

Fiscal 2009 Preliminary Budget Hearings

❖ Committee on Environmental Protection

March 2008

Scheduled To Testify:

- *Department of Environmental Protection*

*Hon. Christine C. Quinn
Speaker of the Council*

*Hon. David I. Weprin, Chair
Committee on Finance*

*Hon. James F. Gennaro, Chair
Committee on Environmental Protection*

*James Caras, Acting Director
Finance Division*

TABLE OF CONTENTS

Department of Environmental Protection (826)	2
Department of Environmental Protection Performance-Based Budget.....	8

Department of Environmental Protection (826)**Agency Operations**

The Department of Environmental Protection (DEP or Department) protects the environmental health, welfare and natural resources of the City and its residents. The Department manages the City's water supply, which provides over one billion gallons of quality drinking water daily, serving over half the population of New York State, and manages 14 in-City wastewater treatment plants, as well as nine treatment plants upstate. DEP also carries out federal Clean Water Act rules and regulations, handles hazardous materials emergencies and toxic site remediation, oversees asbestos monitoring and removal, enforces the City's air and noise codes, bills and collects on almost one million water and sewer accounts and manages citywide water conservation programs.

AGENCY FUNDING OVERVIEW

Agency Funding Sources	Fiscal 2008 Adopted Budget	Fiscal 2008 Current Modified	Fiscal 2009 Preliminary Budget
City	\$911,725,033	\$911,725,033	\$897,799,286
Other Categorical	\$0	\$0	\$0
Capital IFA	\$53,953,098	\$53,953,098	\$54,160,966
State	\$0	\$365,733	\$0
Community Development	\$0	\$0	\$0
Federal-Other	\$0	\$9,041,241	\$0
Intra-City	\$1,166,652	\$1,181,089	\$1,166,652
Total	\$966,844,783	\$976,266,194	\$953,126,904

HEADCOUNT OVERVIEW

Headcount	Fiscal 2008 Adopted Budget	6/30/2008 Forecast	Fiscal 2009 Preliminary Budget
City	345	332	332
Non-City	5,955	5,974	5,893
Total	6,300	6,306	6,225

AGENCY HIGHLIGHTS

The Fiscal 2009 Preliminary Budget proposes \$953 million in City-tax levy funding for the Department of Environmental Protection, a \$14 million decrease when compared to the Fiscal 2008 Adopted Budget. There is a total of \$1.7 million for collective bargaining costs. This net change reflects the City's cost-savings efforts.

PROGRAM FUNDING OVERVIEW (\$000s)

In addition to examining the Agency's operations by funding source, this document will also provide analysis by program area. The table below highlights the key program areas in this agency and the amount of funding allocated to those programs. The changes in the following program areas are attributable to collective bargaining increases, additional staffing, and budget adjustments for cost-saving programs or pricing increases/decreases. More details regarding these budgetary actions are in the Preliminary Budget Action section of this document.

Program	2005 Actual Spending	2006 Actual Spending	2007 Actual Spending	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Agency Administration & Support	\$59,922	\$66,811	\$68,198	\$86,197	\$76,505
Customer Services & Water Board Support	\$40,796	\$39,126	\$40,767	\$51,532	\$49,860
Engineering Design and Construction	\$24,997	\$25,507	\$26,418	\$28,494	\$28,611
Environmental Control Board	\$14,348	\$14,962	\$16,547	\$18,043	\$18,045
Environmental Management	\$12,806	\$13,002	\$12,992	\$13,186	\$13,214
Miscellaneous	\$422	\$162	\$3,294	\$9,989	\$1,765
Upstate Water Supply	\$186,208	\$219,168	\$229,142	\$265,294	\$260,079
Wastewater Treatment Operations	\$283,462	\$310,810	\$340,298	\$358,213	\$356,941
Water & Sewer Maintenance & Operations	\$132,628	\$114,845	\$131,228	\$142,970	\$148,108
Total	\$755,584	\$804,393	\$868,824	\$973,918	\$953,128

PROGRAM HEADCOUNT OVERVIEW

Program	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Agency Administration & Support	540	531
Customer Services & Water Board Support	546	546
Engineering Design and Construction	417	417
Environmental Control Board	135	135
Environmental Management	207	207
Miscellaneous	31	12
Upstate Water Supply	1,098	1,098
Wastewater Treatment Operations	2,011	1,958
Water & Sewer Maintenance & Operations	1,321	1,321
Total	6,306	6,225

PROGRAM ANALYSIS

- **Customer Services and Water Board Support.** In Fiscal 2007-2008, the Department made numerous improvements to its Bureau of Customer Service (BCS), which falls under the Customer Services and Water Board Support program. Some of these improvements are with its Customer Call Center, its billing process, its dispute resolution process, and its payment collection method. For example, the Customer Call Center further reduced the average customer wait time to 15 seconds on high-volume days and 9 seconds on low-volume days. The number of estimated bills decreased from a 19.2 percent to a 17.6 percent. BCS developed a customer-friendly dispute form and streamlined the dispute resolution process. Customers now receive spike billing notices and may ask for leak kits. Finally, BCS provides new payment options including a feeless online service available via its website. These improvements are due to the Department's diligence in re-organizing and restructuring to operate more efficiently and to build a better customer service image.

Additionally, these improvements were critical to the success of the Department's request for the authority to do stand-alone water lien sales. The Department has collected \$2.2 billion in revenues for water and sewer usage in the current fiscal year; however, BCS projected a loss of \$590 million in revenue due to a history of billing inaccuracies and poor collection methods. Of that revenue loss, \$460 million is from its residential customers, and from that, \$400 million is from zero to five years in arrears. In December 2007, the Council passed legislation that authorized the Department to do stand-alone water and sewer lien sale for properties that have acquired water and sewer debt of \$1,000 or more for one year or longer. The legislation exempts single-family homeowners and two- and three-family homeowners receiving senior citizen homeowners' exemption, disabled homeowners' exemption, or the personal income tax circuit breaker tax credit. Through the passing of this legislation, the Department projects approximately \$133 million in total from stand-alone water and sewer lien sales, and within that, additional revenue of \$35 million in Fiscal 2009.

- **Wastewater Treatment Operations/Water and Sewer Maintenance and Operations.** In Fiscal 2008, the Council passed legislation to authorize the Department to develop a sustainable stormwater management plan designed to reduce the flow of stormwater in the City's sewer system and to reduce the pollution loadings carried by the stormwater in the City's waterbodies. The final plan must be submitted to the Mayor, Speaker of the Council, and the Advisory Committee by September 30, 2008. Although there are no estimated fiscal impacts to the Department's budget for the Wastewater Treatment Operations and Water and Sewer Maintenance and Operations programs, the policies, procedures, quality controls, and performance measures created in the plan will affect the operations of these two programs in Fiscal 2009 and beyond. This legislation supports the City's PlaNYC initiatives.
- **Upstate Water Supply.** The Bureau of Water Supply falls under the Upstate Water Supply program, which ensures the delivery of a sufficient quantity of high quality drinking water from the upstate water supply system, the management and implementation of the provisions of the City's \$1.5 billion Watershed Protection Program, and ensuring the City's compliance with the provisions of the Filtration Avoidance Determination. The Department has increased the number of patrol hours of the upstate watershed by 6.5 percent or 308,000

Fiscal 2009 Preliminary Budget Report

hours to ensure the protection of the watershed. This increase is due to the Department adding two new classes of Environmental Police Officers to patrol duty. From these increases, the numbers of violations and warning notices have dropped incrementally from 279 in Fiscal 2003 to 137 in Fiscal 2007.

