

Roswell Park Cancer Institute Corporation

Section 203 Budget Filing

Fiscal Year 2009 - 2010

ROSWELL PARK CANCER INSTITUTE CORPORATION

Cash Flow Projections

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		Annual Budget 2009	Projected 2009	Budgeted 2010
1	NYS Support	\$ 118.0	\$ 116.1	\$ 101.4
2	Beginning Unrestricted Cash Balance	\$ 67.0	\$ 77.7	\$ 76.2
<u>Sources of Cash</u>				
3	Net Income	\$ (21.2)	\$ (11.1)	\$ (48.2)
4	Liability Related to GASB 45	\$ 34.8	\$ 43.8	\$ 47.3
5	Depreciation and Amortization	\$ 27.4	\$ 26.2	\$ 29.3
6	Total Cash Flow From Operations	\$ 41.0	\$58.9	\$28.5
<u>Uses of Cash</u>				
7	Investment in Property, Plant & Equipment	(\$34.7)	(\$30.4)	(\$28.9)
8	Principal Payments on Outstanding Debt	\$ (10.37)	\$ (10.37)	\$ (10.71)
9	Restricted Clinical Practice Plan funds	(2.5)	(3.6)	(1.9)
10	Third Party Settlements	(0.4)	(7.9)	4.6
11	GASB45 Payments	(2.7)	(2.5)	(3.1)
12	Assets Whose Use is Limited, net	14.3	-	0.5
13	Working Capital	0.9	3.7	3.9
13	BLSC Loan	-	(9.3)	12.6
14	Annual Unrestricted Cash Impact	\$5.5	(\$1.5)	\$5.4
15	Ending Unrestricted Cash Balance	\$72.5	\$76.2	\$81.6
16	<i>Days Cash on Hand</i>	64	67	61

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 15 multidisciplinary care centers with a staff of over 3,200 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.

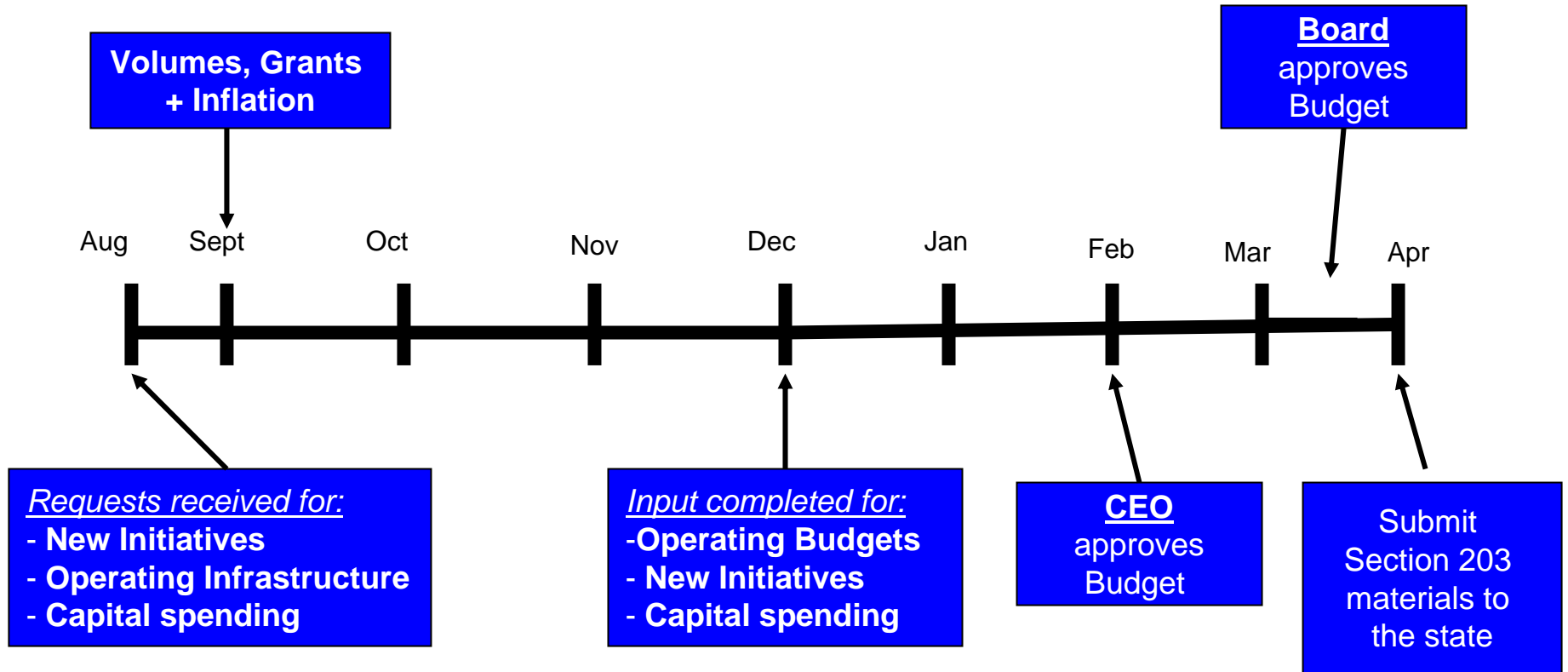
Pursuant to subdivision 2 of Section 403 of the Public Health Law, added by such chapter, the Department, acting on behalf of the State, entered into an Operating Agreement with RPCI Corporation pursuant to which operating responsibility for the Institute was transferred to RPCI Corporation effective 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 Budget Process Timeline



