THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

May 21, 2020

The Honorable Bill de Blasio
Mayor
City of New York
City Hall
New York, NY 10007

Re: Capital Program

Dear Mayor de Blasio:

Since March, the Administration has reportedly put a "hard stop" on nearly all new capital projects. Planned projects across the board – from affordable housing, to school renovations – have been halted. In this time of severe fiscal strain, this action may seem like a reasonable step to save money. But I am writing today to stress that stopping the capital program has other consequences that I believe outweigh the modest short-term savings that might be achieved. In addition to creating jobs and economic opportunity, continued capital investment is critical to maintaining our assets in a state of good repair, and meeting the service needs of our city now and in the future. I therefore urge you to re-start the capital program, focusing on priority projects that will enhance the state of good repair of our buildings, infrastructure, and equipment. These are unprecedented and challenging times, but they represent a generational opportunity to reimagine how our City approaches capital investment and to harness our capital program as an economic engine.

Obviously with revenues falling sharply, the City's financial position requires careful management. The future remains uncertain – we don't know how quickly or how completely the city's economy will recover. But there is little justification for stopping the capital program on the basis of our current cash position. The City's cash balances are below the level they were a year ago, but there is no immediate danger of a cash crunch. The City's Central Treasury cash balance was $5.0 billion as of Monday.

And of course, the cash we disburse to pay for capital projects is reimbursed from the proceeds of the bonds we sell. Just last week, the Transitional Finance Authority successfully sold over $1 billion in new money bonds, with yields on 20-year bonds below 3 percent. Should we be doing everything we can to match expenditures to revenues? Of course. But the budgetary costs of financing the capital program are manageable as long as the cost of capital remains below long-term trend revenue growth. From a budgetary perspective, there's no need for such a radical slowdown in capital spending.

And there are significant costs to not proceeding with capital investments.

First, there is the future cost of deteriorated infrastructure and unmet program and service needs. We spent two decades recovering from the lack of investment of the 1970s. And our present infrastructure needs are enormous: everything from reconstructing parks, schools, hospitals, museums, theaters and courts to building affordable housing to buying fire engines and garbage trucks. We can't afford to fall behind. The cost of deferred maintenance will make itself felt down the road, when antiquated equipment fails, schools are overcrowded, and housing is dilapidated and unsafe. We can pay for it today, or we can pay for it later – when it will be much more expensive to fix or replace.

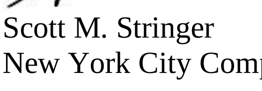
Second, construction creates jobs. Every $100 million in construction spending creates 484 direct construction jobs – and 181 others, including suppliers, and induced jobs from the additional spending those direct and supplier jobs support. With one out of every five construction workers out of work statewide, we need to get construction going again as part of our path to economic recovery.

The City's construction program is also a major source of contracts for minority- and women-owned businesses. In Fiscal Year 2020 to date, the City has paid over $1 billion to nearly 450 M/WBE firms for capital projects – one out of every eight dollars of capital spending. New York City's Black and Latino communities are already bearing the brunt of the pandemic, representing a vast majority of COVID-19 cases and deaths and most of our frontline workforce. But the slowdown of our economy has also decimated hard-won local community wealth, as businesses shutter permanently for lack of work or close temporarily to protect the public health. Construction contracts would an economic lifeline to our city's MWBEs, generating well-paid, much-needed opportunities for small businesses and laying a solid financial foundation upon which to rebuild.

Given the current "pause" in our economy and the shuttering of much of the city, now is actually an ideal time to take on certain projects. School buildings are vacant until September, giving the DOE and School Construction Authority nearly four months to replace boilers, windows, lighting fixtures, and perform other much-needed upgrades to schools that are difficult if not impossible to get done when students are in session. Car and truck traffic has dropped precipitously, making road work much easier to accomplish. And as city residents seek respite outdoors in safe, socially distant ways, it's important to recognize the vital need to improve our parks, playgrounds, and greenways.

During the Great Depression, robust investments in capital projects helped revive the economy and create much-needed jobs. As our city faces the steepest economic downturn in modern times, a prudent restart of the capital program would help jumpstart today's recovery. We should prioritize projects that are ready to go and that will help maintain capital assets in a state of good repair for the future, while ensuring work is done safely with proper social distancing and personal protective equipment. Now would also be a good time to do a careful review of all proposed capital projects and decide which are truly needed, and which are not. Investing in our future is simply smart management, and sound fiscal policy. We need the capital program – for our jobs, for our small and minority firms, and for our future. I urge you and your Administration to start investing in our future again.

Sincerely,



Scott M. Stringer
New York City Comptroller