



The State University
of New York

Capital Budget Hearing

November 09, 2010

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Discussion Items:

- **Introduction**
- **Economic Impact/Fiduciary Responsibility**
- **Update on SUNY's Capital Program**
 - **Educational Facilities**
 - **Hospitals**
 - **Residence Halls**
 - **Community Colleges**



Introduction

- Higher Education is the Growth Industry in New York State
- SUNY has the power to revitalize New York's economy and enhance the quality of life in our communities
- The SUNY Capital Plan is an economic development - job creation program
- Investing in SUNY capital is a win-win-win scenario for the State, SUNY and upstate communities
- Today we will update you on progress with the SUNY Capital Plan and identify opportunities for further investment

the Power of 



Economic Impact

- Extensive and geographically diverse network of University facilities across the State provides a built-in framework for promoting economic development activities in every region of the State
- Last year, SUNY educational facilities and hospital capital investments alone totaled over \$728 million



- Approximately half, or \$364 million, was for labor costs – not counting the multiplier effect
- This year's capital investment level is estimated to reach \$940 million

College of Tech at Delhi – Renovate Smith Hall



Economic Impact

- Given the current state of the economy, the design and construction industries are largely dependent upon public work projects
- It is the State's economic interest to support this industry and enable it to meet the demands when private sector investments resume
- SUNY's Capital Program is a significant economic engine throughout the State
- SUNY is experiencing:
 - An increase in number of bidders
 - Bids that are considerably under estimate
 - Higher levels of competition from Architects and Engineers
 - 94% of the contracts awarded are to NYS firms

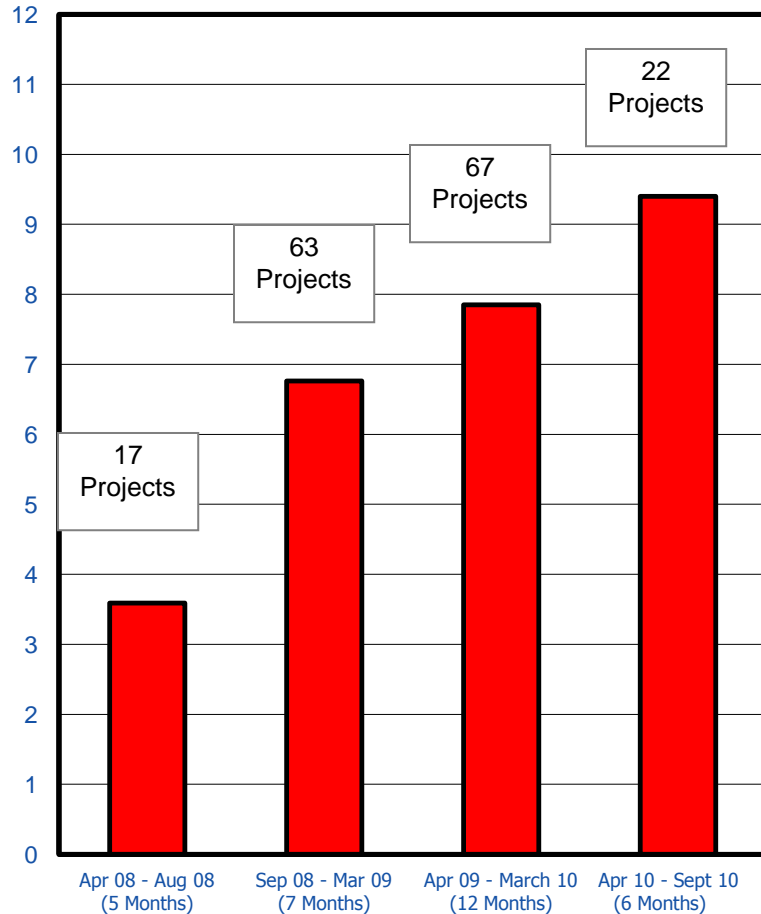


HSC Brooklyn – Rehab Labs



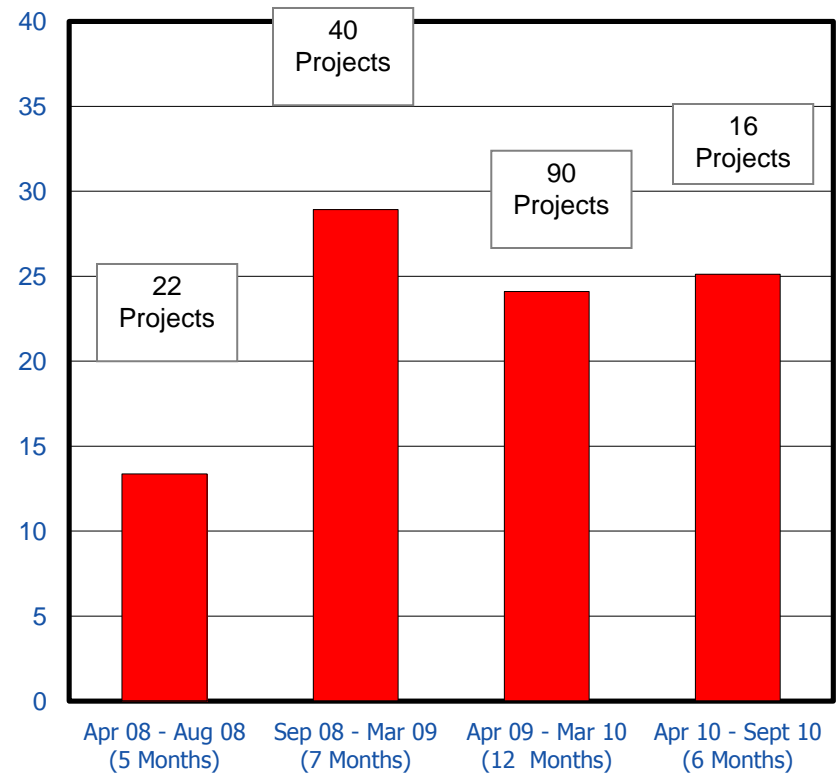
Construction

State University Construction Fund Average Number of Bidders per Opportunity April 1, 2008 thru September 30, 2010



Design

State University Construction Fund Average Number of Statement of Qualifications per Opportunity ⁽¹⁾ April 1, 2008 thru September 30, 2010