- **Miscellaneous.** The Miscellaneous program covers homeland security grants, brownfield initiatives, and other miscellaneous items. The funding for this program is projected to decrease by \$9 million in Fiscal 2009 because of the loss of homeland security grants.

UNITS OF APPROPRIATION

The operating budget of an agency is structured into several levels, each of which provides varying levels of detail on an agency's spending plans. The City Charter requires that U/As represent the amount appropriated for personal services (i.e. salaries) or Other Than Personal Services (i.e. supplies) for a particular program, purpose, activity or institution.

The changes in the following U/As are attributable to collective bargaining increases, additional staffing, and budget adjustments for cost-saving programs or pricing increases/decreases. More details regarding these budgetary actions are in the Preliminary Budget Action section of this document.

U/A#	U/A Name	Fiscal 2008 Adopted Budget	Fiscal 2008 Modified as of 1/24/2008	Fiscal 2009 Preliminary Budget
001	Executive & Support	\$31,820,992	\$31,717,505	\$31,463,765
002	Environmental Management	\$24,454,306	\$26,288,162	\$24,577,480
003	Water Supply/Wastewater Collection	\$151,985,832	\$151,432,226	\$152,751,074
007	Central Utility	\$64,602,368	\$64,330,162	\$64,773,053
008	Wastewater Treatment	\$130,806,578	\$131,537,877	\$128,081,466
	Total PS	\$403,670,076	\$405,305,932	\$401,646,838
004	Utility-OTPS	\$505,406,562	\$508,263,541	\$501,372,393
005	Environmental Management-OTPS	\$8,930,718	\$12,977,208	\$7,949,777
006	Executive & Support-OTPS	\$48,837,427	\$49,719,513	\$42,157,896
	Total OTPS	\$563,174,707	\$570,960,262	\$551,480,066
	Total Agency	\$966,844,783	\$976,266,194	\$953,126,904

PRELIMINARY BUDGET ACTIONS (\$000)

Description	Fiscal 2008			Fiscal 2009		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per October Plan	\$912,629	\$5,405	\$918,034	\$889,122	\$0	\$889,122
January Plan New Needs						
Additional Air and Noise Inspectors	\$0	\$0	\$0	\$176	\$0	\$176
Total New Needs	\$0	\$0	\$0	\$176	\$0	\$176
January Plan PEGs						
Additional Revenue from Hydroelectric Program	\$2,703	\$0	\$2,703	\$3,287	\$0	\$3,287
Re-estimate of Brownfields OTPS Budget	\$0	\$0	\$0	(\$100)	\$0	(\$100)
Hiring Freeze and Vacancy Reduction Program	(\$266)	\$0	(\$266)	(\$910)	\$0	(\$910)
Total PEGs	\$2,437	\$0	\$2,437	\$2,277	\$0	\$2,277
January Plan Other Adjustments						
CB CWA Local 1180	\$1,530	\$0	\$1,530	\$1,530	\$0	\$1,530
Fuel	\$3,874	\$0	\$3,874	\$4,075	\$0	\$4,075
Gasoline	\$414	\$0	\$414	\$617	\$0	\$617
Heat, Light, and Power	(\$11,710)	\$0	(\$11,710)	\$0	\$0	\$0
Plume Dispersion	\$0	\$527	\$527	\$0	\$0	\$0
Mobile Lab Instrumentation	\$0	\$3,472	\$3,472	\$0	\$0	\$0
Add IC for HEAP Unit	\$0	\$14	\$14	\$0	\$0	\$0
Miscellaneous	\$0	\$60,731	\$60,731	\$0	\$55,328	\$55,328
Total Other Adjustments	(\$5,892)	\$64,744	\$58,852	\$6,222	\$55,328	\$61,550
Total Preliminary Budget Changes	(\$3,455)	\$64,744	\$61,289	\$8,675	\$55,328	\$64,003
Agency Budget as per January Plan	\$909,174	\$64,744	\$973,918	\$897,797	\$55,328	\$953,125

Preliminary Budget Action Analysis

New Needs

- **Additional Air and Noise Inspectors.** The Fiscal 2009 Preliminary Budget increases the Department's budget by \$176,000 in Fiscal 2009 and the outyears for five additional positions to meet their environmental management needs in the areas of air and noise quality control.

PEGs

- **Additional Revenue from Hydroelectric Program.** The Fiscal 2009 Preliminary Budget increases Department's budget by \$2.7 million in Fiscal 2008, \$3.2 million in Fiscal 2009, \$2 million in Fiscal 2010, \$824,000 in Fiscal 2011, and \$828,000 in Fiscal 2012. This increase is due to the program generating additional revenue than planned at two upstate facilities.
- **Re-estimate of Brownfields OTPS Budget.** The Fiscal 2009 Preliminary Budget decreases the Department's budget by \$100,000 in Fiscal 2009 and the outyears due to underutilization of funds for the Brownsfield program.

Fiscal 2009 Preliminary Budget Report

- **Hiring Freeze and Vacancy Reduction Program.** The Fiscal 2009 Preliminary Budget decreases the Department's budget by \$266,000 in Fiscal 2008, \$910,000 in Fiscal 2009, and the outyears. This program reflects savings from the City's cost savings effort through reducing staffing levels and maintaining staff vacancies as determined by the Department.

Other Adjustments

- **Collective Bargaining.** There is an adjustment for the CWA Local 1180 members of \$1.7 million in Fiscal 2008 and the outyears for collective bargaining costs.
- **Fuel.** Based on re-estimates, the Fiscal 2009 Preliminary Budget increases the Department's budget for fuel costs by \$4 million in Fiscal 2009 and the outyears.
- **Gasoline.** Based on re-estimates, the Fiscal 2009 Preliminary Budget decreases the Department's budget for gasoline costs by \$617,000 in Fiscal 2009 and the outyears.

