THE COUNCIL OF THE CITY OF NEW YORK

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Report of the Finance Division on the
Executive Capital Budget for Fiscal Year 2022-2025
Executive Capital Commitment Plan for Fiscal Year 2021-2025
Fiscal 2022-2031 Preliminary Ten-Year Capital Strategy

May 24, 2021

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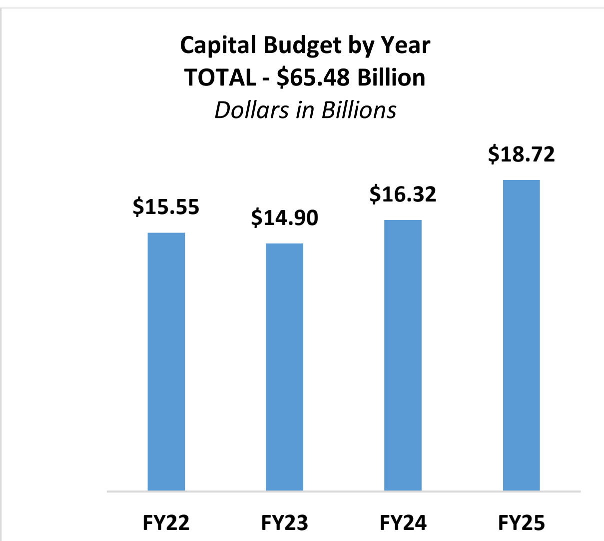
Introduction

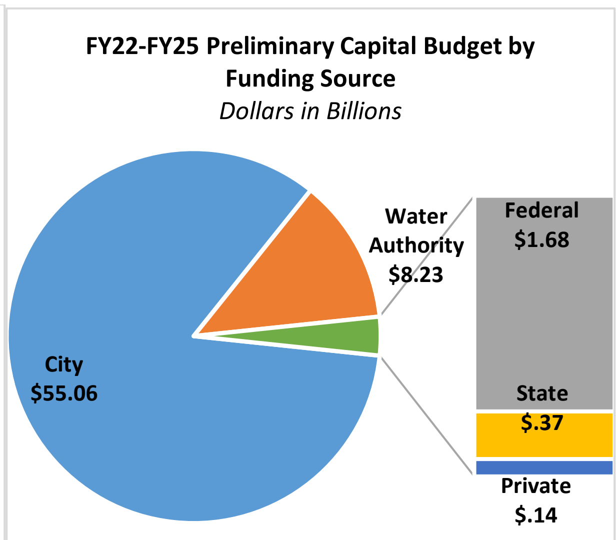
The City's Capital program in Fiscal 2021 has endured a uniquely frustrating and yet encouraging year. The first 6 months of Fiscal 2021 was mired in pandemic related slowdowns and outright pauses of many of the City's capital projects. Actual capital commitments (contract registrations) were extremely low at the mid-point of the fiscal year and the City's infrastructure and economy needed help. With the start of the new calendar year the pandemic continued its decline with the increase in vaccinations and the City's economic health also received a shot in the arm from the federal government in the form of $15.2 billion in stimulus funding. The City has since restarted its Capital process with renewed vigor and we have seen some encouraging signs that these efforts are paying dividends.

In the following report we will discuss the City's Executive Capital Budget, Executive Capital Commitment Plan and Ten-Year Strategy. Each of these documents build off each other and provide the legal and financial framework of the City's capital program. We will also be examining the debt service spending that supports the City's capital program.

Executive Capital Budget

The Capital Budget for Fiscal 2022-2025 totals $65.5 billion, an increase of $11.9 billion from the Preliminary Capital Budget of $53.6 billion. The Capital Budget has an average appropriation of $16.4 billion for each year, to support capital programs at 22 City agencies. Of this amount, $55.1 billion, or 84 percent, is City-financed, with the remaining $10.4 billion expected to come from State, federal, and private grants.