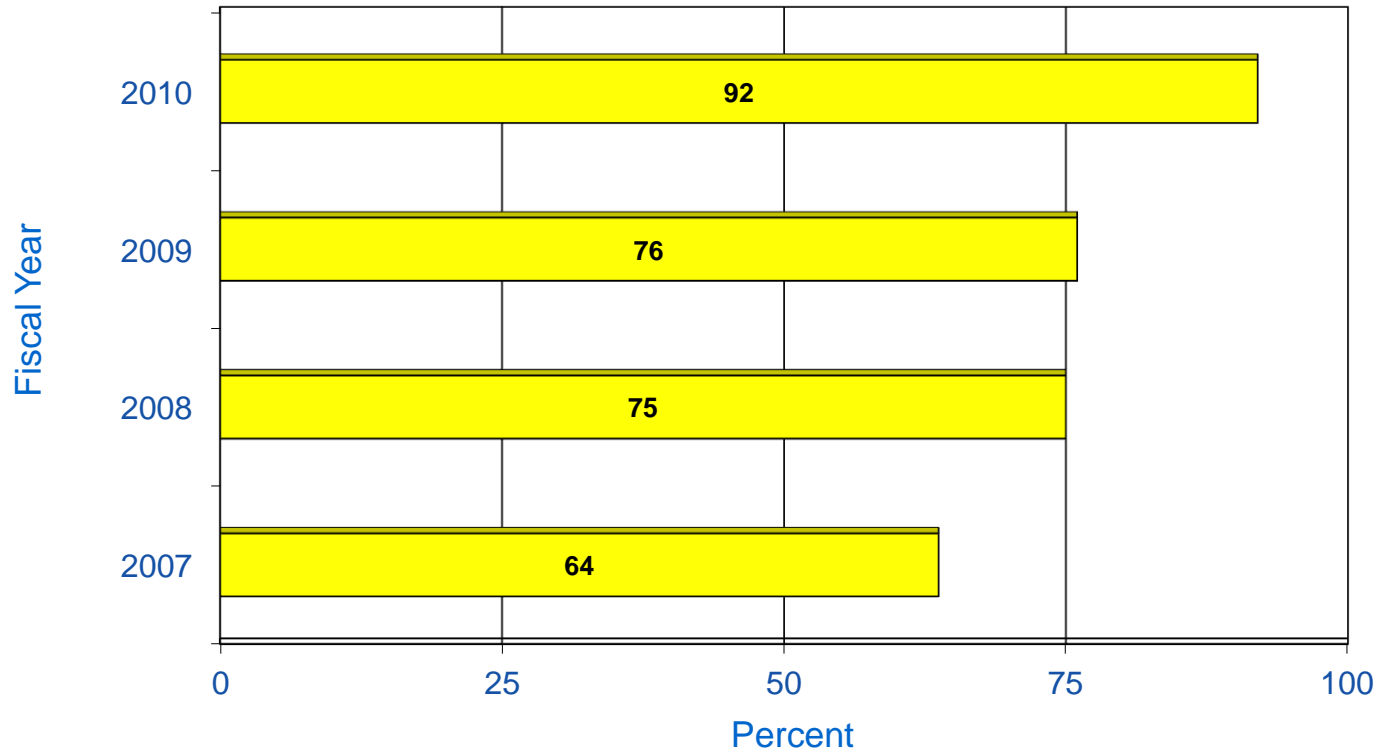


⁽¹⁾ Includes all procurements for which Statements of Qualifications (SOQs) are received.



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State University Construction Fund Percent of Bids Within Estimate



Fiduciary Responsibility

- SUNY operates and maintains the largest single system of public higher education facilities in the country
- SUNY is the largest steward of State facilities
- The focus of SUNY's capital plan is investment in critical maintenance to bring SUNY's educational facilities to a state of good repair
- Significant investments have been made

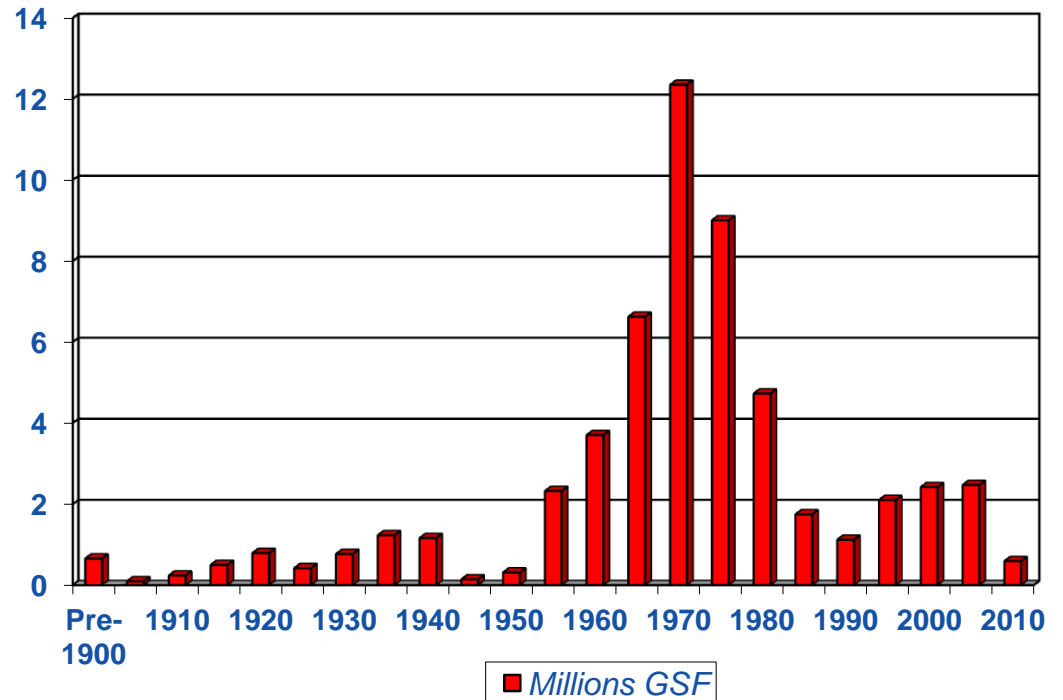


University at Stony Brook - Graduate Chemistry Lab Rehab

Fiduciary Responsibility

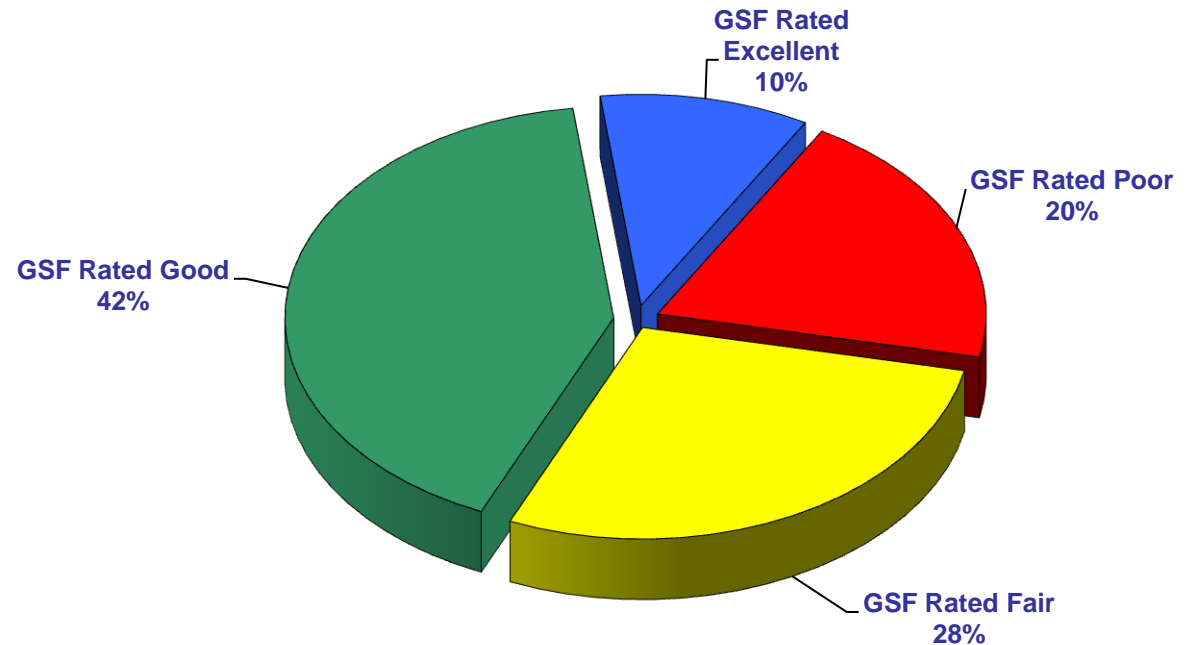
- 73% of SUNY's educational facilities are more than 30 years old

