

Roswell Park Cancer Institute Corporation

Section 203 Budget Filing

Fiscal Year ending March 31, 2009



ROSWELL PARK CANCER INSTITUTE CORPORATION

Cash Flow Projections

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		Annual Budget 2008	Projected 2008	Budgeted 2009
1	NYS Support	\$ 118.0	\$ 118.0	\$ 118.0
	<u>Sources of Cash</u>			
2	Net Income	\$ (14.3)	\$ 9.9	\$ (21.2)
3	Liability Related to GASB 45	\$ 31.8	\$ 31.8	\$ 34.8
4	Depreciation and Amortization	\$ 27.9	\$ 27.1	\$ 27.4
5	Total Cash Flow From Operations	\$ 45.4	\$68.8	\$41.0
	<u>Uses of Cash</u>			
6	Investment in Property, Plant & Equipment	(\$33.9)	(\$32.9)	(\$34.7)
7	Principal Payments on Outstanding Debt	\$ (10.10)	\$ (10.08)	\$ (10.37)
8	Restricted CEO and Department funds	(1.9)	(4.2)	(2.5)
9	Third Party Settlements	8.1	(0.4)	(0.4)
10	GASB45 Payments	(2.1)	(2.1)	(2.7)
11	Assets Whose Use is Limited, net	9.2	(0.2)	14.3
12	Working Capital	2.5	0.3	0.9
13	Annual Cash Impact	\$17.2	\$19.2	\$5.5

Public Authority Relationship with Unit of Government

Roswell Park Cancer Institute

The Institute was founded in 1898 and became a State Institute in 1911. In 1971, it was one of the first three institutions certified as a comprehensive cancer center by the National Cancer Institute. As such, it is committed to combat cancer through basic research, clinical research and treatment, and professional and public education. Presently, there are 39 such centers designated in the United States. The Institute is a 133 licensed bed facility and an ambulatory care center containing 14 multidisciplinary care centers with a staff of over 2,800 members, including clinical staff physicians, residents, fellows, and research staff. The primary physical plant covers several city blocks in downtown Buffalo.

The operation of the Institute transferred from the New York State Department of Health to the RPCI Corporation on January 1, 1999. In order to meet the demands of the changing health care marketplace and to promote the strengths and capabilities of the Institute, Chapter 5 of the Laws of 1997 added a new Title 4 to Article 10-c of the Public Authorities Law authorizing the RPCI Corporation. This legislative authorization was intended to change the Institute's governance structure to afford it market and managerial flexibility. Among the special powers granted by the legislation to the Corporation were the powers to contract with the State to operate, manage, superintend and control the Institute, and to establish, collect, and adjust fees, rental and other charges in connection with the operation of the Institute.

