

THE COUNCIL OF THE CITY OF NEW YORK

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Report of the Finance Division on the
Fiscal 2019 Preliminary Capital Budget and Commitment Plan Overview

March 20, 2018

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Introduction

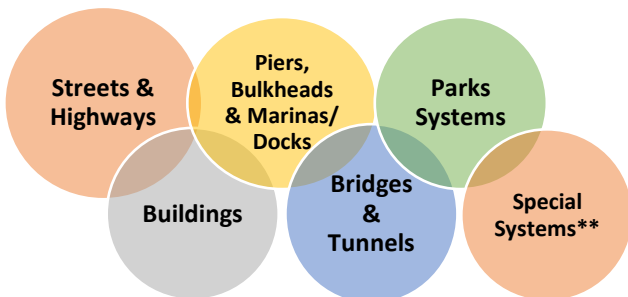
On February 1, 2018, Mayor Bill de Blasio released the Fiscal 2019 Preliminary Capital Budget (the “Capital Budget”) and the accompanying Capital Commitment Plan for Fiscal 2018-2022 (the “Commitment Plan”). The Council will be examining both the City’s Preliminary Capital Budget as well as the City’s Preliminary Capital Commitment Plan in this overview. Speaker Johnson and the current Council have given renewed focus to the City’s Capital Program and the Subcommittee on Capital (the “Subcommittee”) has been created to increase transparency, efficiency and accountability in this area. The City Charter envisioned a Council that would be a budgetary check on the administration throughout the year, not just during the adoption process. The Subcommittee was created to ensure that the Council is fulfilling its Charter mandated role as a yearlong partner in the City’s capital process. To that end a separate hearing with the Office of Management and Budget (OMB) solely focusing on capital was initiated along with the Subcommittee co-chairing Preliminary Budget hearings for five capital intensive agencies: the Departments of Transportation; Environmental Protection, Parks, Correction and the New York Housing Authority.

This report will provide an overview of the Preliminary Capital Budget as well as the Preliminary Capital Commitment Plan. We will also define the Council’s issues with the generic budget line descriptions as they relate to the City Charter, excess appropriations, and the front loading of the City’s Capital Commitment Plan. Finally, we will discuss in detail the City’s debt limit and how it is effected by the current capital budgeting practices.

Fiscal 2019 Preliminary Capital Budget and Commitment Plan

The Capital Budget supports large, long-term investments that aim to improve the state of repair of the City’s infrastructure, as well as support its growth. The Capital Budget proposes new appropriations of \$11 billion for Fiscal 2019 and a total \$45.9 billion plan for Fiscal 2019-2022. The Capital Budget provides by agency and budget line, the requested appropriations for Fiscal 2019 and the three-year capital program.

Citywide State of Good Repair Projects*



*2017 AIMS Report

**Includes street lighting, traffic signal systems, ferries, vessels and Rikers Island utilities

The Preliminary Commitment Plan includes \$79.6 billion in planned commitments for Fiscal 2018-2022. The Commitment Plan, which is a five-year spending plan, provides by agency and budget line appropriations for Fiscal 2018 and planned commitments. The Commitment Plan also shows, by budget line, the total current contract liability, the total spending since introduction of the budget

line, and commitments made during Fiscal 2018 through November. Planned commitments are scheduled across the five-year period at the project level.

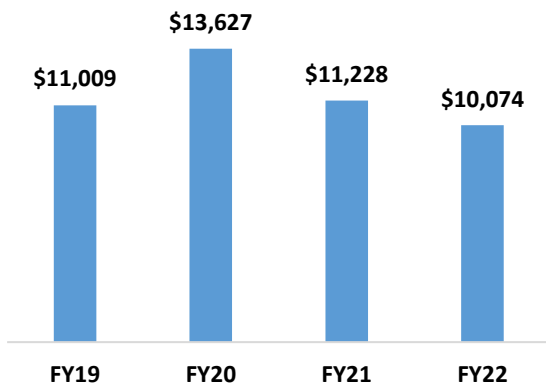
The Preliminary Capital Budget is significantly less than the Preliminary Capital Commitment Plan because it does not include the appropriations for Fiscal 2018 or the amount of funding that will be reauthorized or rolled into Fiscal 2019 in the Executive and Adopted Budget. Each year, the Executive Capital Budget includes a proposed appropriation total for each budget line, which typically significantly increases the size of the Capital Budget for the coming year. At the adoption of the Fiscal

2018 Capital Budget, approximately \$29.1 billion rolled forward from Fiscal 2017 to 2018. There is currently a balance of \$42.2 billion in available appropriations in Fiscal 2018 and whatever is uncommitted at the end of the fiscal year in June will roll forward into Fiscal 2019 and will increase the Executive and Adopted Capital Budgets accordingly.

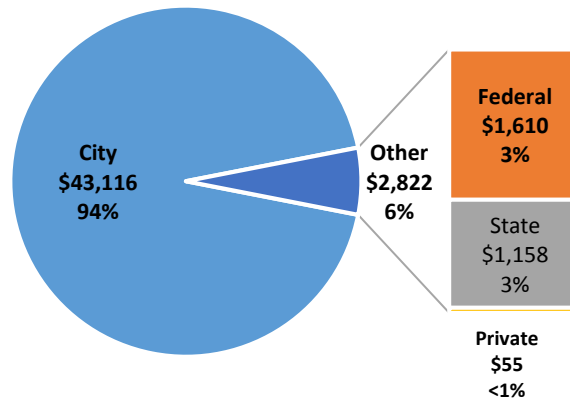
Capital Budget Overview

The Capital Budget totals \$45.9 billion, with an average appropriation of \$11 billion for each year, to support capital programs at 28 city agencies. Of this amount, \$43.1 billion, or 94 percent, is City-financed, with the remaining \$2.8 billion expected to come from State, federal, and private grants. Projects eligible for capital funding include construction, reconstruction, purchases of land, buildings, technology systems, or equipment that have a useful life of at least five years and cost a minimum of \$35,000.

FY19-FY22 Capital Budget - \$45.9 Billion



FY19 Preliminary Capital Budget by Funding Source FY19-FY22
Dollars in Millions



Source: Fiscal 2019 Preliminary Capital Budget.

Capital Budget Structure

The Capital Budget provides the framework for capital spending by agency. The budget is released three times per year, in January, April, and June and presents a four-year plan for what appropriations the City anticipates will be needed for agencies to complete their capital projects. The Preliminary and Executive Capital Budgets shows an estimate of the appropriations needed for each agency for each fiscal year. The Adopted Capital Budget shows the actual appropriations for the current fiscal year and plan for the subsequent three years all of which are broken down by agency and budget line. The actual appropriations are the maximum amount that agencies are authorized to spend on the capital projects contained within each budget line. The table below shows the Fiscal 2019 Preliminary Capital Budget by agency and the funding summary.