Department of Environmental Protection

The Department of Environmental Protection (DEP) protects the environmental health, welfare and natural resources of the City and its residents. The Department manages the City's water supply, which provides over one billion gallons of quality drinking water daily, serving over half the population of New York State, and manages 14 in-City wastewater treatment plants, as well as nine treatment plants upstate. DEP also carries out federal Clean Water Act rules and regulations, handles hazardous materials emergencies and toxic site remediation, oversees asbestos monitoring and removal, enforces the City's air and noise codes, bills and collects on almost one million water and sewer accounts and manages citywide water conservation programs.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending by Program					
Agency Administration & Support	\$59,922,487	\$66,810,925	\$68,198,002	\$86,196,980	\$76,505,134
Customer Services & Water Board Support	\$40,796,140	\$39,125,582	\$40,767,158	\$51,531,925	\$49,859,794
Engineering Design and Construction	\$24,997,023	\$25,507,143	\$26,418,331	\$28,494,206	\$28,611,187
Environmental Control Board	\$14,343,167	\$14,962,163	\$16,546,735	\$18,043,347	\$18,044,672
Environmental Management	\$12,805,841	\$13,002,244	\$12,992,217	\$13,185,800	\$13,214,349
Miscellaneous	\$422,290	\$161,908	\$3,233,692	\$9,989,002	\$1,764,573
Upstate Water Supply	\$186,208,410	\$219,167,919	\$229,142,242	\$265,294,235	\$260,078,837
Wastewater Treatment Operations	\$283,461,581	\$310,809,675	\$340,298,110	\$358,212,699	\$356,940,686
Water & Sewer Maintenance & Operations	\$132,627,525	\$114,845,258	\$131,228,409	\$142,970,364	\$148,107,672
Total	\$755,584,465	\$804,392,816	\$868,824,897	\$973,918,558	\$953,126,904
Funding					
Capital- IFA	NA	NA	NA	\$54,156,384	\$54,160,966
City Funds	NA	NA	NA	\$909,174,111	\$897,799,286
Federal - Other	NA	NA	NA	\$9,041,241	\$0
Intra City	NA	NA	NA	\$1,181,089	\$1,166,652
State	NA	NA	NA	\$365,733	\$0
Total	NA	NA	NA	\$973,918,558	\$953,126,904
Full-Time Positions	5,644	5,675	5,844	6,306	6,225

Note: "NA" means that data is not available

Agency Administration & Support

Funding in this program area supports administrative staff that manages and directs the Department, sets policies, creates agency strategic planning, provides support services for personnel, budget implementation, and does payroll, purchasing, auditing, building and vehicle maintenance, computer services, and community and intergovernmental relations.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$28,010,622	\$29,643,762	\$33,034,532	\$35,003,244	\$34,347,238
Other Than Personal Services	\$31,911,866	\$37,167,162	\$35,163,470	\$51,193,736	\$42,157,896
Total	\$59,922,487	\$66,810,925	\$68,198,002	\$86,196,980	\$76,505,134
Funding					
Capital- IFA	NA	NA	NA	\$6,032,980	\$6,034,062
City Funds	NA	NA	NA	\$79,433,200	\$69,740,272
Intra City	NA	NA	NA	\$730,800	\$730,800
Total	NA	NA	NA	\$86,196,980	\$76,505,134
Full-Time Positions	445	474	486	540	531

Note: "NA" means that data is not available

Customer Services & Water Board Support

The Bureau of Customer Services is responsible for all functions related to water and sewer billing for residents of New York City and certain upstate communities. In addition, the Bureau is responsible for water meter contracts and to test and validate the accuracy of water meters installed by private plumbers prior to installation. The Water Board is a public benefit corporation created by the New York State Legislature to primarily fix, revise, charge, collect, and enforce water and sewer rates and other charges for New York City.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$27,782,600	\$26,691,590	\$28,994,340	\$31,973,177	\$31,973,927
Other Than Personal Services	\$13,013,540	\$12,433,992	\$11,772,818	\$19,558,748	\$17,885,867
Total	\$40,796,140	\$39,125,582	\$40,767,158	\$51,531,925	\$49,859,794

Funding

Capital- IFA	NA	NA	NA	\$119,642	\$119,642
City Funds	NA	NA	NA	\$51,397,846	\$49,740,152
Intra City	NA	NA	NA	\$14,437	\$0
Total	NA	NA	NA	\$51,531,925	\$49,859,794
Full-Time Positions	511	502	521	546	546

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Accounts receivable- delinquent for more than 1 year (\$ millions)	Outcome	NA	NA	NA	\$319	NA	\$304	NA	\$308
Accounts receivable- delinquent for more than 180 days (\$ millions)	Outcome	NA	NA	NA	\$412	NA	\$401	NA	\$412
Accounts receivable- total balance (\$ millions)	Outcome	NA	\$1,088	NA	\$1,027	NA	\$1,107	NA	\$636
Total revenue collected (\$ millions)	Output	\$1,744	\$1,776	\$1,915	\$1,875	\$2,000	\$1,926	\$2,225	\$957
Estimated bills (%)	Service Quality	15.0%	18.9%	15.0%	19.0%	15.0%	17.6%	15.0%	16.5%

Note: "NA" means that data is not available

Engineering Design and Construction

The Bureau of Environmental Design and Construction handles the planning, design, and construction of major water quality related capital projects. Funding in this program area supports the creation of projects that focus on the continued delivery of high quality drinking water to the City and the continued improvement of water quality within the New York Harbor and estuaries.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$24,038,442	\$25,107,795	\$26,007,838	\$28,153,700	\$28,155,983
Other Than Personal Services	\$958,581	\$399,348	\$410,493	\$340,506	\$455,204
Total	\$24,997,023	\$25,507,143	\$26,418,331	\$28,494,206	\$28,611,187
Funding					
Capital- IFA	NA	NA	NA	\$27,986,360	\$27,988,643
City Funds	NA	NA	NA	\$507,846	\$622,544
Total	NA	NA	NA	\$28,494,206	\$28,611,187
Full-Time Positions	363	352	369	417	417

Note: "NA" means that data is not available

Environmental Control Board

The Environmental Control Board (ECB) is an administrative tribunal that provides hearings on notices of violations issued by other City agencies for various "quality of life" infractions of the City's laws and rules.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$11,025,548	\$11,615,803	\$12,423,475	\$13,713,440	\$13,713,440
Other Than Personal Services	\$3,317,619	\$3,346,359	\$4,123,260	\$4,329,907	\$4,331,232
Total	\$14,343,167	\$14,962,163	\$16,546,735	\$18,043,347	\$18,044,672
Funding					
City Funds	NA	NA	NA	\$18,043,347	\$18,044,672
Total	NA	NA	NA	\$18,043,347	\$18,044,672
 Full-Time Positions	 113	 115	 120	 135	 135

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Air Complaints Received	Demand	NA	13,600	NA	15,094	NA	14,138	NA	5,398
Asbestos complaints received	Demand	NA	1,437	NA	1,836	NA	2,182	NA	1,022
Noise Complaints Received	Demand	NA	38,293	NA	41,944	NA	42,000	NA	19,998
DEP-issued violations - Case resolution rate at the Environmental Control Board (%)	Service Quality	NA	65.5%	NA	75.5%	NA	63.4%	NA	66.2%

Note: "NA" means that data is not available

Environmental Management

The Bureau of Environmental Compliance regulates air, noise, and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. Funding in this program area supports the self-regulation of DEP's employees for testing, keeping up with federal regulations, and disposal of materials as well as the overall outside regulation and control of these areas.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$11,121,823	\$11,684,486	\$11,717,957	\$11,571,806	\$11,571,806
Other Than Personal Services	\$1,684,018	\$1,317,757	\$1,274,260	\$1,613,994	\$1,642,543
Total	\$12,805,841	\$13,002,244	\$12,992,217	\$13,185,800	\$13,214,349
Funding					
Capital- IFA	NA	NA	NA	\$351,408	\$351,408
City Funds	NA	NA	NA	\$12,398,540	\$12,427,089
Intra City	NA	NA	NA	\$435,852	\$435,852
Total	NA	NA	NA	\$13,185,800	\$13,214,349
Full-Time Positions	193	191	195	207	207