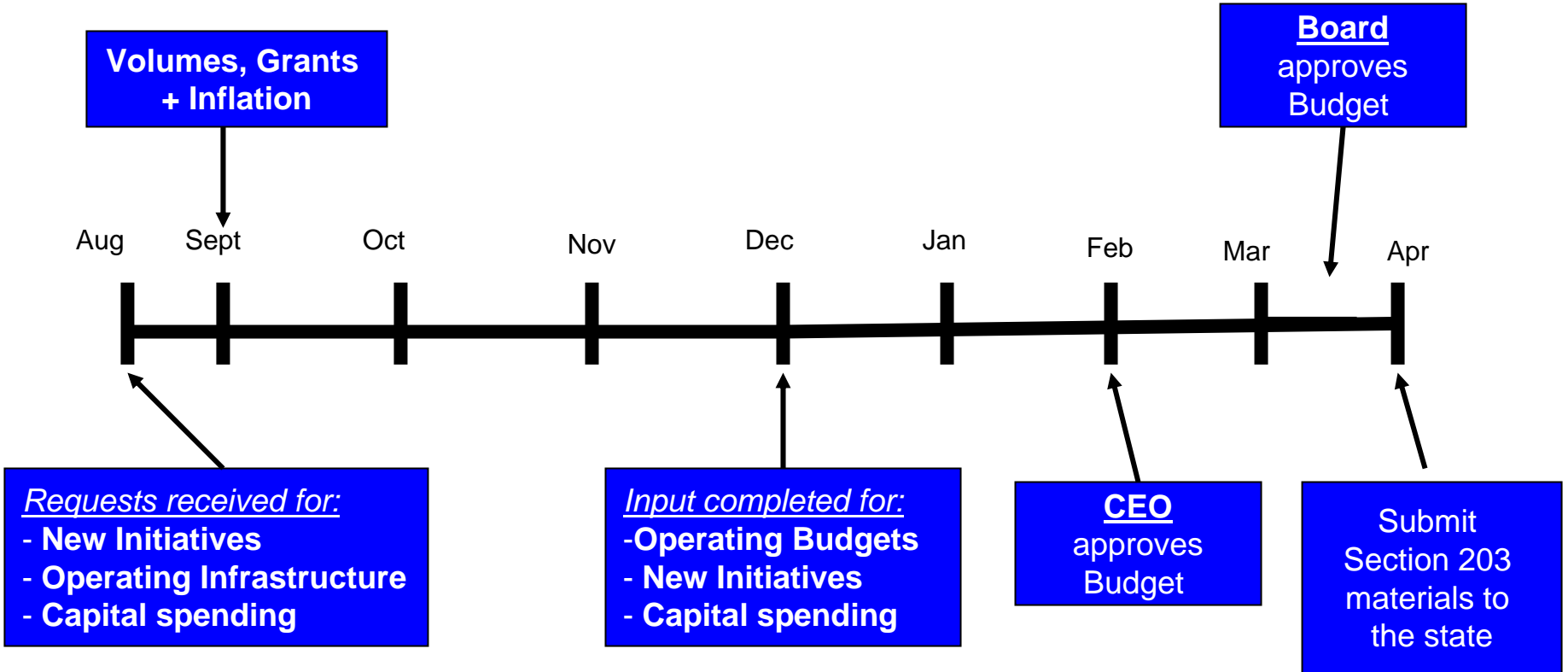
Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department, acting on behalf of the State, entered into an Operating Agreement with RPCI Corporation pursuant to which operating responsibility for the Institute was transferred to RPCI Corporation effective January 1, 1999, and giving RPCI Corporation substantial independence in operating the Institute, including the power to establish operating budgets, to establish and implement strategic business plans, to create subsidiary and affiliated entities, to enter into affiliations and alliances with other health care providers and to establish, collect and adjust fees, rentals and other charges in connection with the operation of the Institute.

Revenues generated by the Corporation as a result of operating the Institute are considered to be revenues of the State for the purpose of its bond payment, and are required to be deposited into the Roswell Park Cancer Institute Debt Service Account of the Health Income Fund for payment of debt service on the Bonds. The Department retains responsibility for paying debt service on the Bonds. After allowing for accumulation of a debt service reserve for the Institute, the remaining revenues are transferred to the Roswell Park Cancer Institute Income Account of the Health Income Fund. After allowing for a balance for refunds these revenues are, in turn, transferred to RPCI Corporation.

RPCI Corporation's responsibility is to ensure the fiscal and programmatic integrity of the facility. To achieve this objective, the Corporation has updated the strategic plan for the Institute which includes major programmatic and scientific, as well as, fiscal goals. Some of the key goals include the recruitment of top-tier clinical and scientific talent; developing a methodology to monitor the effectiveness of programs and faculty; enhancing financial viability through revenue and expense controls; building a strong and profitable biotechnology transfer program in collaboration with peer facilities; emphasis on clinical and translation research, as well as developing and implementing new clinical trials and establishing a cancer disease management and clinical outcomes program.

The Institute is a formally designated unit of the Graduate School of the University of New York at Buffalo and has numerous affiliation agreements with other educational institutions and hospitals. Training provided by the Institute under these agreements include medical, nursing and medical research.

The RPCIC FY 2009 Budget Process Timeline



Capital Allocations will be completed using the Following Team structure

	Facilities Committee	IT Committee	Clinical Committee	Scientific & Prevention Committee	Administrative
Leaders:	Chief Inst Op Off Gen Coun VP for Facilities Management	Chief Inst Op Off Gen Coun Vice Pres Info Tech	Chief Clin Oper Off Medical Director	Assoc Inst Dir for Admin	V.P. of Finance and C.F.O.