Capital Allocations will be completed using the Following Team structure

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

Roswell Park Cancer Institute
Budget Assumptions
Section 203.6 C

1 Revenue assumptions:

A. Base Volumes

IP Admits +9%

OP Visits +7%

B. Rate Assumptions

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
- New Initiatives and Strategic recruiting plans

3 Inflation:

- > Step/COLA factored in at estimated contracted rate increase, MC increased for Step only
- > Fringe benefit - increase consistent with salaries
- > Pharmacy (inflation and new drugs) 9.3%
- > Medical and other supplies 3%
- > Blood products 8%

4 Programmatic Goals

- Implement New projects
- Continue Strategic recruiting efforts

Challenges and Obstacles – External Forces

External forces that challenge our ability to successfully implement Roswell's vision for the future:

- **Current Economic Climate**
- **Legislative approval of Governor's budget**
- **Receipt of increases in NYS support requested and timing of when funds are received**
 - Growing State deficits
 - Restoration of funding assumed after FY2010
- **Recruitment** - Increasing costs and competition
- **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**
- **Physical capacity for continued Clinical Growth**
- **Ability to invest in accordance with RPCI Strategic Plan**

Roswell Park Cancer Institute Corporation (PBC)

Income Statement

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	For the year ending March 31,			
	FY 08 Actual	FY 09 Budget	FY 09 Projected	FY 10 Budgeted
OPERATING REVENUES:				
Grants & contracts	\$4,941	\$4,804	\$3,497	\$1,319
Patient service revenue, net	268,624	306,453	293,753	318,916
NYS contributions	93,000	93,000	91,100	76,400
Other revenue	9,892	9,925	9,569	10,132
TOTAL OPERATING REVENUES	\$376,457	\$414,182	\$397,919	\$406,767
Less: Provision for Bad Debts	3,667	7,091	2,000	6,659
TOTAL OPERATING REVENUE, NET OF PROVISION FOR BAD DEBTS	\$372,790	\$407,091	\$395,919	\$400,108
OPERATING EXPENSES:				
Salaries	\$142,059	\$168,311	\$156,701	\$168,183
Fringe Benefits	38,297	42,238	38,776	41,434
Pharmacy and Supplies	91,153	100,765	94,280	111,440
Utilities	10,896	11,314	11,967	12,133
Purchased services and other	51,224	63,846	55,082	57,842
GASB 45 impact	31,610	34,821	43,790	47,342
Start up for Strategic Recruitment	0	0	0	0
TOTAL OPERATING EXPENSES, EXCLUDING DEPRECIATION AND INTEREST	\$365,239	\$421,295	\$400,596	\$438,374
INCOME (LOSS) FROM OPERATIONS, BEFORE DEPRECIATION AND INTEREST	\$7,551	(\$14,204)	(\$4,677)	(\$38,266)
Depreciation	\$28,896	\$28,833	\$27,684	\$30,631
Interest	11,931	11,529	11,574	11,104
INCOME (LOSS) FROM OPERATIONS	(\$33,276)	(\$54,566)	(\$43,935)	(\$80,001)
Other NonOperating Revenue	36,618	33,317	32,792	31,844
INCOME/ (LOSS) BEFORE CONTRIBUTIONS TO BLSC	\$3,341	(\$21,249)	(\$11,143)	(\$48,157)
Contributions for BLSC	\$519	\$14,000	\$10,900	\$9,280
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	\$3,860	(\$7,249)	(\$243)	(\$38,877)

Roswell Park Cancer Institute (PBC)

Reconciliation FY09 Budget to FY09 Projected

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	<u>in Million's</u>
1 Net Income originally budgeted for FY 2009 before Contributions to BLSC	\$ (21.2)
2 GASB 45 costs	\$ (8.9)
3 NYS Support reduction	\$ (1.9)
4 Depreciation	\$ 1.2
5 Clinical Operating Margin	\$ 3.0
6 Third party settlements	\$ 3.2
7 Timing of New Initiatives and Strategic Recruiting	\$ 3.3
8 Physician and Scientific vacancies	\$ 3.8
9 Tech transfer, Education, Library, IT, Core and Admin costs below budget	\$ 4.6
10 All Other	\$ 1.8
11 Projected net Income from FY 2010 before contributions for BLSC	<u>\$ (11.1)</u>