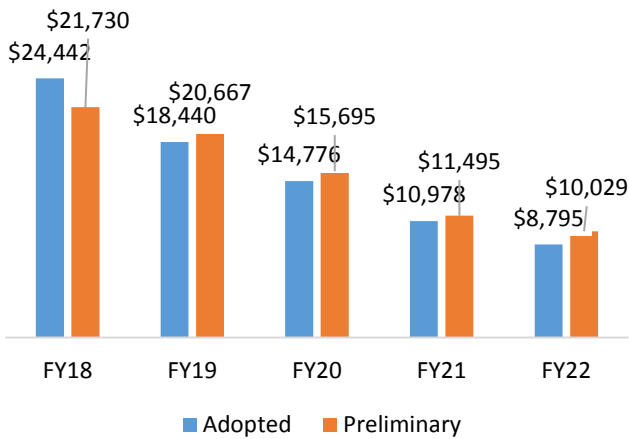
Citywide Capital Budget Financial Summary					
<i>Dollars in Thousands</i>					
	FY19 Preliminary Budget				
	FY19	FY20	FY21	FY22	TOTAL
Spending					
Administration for Children's Services	\$21,073	\$2,442	\$14,237	\$7,544	\$45,296
Department for the Aging	3,357	5,821	3,581	1,253	14,012
Department of Citywide Administrative Services	1,057,762	1,369,547	805,366	666,111	3,898,785
Department of Correction	222,582	27,607	50,711	56,283	357,183
Department of Cultural Affairs	18,880	7,883	3,810	3,500	34,072
Department of Environmental Protection	1,287,384	2,754,694	2,409,341	2,573,927	9,025,346
Department of Health and Mental Hygiene	2,183	84,145	67,336	38,078	191,742
Department of Homeless Services	55,970	158,205	77,410	62,549	354,134
Department of Information Technology & Telecommunications	11,913	67,923	63,502	53,183	196,521
Department of Parks and Recreation	785,836	782,596	216,856	74,366	1,859,654
Department of Sanitation	477,826	653,166	170,611	326,402	1,628,005
Department of Small Business Services	307,976	812,734	511,180	116,397	1,748,286
Department of Transportation	1,508,231	2,516,337	2,772,345	2,037,985	8,834,898
Education	3,541,395	1,993,473	2,068,831	2,188,742	9,792,441
Fire Department	128,592	141,096	120,328	83,664	473,680
Health and Hospital Corporation	171,684	454,459	464,455	412,965	1,503,563
Housing Preservation and Development	846,215	1,239,937	1,289,772	1,235,709	4,611,631
Human Resources Administration	18,584	1,255	1,397	0	21,236
Libraries	61,577	58,838	41,182	49,035	210,632
Police Department	480,086	459,984	35,665	46,230	1,021,966
Transit Authority	0	35,000	40,000	40,000	115,000
TOTAL	\$11,009,105	\$13,627,141	\$11,227,915	\$10,073,922	\$45,938,083
Funding					
City Funds	\$10,630,421	\$13,063,124	\$9,811,883	\$9,610,658	\$43,116,086
State	80,259	487,757	613,206	428,462	1,609,684
Federal - Other	277,039	65,198	791,764	23,740	1,157,741
Private	21,386	11,062	11,062	11,062	54,572
TOTAL	\$11,009,105	\$13,627,141	\$11,227,915	\$10,073,922	\$45,938,083

Of the \$45.9 billion in the Capital Budget, \$27.6 billion, or 60 percent, is allocated to three key areas: education, environmental protection, and transportation. The Department of Education (DOE) has the largest budget of \$9.8 billion, followed by the Department Environmental Protection (DEP) at \$9 billion, and the Department of Transportation (DOT) at \$8.8 billion. While the Preliminary Capital Budget proposes a budget-line appropriation level and outyear plan for each agency, it does not provide detail on the projects the new appropriations would support. The accompanying Commitment Plan presents additional and necessary information related to the City's capital program.

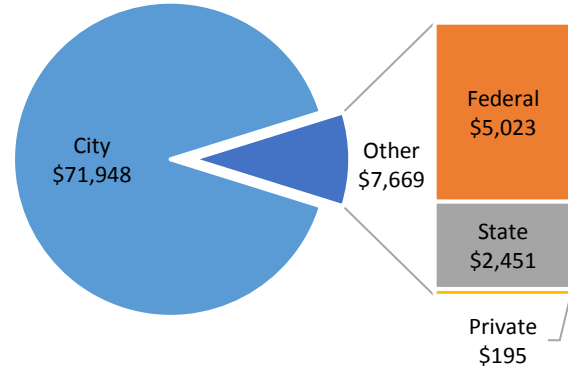
Commitment Plan Overview

The Preliminary Commitment Plan for Fiscal 2018-2022 provides a roadmap for how the City plans to spend a total of \$79.6 billion for the City's capital program. The average planned commitment total is approximately \$16 billion a year. As shown in the chart below, the majority of the Commitment Plan, \$71.9 billion, is City-financed, with the remaining \$7.7 billion expected to come from State, federal, and private grants. Overall, the Commitment Plan shows growth of \$2.2 billion, or three percent, when compared to the Fiscal 2018 Adopted Capital Commitment Plan total of \$77.4 billion. The chart below shows the variance between the Adopted and Preliminary Commitment Plans by Fiscal Year; planned commitments in Fiscal 2018 have decreased while planned commitments in Fiscal 2019 and the outyears have increased. Planned commitments for Fiscal 2018 total \$21.7 billion for agency capital programs, with \$19.8 billion in City funds.

**FY18-FY22 Capital Commitment Plan
Adopted vs Preliminary**
Dollars in millions



**FY18-FY22 Capital Commitment Plan
by Funding Source**
Dollars in Millions






Source: Fiscal 2018 Adopted Capital Commitment Plan, Fiscal 2019 Preliminary Capital Commitment Plan.

Commitment Plan Structure

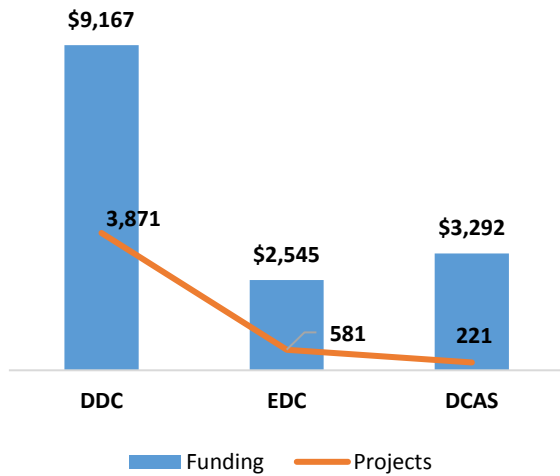
The Commitment Plan shows how the City plans to spend the appropriations allocated in the Capital Budget. The Commitment Plan breaks the budget lines down into individual projects and timelines for their completion. The Commitment Plan is first organized by City agency with the budget lines (analogous to units of appropriation, “U/As”, in the expense budget) for each agency grouped together. Some agencies such as the Department of Environmental Protection are so large that they

are broken down into multiple sections, which appear in the Capital Commitment Plan as a separate agency. In cases such as these, the sections are aggregated when examining both their capital budgets and commitment plans. Each budget line contains multiple project IDs, which represent discrete capital projects. Budget lines offer a general description of the type of work that will be done and the project ID’s represent specific projects that fit within that description. A notable exception to this are the non-City capital projects (projects done for non-profit entities with City capital funding). Non-City capital projects have budget lines that describe the individual non-profit with the project ID representing a specific project for that non-profit. Appropriations are allocated at the budget line level rather than the project level. This fact gives the administration the ability to

	<p>Citywide</p> <ul style="list-style-type: none"> •\$76.2 Billion, 96% •664 Budget Lines, 36% •7,895 Projects, 64%
<p>City Council</p> <ul style="list-style-type: none"> •\$2.4 Billion, 3% •621 Budget Lines, 34% •2,980 Projects, 24% 	
	<p>Borough Presidents</p> <ul style="list-style-type: none"> •\$1 Billion, 1% •536 Budget Lines, 29% •1,491 Projects, 12%

change funding levels for the individual projects and to add new projects without approval of the City Council as long as it remains within the limits of the approved appropriations for that budget line. A budget modification is required in order to transfer funding among budget lines during the course of a fiscal year, but since most lines have more appropriations than necessary this is rarely necessary.