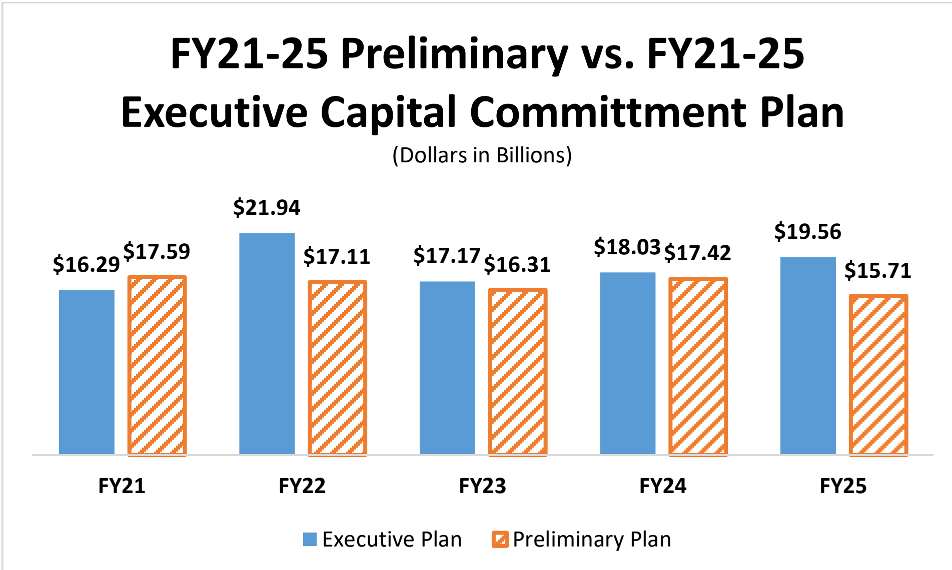




The Capital Budget supports large, long-term investments that aim to improve the state of good repair of the City's infrastructure, as well as support its growth. The Capital Budget provides, by agency and budget line (analogous to units of appropriation, or U/As, in the expense budget), the requested appropriations for Fiscal 2022 and the three-year capital program. It proposes new appropriations of $15.5 billion for Fiscal 2022. The increases in Fiscal 2022 and beyond support the large increase in the Executive Capital Commitment Plan detailed below.

Executive Capital Commitment Plan

The Fiscal 2021-2025 Capital Commitment Plan includes $93 billion in planned commitments for Fiscal 2021 through Fiscal 2025, which represents an increase of $8.9 billion from the Preliminary Capital Commitment Plan, or an increase of about 10 percent.



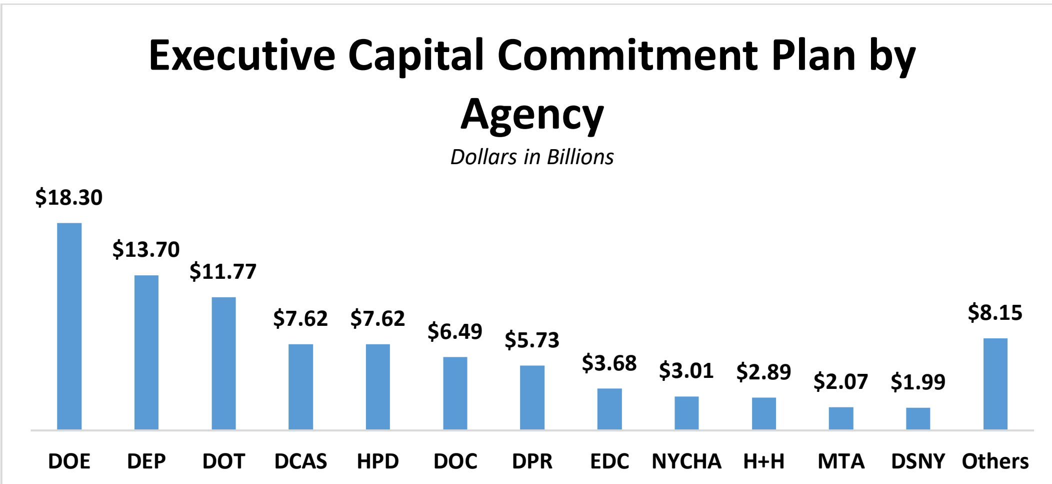
Growth in the Executive Capital Commitment Plan (the Plan) is not evenly distributed across the plan with growth in six agencies planned commitments totaling $7.39 billion or 83 percent of the net growth in the Plan. Some of these agencies even see double digit growth in their Plan. DOT leads this growth with nearly $2.1 billion in additional planned commitments, a 21 percent increase over its Preliminary Capital Plan, primarily to fund repairs of highway bridges and ramps. HPD grows by $1.6 billion in planned commitments, a 27 percent increase over its Preliminary Capital Plan, primarily to fund cluster site conversions, the Participatory Loan Program, and more affordable housing. DEP increases planned commitments by $1.4 billion, with nearly one-third of growth accounted for by the Gowanus Canal overflow tanks. DOE sees an increase of slightly more than $1 billion primarily to fund an expansion of 3K and electric buses. EDC grows planned commitments by $903.9 million, a growth of 33 percent over its Preliminary Commitment Plan. EDC growth is led by an increase of $354.4 million for the Manhattan Greenway project and a $225 million increase for the Life Sciences Hub. Finally, DPR's planned commitments grow by $738.9 million, a 15 percent increase, including $382.9 million for reconstruction of pedestrian bridges under DPR's jurisdiction and $182 million for the East Side Coastal Resiliency (ESCR) flyover bridge project shortfall, among others. Only five agencies see a decrease in planned commitments with DOC accounting for 81 percent of the decrease with a reduction of $324 million in planned commitments. DFTA sees the largest drop as a share of its agency commitments with a 15 percent decrease which is only $6 million – DFTA has the smallest capital budget of any City agency totaling less than one tenth of one percent of the Commitment Plan.

