

Boston's Capital Plan

Continuing to Move Boston Forward

The FY23-FY27 Capital Plan is the City of Boston's long-term capital investment program for the next five fiscal years and is the first one proposed by Mayor Wu. The \$3.6B Capital Plan supports 407 projects to update and improve City infrastructure. The Capital Plan indicates the City's priorities for capital improvements, though it is subject to change annually. While the City expects to increase borrowing to fund capital projects, an uncertain economy post-pandemic warrants careful monitoring and flexibility to maintain Boston's financial strength. What types of projects does it fund? What new projects are included? How will the City finance the Capital Plan? How much debt will the City take on?

Report Objectives

Our report provides information and insights on:

- Planned capital spending in FY23-FY27
- Capital financing and debt management
- New projects and highlights by department

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Overview

Boston’s infrastructure—schools, roadways, fire stations, parks, etc.—is renovated and constructed according to the City’s Capital Plan. Each year, the Mayor recommends a budget that prescribes how the City will invest in maintaining and renovating its capital assets over the next five fiscal years, including ongoing projects and new projects. The Capital Plan is guided by City plans including *Imagine Boston 2030*, *Go Boston 2030*, and *Climate Ready Boston*.

In June, the City Council unanimously approved \$682.1M in new authorizations supporting the \$3.6B FY23-FY27 Capital Plan, the first recommended by the Wu Administration. The total cost of the Capital Plan represents an increase of \$370.0M from the prior year’s five-year capital plan. The plan supports 407 projects, including school maintenance projects, energy efficiency improvements to City buildings, and construction of affordable public housing. The City identified four categories of projects: (1) ‘Upkeep,’ projects that maintain the City’s assets, (2) ‘Upgrade,’ projects that improve existing assets by adding new capacity or innovation, (3) ‘New/Major Renovations,’ and (4) ‘Planning or Matching Funds’ to pay the costs of design and engineering services.

The FY23-27 Capital Plan features many projects that not only maintain current assets, but will construct new assets that address key priorities of the City and will improve Boston. The Capital Plan includes 87 new projects and programs, and increases capital funding for nearly every department that receives capital funding—especially the Environment Department, the Office of Housing, and the Property Management Department, which includes the expansive renovation of City Hall Plaza. Additionally, the Capital Plan includes \$612.6M as part of the Wu Administration’s renewed effort to upgrade schools called the Green New Deal for Boston Public Schools (BPS). While this Capital Plan is overall very similar to prior capital plans, the increased investments in capital broadly and increased investments in specific departments indicate that the Mayor is planning to “get the little things right” while also acting with a sense of urgency and possibility.

Capital Funding

The City’s capital plan generally is funded by four basic revenue sources: City General Obligation (GO) Bonds, federal grants, state grants and miscellaneous other funds. The majority (72.9%) of FY23-FY27 capital expenditures are funded through GO bonds. The other 27.1% of financing derives from state grants, federal grants, and other funds. The other funds consist of City and non-City source funds including the Surplus Property Fund, the Parking Meter Fund, BPDA grants, and incentive rebates from utilities. The FY23-FY27 Capital Plan is expected to increase borrowing by 2.8% from last year’s plan. In 2020, the pandemic caused the City to delay a bond issue by nine months from March to December and suspension of construction activity was a minor interruption, but capital spending quickly rebounded.

Debt Management - The City expects to increase borrowing, yet its debt service costs remain relatively modest. In the coming years, the City is planning to increase debt service costs as a percentage of general fund expenditures from 4.8% in FY21 to an estimated 6.99% in FY27. As the City continues to authorize

Capital Funding Sources

(\$ in millions)

Source	Total	%
Existing Authorizations	\$1,780.9	49.1%
FY23 Authorizations	682.1	18.8%
FY24-27 Authorizations	183.0	5.0%
Total City Authorizations	2,646.0	72.9%
State	306.9	8.5%
Federal	403.5	11.1%
Other	274.3	7.6%
Grand Total	\$3,630.7	100.0%

bonds, to remain fiscally responsible, it maintains a debt management policy that ensures annual gross debt service costs do not exceed 7.0% of general fund expenditures, a limit that is a factor considered by credit rating agencies in their reviews of the City's credit rating. The City expects that gross debt service costs will be a modest 5.4% of general fund expenditures in FY22 and 5.5% in FY23.