**FY18-FY22 Commitment Plan
Funding and Projects by Managing Agencies**
TOTAL: \$15 billion and 4,673 Projects
Dollars in Millions



Although there are 28 agencies with capital programs, some of the agencies do not have the capacity to manage some or all of their capital projects. In these cases, another agency, as assigned by the Office of Management and Budget (OMB), manages the projects for the budgeted agency. The Department of Design and Construction’s (DDC) sole function is to manage projects for other City agencies and as such has no capital budget of its own, while the Economic Development Corporation (EDC) and the Department of Citywide Administrative Services (DCAS) manage projects for other City agencies but also have their own capital budgets. The chart on the left demonstrates that DDC is by far the largest managing agency with 3,781 projects and 11.5 percent of the all planned commitments currently under its management. The three agencies shown are the agencies managing the

most projects for other city agencies but are not the only ones to do so.

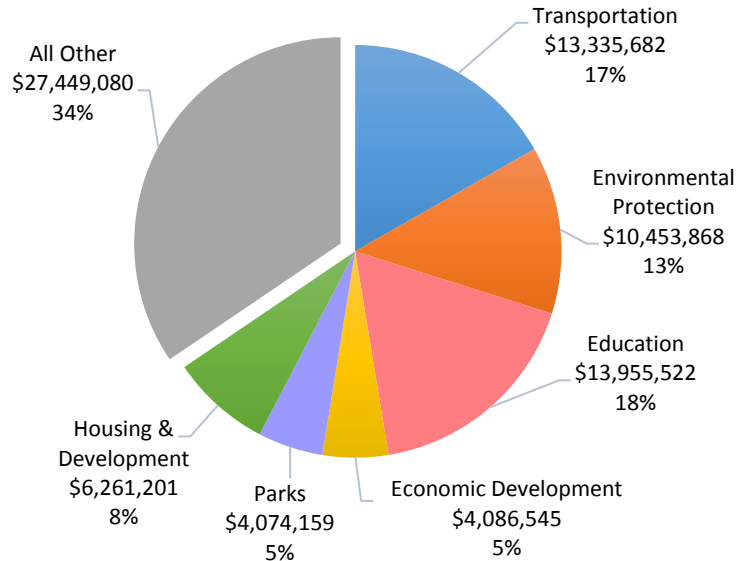
The table below shows the Preliminary Commitment Plan by agency, including the respective five-year planned commitment amounts and the numbers of budget lines and projects, as measured by project IDs. Because, in general, projects IDs represent an individual project, they provide a good, though not exact total, of how many projects each agency has in its capital plan. The agencies with the largest number of project IDs are Parks, Environmental Protection, DOT, DCAS, and Cultural Institutions.

Preliminary Capital Commitment Plan by Agency			
<i>Dollars in Thousands</i>			
Agency	FY18-22 Plan	Budget Lines	Projects
Administration for Children's Services	508,772	33	99
Department For The Aging	62,900	32	75
Brooklyn Public Library	308,565	6	187
Correction	2,112,701	10	151
Courts	1,248,631	27	98
Cultural Institutions	984,630	560	1,054
CUNY	590,027	33	535
Dept. of Citywide Admin Services	5,425,205	223	1,050
Environmental Protection	15,359,139	72	1,829
DoITT	511,830	2	88
DOT	11,340,376	148	1,271
Economic Development	4,086,545	80	500
Education	13,955,522	20	30
Ferries and Aviation	395,716	5	71
Fire	933,622	15	230
Health	568,305	129	391
Health and Hospitals	3,050,359	17	377
Homeless	552,947	12	196
Housing Preservation Development	6,261,201	155	449
Human Resources	222,827	54	118
MTA Buses	37,448	2	3
NY Research Library	37,265	6	20
NYCHA	1,375,228	7	304
Police	1,972,092	23	360
New York Public Library	458,113	13	347
Parks	4,074,159	110	2,109
Queens Public Library	345,039	5	252
Sanitation	2,191,952	14	163
SIRTOA	3,550	2	2
Transit Authority	641,391	6	7
Total	79,616,057	1,821	12,366

Commitment Plan Highlights

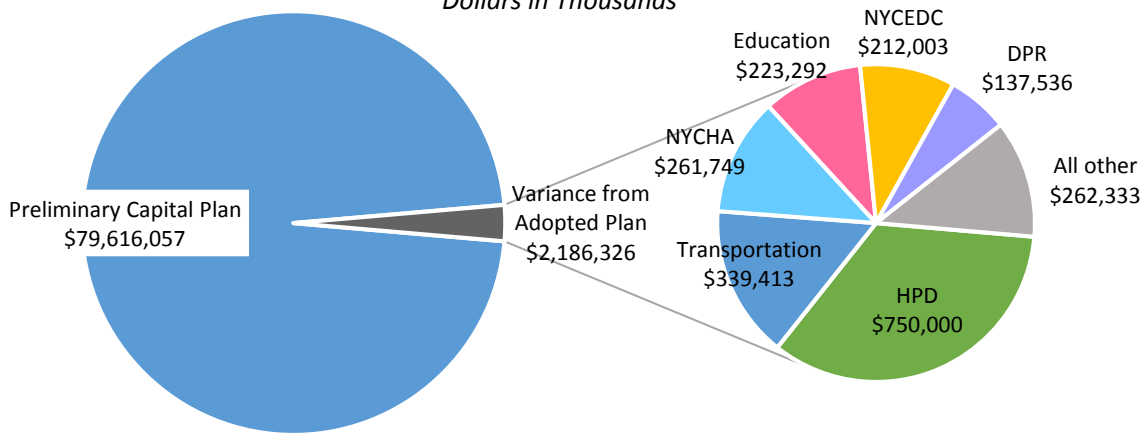
The six agencies, DOE, DOT, DEP, HPD, NYCEDC, and DPR, account for approximately 66 percent of the total Commitment Plan, as shown by the pie to the right. The Preliminary Capital Commitment Plan is \$2.2 billion larger than the Fiscal 2018 Adopted Capital Commitment Plan released in November 2017. As shown below, 88 percent of this variance is due to increases at the following agencies: HPD, DOT, New York City Housing Authority (NYCHA), DOE, NYCEDC, and DPR. Explanations for these major variances are discussed on the following pages. Appendix A lists all variances by agency.