Roswell Park Cancer Institute
Principal Budget Assumptions
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1 Revenue assumptions:

A. Base Volumes - *determined using historical trends, adjusted for changes to physician staff levels, recruitment plans, new initiatives and the opening of additional inpatient and outpatient capacity*. These resulted in the following clinical volume assumptions for FY09:

- IP Admits +9%
- OP Visits +6%

B. Rate Assumptions - *determined using*:

- Payor increases per new contracts
- Governmental Payor increases per regulations

2 Staffing:

At current levels, plus:

- New staff for increase in visits and admissions
- Increased nurse staffing
- Strategic initiatives and recruiting plans

3 Inflation:

> Salaries and wages - Step/COLA factored in at estimated contracted rate increases for each union consistent with and as negotiated by New York State.

> Fringe benefit increases using historical experience plus estimated increases in salaries and wages, and each benefit's cost for FY09 - 6%

> Pharmacy - inflation and new drugs per historical experience, GPO and industry guidelines - 15%

> Medical and other supplies per historical experience, GPO and industry guidelines - 3%

> Blood products per historical experience, GPO and industry guidelines - 20%

4 Programmatic Goals

- Opening 7 North unit in FY 2009
- Implement New projects
- Continue Strategic recruiting efforts

Budgetary Risks

- **Legislative approval of Governor's FY 2009 budget**
- **Receipt of increases in NYS support requested and timing of when funds are received**
 - Growing State deficits
 - Unknown impact of FY09 NY Medicaid and Indigent care pool payments in Governor's FY09 budget
- **Recruitment - Increasing costs and competition**
- **Nurse Recruitment and Retention**
- **NIH Funding**
 - Decreases in overall funding while competition for funds increases
- **Managed Care**
 - Increasing role of National players
 - Increasing premium trends causing payors to negotiate more aggressively
- **Growing Federal Deficit impairs Medicare program spending**
 - Presidential election in CY 2008
- **Continued Clinical Growth and Related Physical Capacity Issues**
- **Impact of RPCI Strategic Plan**
 - Top 10 Vision investments

Roswell Park Cancer Institute Corporation
Income Statement

	For the year ending March 31,			
	FY 07 Actual	FY 08 Budget	FY 08 Projected	FY 09 Budgeted
OPERATING REVENUES:				
Grants & contracts	\$ 4,595	\$ 4,674	\$ 4,623	\$ 4,804
Patient service revenue, net	232,726	269,314	269,619	306,453
NYS contributions	93,000	93,000	93,000	93,000
Other revenue	13,967	8,532	8,257	9,925
TOTAL OPERATING REVENUES	\$344,288	\$375,520	\$375,499	\$414,182
Less: Provision for Bad Debts	(3,725)	(6,107)	(5,340)	(7,091)
TOTAL OPERATING REVENUE, NET OF PROVISION FOR BAD DEBTS	\$340,563	\$369,413	\$370,159	\$407,091
OPERATING EXPENSES:				
Salaries	\$ 124,839	\$ 150,457	\$ 140,867	\$ 168,311
Fringe Benefits	30,616	43,146	34,978	42,238
Pharmacy and Supplies	76,163	83,725	87,925	100,765
Utilities	10,830	11,726	10,877	11,314
Purchased services and other	41,400	52,565	40,728	52,138
GASB 45 impact	30,595	31,801	31,801	34,821
Start up for Strategic Recruitment	3,500	2,447	8,647	11,708
TOTAL OPERATING EXPENSES, EXCLUDING DEPRECIATION AND INTEREST	\$317,943	\$375,866	\$355,823	\$421,295
INCOME (LOSS) FROM OPERATIONS, BEFORE DEPRECIATION AND INTEREST	\$22,620	(\$6,453)	\$14,336	(\$14,204)
Depreciation	\$ 26,548	\$ 29,381	\$ 28,572	\$ 28,833
Interest	12,374	\$ 11,963	\$ 12,095	\$ 11,529
INCOME (LOSS) FROM OPERATIONS	(\$16,302)	(\$47,797)	(\$26,330)	(\$54,566)
Other NonOperating Revenue	30,158	33,532	36,257	33,317
INCOME/ (LOSS) BEFORE CONTRIBUTIONS TO BLSC	\$13,856	(\$14,265)	\$9,927	(\$21,249)
Contributions for BLSC	\$ 3,578	\$ 14,000	\$ 1,000	\$ 14,000
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	\$17,434	(\$265)	\$10,927	(\$7,249)