In the FY23-FY27 Capital Plan, debt service requirements as a percentage of general fund expenditures are projected to increase over the next five years and nearly reach 7.0% in FY27. The City's capacity to borrow is affected by its credit rating. The City maintains strong Aaa/AAA bond ratings because it has been fiscally responsible by being conservative about assuming long-term debt and aggressive about retiring debt expeditiously.

Capital Spending

Capital Spending FY23 - Capital spending in FY23 is estimated to total \$560.1M, \$4.1M less than planned FY22 capital spending. The \$560.1M is to be spent on 381 projects in FY23, 76.6% of which were identified in earlier capital plans.

Over 70.0% of FY23 capital spending will maintain or improve existing assets. This spending is classified as 'Upkeep' (projects that maintain the City's assets) and 'Upgrade' (projects that improve existing assets by adding new capacity or innovation), and in the past four fiscal years, they averaged 57.0% of annual capital spending. The proportional increase in 'Upkeep' and 'Upgrade' spending focuses on ensuring the City's property is working properly and on addressing problems with existing infrastructure. There is increased spending in the Upkeep and Upgrade categories because various Public Works Department projects are projected to spend \$34.0M more than planned in FY22. This is also because the Capital Plan increases capital spending in FY23 for the Parks and Recreation Department by \$7.0M, Boston Public Schools by \$5.0M, and the Transportation Department by \$5.0M for projects such as dedicated bus lanes and bike infrastructure. There is also a \$17.0M increase for repairs at the Mildred Hailey BHA development.

Conversely, a smaller portion of total spending is budgeted for New/Major projects in FY23 (25.0%). This decreased relative to FY22 because several major projects, such as the Adams Street and Roslindale

Bond Authorizations

The City approved \$682.1M in loan authorizations for FY23 as part of the Capital Plan. The authorizations allow the City to borrow money through bonds to finance capital projects. Even if authorized in FY23, the money may not all be spent in this fiscal year because many projects take multiple years or because the City is not yet ready to begin the project for various reasons. Nonetheless, this figure demonstrates what projects the City intends to support. The total authorization amount in FY23 is a 94.7% increase from \$350.4M in FY22, indicating that the Administration aims to invest more quickly in capital assets over the next few years. This reflects the addition of 87 new projects, several projects nearing construction phase, and authorizations for the Administration's commitments to public housing projects.

Some of the largest project authorizations in FY23 can be found [here](#). The City mostly authorized funding for major annual programs and ongoing projects, though there are two major new projects: the Mildred C. Hailey preservation, which will renovate public housing, and the Blue Hill Avenue Multimodal Corridor, which will redesign the street corridor to improve mobility.

Branch Libraries and Engine 42 Fire Station, were completed in FY22. Furthermore, several more major projects will be completed in FY23 and the City expects that those projects will have fewer expenditures than they had in FY22—such as Boston Arts Academy, City Hall Plaza, East Boston Police Station, and BHA Orient Heights. The remaining approximately 3.0% is for matching fund requirements and planning costs.

Capital Spending FY23-FY27 - The budget for the FY23-FY27 Capital Plan totals \$3.6B, which is \$370.0M more than the previous capital plan. Although capital spending will decrease slightly in FY23, it is projected to increase significantly by approximately \$200.0M in FY24. Compared to the previous capital plan, the categories in capital spending remain proportionally about the same.

Capital Spending by Category - The largest category, *Roads, Bridges & Sidewalks*, account for about a third of total capital spending and increased slightly by 0.4% from the FY22-26 Capital Plan. The second-largest category, *Schools*, increased by 7.1%. One of the more noticeable changes is that *City Hall & Other*

Capital Spending by Category

(\$ in millions)

