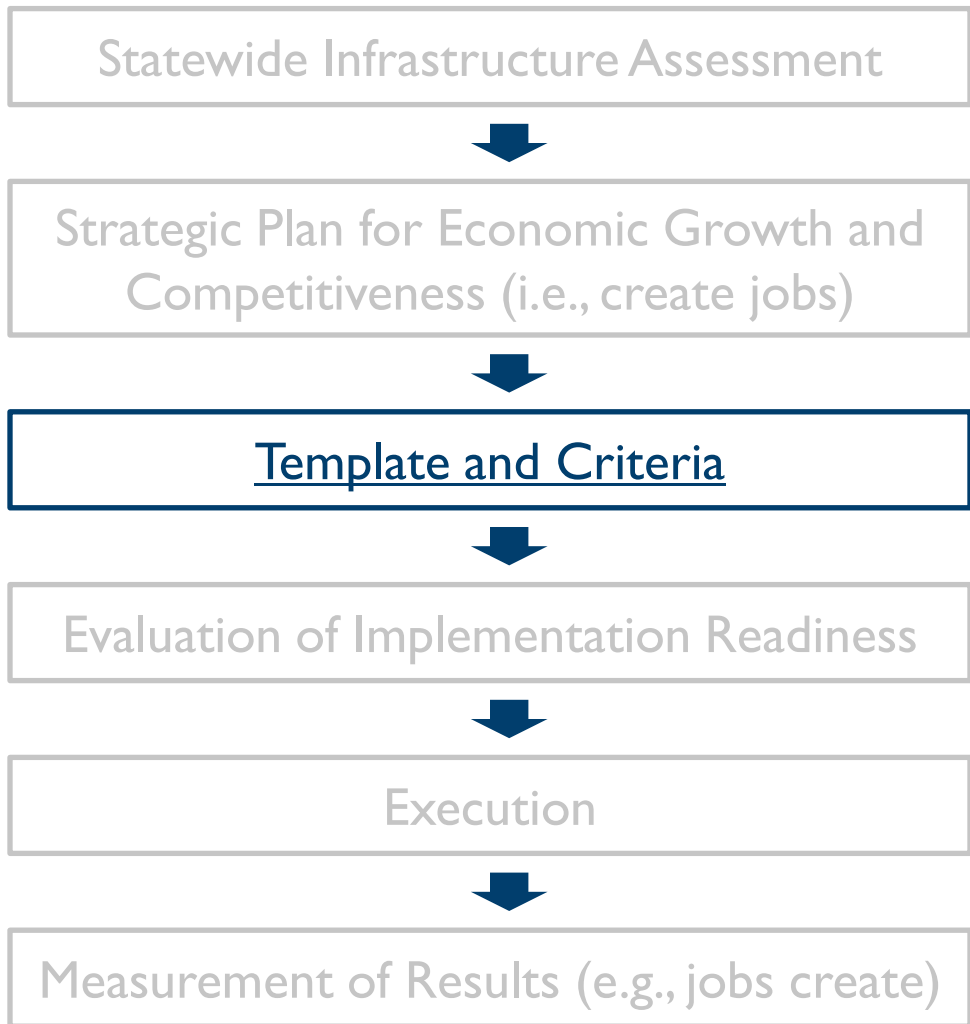


Task Force Process





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

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(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
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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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Next Steps

July 25, 2012



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
- Sustainability
- Maximize ROI



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



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 - **By Ambassador Felix G. Rohatyn, Co-Chair**



NY

WORKS

TASK FORCE