Millions



Fiduciary Responsibility

- Almost half of SUNY's Educational Facilities are in poor or fair condition



SUNY Proposal

- With additional State investment, SUNY could fully leverage the existing capital plans and take full advantage of excellent market conditions and competition
- Remove Residence Hall capital from State debt cap
- Take resulting debt cap capacity and partially reinvest in SUNY educational and hospital facilities
- Modernize the Community College Capital Program

These proposals will immediately stimulate the economy, fully leverage a competitive marketplace, and bring SUNY facilities to a state of good repair



SUNY Capital Program Summary

	# of Bldgs	Sq. Foot ⁽¹⁾	Avg Age ⁽²⁾	2003-07 Funding ⁽¹⁾	2008-13 Funding ⁽¹⁾	% Increase/ (Decrease)	Funded By	Projects Managed By
Educational Facilities	1,834	58.2	44.6	\$3,132	\$4,426 ⁽³⁾	41.3%	State	Fund/Campus
Hospitals	13	2.5	25.0	\$419	\$450	7.4%	Hospital Revenues	Fund/Campus
Residence Halls	467	19.3	34.7	\$685	\$573	(16.4%)	Room Rents	DASNY/ Campus
Community Colleges	492	18.1	42.0	\$379	\$458	21.0%	50% State 50% Local	Local
Totals	2,806	98.1	42.4	\$4,615	\$5,907	28.0%		

Notes: ⁽¹⁾ Square footage and funding expressed in millions.

⁽²⁾ Average age (expressed in years) represents a straight average with no consideration given to the size of buildings or subsequent renovations.

⁽³⁾ Includes \$1.1B in future appropriations for critical maintenance projects.



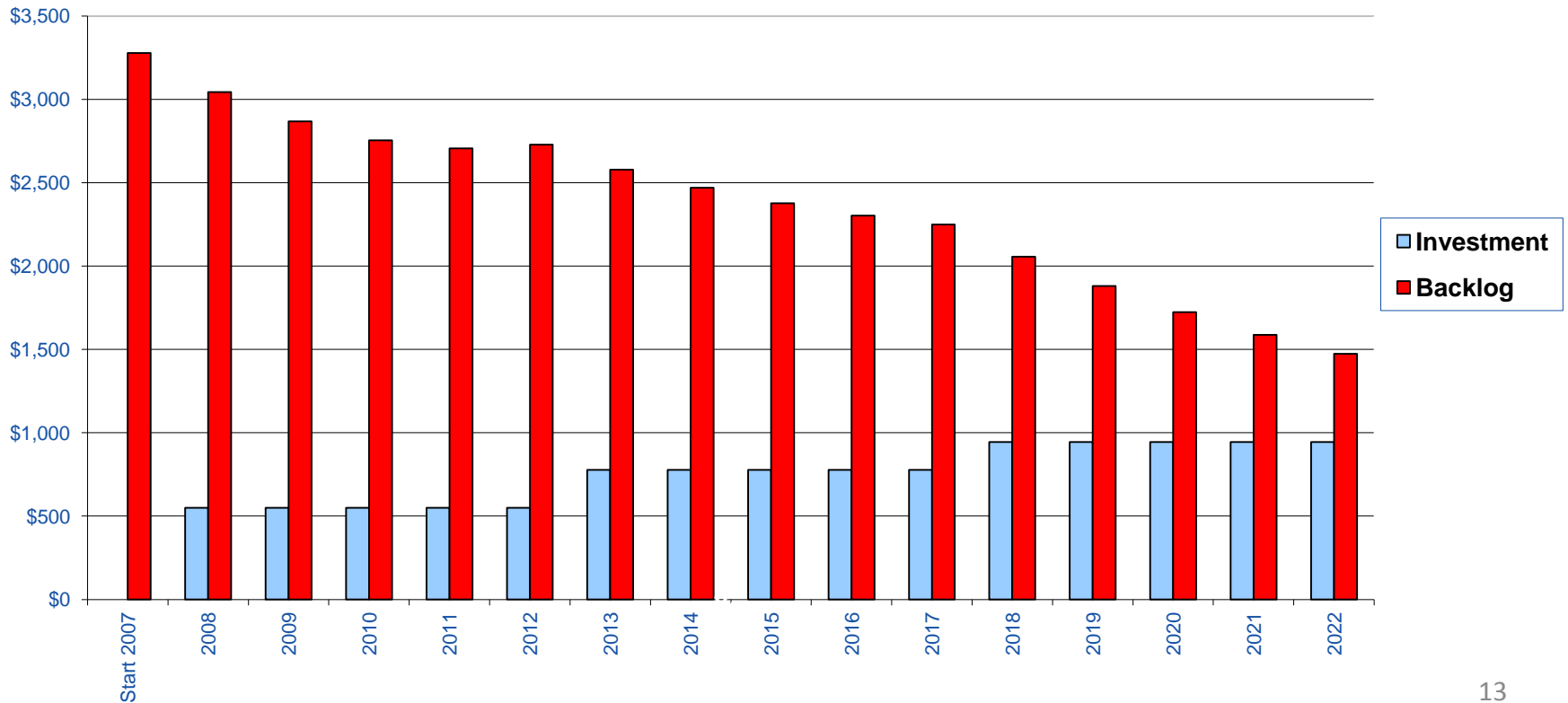
Educational Facilities

Capital Investment – Critical Maintenance

Addressing Backlog and Facility Renewal Needs

2008 – 15 Year Plan
\$550M/\$777M/\$945M

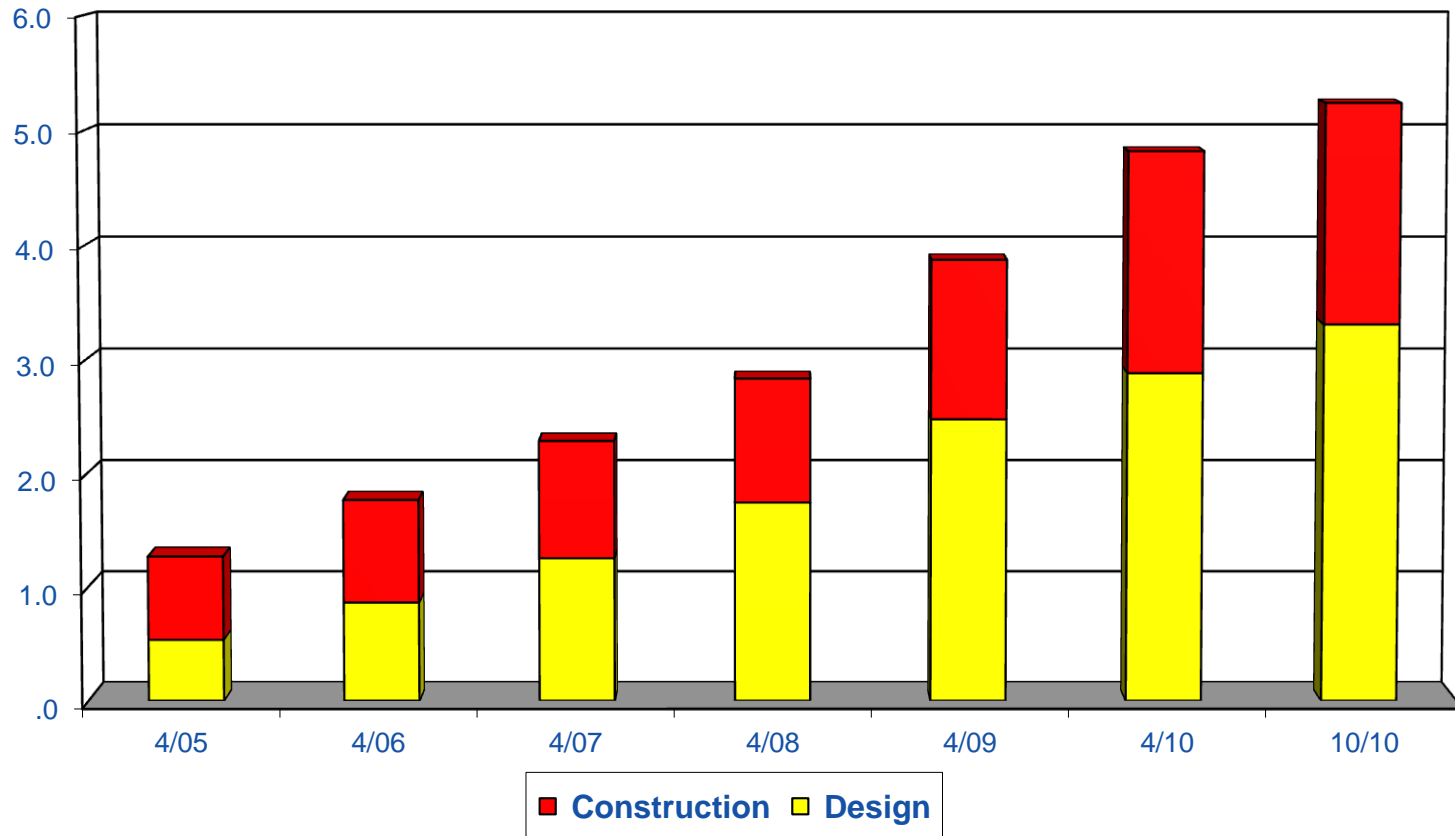
Will Reduce Backlog to 5% of Current Replacement Value in Fifteen Years