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Air Complaints Received	Demand	NA	13,600	NA	15,094	NA	14,138	NA	5,398
Asbestos complaints received	Demand	NA	1,437	NA	1,836	NA	2,182	NA	1,022
Noise Complaints Received	Demand	NA	38,293	NA	41,944	NA	42,000	NA	19,998
DEP-issued air violations	Output	NA	1,766	NA	2,952	NA	3,769	NA	1,630
DEP-issued asbestos violations	Output	NA	1,037	NA	988	NA	816	NA	211
DEP-issued noise violations	Output	NA	1,566	NA	2,003	NA	2,237	NA	944
Air complaints responded to within seven days (%)	Service Quality	85%	74%	85%	78%	85%	86%	85%	80%
Asbestos complaints responded to within three hours (%)	Service Quality	90%	98%	90%	97%	90%	95%	90%	96%
Noise complaints not requiring access to premises responded to within seven days (%)	Service Quality	85%	74%	85%	78%	85%	86%	85%	80%

Note: "NA" means that data is not available

Miscellaneous

Funding in this program area provides for any personal or other than personal services expenses that receive one-time funding.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$380	\$0	\$1,331,111	\$2,656,615	\$1,614,571
Other Than Personal Services	\$421,909	\$161,908	\$1,902,581	\$7,332,387	\$150,002
Total	\$422,290	\$161,908	\$3,233,692	\$9,989,002	\$1,764,573
Funding					
Capital- IFA	NA	NA	NA	\$183,632	\$183,632
City Funds	NA	NA	NA	\$764,129	\$1,580,941
Federal - Other	NA	NA	NA	\$9,041,241	\$0
Total	NA	NA	NA	\$9,989,002	\$1,764,573
Full-Time Positions	0	0	16	31	12

Note: "NA" means that data is not available

Upstate Water Supply

The Bureau of Water Supply manages, operates, and protects the City's upstate water supply system to ensure the delivery of a sufficient quantity of high quality drinking water. Additionally, it is responsible for the overall management and implementation of the provisions of the City's \$1.5 billion Watershed Protection Program. In addition, the Bureau maintains, operates, and protects the upstate water supply system including the monitoring of the provisions of the Filtration Avoidance Determination and any other federal requirements or agreements.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$53,807,768	\$56,705,374	\$58,079,707	\$61,286,685	\$61,053,583
Other Than Personal Services	\$132,400,642	\$162,462,545	\$171,062,535	\$204,007,550	\$199,025,254
Total	\$186,208,410	\$219,167,919	\$229,142,242	\$265,294,235	\$260,078,837
Funding					
Capital- IFA	NA	NA	NA	\$5,955,126	\$5,956,343
City Funds	NA	NA	NA	\$258,973,376	\$254,122,494
State	NA	NA	NA	\$365,733	\$0
Total	NA	NA	NA	\$265,294,235	\$260,078,837
Full-Time Positions	964	990	971	1,098	1,098

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Average daily in-City water consumption (millions of gallons)	Demand	NA	1,093	NA	1,086	NA	1,097	NA	1,171
Patrol hours from Environmental Police and watershed protection staff (000)	Input	NA	333.6	NA	288.9	NA	307.8	NA	98.9
Notices of Violation and Notices of Warning issued in the watershed	Output	NA	191	NA	146	NA	137	NA	77

Note: "NA" means that data is not available.

Wastewater Treatment Operations

The Bureau of Wastewater Treatment maintains the chemical and physical integrity of the New York Harbor and other local water bodies. It sustains the continued use and viability of the New York environment through the removal of organic and toxic pollutants from the City's wastewater; control of discharges from Combined Sewer Overflows and dry weather bypassing; optimum operation of treatment plant collections system; integration of watershed management concepts into facilities' planning and design; and enforcement of a city-wide industrial pre-treatment and pollution prevention program. Also, the Bureau operates the 14 water pollution control plants, 89 wastewater pump stations, eight dewatering facilities, 490 sewer regulators, and 6,000 miles of intercepting sewers as well as the management and testing of the local waterways.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$119,575,138	\$126,591,062	\$136,323,391	\$132,283,790	\$128,081,466
Other Than Personal Services	\$163,886,443	\$184,218,613	\$203,974,719	\$225,928,909	\$228,859,220
Total	\$283,461,581	\$310,809,675	\$340,298,110	\$358,212,699	\$356,940,686
Funding					
Capital- IFA	NA	NA	NA	\$5,448,335	\$5,448,335
City Funds	NA	NA	NA	\$352,764,364	\$351,492,351
Total	NA	NA	NA	\$358,212,699	\$356,940,686
Full-Time Positions	1,801	1,802	1,902	2,011	1,958

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Harbor survey stations in compliance with State standard for dissolved oxygen (%)	Outcome	89%	85%	89%	86%	89%	90%	89%	72%
Wastewater treatment plant effluent meeting federal standards (%)	Outcome	100.0%	100.0%	100.0%	99.9%	100.0%	99.9%	100.0%	99.9%

Note: "NA" means that data is not available

Water & Sewer Maintenance & Operations

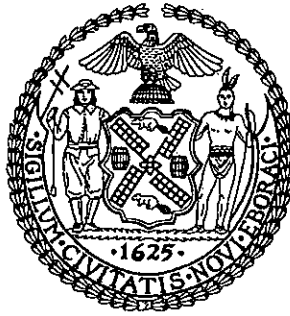
The Bureau of Water and Sewer Operations operates, maintains, and protects the City's drinking water and wastewater collection systems, protects adjacent waterways, and develops and protects the Department's Capital Water and Sewer Design Program. This program includes approval and inspection of water and sewer connections performed by licensed plumbers and/or authorized contractors. Additionally, the Bureau is responsible for the approval and inspection of all public and private construction projects, which could impact the City's water and/or sewer systems.