Largest Capital Programs, by Agency



Increases to the Commitment Plan

Dollars in Thousands



- Housing Preservation and Development.** In November 2017, the Mayor released Housing New York 2.0, an update to the Housing New York plan. Under the accelerated and expanded plan, HPD will preserve or create 300,000 units of affordable housing by 2026, up from the original commitment of 200,000 units by 2024. Over the Fiscal 2018-2022 period, the City’s updated housing plan will produce an additional 25,000 units of affordable housing per year. As such, \$150 million annually (\$750 million total) was added to HPD’s Commitment Plan to facilitate the expedited housing unit targets.
- Department of Transportation.** DOT Commitment Plan includes increases in funding for the following projects: \$69 million to launch a 10-mile B82 Select Bus Service route in South Brooklyn in the summer of 2018; \$140 million for Queensboro Bridge hazard mitigation; \$27 million for the construction and reconstruction of pedestrian ramps and refuge construction citywide; and \$19 million for the purchase of pedestrian ramp construction vehicles.

- **New York City Housing Authority.** The \$261.7 million increase in NYCHA's Commitment Plan is largely due to an addition of \$200 million for heating system improvements at 20 NYCHA developments which have experienced chronic heat and hot water outages. This includes \$90 million to replace 39 boilers at 10 developments, and \$110 million to modernize hot water systems at 12 developments and install new heating controls at 15 developments.
- **Department of Education.** The \$223 million increase in DOE's Commitment Plan is largely due to \$72 million for pre-kindergarten seats and \$145 million for the construction of replacement school seats.
- **New York City Economic Development Corporation.** The \$212 million increase in EDC's Commitment Plan includes \$83 million for the Harlem River Greenway Link. As part of the East Harlem rezoning, this money from the Neighborhood Development Fund (NDF) will be used for upgrades of the East River Esplanade and public park space between East 125th Street and East 132nd Street.
- **Department of Parks and Recreation.** The \$137.5 million increase in DPR's Commitment Plan is largely due to two new projects: \$55 million for Hurricane Sandy-related repairs to Bayswater Park in Far Rockaway and \$92 million in new funding for the 79th Street traffic circle pedestrian plaza in Manhattan.

Beyond the changes presented in the Preliminary Commitment Plan, some of the significant projects funded by the Plan in other agencies include:

- **New School Facilities.** A significant portion of funding in the DOE's Capital Commitment Plan is for new school facilities. The DOE Fiscal 2015-2019 Five-Year Capital Plan, which is developed and managed by the School Construction Authority (SCA), provides \$6.4 billion for capacity projects. SCA committed approximately \$2.8 billion of this funding in Fiscal 2015-2017. The \$6.4 billion funds four major subcategories of school capacity:
 - \$4.8 billion for new K-12 school seats;
 - \$872 million for new pre-K seats;
 - \$490 million for new school seats with the goal of reducing class size; and
 - \$287 million for facility replacements.
- **BQE between Atlantic Avenue and Sands Street.** The rehabilitation of the 1.5-mile portion of the BQE between Atlantic Avenue and Sands Street is the largest among major infrastructure projects planned by New York City. The total planned cost for this project is \$1.9 billion, which represents 26 percent of the Highway Bridges capital budget and eleven percent of the agency's total capital commitment plan. The triple-cantilever tiered structure (topped by the Brooklyn Heights promenade), the section of roadway is a succession of 21 different bridges. Approximately 140,000 vehicles travel this stretch of road on an average weekday. This project has been cited as one that would benefit greatly from the ability to use the Design-Build procurement method. Estimated savings if the State grants Design Build for this project is \$158 million and two years of construction time.
- **Correctional Facilities.** The Commitment Plan includes \$1.1 billion for the design and construction of new jail facilities to accommodate the closure of Rikers Island. This funding was originally allocated for a new Rikers Island jail facility, but that project was defunded in

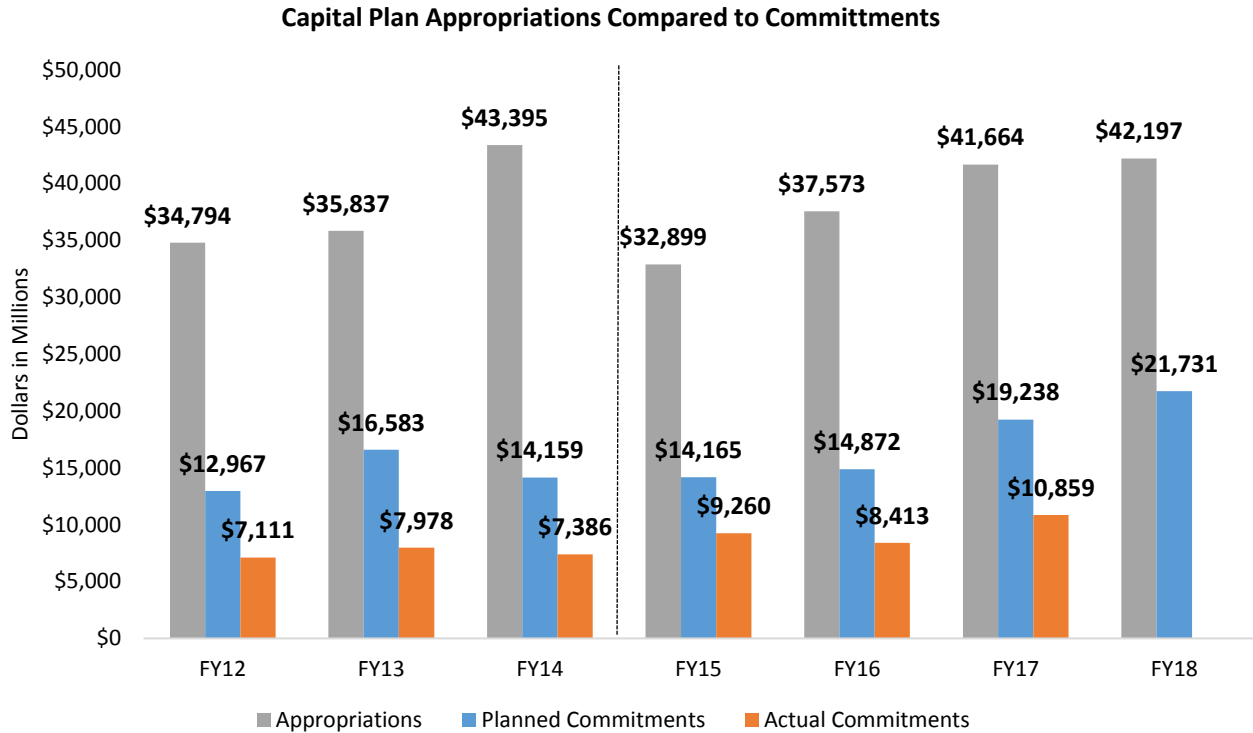
the Fiscal 2018 Capital Budget, along with other related capital projects, the funding is now reallocated to build new jail facilities off the island. On January 25, 2018, the consultant Perkins Eastman was awarded a \$7.6 million contract to conduct a 10-month study of how to close Rikers Island. According to the Administration, Perkins Eastman and its subcontractors are creating a master plan with recommendations for how to maximize capacity at each of the new jail sites and design jails that best meet the needs of inmates, staff, and communities. On February 14, 2018, the Administration and the Council announced the four sites for borough-based jails, which include three existing correctional facilities in Manhattan, Brooklyn, and Queens. The four sites are the Manhattan Detention Center (MDC), the Queens Detention Center (QDC), the Brooklyn Detention Center (BDC), and the NYPD Tow Pound in the Bronx.

- **Homeless Shelters.** In 2017, the Administration added \$300 million to the Department for Homeless Services' (DHS) capital program to fund renovations at homeless shelter sites and to increase capacity.