Roswell Park Cancer Institute

Reconciliation FY08 Budget to FY08 Projected

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	<u>in Million's</u>
1 Net Income originally budgeted for FY 2008 before Contributions to BLSC	\$ (14.3)
2 Timing of New Initiatives and Strategic Recruiting	7.6
3 Clinical Operating Margin	2.9
4 Interest income from a favorable market	3.1
5 Fringe benefit costs below budgeted estimates	3.5
6 Chair Fund spending	1.5
7 Malpractice expense	1.5
8 IT spending	1.3
9 GASB 45 costs	1.2
10 Depreciation and Interest costs	0.7
11 Third party and grant revenues	0.4
12 All Other	0.5
13 Projected net Income from FY 2008 before Contributions for BLSC	<u>\$9.9</u>

Roswell Park Cancer Institute PBC

FY 2009 Budgeted FTE's

➤ **Full Time Equivalents (FTE's)** **2,088.4**

FTEs are funded through patient net revenues, grants, New York State support, investments, and philanthropy.

PBC FTE's work within the following functional classifications:

- Corporate Support and Planning
- Clinical Operations
- Institute Operations and General Counsel
- Fiscal Administration
- Clinical Mission
- Scientific Mission – Translational research
- Scientific Mission – Basic Science
- Scientific Mission – Science Admin and Cores
- Population Science Mission
- Education Mission
- Strategic Recruitment



ROSWELL PARK CANCER INSTITUTE CORPORATION

New Revenue producing activities beginning in FY 2009

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The Institute will be undertaking New Initiative activities in FY 2009 which will enhance revenues by \$5.3m, and increase expenses by \$5.5m (including staffing related costs of \$2.2m). These results are expected to improve after year one as implementation is completed. These initiatives include the following activities:

- Radiology expansion
- Radiation Therapy initiative
- Outpatient expansion
- Clinical collaborations with other institutions

Roswell Park Cancer Institute (PBC)

FY 2009 Material Non-Recurring resource

The Institute will receive approximately \$14m from a combination of NYS support and philanthropy in FY2009 and \$5.3m in FY2010 for costs to complete its Life Sciences Building project. No additional costs or reimbursements are anticipated subsequent to that time.

Roswell Park Cancer Institute (PBC)

FY 2009 – Material shift in resources between years

Many of the Capital and IT Projects at RPCI span multiple years. The entire project is approved before the start, but due to the magnitude of some of them, there is an approved balance to carry forward to the next fiscal year. In FY2009, the carryover balance for these projects was \$ 3.09m for projects approved prior to FY2009.



ROSWELL PARK CANCER INSTITUTE CORPORATION
Borrowed Debt Outstanding projected
203.6 L

in Millions

Borrowed debt Outstanding

PBC revenues are pledged to repayment of the following DASNY indebtedness issued through New York State Department of Health

- 1 DASNY Debt issuance 3/1/96
- 2 DASNY Debt issuance 4/1/98
- 3 DASNY Debt issuance 12/4/03
- 4 DASNY Debt issuance 4/7/04
- 5 DASNY Debt issuance 4/7/04
- 6 DASNY Debt issuance 5/24/05
- 7 Capital lease obligations

Debt outstanding at March 31st year end

Proposed Budget	Projection	Projection	Projection
FY2009	FY2010	FY2011	FY2012
\$ 267	\$ 256	\$ 245	\$ 233

in 000's

Scheduled debt Service Payment

For the Year ending March 31,

	Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2008	\$ 10,081.0	\$ 13,502.9	\$ 70.9	\$ 4.2
2009	\$ 10,367.6	\$ 13,045.6	\$ 66.1	\$ 1.5
2010	\$ 10,709.0	\$ 12,562.5	\$ 7.4	\$ 0.0
2011 - 2015	\$ 59,798.0	\$ 54,297.2		
2016 - 2020	\$ 74,446.6	\$ 37,763.6		
2021- 2025	\$ 94,302.5	\$ 16,225.6		
2026	\$ 16,528.0	\$ 413.2		
	\$ 276,232.8	\$ 147,810.6	\$ 144.3	\$ 5.7

* All debt is issued. There is currently no proposed debt.