	2005 Actuals	2006 Actuals	2007 Actuals	2008 Budget (Jan 24, 2008 Financial Plan)	2009 Preliminary Budget
Spending					
Personal Services	\$79,577,147	\$79,144,607	\$89,167,914	\$91,034,824	\$91,134,824
Other Than Personal Services	\$53,050,378	\$35,700,651	\$42,060,495	\$51,935,540	\$56,972,848
Total	\$132,627,525	\$114,845,258	\$131,228,409	\$142,970,364	\$148,107,672
Funding					
Capital- IFA	NA	NA	NA	\$8,078,901	\$8,078,901
City Funds	NA	NA	NA	\$134,891,463	\$140,028,771
Total	NA	NA	NA	\$142,970,364	\$148,107,672
Full-Time Positions	1,254	1,249	1,264	1,321	1,321

Performance Measures

	Type of Measure	2005 Annual Target	2005 Annual Actual	2006 Annual Target	2006 Annual Actual	2007 Annual Target	2007 Annual Actual	2008 Annual Target	2008 4-Month Actual
Catch basin complaints received	Demand	NA	14,813	NA	15,341	NA	14,919	NA	9,185
Leak complaints received	Demand	NA	4,800	NA	4,247	NA	5,003	NA	1,260
Sewer backup complaints received	Demand	NA	24,945	NA	24,564	NA	23,927	NA	9,460
Street cave-in complaints received	Demand	NA	15,254	NA	13,111	NA	12,079	NA	8,777
Broken and inoperative hydrants	Outcome	1.0%	0.5%	1.0%	0.6%	1.0%	0.5%	1.0%	0.4%
Water main breaks	Outcome	575	515	575	450	575	583	575	103
Catch basins surveyed/ inspected (%)	Output	33.3%	36.3%	33.3%	31.5%	33.3%	30.7%	33.3%	4.6%
Repairs to distribution system	Output	19,000	19,959	19,000	20,442	19,000	21,146	19,000	6,961
Street cave-in complaints resolved	Output	NA	14,229	NA	12,257	NA	10,734	NA	7,133
Water main surveyed for leak detection (% linear feet)	Output	56.0%	64.0%	56.0%	59.9%	56.0%	56.6%	56.0%	18.9%
Catch basin backup resolution time	Service Quality	9.0	6.5	9.0	6.2	9.0	6.4	9.0	6.3
Leak resolution time (days)	Service Quality	17.0	12.7	17.0	12.2	17.0	12.9	17.0	15.3
Sewer backup resolution time (hours)	Service Quality	7.0	5.8	7.0	5.9	7.0	6.3	7.0	9.1

Note: "NA" means that data is not available



Fiscal 2009 Preliminary Budget Hearings

**Department of Environmental Protection
(Capital)**

March 2008

***Hon. Christine C. Quinn
Speaker of the Council***

***Hon. David I. Weprin, Chair
Committee on Finance***

***Hon. James F. Gennaro, Chair
Committee on Environmental Protection***

***James Caras, Acting Director
Finance Division***

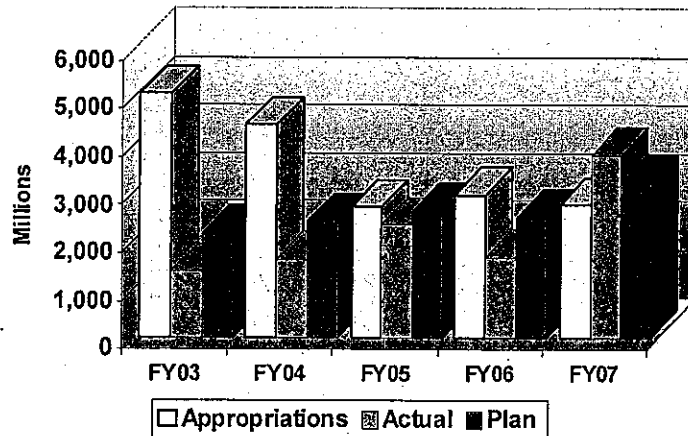
Agency Overview

The Department of Environmental Protection's (DEP) major responsibilities are for the operation and maintenance of the City's water supply and wastewater collection system; enforcement of air, noise and water use regulations; the conveyance and treatment of storm water and sanitary flow; management of environmental issues and natural resource protection; and construction and reconstruction of the City's water-related infrastructure.

New York City's water supply is controlled by a network of 19 upstate storage reservoirs, three controlled lakes, three aqueducts, two downstate balancing reservoirs, two City water tunnels (Water Tunnel Number Three is under construction), the world's largest storage tanks and 5,773 miles of water mains which deliver 1.3 billion gallons of water a day to 9 million residents in six upstate counties and the five boroughs of New York City. Wastewater is collected through some 6,320 miles of sewer pipes throughout the five boroughs. The DEP maintains 90,000 catch and seepage basins to prevent flooding and sewer backups. The Department also operates 14 sewage treatment plants, 80 pumping stations, and treats approximately 1.7 billion gallons of sewage a day.

The DEP is funded (with the exception of air and noise functions) by two separate and independent entities, the New York City Municipal Water Finance Authority (Water Authority) and the New York City Water Board (Water Board), which were established in 1985. The Water Authority was created to issue debt to finance the cost of capital improvements to the water and sewer system. The Water Board was created to lease the water and sewer systems from the City and to establish and collect fees, rates, rents and other service charges for services furnished by the system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place the Water and Sewer System on a self-sustaining basis.

**DEPARTMENT OF
ENVIRONMENTAL PROTECTION**
Appropriations vs. Actual & Planned Commitments



Fiscal 2009 Preliminary Capital Budget Report

Current Budget Summary

The January 2008 Capital Commitment Plan includes \$11.53 billion in Fiscals 2008-2011 for the Department of Environmental Protection. This represents 22.0 percent of the City's total \$52.5 billion January Plan for Fiscals 2008-2011. The agency's January Commitment Plan for Fiscals 2008-2011 is less than 1 percent greater than the \$11.5 billion in the September Commitment Plan, an increase of \$23.6 million.

Over the past five years DEP has committed an average of 83.1 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2008 capital plan will be rolled into Fiscal 2009 thus increasing the size of the Fiscal 2009-2012 capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2008 has risen from \$3.75 billion to \$3.77 billion, an increase of \$20 million or less than one percent.

Currently DEP's appropriations total \$7.56 billion in city-funds for Fiscal 2008. These appropriations are to be used to finance the DEP's \$3.06 billion city-funded Fiscal 2008 capital commitment program. The agency has over 147 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

Fiscal 2009 Preliminary Capital Budget Report

The Department of Environmental Protection's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY - CAPITAL BUDGET (S in millions)					
	FY03	FY04	FY05	FY06	FY07
CITY	1,373	1,614	2,337	1,664	3,699
NON-CITY	7	59	1	40	33
TOTAL	1,380	1,673	2,338	1,704	3,732

The Adopted Four-Year Capital Plan is shown below:

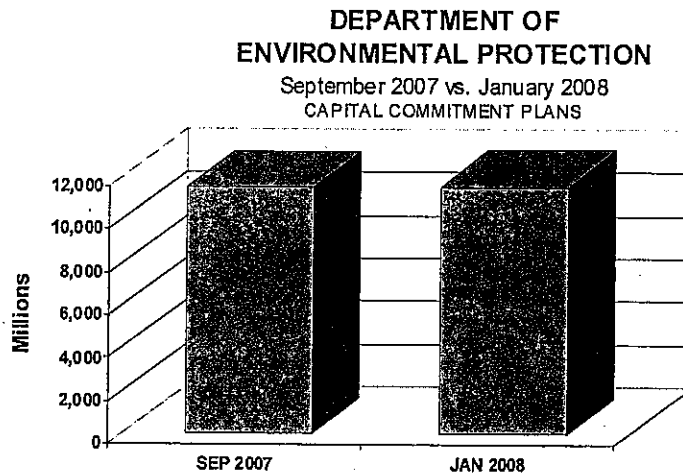
ADOPTED CAPITAL BUDGET - SEPTEMBER 2007 (S in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	3,532.4	3,106.0	2,141.5	2,500.7	11,280.5
NON-CITY	219.0	3.0	0	0	222.0
TOTAL	3,751.4	2,109.0	2,141.5	2,500.7	11,502.5