Category	% of Total		FY22-26		FY23-27		Variance	Variance
	FY22-26	FY23-27	FY22-26	FY23-27	\$	%		
Roads, Bridges & Sidewalks	36.7%	33.1%	\$1,197.7	\$1,203.0	\$5.3	0.4%		
Schools	22.8%	21.9%	743.0	795.7	52.7	7.1%		
City Hall & Other Govt	11.5%	16.5%	376.4	600.0	223.6	59.4%		
Parks	11.0%	10.4%	357.8	377.6	19.8	5.5%		
Public safety	8.3%	7.5%	269.9	273.8	3.9	1.4%		
Housing	2.1%	3.7%	69.6	136.0	66.4	95.4%		
Libraries	3.5%	3.0%	115.4	110.6	(4.8)	-4.2%		
IT	3.3%	3.0%	107.3	108.2	0.9	0.8%		
Arts & Culture	0.5%	0.5%	16.4	18.4	2.0	12.2%		
Other	0.2%	0.2%	7.2	7.5	0.3	4.2%		
Total	100.0%	100.0%	\$3,260.7	\$3,630.7	\$370.0	11.3%		

Government Buildings became a larger part of capital expenditures and increased by 59.4%. *Housing* also increased by 95.4% and became a larger portion of total capital expenditures, surpassing *IT* and *Libraries*. These changes reflect spending in large government building renovations at City Hall Plaza, 26 Court Street, and three new housing projects.

Also, the City reports that at least 10.0% of new City capital funding is directed for climate resilient projects. This includes an increase of \$3.0M for the Climate Resilience Reserve, which supports resilient features in existing projects.

Capital Spending by Department - To analyze the Capital Plan another way, capital spending can be broken down by department. The majority of capital spending is allocated for only a few departments, which is typical. The FY23-

Capital Spending by Department

(\$ in millions)

Department	FY23-27	FY23-27		Variance	Variance
		% of Total	% of Total	\$	%
Public Works	\$987.0	27.2%		(\$20.9)	-2.1%
Schools	795.7	21.9%		54.2	7.3%
Property Management	361.3	10.0%		147.5	69.0%
Parks & Recreation	362.0	10.0%		20.7	6.1%
Transportation	215.2	5.9%		27.1	14.4%
Housing	142.5	3.9%		72.9	104.7%
Environment	129.5	3.6%		63.7	96.7%
All Others	637.5	17.6%		4.8	0.8%
Total	\$3,630.7	100.0%		\$370.0	11.3%



27 Capital Plan made a few notable changes to capital spending by department relative to the previous capital plan. The largest percent increase in planned spending by department is for the Mayor’s Office of Housing (104.7% or \$72.9M), reflecting the addition of three new housing projects. The Capital Plan also includes large increases for the Environment Department (96.7% or \$63.7M) and Property Management Department (69.0% or \$147.5M). The increase for Environment can mainly be attributed to Renew Boston Trust Phase 3, for which an additional \$45.0M was authorized. The Property Management budget includes funding for major renovations at City Hall Plaza and 26 Court Street. This Capital Plan also includes decreases of smaller magnitude for Fire (-9.4% or -\$12.1M), the Boston Public Library (-6.0% or -\$6.9M), and the Public Works Department (-2.1% or -\$20.9M).

The table below features some highlights and new projects included in the Capital Plan.

Select Capital Project Highlights

Department	Highlights and New Projects
Public Works	ADA/AAB pedestrian ramps (\$57.1M)
	Complete Streets reconstruction: Ruggles Street (\$6.5M), Cummins HWY (\$24.0M), & Boylston Street (\$9.9M)
	Street lighting infrastructure upgrades (\$4.6M)
Boston Public Schools	Studies for new schools, namely rebuilds & reconfigurations at the West Roxbury Education Complex (\$150.0K), McKinley School (\$175.0K), and new elementary schools in Dorchester (\$150.0K) and Roxbury (\$150.0K)
	New maintenance projects, including masonry repairs, upgrades to libraries, science rooms, and art rooms
Transportation	Blue Hill Avenue Multimodal Corridor (\$39.5M)
	Nubian Square improvements (\$17.9M)
	Strategic Bike Network (\$18.6M)
Office of Housing	Mildred C. Hailey Preservation (\$52.0M)
	Mildred C. Hailey Phase 1 Redevelopment (\$10.0M)
	Phase 1 of the Mary Ellen McCormack Redevelopment (\$10.0M)
Boston Public Library	Egleston Square Branch Library design (\$22.0M)
	Fields Corner Branch Library design (\$21.0M)
	West End Branch Library with affordable housing design (\$3.0M)
	Chinatown Branch Library with affordable housing design (\$22.0M)
Police	Computer Aided Dispatch System Upgrade (\$3.3M)
	Ongoing replacement of the Headquarters roof and elevators (\$7.2M)
	Roof replacements (\$1.6M) and window replacements (\$1.1M) at several stations
Public Health Commission	Ongoing upgrade the EMS radio system (\$23.2M)
	Renovation of facility in West Roxbury as a new EMS training academy (\$15.7M)
	Construction of EMS station in Seaport (\$11.0M)
	Long Island Facility Preservation (\$20.0M)