Capital Appropriations vs. Capital Commitments

As previously mentioned, appropriations represent the legal authority to spend capital dollars and are what the Council votes to approve when adopting the capital budget each year. The capital commitment plan is the plan to spend these appropriations. Appropriations are assigned at the budget line level and, as discussed, it is common for each budget line to contain multiple projects, each designated by a project ID. The total available appropriations for Fiscal 2018 are \$42.2 billion (as of November 30, 2017) with planned commitments totaling \$21.7 billion. This excess balance of \$20.5 billion in appropriations gives the Administration a considerable amount of flexibility in executing its capital program without seeking a budget modification from the Council. Because appropriations can be spent only on projects scheduled in the budget line to which they are attached, this flexibility is more limited than it appears from this variance alone. However, appropriations in the Capital Budget are still excessive compared to planned and actual commitments at the budget line level.

The chart below compares appropriations to planned and actual commitments since Fiscal 2012. As demonstrated, excessive appropriations are a longstanding issue. While Mayor de Blasio's first capital budget in Fiscal 2015 did significantly lower appropriations from the Fiscal 2014 peak, they have since steadily increased. The increase in excess appropriations is due in large part to the chronic front loading of the Capital Commitment Plan. The need for new appropriations is generated by the agency forecasts for the next fiscal year. If the Commitment Plan is front loaded more requests for appropriations will be generated and more new appropriations will be approved for the next year. Coupling this practice with difficulty in committing capital dollars perpetuates the excess appropriations issue. In Fiscal 2017, City appropriations were almost twice as high as planned commitments and over three times as high as actual commitments.



Source: Fiscal 2012-2018 Executive Capital Commitment Plans and Fiscal 2018 Adopted Capital Commitment Plan.

- Between Fiscal 2012 and Fiscal 2017, planned commitments (all funds) have averaged approximately \$15.3 billion each year, with appropriations averaging \$36.7 billion (all funds), or 249 percent more. Actual City-financed commitments, however, have been far less than both appropriations and planned commitments, averaging only \$7 billion annually.
- Between Fiscal 2012 and Fiscal 2017, actual City-financed commitments have averaged a mere 25 percent of available appropriations in each year.
- For Fiscal 2018, planned City-financed commitments total \$19.8 billion with appropriations of \$32.5 billion, or 164 percent more appropriations than planned commitments.

Appropriations at the agency level are also excessive; with only a few exceptions (including ACS, DOC, DOE, and NYCHA) every agency has excess available appropriations greater than 15 percent of their planned capital commitments for Fiscal 2018. Fifteen percent is an appropriate amount for appropriations to exceed planned commitments, given that Certificates to Proceed (CPs) for capital projects build in a 15 percent contingency over total estimated project costs. Appendix B lists available appropriations by agency compared to planned commitments in Fiscal 2018.

The most egregious examples of excess appropriations are in the following areas, with appropriations more than three times their planned commitments: Brooklyn Public Library (excess appropriations 396 percent of planned commitments), DEP Equipment (352 percent), Transit Authority (282 percent), Traffic (278 percent), Courts (253 percent), MTA Bus Company (212 percent), and NYPL (203 percent).

Having more appropriations in a budget line than necessary to complete the individual projects contained therein gives the Administration the ability to add projects within the fiscal year without a

capital budget modification or the Council's approval. Consistent excess appropriations coupled with generic budget line descriptions greatly reduces the Council's involvement in the capital budget process outside of adoption and reduces the Council's ability to provide its Charter mandated check on the administration.

The New York City Charter requires that if a capital project is not initiated by the expenditure of funds within two years of appropriation in the capital budget, the capital project must be eliminated from the budget.¹ While the Administration does remove some appropriations on a yearly basis, because there are multiple projects within each budget line and a large amount of excess appropriations rolling from year to year, it is difficult to determine whether the Administration is complying with this Charter requirement. While appropriations will, and should, always be somewhat higher than planned commitments, the Administration should reduce excess appropriations annually to no more than 15 percent above planned commitments. The reasoning behind the 15 percent above plan mark is that when OMB approves individual projects it does so with a 15 percent contingency built in. Consequently, appropriations at 15 percent above the planned commitment level would account for this and have no impact on the City's ability to execute its Commitment Plan.

Capital Commitment Rate

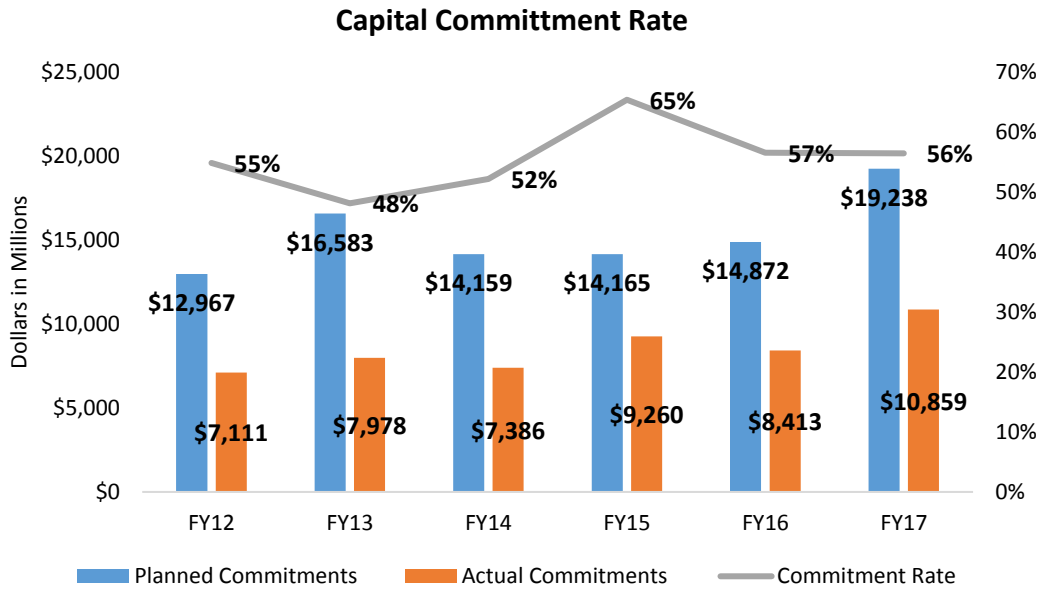
As discussed above, the City does not execute its capital plan as forecast. Much of the gap between planned and actual commitments may simply be due to poor planning and inaccurate budgeting. Some factors are beyond the City's control, such as unforeseen site conditions and bid prices that are closely tied to how well the construction market is performing at the time.

In addition, the City is constrained by certain State actions, such as the State's refusal to authorize the City to use the Design-Build procurement method. Rather than requiring the City to conduct multiple separate bids for the design and construction phases of each project, Design-Build procurement would allow the City to use the same firm to design and build a capital project. The Council is currently lobbying the State aggressively for the authority to use Design-Build, a method that the State has authorized for itself for many years, thereby saving hundreds of millions of dollars and many years on numerous capital projects.

In addition to these outside factors, the City's own rules and regulations have grown more rigorous over the years in an effort to protect itself against bad actors and inflated costs. At the start of his new administration, Speaker Johnson created the new Subcommittee on Capital Budget specifically to address the City's capital challenges with not only its ability to execute its Commitment Plan but to increase transparency and from that accountability.