ROSWELL PARK CANCER INSTITUTE CORPORATION

Purpose of Debt Issuances

203.6 L (cont'd)

PBC revenues are pledged to repayment of the following DASNY indebtedness issued through New York State Department of Health:

- 1** On March 1, 1996, DASNY issued debt in the amount of \$248,635,000 (RPCIC allocated 95.61%). Under the terms of the issuance, interest ranges from 4.265% to 6.00% per annum with interest and principal payments due through 2008.
- 2** On April 1, 1998, DASNY issued debt in the amount of \$50,510,000 (RPCIC allocated 94.92%). Under the terms of the issuance, interest ranges from 4.5% to 5.125% per annum with interest and principal payments due through 2025. The bond proceeds were used solely to defease a portion of the outstanding 1992, 1994 and 1995 bond series.
- 3** On December 4, 2003, DASNY issued debt in the amount of \$41,910,000 (RPCIC allocated 85%). Under the terms of issuance interest ranges from 2.0% to 5.25% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.
- 4** On April 7, 2004, DASNY issued debt in the amount of \$77,245,000 (RPCIC allocated 95.15%). Under the terms of issuance interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2024. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.
- 5** On April 7, 2004, DASNY issued debt in the amount of \$78,870,000 (RPCIC allocated 95.51%). Under the terms of issuance interest ranges from 2.0% to 5.0% per annum with interest and principal payments due through 2023. The bond proceeds were used solely to defease a portion of the outstanding 1994, 1995 and 1996 bond series.
- 6** On May 24, 2005, DASNY issued debt in the amount of \$51,465,000 (RPCIC allocated 95.51%). Under the terms of issuance interest ranges from 3.0% to 5.25% per annum with interest and principal payments due through 2026. The bond proceeds were used solely to defease a portion of the outstanding 1996 bond series.
- 7** Capital lease obligations at varying interest rates ranging from 5.52% to 9.5%.



ROSWELL PARK CANCER INSTITUTE CORPORATION

Debt Service / Pledged Receivables and Debt limit levels

203.6 L (cont'd)


		Debt Service	Pledged	Debt Service
		FY 2009	Revenues	Percent of
Debt Service as a percentage of Pledged Revenues *				Pledged Revenues
1	DASNY Debt issuance 3/1 /96		\$ 277,735	0.0%
2	DASNY Debt issuance 4/1 /98	\$ 3,109	\$ 277,735	1.1%
3	DASNY Debt issuance 12/4/03	\$ 3,322	\$ 277,735	1.2%
4	DASNY Debt issuance 4/7 /04	\$ 4,376	\$ 277,735	1.6%
5	DASNY Debt issuance 4/7 /04	\$ 10,105	\$ 277,735	3.6%
6	DASNY Debt issuance 5/24/05	\$ 2,501	\$ 277,735	0.9%
	Total	\$ 23,413		8.4%

**Pledged revenues are defined in accordance with RPCI bond documents*

Debt limits

RPCI is authorized to incur additional indebtedness beyond its current levels. Should the amount of its requested indebtedness exceed 15% of amounts transferred from the Health Income Fund to RPCI in the previous year, prior written approval of the NYS Division of Budget is required. For FY09, RPCI could incur additional indebtedness of approximately \$34 million before reaching this approval threshold. RPCI has not assumed the addition of any additional indebtedness in its FY2009 budget.

RPCI's Operating Agreement also contains a covenant which allows for the retaining of an independent consultant review should two times its maximum debt service level exceed defined operating revenues before NYS support. For FY2009, RPCI's maximum debt service level times 2 was approximately \$46.8m, while its defined operating revenues before NYS support was approximately \$288.6m, leaving it significantly below the required threshold. RPCI has not assumed the addition of any additional indebtedness in its FY 2009 budget.