Some additional agencies see tremendous growth in their own budget but due to their small slice of the Capital Commitment Plan do not have a large impact on the overall growth. These include:

- HRA which sees its planned commitments grow by $139.2 million or 58 percent;
- ACS which grows by $101.8 million, 38 percent;

- City contribution to the MTA's Capital Program which grows by $550 million or 36 percent;
- DOITT which grows by $188 million, 21 percent;
- NYPD which grows by $144 million, 14 percent; and
- Health + Hospitals which sees a $252.6 million increase in commitments or 10 percent;

As shown in the chart below, seven agencies - DOE, DEP, DOT, DCAS, HPD, DOC, and DPR account for approximately 77 percent of the total Capital Commitment Plan.



The largest changes to the commitment plan come from additions across several agencies including:

- $872 million to the SCA's Five Year Capital Plan to fund an expansion of 3K;
- $550 million to the MTA Capital Plan;
- $414 million for the Gowanus Sewer Plant;
- $387 million for reconstruction of 15 pedestrian bridges under DPR's jurisdiction. These projects will be managed DOT;
- $354 million for the Manhattan Greenway;
- $348 million for long term stabilization of the Riverside Park Amtrak Overbuild. This project will be managed by DOT;
- $318 million for LES Coastal Resiliency;
- $304 million for affordable housing; and
- $285 million for the Trans-Manhattan Expressway.