In Fiscal 2017, the City's commitment rate was only 56 percent. The unspent funds for that year were rolled over into the Fiscal 2018 Adopted Capital Budget. As demonstrated in the chart below, this is not a new issue, and the citywide commitment rate over the last six fiscal years averaged only 56 percent.

¹ New York City Charter §217(b).



New York City Charter Mandates for Capital Projects

The New York City Charter, in part, defines a capital project as one that “provides for the construction, reconstruction, acquisition or installation of a physical public betterment or improvement which would be classified as a capital asset under generally accepted accounting principles for municipalities or any preliminary studies and surveys relative thereto or any underwriting or other costs incurred in connection with the financing thereof.”²

Moreover, the Charter clearly states and makes clear that the Executive capital budget must set forth “separately each capital project.”³ Despite this mandate, there are currently many budget lines in the City’s Capital Budget that have many individual (yet related) capital projects within them. Specifically, the Capital Budget has 1,821 individual budget lines covering 12,366 capital projects. As discussed above, the Council approves appropriations at the budget line level so these budget lines can obscure what exactly the Council is approving. For example, DPR has five budget lines titled “Miscellaneous Parks, Playgrounds, Construction, Reconstruction,” for each borough. Each of these budget lines contains many discrete projects, each with their own budget, construction timeframe, and useful life.

The Charter requires that several discrete pieces of information regarding each capital project be set forth in the budget, including:

- brief description (scope);
- location;
- estimated cost and source of funds;
- the period of probable usefulness (PPU, also known as “useful life”);
- estimated dates of completion of all stages of the project; and
- any terms and conditions of the project.⁴

² New York City Charter §210 (1)(a).

³ New York City Charter §Section 214(a).

⁴ *Id.*

All of these reporting mandates are required at an individual project level but since budget lines do not represent individual projects in the Capital Budget the reporting is largely without use.

The Charter also requires that the Administration prepare detailed and comprehensive guidelines for the design and implementation of each capital project which are to be included in the commitment plan and in the scope of project required be completed for each capital project in the capital budget.⁵ The required information includes, but is not limited to:

- Purpose and public to be served;
- Programs to be conducted in the facility;
- Gross and net amount of space and bulk for any building or structure and for areas for different functions and activities; and
- Identification of required architectural, engineering or other consultants and estimated fees for such consultants.⁶

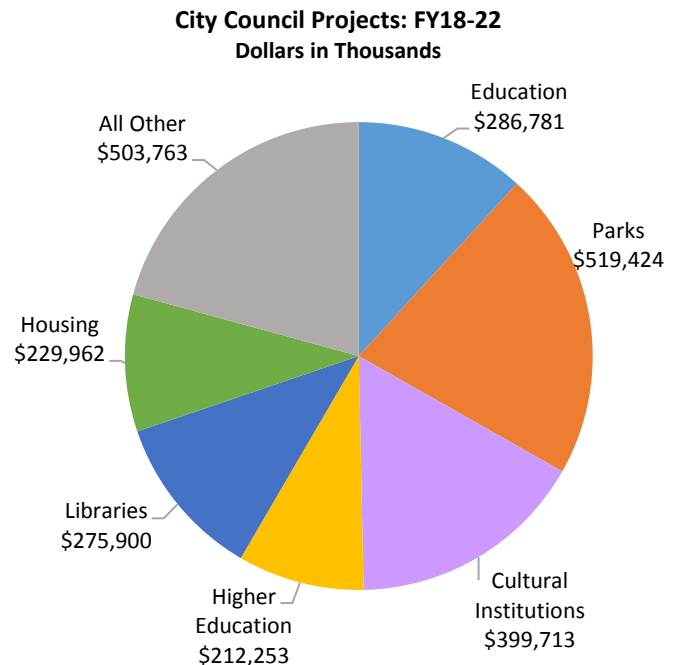
Should the scope of project lack any of the required information, the Charter prohibits the Mayor from approving such project. These detailed scopes and descriptions were originally captured in borough specific volumes colloquially referred to as the “Schroeder Reports.” To the Council’s knowledge these reports are no longer compiled.

Neither the capital budget nor the capital commitment plan fully comply with the requirements of the Charter. The lack of information regarding projects details and spending make it almost impossible for the Council to discern, from published budget documents, what city agencies are spending capital dollars on or how the capital program will improve public services.

Council Discretionary Projects

The Commitment Plan includes \$2.4 billion for 2,980 City Council discretionary projects over the plan period. Of the \$2.4 billion, \$575 million were added in the Fiscal 2018 Adopted Capital Budget with the remaining \$1.8 billion added in past years for various projects, many of which are ongoing. It is common for the Council, Mayor, and Borough Presidents to co-fund capital projects. Many cultural projects, for example, are funded jointly. As reflected in the chart to the left, of the Council-allocated funding included in the Commitment Plan, more than 76 percent is allocated to the following six areas: education, parks, cultural institutions, higher education, and public libraries.

City Council capital funding generally supports smaller community projects that otherwise would not be funded, such as small parks, projects at local libraries, and technology for schools.



⁵ New York City Charter §§219(d), 222.

⁶ New York City Charter §210(4).

Financing and Debt Service

Once a capital project is executed and the resultant contracts are liquidated bonds will be sold to offset these costs and a payment schedule will be set up based on the length of the term that the bonds were sold for. Debt service payments make up a large part of the City's expense budget and are categorized as uncontrollable expenses at that point. An excessive Capital Commitment Plan and Budget has an effect on the debt service forecasting for the outyears as planning must be done as if the City will execute its plan.

New York City sells bonds to fund its ambitious capital program, and the Preliminary Plan estimates \$51.2 billion in long-term borrowing between Fiscal 2018-2022 to pay for the Commitment Plan. The City's borrowing strategy is a function of numerous factors, including but not limited to the conditions of the financial market, the City's project schedule, and cash flow considerations. A summary of the financing plan is shown in the table below.

Summary of Capital Financing Plan – Fiscal 2019 Preliminary Financial Plan					
<i>Dollars in Millions</i>					
	FY18	FY19	FY20	FY21	FY22
Financing Plan					
General Obligation Bonds	\$2,200	\$4,000	\$4,770	\$4,800	\$4,440
Transitional Finance Authority Bonds ⁽¹⁾	3,540	4,000	4,770	4,800	4,440
Water Authority Bonds	1,746	1,842	1,909	1,940	2,033
Total	\$7,486	\$9,842	\$11,449	\$11,540	\$10,913
Debt Outstanding					
GO Bonds	\$37,570	\$39,495	\$42,024	\$44,575	\$46,593
TFA Bonds ⁽¹⁾	35,336	37,984	41,361	44,659	47,487
Other Debt ⁽²⁾	2,355	2,259	2,144	2,026	1,905
Total	\$75,261	\$79,738	\$85,529	\$91,260	\$95,985
Water Authority Bonds	30,369	31,846	33,362	34,887	36,484
Debt Financing Burden (excludes Water Debt)					
Debt Outstanding/NYC Personal Income	12.8%	13.0%	13.4%	13.7%	13.9%

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 \$98.2 billion, which is forecasted to grow sufficiently to accommodate new borrowing in the financing plan.⁷ 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 Moody's, Standard & Poor's, and Fitch.