SUNY Capital Program ⁽¹⁾ Projects in Design and Construction

Billions



■ Construction ■ Design

⁽¹⁾ Educational Facilities and Hospital Plans Only.

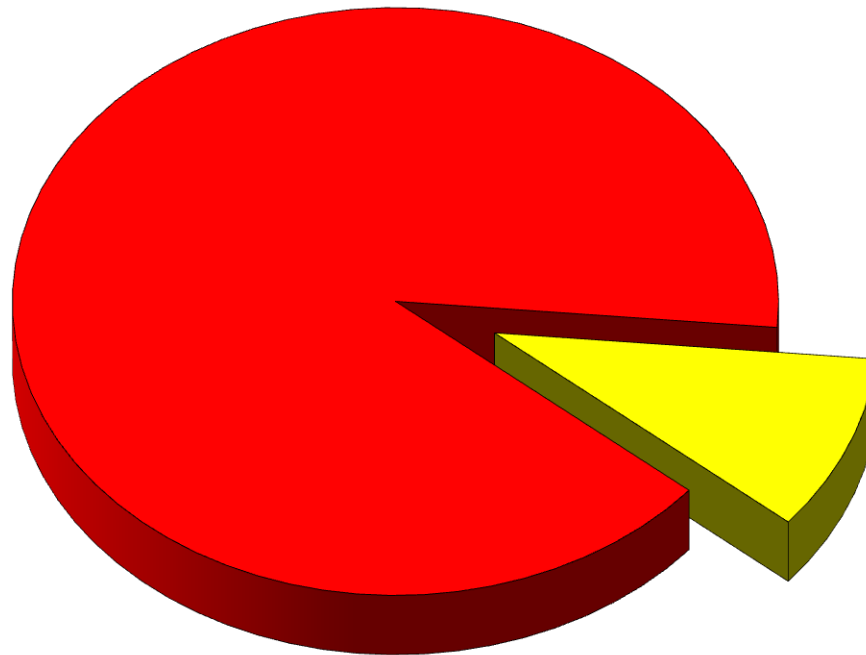


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SUNY Capital Program ⁽¹⁾

Projects Active or Completed Since 2004

**2,086 Projects
(\$5.1B)**

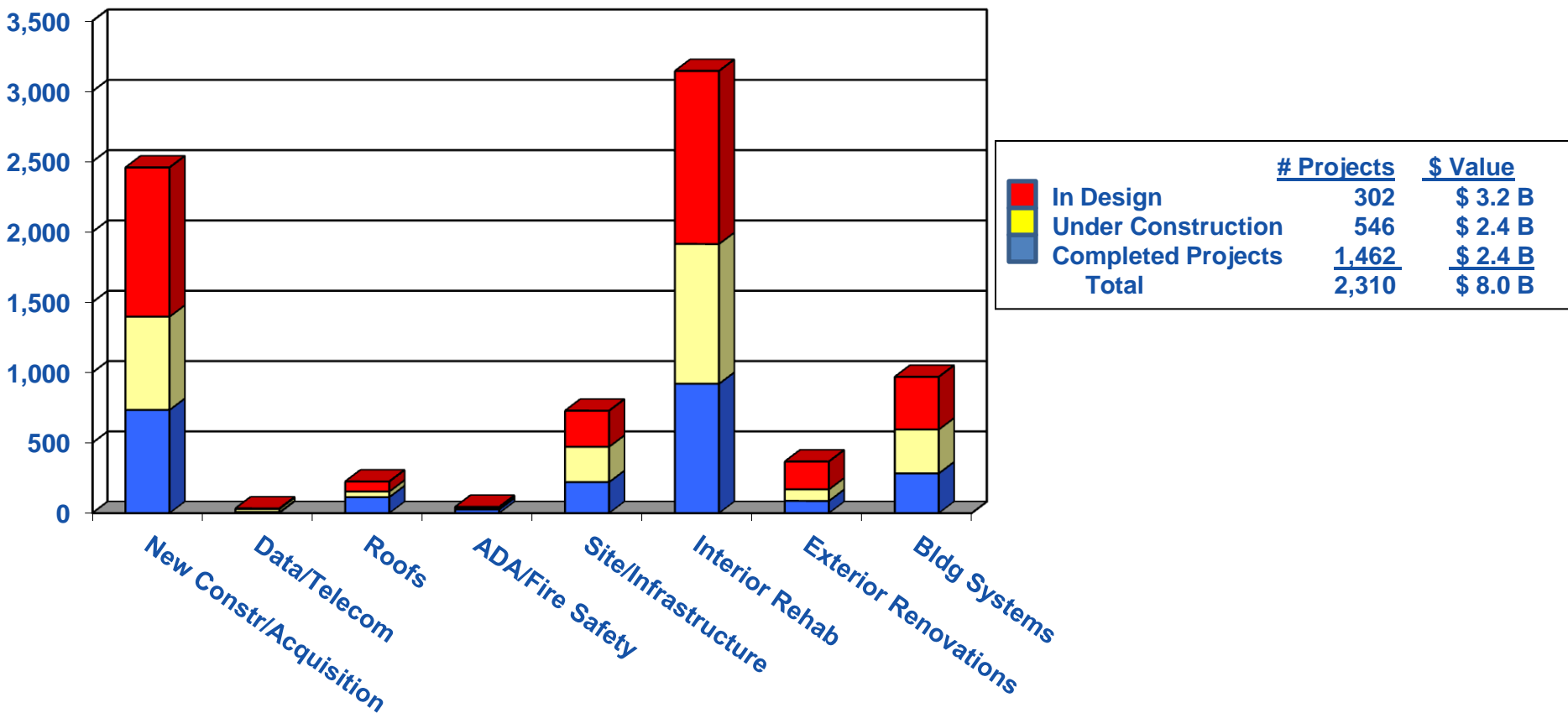


**224 Projects
(\$2.9B)**

■ Critical Maintenance ■ Strategic Initiatives