	Roswell Park Cancer Institute Corporation FY 2009 Capital Budget Summary - PBC Only In Thousands (000's)	Budget 2009
Total Building Projects		\$ 10,468
Strategic Recruitment		\$ 3,200
Total Equipment		\$ 11,062
Information Technology Projects		\$ 6,232
Contingency		\$ 1,800
Total Approved rollover from prior year, less estimate to roll into FY2010		\$ 1,585
CPP		\$ 380
Subtotal		\$ 34,727
Buffalo Life Sciences Complex (BLSC)		\$14,000
Total Capital		\$48,727

Capital is funded through available monies from RPCI operations, NYS support and Philanthropy. Expected dates of completion and future maintenance costs vary for each project. Buffalo Life Sciences Complex will have material impact and is expected to be approximately \$1 million per year. The RPCI Finance Committee approves all capital expenditures greater than \$250,000, and the RPCI Board of Directors approves all capital expenditures greater than \$1 million.

Public Authority Name:
 Fiscal Year Start Date:
 Board Acceptance Date:

Roswell Park Cancer Institute Corporation
April 1
March 13, 2008

Budget & Financial Plan
Budgeted Revenues, Expenditure and Changes in Current Net Assets

	in Thousands					
	Last Year (Actual) FY 2007	Current Year (Estimated) FY 2008	Next Year (Adopted) FY 2009	Proposed FY 2010	Proposed FY 2011	Proposed FY 2012
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$ 233,596	\$ 268,902	\$ 304,166	\$ 327,542	\$ 352,780	\$ 380,030
Rental & Financing income						
Other Operating revenues	8,130	8,257	9,925	10,421	10,942	11,489
<i>Non-operating Revenues</i>						
Investment earnings	\$ 5,454	\$ 10,727	\$ 8,317	\$ 8,733	\$ 9,169	\$ 9,628
State subsidies/grants	118,000	118,000	118,000	144,000	161,000	179,000
Federal subsidies/grants						
Municipal subsidies/grants						
Public authority subsidies						
Other nonoperating revenues*	\$ 19,853	\$ 24,207	\$ 42,989	\$ 32,330	\$ 32,575	\$ 34,702
<i>Proceeds from the issuance of debt</i>						
Total Revenues and Financing Sources	\$ 385,033	\$ 430,093	\$ 483,397	\$ 523,026	\$ 566,466	\$ 614,849
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$ 124,839	\$ 140,867	\$ 168,311	\$ 181,776	\$ 196,318	\$ 212,024
Other employee benefits	\$ 30,616	\$ 34,978	\$ 42,238	\$ 45,618	\$ 49,267	\$ 53,208
Professional services contracts	\$ 42,134	\$ 38,335	\$ 49,143	\$ 52,091	\$ 55,217	\$ 58,530
Supplies and materials	\$ 76,163	\$ 87,925	\$ 100,765	\$ 112,886	\$ 126,676	\$ 142,377
Other operating expenditures	\$ 44,191	\$ 53,719	\$ 60,838	\$ 67,195	\$ 74,244	\$ 82,819
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	9,621	10,081	10,368	10,709	11,236	11,898
Interest and other financing charges	12,374	12,095	11,529	11,104	10,645	10,174
Subsidies to other public authorities						
Capital asset outlay	34,278	33,930	48,727	40,541	35,773	36,314
Grants and donations						
Other nonoperating expenditures						
Total Expenditures	\$374,216	\$411,930	\$491,919	\$521,920	\$559,376	\$607,344
CAPITAL CONTRIBUTIONS	3,578	1,000	14,000	5,300	0	0
"Excess (deficiency) of revenues and capital contributions over expenditures**	\$14,395	\$19,163	\$5,478	\$6,406	\$7,090	\$7,505

* Roswell Park Cancer Institute Corporation is required to follow generally accepted accounting standards and the accrual method of accounting, not the modified cash basis proposed here. (see annual audited financial statements). This schedule reflects the Change in its Unrestricted cash for each of the years requested