While the City enjoys a strong cushion on its debt limit and favorable credit ratings on its bonds, there are factors to monitor. The City's debt service is rising as a percentage of City revenues. The City also has an above-average debt burden per capita compared to other cities.⁸

⁷ New York City Comptroller, *Fiscal Year 2018 Annual Report on Capital Debt and Obligations*, December 2017.

⁸*Id.*

Summary of Debt Service Payments - Fiscal 2019 Preliminary Financial Plan

Dollars in Millions; Before Prepayments

	FY18	FY19	FY20	FY21	FY22
Debt Service					
GO Bonds	\$3,946	\$3,989	\$4,299	\$4,482	\$4,825
TFA Bonds ⁽¹⁾	2,224	2,864	3,128	3,408	3,754
Other Debt ⁽²⁾	314	307	319	319	312
Total	\$6,484	\$7,160	\$7,746	\$8,209	\$8,891
Debt Service Burden					
Debt Service/Total Revenue	7.3%	8.0%	8.4%	8.6%	9.3%

1) TFA Bonds do not include BARBs

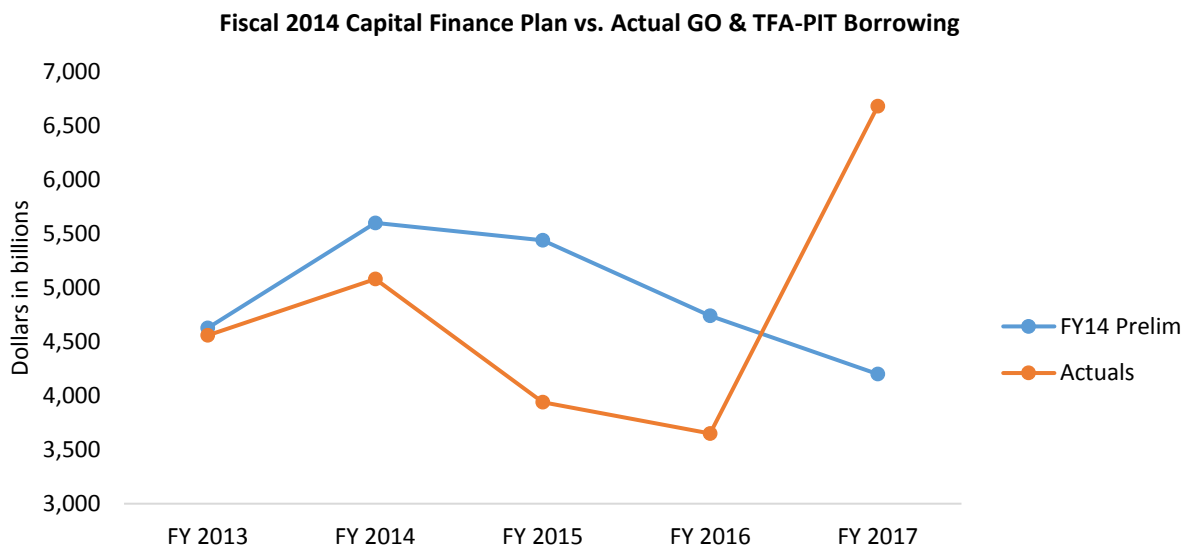
2) Includes Conduit Debt and the Tobacco Settlement Asset Securitization Corporation (TSASC).

The Fiscal 2019 Preliminary Plan includes \$88.7 million in debt service savings for Fiscal 2018, primarily from revised interest rate assumptions for variable rate bonds and savings related to refunding transactions the City completed during the fiscal year. Savings from these refundings is also reflected in the outyears.

The City’s surplus roll, held in the Budget Stabilization Account for the prepayment of future years’ debt service costs, is approximately \$2.6 billion for Fiscal 2018. In Fiscal 2017, the surplus roll was \$4.2 billion.

Debt Service & the Capital Plan

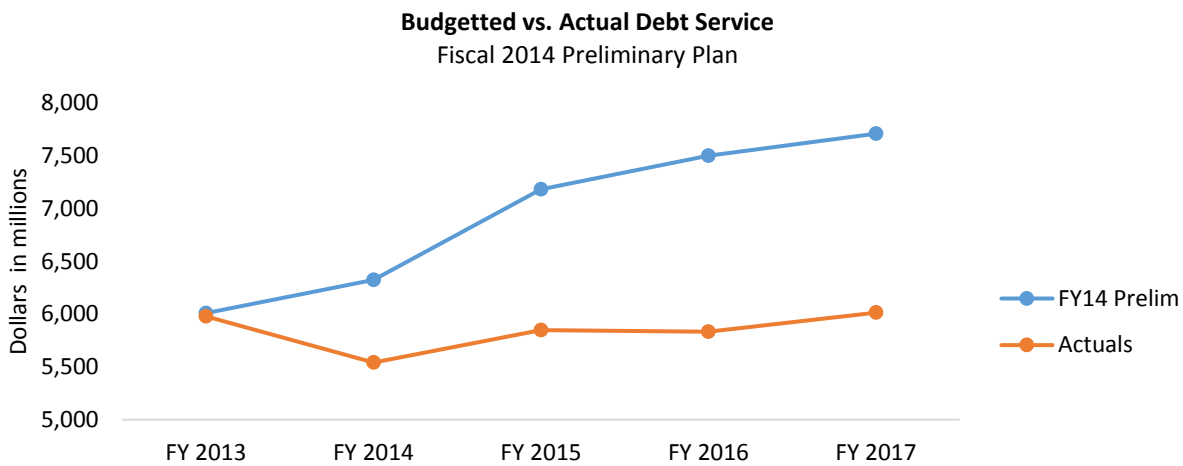
The City’s financing plan and debt service budget reflect expectations of anticipated capital spending and so bear some relationship to the City’s capital plan. As has been noted, the capital plan tends to change over time as the City fails to commit projects in the current fiscal year. This trend is somewhat mirrored in the City’s expectation for the projected debt issuance and debt service costs in the financial plan.



Source: Mayor’s Office of Management and Budget (OMB); New York City Comprehensive Annual Financial Report of the Comptroller (various years)

For example, the Fiscal 2014 Preliminary Expense Budget forecasted that the City would borrow \$24.6 billion over the financial plan period (Fiscal 2013-2017).⁹ By the completion of Fiscal 2017, the City had actually borrowed \$23.9 billion over the period. In recent years, planned and actual borrowing have tracked relatively closely, though actual timing of borrowing has fluctuated somewhat, as can be seen in the graph above.

Debt service, however, has consistently been overestimated in the City’s financial plans, particularly for outyears. Using the same example, the Fiscal 2014 Preliminary Expense Budget estimated that the City would spend \$34.7 billion on debt service over the financial plan period of Fiscals 2013 through Fiscal 2017.¹⁰ However, the City actually spent less than \$30 billion in that five year period. Given the accuracy of the financing plan, these differences largely arise due to the City consistently overestimating other factors of debt service costs, such as interest rates for variable-rate debt and new borrowing.