The Preliminary Four-Year Capital Plan is shown below:

PRELIMINARY CAPITAL PLAN - JANUARY 2008 (S in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	3,565.1	3,153.7	2,095.2	2,500.7	11,314.5
NON-CITY	208.6	3.0	0	0	211.6
TOTAL	3,773.7	3,156.7	2,095.2	2,500.7	11,526.1

PRELIMINARY BUDGET ISSUES:

- The Department of Environmental Protection's January Capital Plan for Fiscals 2008 – 2011 is only \$24 million greater than the Adopted Capital Plan from September. This small change is the result of a large increase in the four-year plan for water mains and nearly equal decreases in all the other areas of DEP's capital plan. Last year at this time DEP's four-year plan was increased by over \$4.67 billion or 60 percent from the previously adopted budget. As a result of this large increase, much of the budgetary changes in the current plan had net-zero effects. The changes to DEP's Fiscal 2008-2011 plan include an increase in the Water Mains capital plan of \$1.16 billion and decreases in the plans for Water Pollution Control (\$671.6 million), Water Supply (\$243.6 million), Sewers (\$162 million), and DEP Equipment (\$50.3 million).



- **Water Mains:** DEP's Fiscal 2008-2011 capital plan increased by over 31 percent since the Adopted Capital Plan for Fiscal 2008 was released last year. The majority of this increase in the four-year plan is attributed to three large projects.
 - *Cat/Del UV Light Treatment Facility:* The cost of construction for the Cat/Del UV Light Treatment Facility increased by \$385.3 million to \$1.49 billion, this is a nearly 35 percent increase since September. The increase is the result of higher than anticipated bids on the project.
 - *Schoharie Reservoir / Gilboa Dam Intake/Outlet Chamber:* The cost estimate for this project in September was \$355.6 million. In the January plan these cost estimates have increased by \$295.4 million, or over 83 percent.
 - *Catskill Aqueduct Bypass Chamber:* This project was added to the January Plan for work needed in conjunction with the Cat/Del UV project. This project includes \$51.6 million in new capital funding.
- **Water Pollution Control:** DEP's Fiscal 2008-2011 capital plan for Water Pollution Control decreased by nearly 14 percent the decrease in the four-year plan is offset by a seven percent increase in the 10-Year Plan.

- **Water Supply:** DEP's Fiscal 2008-2011 capital plan for Water Supply projects decreased by over 33 percent since Adoption. Much of this reduction is the result of funds being pushed out to the out-years of the ten-year plan. These reductions include \$89 million originally planned for Fiscal 2011 for the dependability study for water supply and demand reductions. These funds have been pushed out of the Four-Year Plan. This project was initiated in order to determine how to ensure that a sufficient supply of drinking water will continue to be delivered to New York City residents in the event that the aqueducts need to be shut down for maintenance or inspection. At some point in the future the infrastructure carrying water from the Catskill and Delaware watersheds will need to be shut down for inspection cutting off a large percentage of city drinking water for a period of time. The study is intended to develop a plan that will enable DEP to take critical water system components out of service, one at a time, for inspection and repair while still meeting demand. Other large projects pushed out of the Four-Year Plan include \$19.8 million from the aquifer source recovery project in Fiscal 2011, \$36.1 million from Fiscal 2009 for the Hillview monitoring building part of the construction of Water Tunnel 3, \$39 million from Fiscal 2011 for the Hillview chlorination building, \$102.1 million in Fiscal 2010 for Shaft 17B, Shaft 18B and valve chamber and \$44.5 million in Fiscal 2009 for the restoration of Shaft 3 in the 3rd Water Tunnel.
- **Sewers:** DEP's Fiscal 2008-2011 capital plan for Sewer project decreased by over 14 percent since Adoption. This reduction includes the deferral of \$14.4 million for water main work in the Jewel Streets area of Queens until Fiscal 2013. The adjustment reflects the revised timeline for the project. Increases in the 2008-2011 plan for Sewers include \$23.8 million additional funds (a 51 percent increase) for sewers in the Coney Island area of Brooklyn and \$15.9 million additional funding for storm sewers on Hook Creek Boulevard in Queens. These increases reflect the need to address chronic flooding in the areas.
- **DEP Equipment:** The January Plan includes \$50.3 million less in Fiscals 2008-2011 for DEP equipment. The majority of this reduction is the result of four projects being pushed out of the plan into the out-years, including: \$48.4 million in Fiscal 2011 for the construction of the Consolidated Water Stalinization and Water Treatment Facility, \$30 million in Fiscal 2010 to provide permanent space for the Sewer Maintenance Unit at the Jerome Ave Yard, \$28 million in Fiscal 2009 for the plumbing retrofit program and \$23 million in Fiscals 2009 and 2010 for the water meter replacement program. A year ago \$201 million was added to DEP's Plan for the purchase of automatic meter readers. The agency's Preliminary Capital Plan includes an additional \$40 million in Fiscal 2010 for acquiring automatic meter readers. These funds will be used for the acquisition and implementation of a new program to implement wireless technologies to improve accuracy in meter reading and enhance customer service. The increase is attributable to the fact that the plan now includes for changing 400,000 meters as opposed to the original 100,000 plan. The system is expected to be operational by Fiscal 2011. Other increases in the DEP Equipment budget include \$10 million more for water meter replacement. This 15

Fiscal 2009 Preliminary Capital Budget Report

percent increase in commitments was necessary to cover the cost increase in the cost of meters.

Testimony of Steven Lawitts
First Deputy Commissioner
New York City Department of Environmental Protection
(DEP)
before the Council of the City New York
Committees on Environmental Protection and Finance
concerning the Fiscal Year 2009
Preliminary Budget

City Hall, March 13, 2008

Good morning, Chairmen Weprin and Gennaro, and Members. I am Steven Lawitts, First Deputy Commissioner of DEP. I am joined at the table this morning by Joseph Murin, DEP's Assistant Commissioner for Budget, as well as several other DEP staff who will be able to respond to your questions.

Thank you for the opportunity to address the Council on DEP's Preliminary Budget for Fiscal Year 2009 and the Four-Year Financial Plan.

Before commenting directly on the proposed FY09 Capital and Expense Budgets, I would like to address media accounts that you might have heard earlier this week regarding the presence of trace pharmaceuticals in water supply systems nationwide. Second, I would like to give a brief overview of the successes and challenges we have had in the past year.

As the purveyors of drinking water for more than 9 million residents of New York State, DEP understands and takes very seriously public concerns about this issue; however, New York City continues to have some of the highest-

quality, best-tasting drinking water in the world, and none of the information we have seen suggests a risk to our water supply or human health.