SUNY Capital Program ⁽¹⁾

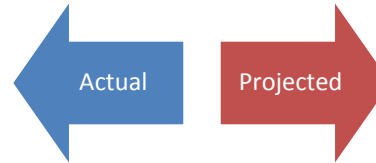
Projects Active or Completed Since 2004



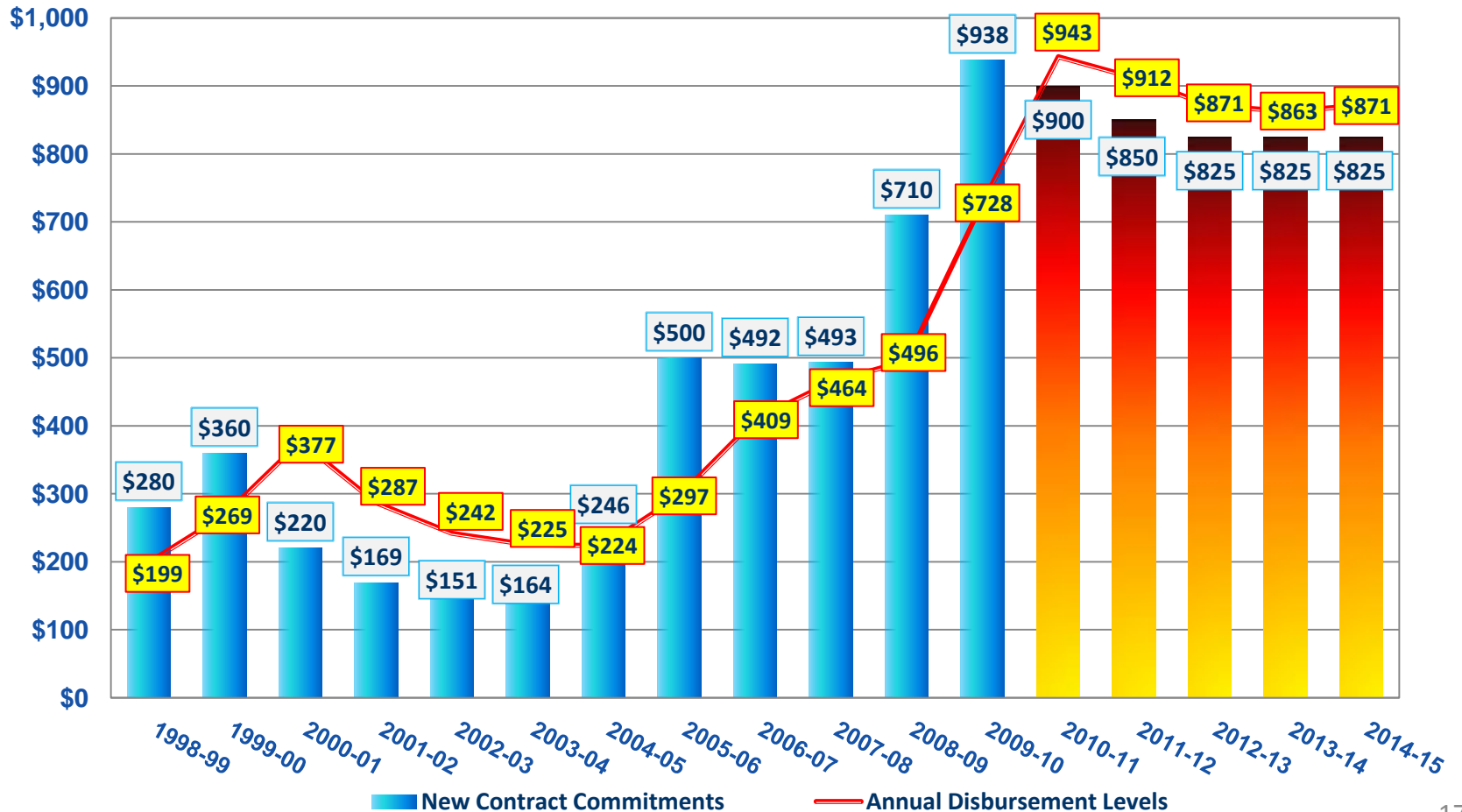
⁽¹⁾ Educational Facilities and Hospital Plans Only



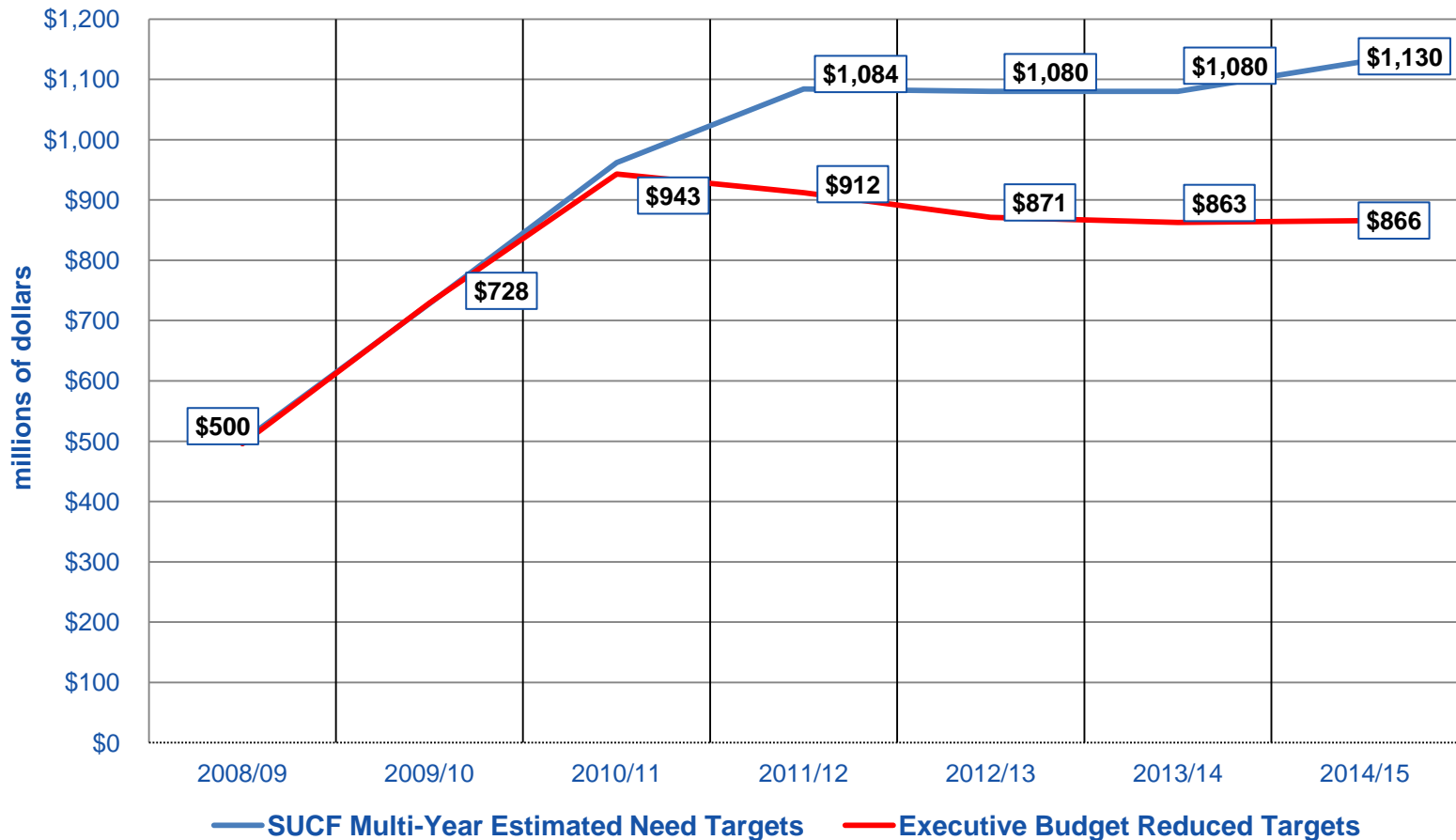
SUNY Educational Facilities & Hospital Capital Programs : Adjusted Annual Program Levels & Disbursement Targets per 2010-11 Executive Budget \$450 M Out-year Reduction