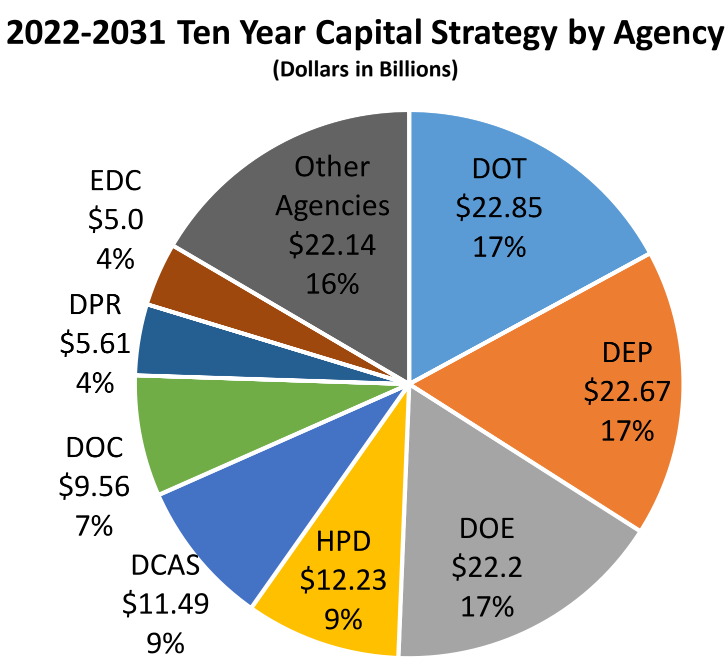
Capital Commitments

In recent years the City has made great improvements in increasing its commitments reaching $12.6 billion in Fiscal 2019, a nearly 50 percent increase since Fiscal 2016. However, Fiscal 2020 saw $8.1 billion in commitments, a precipitous drop of $4.5 billion from the previous year's high mark. This is a result of work stoppages on capital projects and a halt on non-essential capital work due to the pandemic. In the first half of Fiscal 2021, we saw $2.35 billion in commitments (through December 2020) but in the three months since, those commitments have more than doubled to $5.44 billion (through March 2020). Overall, this is a sign that the effects of the pandemic on the capital program's ability to deliver projects is disappearing and that the City's capital process is returning to pre-pandemic levels. With a new commitment from OMB and City agencies to move projects through the approval processes expeditiously, not only will the end of Fiscal 2021 see remarkable commitment levels but Fiscal 2022 could see the City back on track to reaching new commitment highs.

Fiscal 2021 shows commitments made through December 2020 and through March 2021 respectively.

Fiscal 2022-2031 Executive Ten-Year Capital Strategy

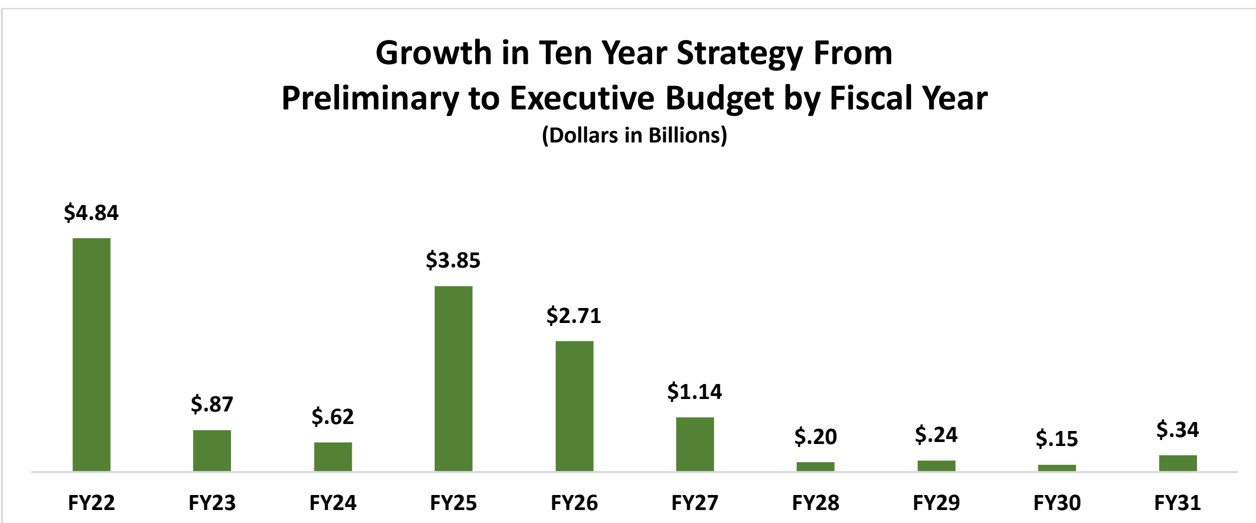
The Ten-Year Capital Strategy (the Strategy) is the City's long-term capital planning document which provides a framework for capital spending by agency. The Strategy is released every two years as mandated by the New York City Charter. The $133.7 billion Fiscal 2022-2031 Ten-Year Capital Strategy is $14.9 billion larger than the $118.8 billion Fiscal 2022-2031 Preliminary Ten-Year Capital Strategy. The City's public school system and water infrastructure are the largest areas of planned investment, followed by transportation infrastructure. These three areas together account for 51 percent of the Strategy. The chart below shows planned capital spending in the Strategy by agency over the ten-year period.



In total, growth in six out of the 199 plan categories account for 44 percent of the net growth in the Strategy, including:

- $1.4 billion increase for street resurfacing within DOT.
- $1.3 billion increase for MTA transit improvements.
- $1.2 billion increase for pedestrian ramp construction within DOT.
- $1.1 billion increase for new housing construction under HPD.
- $844 million increase for several large projects such as the Manhattan Greenway and Life Sciences Hub projects within EDC.
- $814.9 million increase for system expansion within DOE to fund 3K seats.