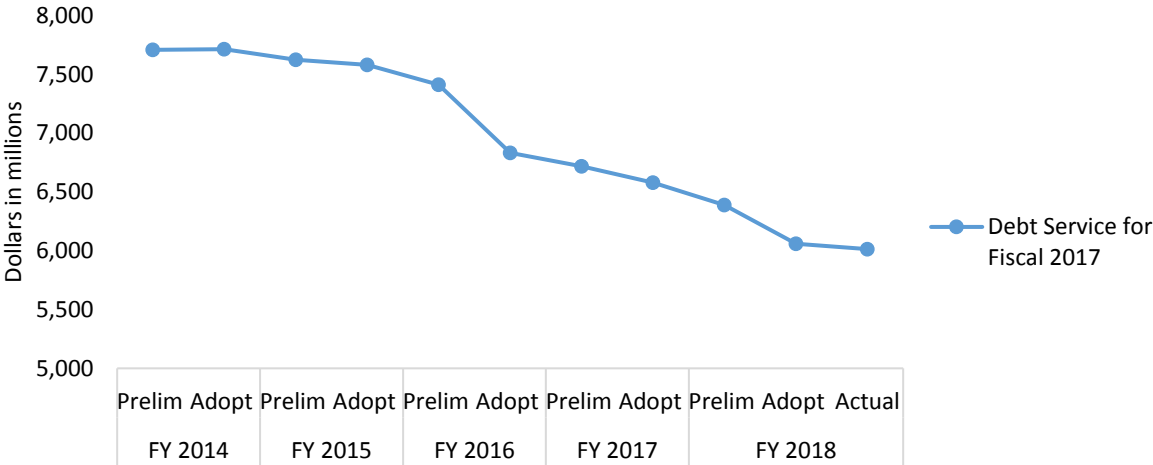
Source: Mayor’s Office of Management and Budget (OMB); New York City Comprehensive Annual Financial Report of the Comptroller (various years)

Another way to look at this is to track the planned debt service costs for a single year over several financial plans. As an example, from its first appearance in the Fiscal 2014 Preliminary Expense Budget, Fiscal 2017’s debt service costs declined by 22 percent by the time it appeared in the Comptroller’s Comprehensive Annual Financial Report (CAFR). This overestimation skews the picture of the City’s debt affordability over the plan and provides the Administration a convenient source of savings for subsequent Citywide Savings Plans.

⁹ This figure only includes borrowing through General Obligation (GO) TFA-PIT bonds.

¹⁰ Debt service costs calculated before prepayments.

Estimates of Debt Service Costs for Fiscal 2017



Source: Mayor's Office of Management and Budget (OMB); New York City Comprehensive Annual Financial Report of the Comptroller for Fiscal Year 2017

APPENDIX A: FY18-FY22 Capital Commitment Plan Preliminary Budget vs. Adoption

FY18-FY22 Capital Commitment Plan Preliminary Budget vs. Adoption			
Agency	Prelim FY18-22	Adopt FY18-22	Variance
Admin for Children's Services	\$508,772	\$509,119	(\$347)
Brooklyn Public Library	308,565	308,486	79
Correction	2,112,701	2,109,701	3,000
Courts	1,248,631	1,248,337	294
Cultural Institutions	984,630	976,451	8,179
Dep Equipment	482,638	435,509	47,129
Department for The Aging	62,900	62,900	-
DOITT Equipment	511,830	526,830	(15,000)
Economic Development	4,086,545	3,874,542	212,003
Equipment and Financing Costs	3,716,708	3,751,825	(35,117)
Education	13,955,522	13,732,230	223,292
Ferries & Aviation	395,716	425,115	(29,399)
Fire	933,622	927,803	5,819
Health	568,305	568,194	111
Health & Hospitals Corp.	3,050,359	2,964,453	85,906
Higher Education	590,027	589,974	53
Highway Bridges	5,832,905	5,872,029	(39,124)
Highways	4,866,590	4,614,167	252,423
Homeless Services	552,947	552,964	(17)
Housing & Development	6,261,201	5,511,201	750,000
Housing Authority	1,375,228	1,113,479	261,749
Human Resources	222,827	224,431	(1,604)
MTA Bus Company	37,448	37,448	-
New York Public Library	458,113	458,113	-
New York Research Library	37,265	37,265	-
Parks	4,074,159	3,936,623	137,536
Police	1,972,092	1,904,646	67,446
Public Buildings	1,583,116	1,550,674	32,442
Queens Borough Pub. Lib.	345,039	345,027	12
Real Property	125,381	125,381	-
Sanitation	2,191,952	2,146,556	45,396
Sewers	3,305,681	3,285,928	19,753
Staten Island Rapid Transit	3,550	7,375	(3,825)
Traffic	487,771	479,793	7,978
Transit Authority	641,391	637,566	3,825
Transportation Equipment	153,110	134,042	19,068
Water Mains	3,060,586	3,022,005	38,581
Water Pollution Control	4,964,089	5,081,912	(117,823)
Water Supply	1,946,555	1,868,514	78,041
Waterway Bridges	1,599,590	1,471,123	128,467
TOTAL	\$79,616,057	\$77,429,731	\$2,186,326

APPENDIX B: FY18 Available Appropriations vs. the Commitment Plan

Available Appropriations vs. the Commitment Plan				
Agency	FY18 Available Appropriations	FY18 Commitment Plan	Excess (Under)	Excess Appropriations as % of Planned Commitments
Admin for Children's Services	\$411,622	\$381,222	\$30,400	8%
Brooklyn Public Library	271,607	54,750	216,857	396%
Correction	1,735,355	1,672,140	63,215	4%
Courts	611,021	173,130	437,891	253%
Cultural Institutions	950,588	464,405	486,183	105%
Dep Equipment	333,233	73,645	259,588	352%
Department for The Aging	46,763	15,612	31,151	200%
DOITT Equipment	313,027	201,079	111,948	56%
Economic Development	2,014,962	922,992	1,091,970	118%
Equipment and Financing Costs	1,420,756	940,196	480,560	(41%)
Education	2,070,521	3,498,950	(1,428,429)	51%
Ferries & Aviation	220,489	(6,138)	226,627	(3,692%)
Fire Department	332,329	230,996	101,333	44%
Health	369,226	141,214	228,012	161%
Health & Hospitals Corp.	798,935	370,726	428,209	116%
Higher Education	455,133	301,891	153,242	51%
Highway Bridges	1,134,967	393,799	741,168	188%
Highways	1,657,228	857,883	799,345	93%
Homeless Services	195,670	86,331	109,339	127%
Housing & Development	3,134,208	1,293,182	1,841,026	142%
Housing Authority	689,025	649,064	39,961	6%
Human Resources	129,123	72,652	56,471	78%
MTA Bus Company	58,379	18,724	39,655	212%
New York Public Library	391,984	129,237	262,747	28%
New York Research Library	35,018	33,367	1,651	203%
Parks	1,904,253	1,284,998	619,255	5%
New York City Police	859,006	670,437	188,569	48%
Public Buildings	835,079	517,748	317,331	61%
Queens Borough Public Library	268,134	142,787	125,347	88%
Real Property	37,584	38,365	(781)	(2%)
Sanitation	537,705	411,803	125,902	31%
Sewers	1,499,216	657,720	841,496	128%
Staten Island Railway	4,825	3,550	1,275	36%
Traffic	239,617	63,384	176,233	278%
Transit Authority	1,189,264	311,391	877,873	282%
Transportation Equipment	84,422	83,634	788	1%
Water Mains	1,433,866	699,121	734,745	105%
Water Pollution Control	2,302,443	836,461	1,465,982	175%
Water Supply	531,935	317,655	214,280	67%
Waterway Bridges	980,528	773,462	207,066	27%
TOTAL	\$32,489,046	\$19,783,565	\$12,705,481	64%