Millions



Successive Changes to Educational and Hospital Facility Bondable Spending Targets since 2008

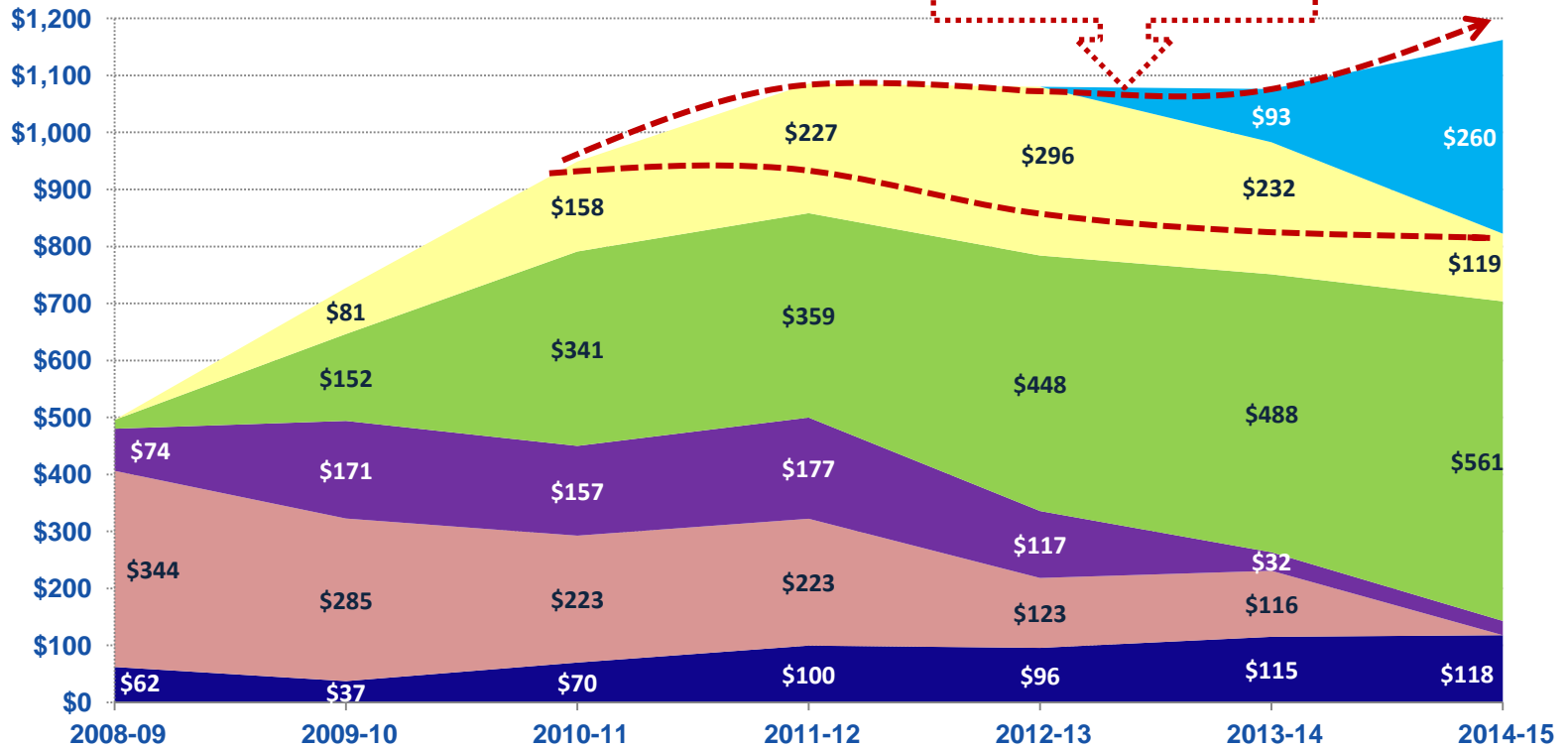




Current Educational Facility & Hospital Capital Spending Target Gap for 2008-13 Strategic Initiatives & Long Range Critical Maintenance

\$ in millions

\$ 900 M Bondable Spending Target Gap



Educational Facilities

SUNY Proposal:

- SUNY will be requesting the next installment of \$550 million for Critical Maintenance funding in the 2011-12 budget submission
- Restoring the spending targets for SUNY's Educational Facilities Capital Program will allow for an immediate increase in capital investment



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Hospitals

- Hospital Capital is disbursed to each hospital based on its approved multi-year strategic business plan
- Use of PIT structure provides cost effective access to capital markets
- Projects include both critical maintenance and revenue-enhancing initiatives
- Each SUNY hospital pays for the principal and interest associated with the debt for its capital projects



Downstate Medical Center – Ambulatory Services Expansion



Hospitals

- Full appropriation funding is required in order to submit for Certificate of Need (CON) approval, which occurs well in advance of construction
- Appropriation cycle doesn't always match the business cycle or CON cycle



- Ability to pay debt service is the financial control for the program, not the availability of appropriations
- Successful revenue-generating projects have been achieved at Stony Brook, Syracuse and Brooklyn