Capital Spending for Boston Public Schools - BPS is expected to absorb 21.9% of capital spending over five years for a total of \$795.7M, an increase of \$54.2M or 7.3%. About \$183.1M of this accounts for spending prior to FY23 for projects in the Capital Plan. Beginning in FY23, planned capital spending is guided by the Green New Deal (GND) for BPS, a 10-year plan to invest \$2.0B to overhaul BPS facilities. The

GND for BPS is a renewed effort that expands upon the work of BuildBPS to address the need for modern schools, (61.2% of BPS schools were built before 1950). Additionally, the GND for BPS is intended to systematically accelerate upgrades to BPS facilities while also decarbonizing City buildings. This should be a high priority for the BPS Superintendent. This Capital Plan includes \$612.6M in planned spending FY23-FY27 for new construction projects, renovation projects, and additional spending for projects included in earlier Capital Plans. Within the planned spending FY23-FY27 is \$28.6M for 22 new projects, seven of which are studies, which would require additional funding in future years if the studies develop into construction projects. The funding for BPS in this Capital Plan lays the groundwork for the GND for BPS, though more funding will be needed to fully implement the GND for BPS.

BPS is currently working with contractors on two key projects that are expected to contribute to GND for BPS. The first is a district-wide school design study, which will identify ideal PreK-6 and 7-12 school designs. This would reduce expenses required for future projects and enable BPS to more quickly evaluate potential sites. Second, the Facilities Conditions Assessment will provide an independent, larger, in-depth analysis of building conditions and make recommendations for repair, replacement, and renovation. It will be integrated into BPS's asset management system to maintain real-time data on building conditions.

Conclusion

With a total budget of \$3.6B, the FY23-F27 Capital Plan provides significant investments in City assets that address key issues, such as housing, education, transportation, and climate resilience. Additionally, the 407 projects in the Capital Plan—381 of which will be worked on in FY23—will create jobs, facilitate economic activity, and provide public benefits as the city recovers from the COVID-19 pandemic.

Overall, the Capital Plan is fiscally responsible by leveraging state grants, federal grants, and other external funds in addition to borrowing to finance highly-needed capital improvements. For nearly every project, the City will need to issue municipal bonds and incur debt. Using these funding sources, the Capital Plan manages to address problems with existing infrastructure and develop new infrastructure to meet the changing needs of Boston. The Capital Plan priority areas include the Office of Housing, the Environment Department, the Transportation Department, and BPS.

What to Watch Going Forward - Borrowing is expected to increase but it remains a modest portion of general fund expenditures relative to the City's debt management policy limits. Normally, the City should take advantage of its strong credit rating to borrow more at favorable prices. This would help the City accelerate investments in improving infrastructure, so it is encouraging that the City plans to increase borrowing. However, the ongoing impacts of COVID-19 and economic uncertainty warrant caution. By keeping debt service at a level below 7.0% of general fund expenditures, the City will have some flexibility in case economic conditions change, such as if the cost of building supplies grows and requires increased borrowing. The City should maintain flexibility to adjust the Capital Plan based on the state of the economy and its impacts on Boston. Because of the uncertainty of inflation, it will be important to monitor how the true costs of projects reconcile with what is planned. Indeed, the City has already seen some inflationary impacts on projects, though inflation has not been a significant interruption. Additionally, it will be important to see if projects are completed on their planned timelines. The City ought to continue to evaluate its capacity to take on debt and pay down debt, especially with the economy in flux.