DEP has an established track record of vigilance on water quality issues. Already, we test for approximately 100 more substances than our regulators mandate, and have built state-of-the-art tertiary treatment plants in our watershed in order to protect our reservoirs. We will address this issue just as comprehensively and will continue to ensure that New York City's water system is truly one of the world's best. It is important to remember, however, that this is a national issue, affecting municipalities around the country, and Federal leadership will be indispensable in determining the best way forward.

Now, I would like briefly to acknowledge some of the successes and challenges DEP has experienced this year, as well as some of the factors that currently figure so prominently in all aspects of DEP's operations and planning -- and ultimately in its budget.

Our most gratifying achievement this past year is one that the Council knows well, since you were partners in the work. Through the leadership of Mayor Bloomberg and Speaker Quinn, and in the spirit of cooperation with many Council Members, including Chairmen Weprin and Gennaro, DEP was able to achieve the critical goal of enhancing our revenue collection abilities by modifying the existing lien sale authority to include the stand-alone sale of water liens. This was accomplished in the context of the transformation of the Bureau of Customer Services (BCS), the part of DEP that is responsible for issuing and collecting water and sewer bills.

Enhancing the functioning of BCS and meeting our revenue plans -- the specifics of which I will discuss shortly -- are important parts of improving DEP's budget outlook.

I would like to briefly update the Council on our activities related to the lien sale, service terminations and the status of our efforts to resolve billing disputes with customers before any liens are sold or services terminated.

The lien sale process -- undertaken jointly with the Department of Finance -- began formally with the February 19th publication of what we refer to as the 90-day list. That list contains not only properties listed because of delinquent water and sewer bills, but also includes properties that are delinquent in real estate taxes or other City charges as well. I have already acknowledged my gratitude for the partnership with the City Council. I would also like to acknowledge the important role that Commissioner Martha Stark and her staff at the Department of Finance have played in the briefings and outreach for this year's lien sale.

Last November, in anticipation of service shut-offs scheduled for this March, DEP offered approximately 7,200 delinquent single-family homeowners the opportunity to settle their accounts and receive significant reductions as part of a one-time "payment incentive plan" or PIP. In anticipation of the May 19th lien sale, approximately 16,880 multi-unit residential properties were also extended this offer. The original deadline for both the single- and multi-family incentives has been extended to April 22nd. Under the PIP, eligible customers who settle their accounts prior to April 22nd will have their late payment charges eliminated and all service-related

charges capped at \$2 per day, which is the citywide average charge. On average, these incentives will result in an approximately 30% reduction on a customer's bill. PIP-eligible customers who owe more than \$2,500 even after their discount can enter into a payment agreement on this reduced amount. Both types of payment agreements require a minimum down payment of 10% and regular monthly payments of all remaining charges over a period of no more than 5 years.

Of the approximately 7,200 single-family homeowners who received PIP offers, 4,320 -- 60% -- have either paid their bill or entered into a payment agreement. Of the 16,880 multi-unit customers who were extended a PIP offer in late January, 4,114 or 24% have either paid their bill or entered into a payment agreement.

You or your constituents may have noticed elements of our campaign to raise the public's awareness to these programs, which has particularly focused on those communities with the highest number of delinquent accounts. Our goal is to reduce the number of liens sold or service terminations performed by persuading customers to take advantage of the PIP offer or enter into a payment agreement and become current on their water and sewer accounts.

In pursuit of this goal we are using direct mail, subway ads, radio spots, cable TV spots, automated calling and advertisements in citywide and community newspapers. We have also partnered with Council Members, other elected officials and community groups to create opportunities for DEP staff to meet one-on-one with customers who have a delinquent

account. We greatly appreciate the cooperation of Members in hosting these events.

To date, DEP has held 15 outreach events with live billing help, and has 12 more scheduled, including 6 lien sale outreach events hosted jointly with the Department of Finance. All of the events to date have been advertised via direct mailings to customers within the host Council district, and since January 25th customers have been reminded of the events via direct calls to their home telephones. In many cases Council Members and their staffs have also promoted the events they hosted and we are very grateful for that assistance.

As mentioned earlier, the deadline for the incentive program for both single- and multi-family homeowners is April 22nd, which is a two-month extension of the original cutoff date of February 21st for single-family homeowners. However, beginning this week, we started sending out 15-day service termination notices on a revolving basis to some single-family customers who have not availed themselves of the PIP. These customers will have 15 days from their notice date to settle their account and receive the PIP discount. Those who do not pay after 15 days will be scheduled for service termination.

Pursuant to our commitment to the Council, we have opened the Office of Ombuds to facilitate the resolution of complex billing problems and to assist customers who have questions about their bill or any billing notices they have received. Right now we are focused on customers who received lien sale notices and have concerns about their bill.

Through the sale of liens on May 19th, through increased collections related to PIP participation, and a general improvement in payment rates because of an increased awareness of the consequences of non-payment, DEP is enhancing the collection of revenues that support the drinking water and wastewater systems. We have made significant structural changes to billing and revenue collection that will help to guarantee the integrity of the water supply and wastewater treatment infrastructure, which is essential to the sustainability of our City. We have also brought thousands of our most chronically delinquent customers current with their water bills and helped to ensure that they avoid delinquency moving forward.

I would also like to highlight the fact that in Fiscal Year 2007, for the first time in recent memory, DEP met 98% of its capital commitment plan target of \$3.8 billion. Since the majority of our projects are mandated, not committing these projects on time would have potential legal implications with the Agency's regulators. One of the reasons that this is an important achievement is that failure to comply with mandated capital requirements can result in increased fines and other punitive penalties payable out of the Department's expense budget, which would reduce spending for other critical items.

I am pleased to report that we expect to largely repeat the FY07 commitment record in FY08 and meet or come extremely close to the plan target.

Another important milestone this year was the recent work DEP completed in preparation for the eventual repair of the Delaware Aqueduct, which is one of the most important components of the water supply system. In mid-

February, we successfully initiated an important step in the eventual repair of the 45-mile leg of the Delaware Aqueduct, known as the Rondout-West Branch Tunnel (RWBT), which has had a steady leak for at least two decades. For approximately two weeks - beginning February 20th - a team of divers, working 24 hours a day in rotating shifts, was lowered 700 feet in order to inspect mechanical and structural components of a tunnel unwatering shaft for the RWBT and to take measurements for new equipment.

The last year has brought challenges caused by weather, the staggering increase in the cost of heavy construction nationally, and the inflexibility of unfunded mandates.

The weather-related challenges were manifested through the extreme rainfall events of April 14th and 15th, July 18th and August 8th, and they foreshadow a concern over climate change, an issue that Mayor Bloomberg has already put squarely on the Citywide agenda through PlaNYC. In recognition of the havoc that was created by the impact of the August 8th storm in particular, Mayor Bloomberg also created an inter-agency Flooding Task Force that has developed a series of action plans to help the City cope better with the storms of the future.

The rising cost of large construction projects throughout the region, and indeed the nation, coupled with the rigid construction schedules required of us by our regulators have created a situation in which the construction cost on a few very large mandated projects is having significant impacts on our capital budget.