Upstate Medical Center – Vertical Expansion/Tree House



Hospitals

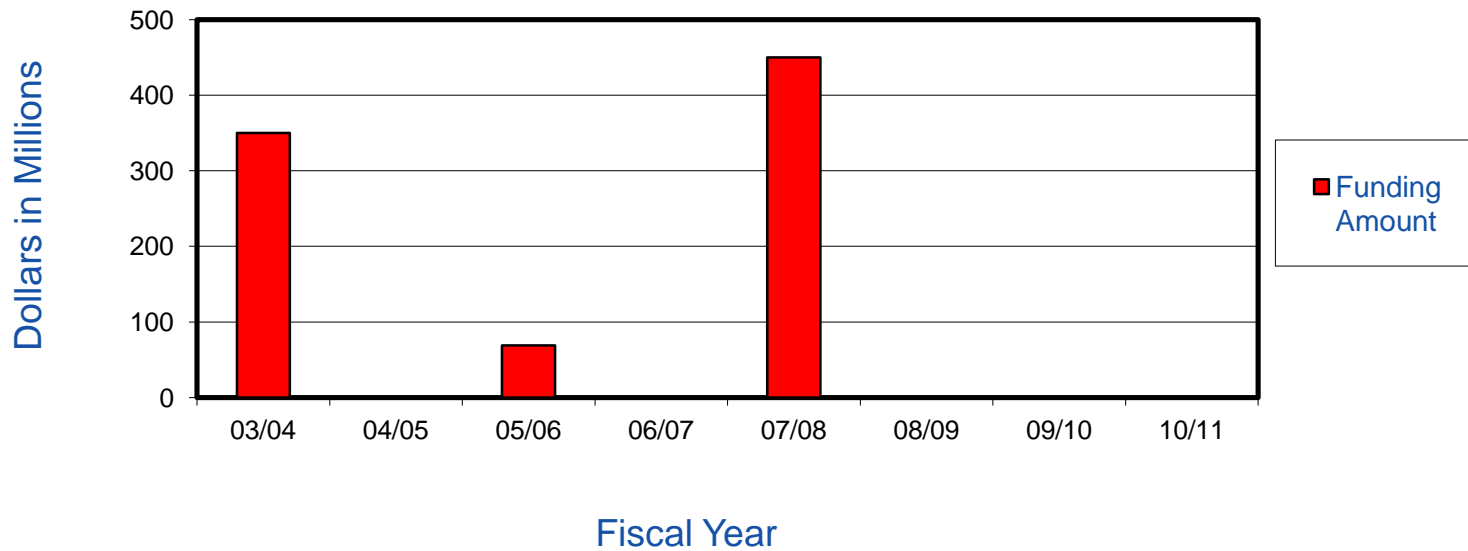
- More predictable access to appropriations would allow current capital plans to better support hospital operations
- Increasing appropriations for SUNY hospitals will further planning and investment in SUNY hospitals at no additional cost to New York State
- SUNY will be requesting \$100 million of additional State Capital appropriations for each of its three hospitals



Stony Brook Hospital – Exterior Modernization

Hospitals

Hospital Funding - Capital Funding





Residence Halls

- The Residence Hall Capital program is self-sustaining with revenues from room rents and other associated revenues paying the cost of debt service
- Supported by separate Revenue Bonds, not PIT Bonds



College at Alfred – Townhouses

- Switched to disbursement-based bonding in 2008 to utilize capital in a more efficient manner
- Need more predictable appropriations which match business plans



Residence Halls

- Ability to pay debt service is the financial control for the program, not the availability of appropriation
- Residence Hall debt is State-related debt, not State-supported debt
- Removal of the Residence Hall debt from the State bond cap calculations could provide necessary bond cap relief for investment in other SUNY capital programs
- In 2008, SUNY requested \$695 million in capital which was reduced to \$450 million, a reduction of \$245 million
- SUNY will have exhausted capital appropriations by Spring 2011

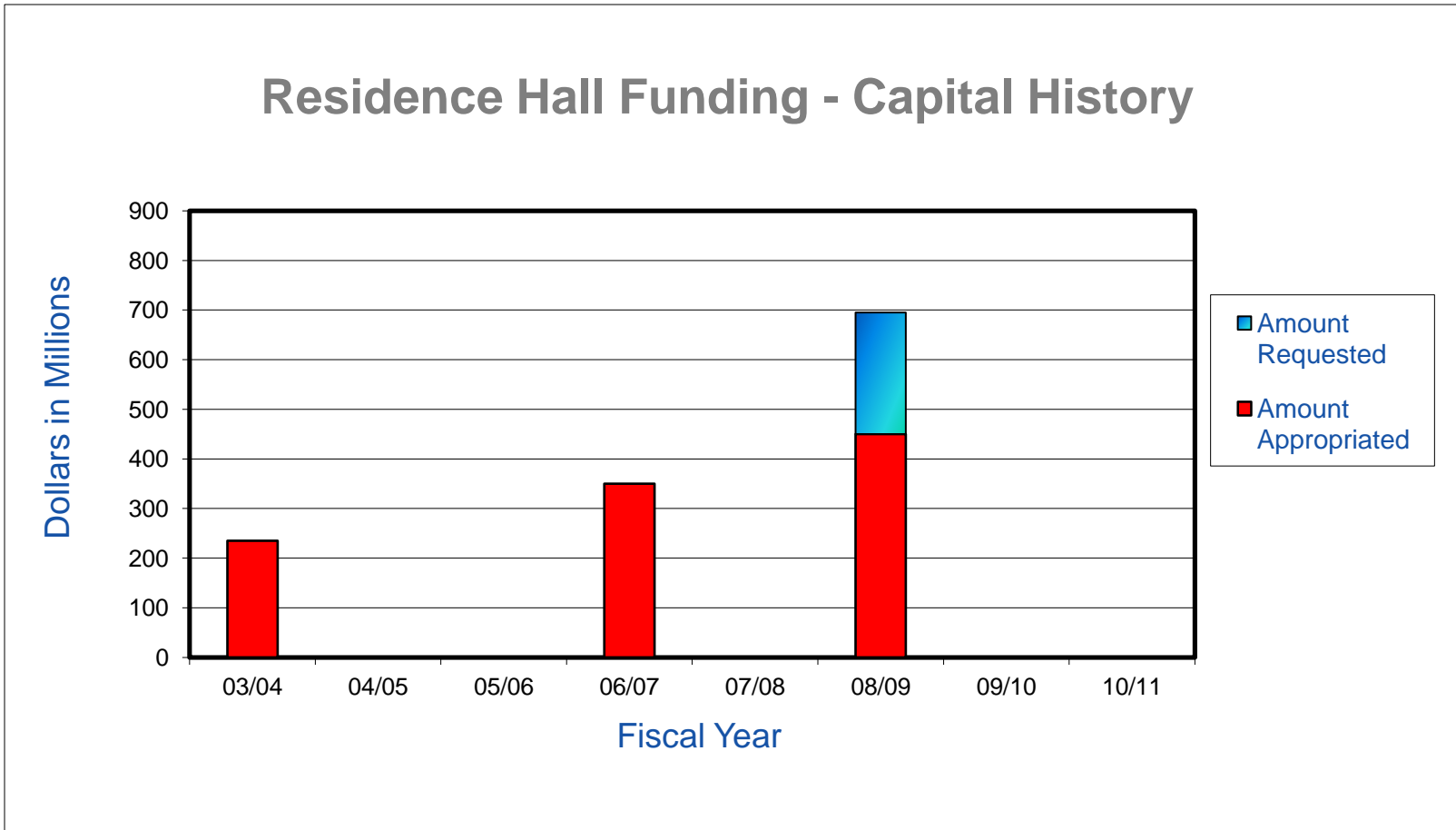


Residence Halls

- Without additional capital appropriations:
 - No new additional Residence Hall projects can be started
 - \$212M in projects in construction will stop
 - \$131M in projects will stop at completion of design
 - \$45M in new projects will not start
- SUNY will be requesting \$500 million in additional Residence Hall bonded capital and \$90 million in hard dollar appropriations in the 2011-12 budget submission which is needed to support the program over the next two years



Residence Halls





Community Colleges

- All community college capital projects are planned, designed, bid and constructed under local control and authority, either by the college or the local sponsor
- The program is a State and local partnership with each partner providing 50% of the cost for each project
- Colleges must obtain a local sponsor resolution committing the local sponsor's funding share to be included in SUNY's Capital Budget Request



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Community Colleges

- SUNY Community Colleges have a significant backlog of \$411 million in deferred-capital maintenance
- The deferred maintenance is expected to grow to \$807 million by 2014 and \$1.3 billion by 2019