Within the agencies the Strategy has 195 spending sub-categories, five see a growth of between $700 million and $500 million and 22 see growth between $100 million and $400 million. Ninety-one see growth below $100 million and 35 see no growth at all. Forty see a decrease in their planned funding with only two seeing a decrease above $100 million – a $142.3 reduction to sewer extensions and a $436 million reduction to neighborhood revitalization.



The above graph shows the growth in the Strategy broken out by its ten fiscal years. While many investments have been made across the City, 86 percent of the growth in the Strategy is in the first five years. The increase in the Executive Capital Commitment Plan (which is a subset of the Strategy) exacerbates the perennial front-loading problem of the Strategy. The Strategy was envisioned as a long-term planning document and falls short of that goal beyond the fiscal years that it shares with the Capital Commitment Plan. Until the out-years of the Strategy are no longer treated as an afterthought this and future Ten-Year Strategies will not serve their original intention.

Financing and Debt Service

New York City sells bonds to fund its capital program. The Fiscal 2022 Executive Budget estimates the City will undertake $58 billion in long-term borrowing between Fiscal 2022 and Fiscal 2025 to finance the City's many capital needs. This is an increase of $5 billion from the Preliminary Plan 2022. Included in this borrowing is an estimated $10.1 billion in borrowing by the New York City Municipal Water Finance Authority (NYW), for which NYW pays its own debt service through dedicated water and sewer fees. A summary of the financing plan is shown in the table below.

The City's borrowing strategy is a function of numerous factors, including but not limited to the conditions of the financial market, the economic fallout of the Covid-19 epidemic, the City's project schedule, and cash flow considerations. The financing plan does not directly align with the Ten-Year Strategy or the Commitment Plan, as it more closely follows the City's actual capital expenditures in any given year. Making the Strategy and Commitment Plan more accurate and realistic would help better illuminate the connection between what the City spends on capital projects and how it pays for them.

Summary of Capital Financing Plan - Fiscal 2022 Executive Financial Plan
Dollars in Millions

	FY21	FY22	FY23	FY24	FY25
Financing Plan					
General Obligation Bonds	$2,000	$4,330	$5,140	$5,440	$5,890
Transitional Finance Authority Bonds(1)	3,173	5,530	5,140	5,440	5,890
Water Authority Bonds	2,794	1,724	1,659	1,821	2,123
Total	**$7,967**	**$11,584**	**$11,939**	**$12,701**	**$13,903**
Debt Outstanding					
GO Bonds	$38,879	$40,845	$43,101	$45,472	$48,121
TFA Bonds(1)	43,178	46,060	49,014	52,151	55,472
Other Debt(2)	1,988	1,895	1,776	1,678	1,580
Total	**$84,045**	**$88,800**	**$93,891**	**$99,301**	**$105,173**
Water Authority Bonds	32,045	33,025	34,105	35,276	36,725
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	12.0%	12.2%	12.5%	12.7%	12.9%

Source: *OMB Fiscal 2022 Executive Financial Plan*
1) TFA Bonds do not include Building Aid Revenue Bonds issued for education capital purposes which are secured by Building Aid revenues from the State
2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

The City's debt issuance remains well below the City's constitutional debt limit of $116.3 billion,[1] which is forecasted to grow sufficiently to accommodate new borrowing in the Capital Financing Plan.[2] The City's bonds continue to be well received by the markets, and all of its issuing authorities have maintained AA ratings or better by Standard & Poor's and Fitch. Furthermore, Moody's upgrade the City's credit rating Aa2 outlook from negative to positive on May 13th, 2021 as reflection of improvement in the city's overall financial position, including the substantial budget flexibility provided by federal pandemic aid flowing to the city over the next several fiscal years, and elimination of the risk that the State of New York will cut aid to the city[3]. A positive credit rating outlook gets the City a step closer to pre-pandemic credit rating which was Aa1.

[1] New York City's debt limit, as established by the State Constitution, is ten percent of the five-year rolling average of the full value of taxable real property in the City.
[2] New York City Comptroller, Fiscal Year 2022 Annual Report on Capital Debt and Obligations,
[3] Moody's Investment Services: May 13, 2021; https://www.moodys.com/research/Moodys-affirms-New-York-City-Aa2-GO-ratings-revises-outlook--PR_907139306?cid=7QFRKQSZE021