Roswell Park Cancer Institute PBC

FY 2010 Budgeted FTE's

➤ **Full Time Equivalents** **2,070.7**

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 (PBC)

FY 2009 New Revenue Producing Activities

New Initiatives for FY 10	Revenue	Expense	Net Impact
1 Expand Pet Scan Hours	\$ 0.7	\$ 0.3	\$ 0.4
2 Anesthesiology	\$ -	\$ 0.2	\$ (0.2)
3 Urology	\$ -	\$ 0.3	\$ (0.3)
4 BMT	\$ 2.1	\$ 0.7	\$ 1.4
5 Career Ladder	\$ -	\$ 0.2	\$ (0.2)
6 Total Net Impact of New Initiatives to FY10 Budget	\$ 2.8	\$ 1.7	\$ 1.1

Roswell Park Cancer Institute (PBC)

FY 2009/2010 Material Non-Recurring resource

The Institute will record revenue of approximately \$10.9 million from a combination of NYS support and philanthropy in FY2009 and \$9.3m 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 2010 – 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. The net carryover balance for these projects are estimated to be \$ 3.5 million for items approved in prior years that are expected to be received or completed in FY2010.

ROSWELL PARK CANCER INSTITUTE CORPORATION

Purpose of Debt Issuances

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

1

On April 1, 1998, DASNY issued debt in the amount of \$50,510,000 (RPCIC allocated 94.92%). Under the terms of 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.

2

On December 4, 2003, DASNY issued debt in the amount of \$41,910,000 (RPCIC allocated 85%). Under the terms of the 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.

3

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.

4

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.

5

On May 24, 2005, DASNY issued debt in the amount of \$51,465,000 (RPCI 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.

6

Capital lease obligations at varying interest rates ranging from 5.52% to 9.5%.



Roswell Park Cancer Institute Corporation
FY 2010 Capital Budget Summary - PBC Only
In Thousands (000's)

	<u>Budget</u> <u>2010</u>
Total Building Projects	\$ 10,100
Strategic Recruitment	\$ 500
Total Equipment	\$ 11,050
Information Technology Projects	\$ 6,200
Contingency	\$ 760
CPP	<u>\$ 380</u>
 Total Capital	 <u><u>\$ 28,990</u></u>

**CONDENSED BUDGETED REVENUES, EXPENDITURES AND
CHANGES IN CURRENT NET ASSETS***

	in Thousands					
	Actual 2007-2008	Projected 2008-2009	Proposed Budget 2009-2010	Projection 2010-2011	Budget Projection 2011-2012	Budget Projection 2012-2013
REVENUE & FUNDING SOURCES						
<i>Operating Revenues</i>						
Charges for Services	\$269,897	\$295,250	\$313,575	\$342,780	\$371,512	\$402,530
Rental & Financing income						
Other Operating revenues	9,892	9,569	10,132	10,639	11,170	11,730
<i>Non-operating Revenues</i>						
Investment earnings	\$11,372	\$7,238	\$6,694	\$6,779	\$6,559	\$6,517
State subsidies/grants	118,000	116,100	101,400	138,293	154,559	161,789
Federal subsidies/grants						
Municipal subsidies/grants						
Public authority subsidies						
Other Non-Operating Revenue	37,706	21,657	59,464	53,771	48,064	51,050
<i>Proceeds from the issuance of debt</i>						
All Other working capital adjustments*			0	0	0	0
Total Revenues and Funding Sources	\$446,867	\$449,814	\$491,265	\$552,262	\$591,864	\$633,616
EXPENDITURES						
<i>Operating expenditures</i>						
Salaries and Wages	\$142,059	\$156,701	\$168,183	\$183,947	\$200,455	\$216,652
Other Employee Benefits	38,297	38,776	41,434	47,917	51,878	56,286
Professional Services and Contracts	48,942	52,480	55,247	60,508	65,019	65,081
Supplies and Materials	91,153	94,280	111,440	122,994	134,260	146,815
Other operating expenditures	44,788	58,359	62,071	66,202	70,639	74,747
<i>Non-operating expenditures</i>						
Payment of principal on bonds and financing arrangements	11,555	10,368	10,709	11,236	11,898	11,641
Interest and other fiscal charges on debt	11,931	11,574	11,104	10,460	9,893	9,332
Subsidies to other public authorities						
Capital asset outlay (including BLSC)	29,212	39,650	34,981	40,231	42,202	43,400
Miscellaneous						
Total Expenditures	\$417,937	\$462,188	\$495,169	\$543,495	\$586,244	\$623,954
CAPITAL CONTRIBUTIONS	519	10,900	9,280	0	0	0
"Excess (deficiency) of revenues and capital contributions over expenditures"	\$29,449	-\$1,474	\$5,376	\$8,767	\$5,620	\$9,662

* 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).