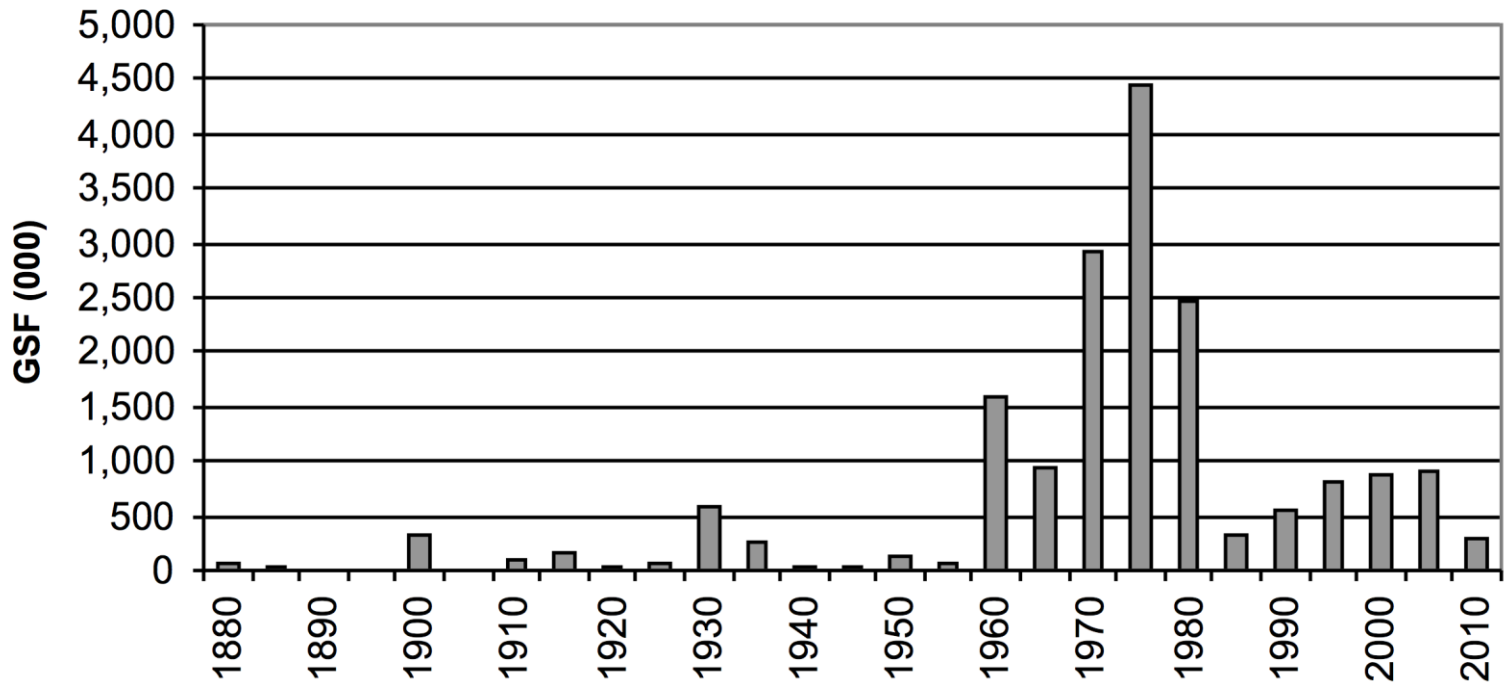


Academic Building – Mohawk Valley
Community College

- The inability to secure the required 50% local match is the single largest impediment to the program
- Growth in Community College enrollment is compounding the facility dilemma as more students will be using increasingly deteriorating facilities



SUNY CC (All Campuses) - GSF by Construction Year:
Total = 18.0M





Community Colleges

- The New York Community College Association of Presidents is developing proposals to address the funding gap; including:
 - A proposal to be submitted with SUNY's 2011-12 budget to broaden the authorized sources of funds which can be used as the local sponsor match
 - Initiating a study to develop proposals to modernize the capital chargeback structure including:
 - Increasing the \$300.00 fee which has not been changed since 1971
 - Analyzing how the fee is charged and collected
 - Indexing the fee to keep pace with the escalating capital needs and costs

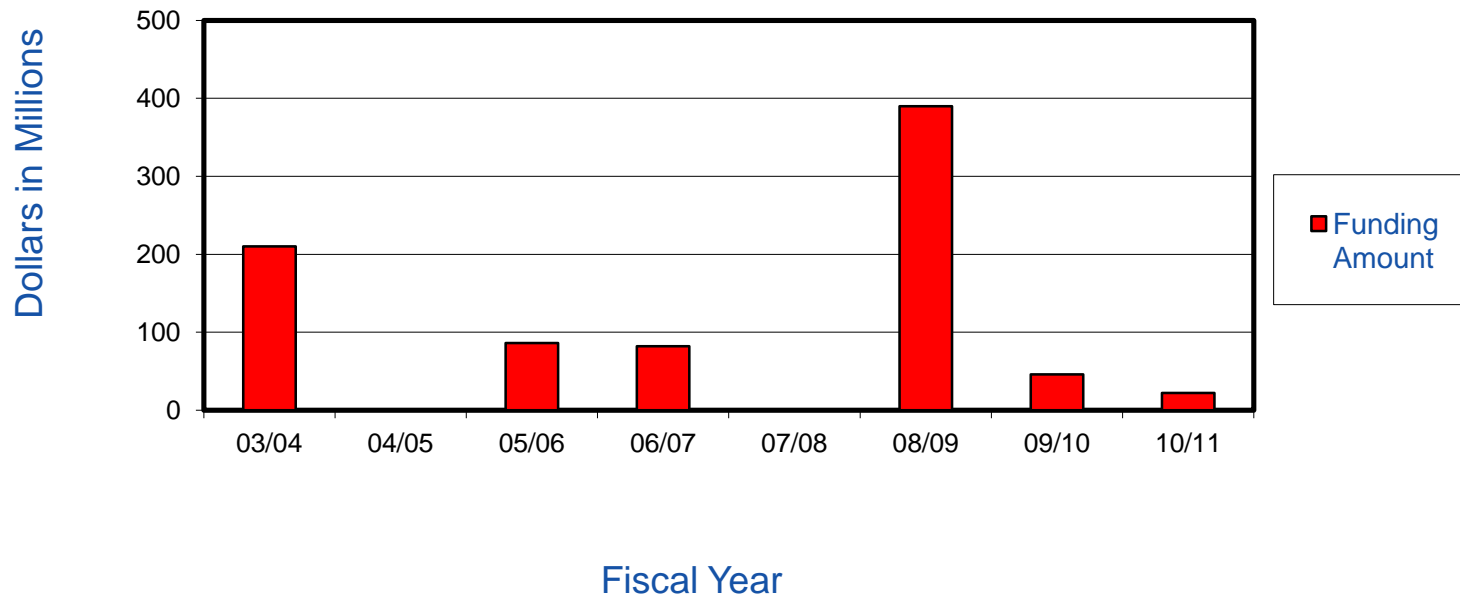


Community Colleges

- Study and develop proposals to have New York State provide a larger share of capital costs in those communities without sufficient wealth to fully support its capital facility needs
- SUNY will be requesting approximately \$30 million in State capital appropriations in the 2011-12 budget submission for Community Colleges which have demonstrated local sponsor support for additional projects
- The recent change by New York State to bond its 50% share on a cash disbursement basis has created process, protocol, and resource challenges which must be addressed

Community Colleges

Community College Funding – Capital Funding





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Seeks Support On:

- Bond Cap Relief for Residence Halls
- Restoration of fiscal plan targets to allow SUNY to maintain its vast and important assets, and boost the State's economy
- Modernization of the Community College Program
- Appropriations support for all four of SUNY's Capital Programs:

Educational Facilities	\$550M
Hospitals	\$300M
Residence Halls	\$590M
Community Colleges	\$30M

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