Published in the

POLITICO NEW YORK

Amid Criticism, Mayor Increases Rate of Capital Spending On Infrastructure

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June 7, 2016

Mayor Bill de Blasio's two most recent five-year capital budget plans, released as part of his executive budgets, proposed the largest annual increases since 2007. This year's increase was 16.9 percent and last year's was 17.4 percent.

The unusual increases are driven in large part by new spending through a broad range of agencies, including a larger capital contribution to the Metropolitan Transportation Authority, additional funding for the Third Water Tunnel, more spending on capital repairs to the city's schools, and new money for creation and preservation of affordable housing and repairs at homeless shelters.

The bigger capital spend is consistent, in part, with the administration's ambitious plans for housing and schools. The increased funding for affordable housing was necessary for de Blasio's plan to build or preserve 200,000 units of affordable housing, and the funding for the city's schools is going in part to de Blasio's goal of reducing overcrowding.

But some of the increases this year follow critical attention to the administration on a number of infrastructure issues. The increase to the city's MTA spend came after a public fight between de Blasio and Governor Andrew Cuomo over how much the city should be contributing to the authority's capital budget. The increase to the city's homeless shelters comes after multiple reports finding unsafe and unhealthy conditions at the city's shelters. And the spending on the water tunnel followed a backlash-inducing report in the Times that the administration had planned to delay funding for the vital project.

The most recent capital plan is 44 percent greater than former mayor Michael Bloomberg's final capital plan in November 2013. (That plan only covers four years, but the New York City Office of Management and Budget provided POLITICO New York with numbers that included the fifth year, for purposes of comparison.)

The increases show de Blasio's capital spending approaching and then exceeding pre-recession levels. After the city started recovering from the recession and the terrorist attacks on September 11, Bloomberg increased the capital plan budgets. His five-year capital plan in 2004 was 32 percent greater than the year before and his 2005 plan was 15 percent greater than the 2004 plan.

In the five-year plan just before the recession in 2008, Bloomberg proposed spending $60.8 billion. But each year after the recession, he decreased capital spending until 2013, his last year in

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office. And since he took office, de Blasio has been getting spending back to pre-recession levels. His 2016 five-year plan proposes spending $67.1 billion, 10.5 percent greater than Bloomberg's 2008 plan.

Citizens Budget Commission, a budget watchdog group, is questioning whether this level of spending is sustainable based on two benchmarks that they say rating agencies use. One benchmark compares total city debt as a share of the full market value of real property in the city. In 2016 the city's debt will be 7.2 percent of real property and in 2017 it will be 6.8 percent, while the benchmark is 5 percent.

The other benchmark compares total city debt as a share of total personal income in the city. The benchmark is 6 percent and over the next five years city debt will be just below 13 percent of personal income.

The de Blasio administration counters by pointing to reports by Fitch, Moody's, and Standard & Poor's in May showing strong ratings and comments citing the city's diverse economic base and strong budget monitoring.

They also point to another commonly referenced benchmark that capital debt service payments should be less than 15 percent of total city tax revenue. Data provided by OMB shows that over the next five years debt service will be 13.2 percent of tax revenue at its highest.

Karen Hinton, a spokeswoman for de Blasio said, "The City's capital program is focused on core needs including keeping our roads and bridges safe, maintaining our unparalleled water supply, ensuring our children have seats at school, combating the risks of climate change and providing access to affordable housing, while keeping debt service as a percentage of tax revenue at historic benchmarks. Ratings agencies and monitors consistently praise our responsible financial management, including the fact that our being under the debt service as 15 percent or less of total taxes indicates that our capital program is clearly affordable without undermining the City's debt."

Preston Niblack, a senior adviser at Manatt, Phelps & Phillips, LLP and former director of the finance division at the New York City Council, compares how fast debt service is growing to how fast tax revenue is growing.

"One measure of the affordability of the city's debt that I use is whether debt service is growing at roughly the same rate over time as city tax revenue," said Niblack. "At the moment it is, taking into account that both debt service and revenues are conservatively forecast."

Over the next five years, debt service is projected to grow at an average of 8 percent per year, while tax revenue is projected to grow at an average of 4 percent per year. As Niblack said, both are estimated conservatively.

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Whether spending is increasing or decreasing, some people are saying the budget documents should better compare spending plans to long-term goals.

Maria Doulis at CBC says, "The city's capital budget deserves a user-friendly upgrade; but more than that, there needs to be more structure and transparency about the priorities, goals, and actual performance of the capital program."

And a recent report by the New York Building Congress called on the city to transform its capital budget to, among other things, include a new 20-year capital needs assessment and have the four year budget plans include targets towards long term capital needs goals that can be measured and assessed.

Hinton said, "The City of New York is among the leading municipalities in this country in providing budget and planning information. On the capital side the city provides a 10-year plan every two years and a commitment plan of either four or five years, which is updated three times annually."