The Fiscal Year 2008 Capital Budget is proposed at \$3.774 billion, a change of \$238 million from the amount forecast in this year's Executive Plan. The following four years are projected as follows: \$3.157 billion in FY09; \$2.095 billion in FY10; \$2.501 billion in FY11 and \$1.568 billion in FY12. This is a total capital budget of \$13.094 billion, 22% of the City's Five-Year Capital Plan.

Now, I would like to move to a discussion of the expense budget. The Agency's current FY08 Modified Operating Budget is \$975 million.

It is important to distinguish that approximately 95% of DEP's expense budget is largely funded through water and sewer payments. This part of the budget is often referred to as Utility and its current modified funding is \$935.7 million.

A much smaller portion of DEP's expense budget is funded via City Tax Levy revenues, with a current modified budget of \$39.3 million. It is this portion of DEP's budget that was subject to the Program to Eliminate the Gap (PEG) reduction of 2.5% for FY08 and 5% for FY09. DEP has met its reduction target through a combination of revenue enhancements including Right-to-Know fees, ECB fines, and upstate hydroelectric revenues.

Another PEG initiative is increased revenue from air/noise fines. This will enable the City to continue funding five air/noise inspector positions, which were due to be eliminated from the FY09 budget, so that DEP can continue to enhance the quality of life in the City by addressing the increasing number

of noise complaint calls to 311. This is important because calls to 311 have increased since the new Noise Code went into effect and was publicized.

I will now focus on DEP's utility budget.

DEP has identified \$3.9 million in savings in the expense budget. These savings came from lower-than-expected increases in the tax payments for City-owned watershed properties (\$641,000), and from wastewater treatment for the purchase of methanol/ethanol that was not needed due to construction delays in the current year (\$3.3 million). These savings will be used to fund the expenses related to the PIP/water lien sale program; for a price increase for fluoride, which is added to the City's drinking water; and for additional costs related to the shipping of sewage sludge.

The price of fluoride has risen dramatically this fiscal year (\$614,000). Also, operational changes as a result of reconstruction projects at the City's wastewater treatment plants will require the increased use of contracts to ship sewage sludge to Passaic Valley for treatment (\$500,000).

Efforts associated with the PIP and lien sale include enhancements to the water/sewer billing computer system that will make the bills easier to read (\$751,000), water shutoff contracts (\$1.2 million), and an outreach and marketing campaign (\$808,000).

As to the expectations for FY09, there are a number of cost pressures on the water and sewer system that occurred during FY 08 and which will be

reviewed and analyzed prior to the submission of the Mayor's Executive Budget in the spring.

That completes my prepared statement.



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March 13, 2008

The Honorable James F. Gennaro, Chair, Environmental Protection Committee of the New York City Council

Thank you very much for allowing us to address the 2008 annual budget hearing of the NYC Department of Environmental Protection ("DEP").

My name is Carolyn Zolas and I am the Chair of the Watershed Committee of the Atlantic Chapter of the Sierra Club, an environmental organization with 1.5 million members nationally and 45,000 members in New York State. Our mission is to protect the quality of the environment and the wild places of the earth, and to educate and enlist the support of the public. The Watershed Committee is dedicated to preserving the purity of our watersheds around the state.

Sierra Club has been a part of the adjudicatory process of Belleayre Resort and along with the Save the Mountain coalition, we oppose the Agreement in Principle ("AIP") negotiated by former Governor Eliot Spitzer. We believe this plan will be an economic disaster for New York City, and cause secondary growth that will pollute our water and lead to a filtration order. This would be a tremendous financial burden to New York City.

We are one of the few remaining cities in this country with unfiltered water. 90% of the City's water comes from the Catskill mountains. That water is unfiltered by virtue of a "Filtration Avoidance Determination" granted by the Environmental Protection Agency ("EPA"). This waiver has saved the City billions of dollars in the cost of building and operating a filtration plant.

It is essential that we maintain the purity of the City's water, or we will have to filter it. The Croton watershed east of the Hudson is currently under a filtration order because of development. The cost of that plant has already reached \$2.8 billion. How is this cost affecting our water rates, which rose 11% last year, and are due to rise again in 2008?

The price tag for filtration west of the Hudson could be \$23 billion or higher. The City can ill afford this cost, which would add approximately 50% to the City's entire debt burden. What would be the effect of a \$23 billion debt on the City's poor and middle class residents? This is an environmental justice question that affects the rights of every City resident to a clean, affordable and safe water supply.

When Crossroads Belleayre Resort was proposed over 8 years ago, it was roundly criticized by state and city agencies, who saw it as harmful to both the environment and the economy. The AIP, which was reached behind closed doors in September, 2007, would put 85% of the original development onto 718 acres of fragile mountaintop. This resort would include 629 housing units, a golf course, 2 large hotels, underground parking and miles of roads. There would be construction on the summit of Belleayre



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Mountain, and \$47 million was offered by the State for expansion of the DEC-run Belleayre Ski Center. All this development would drain into the headwaters of the Pepacton Reservoir, which holds 25% of New York City's water. The Pepacton is only 10 miles from Belleayre, and whatever pollution goes into the headwaters will enter the reservoir.

The Department of Environmental Protection ("DEP") has the legal responsibility to protect our water. Yet it has signed the AIP and wrongly participated in the negotiations. Because of its fiduciary responsibility to protect our watersheds, it should not have done so. This can only raise concerns when the agency tries to fulfill its regulatory role of examining the Environmental Impact Statement ("EIS") as part of the State Environmental Quality Review ("SEQR") process.

The DEP was very critical of the original Belleayre project when it was presented in the 2003 Draft EIS. The April 23, 2004 DEP report criticized the developer for the following:

- Faulty assumptions and data and inaccurate predictive models as the basis for its conclusions. (p 1)
- Erosion that could have disastrous impacts on headwater streams. (p 9)
- Clear cutting 25 acres at one time during construction rather than the required 5 acres (p 10)
- Inadequate evaluation of hydrogeology and effects on groundwater (p 11 and Appendix)
- Secondary growth associated with the resort, which would threaten the City's water (p 14)
- Cleared forest for landscaping could increase phosphorus loads by more than 20% (p 54)

None of these water issues have been effectively addressed in the AIP.

The DEP has now given permission for Belleayre to pump their sewage to the Pine Hill STP. How much will this sewage pipe cost? How will it impact growth in the area, since there is no law against other builders hooking into the pipe? How will it be overseen and maintained? Pine Hill will grow and need to use the plant. What would be the effect on the aquifers? Because of these considerations, Westchester County recently defeated a scheme to pipe some of its sewage to Peekskill.

As long as these water quality issues with this project exist our water is at risk, with the result that the City may be required to filter its water in the near future at a cost of \$23 billion.

Therefore, we ask that the DEP withdraw from this harmful agreement. The DEP should perform its regulatory function of evaluating the EIS, not be a party to a potentially harmful and expensive building enterprise. We ask that the City Council oversee the DEP in making sure our City water is protected.

Thank you very much.

Carolyn Zolas
Watershed Committee, Sierra Club