

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON ENVIRONMENTAL PROTECTION

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250 Broadway, 14th Floor

B E F O R E: JAMES F. GENNARO
Chairperson

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CHAIRPERSON GENNARO: Good

afternoon. I'm Council Member Jim Gennaro, Chair of the Council's Committee on Environmental Protection. This is a hearing of the Environmental Protection Committee on the Fiscal 2012 Preliminary Budget and Fiscal Year 2011 Preliminary Mayor's Management Report. Today we'll hear history from DEP. We have the good Commissioner Cas Holloway planning to testify. DEP will testify about its expense and capital preliminary budget and general agency operations.

The capital plan is of particular interest to the committee as it represents 23 percent of the city's total \$33.2 billion February plan for Fiscal 2011 to 2014, with \$7.7 billion, an increase of \$1.5 billion from the September commitment plan. The department's preliminary ten-year capital strategy increases to \$12.1 billion.

The committee plans to discuss a variety of important issues with DEP today, including the work that's going to be done on the leak of the Delaware Aqueduct, the Green Infrastructure Program, the Jamaica Bay Watershed

Protection plan and the department's watershed Land Act program.

Before we formally announce the DEP commissioner, I just want to make a reference to some of the good folks we have here from the Council. We have Council Members Koppell and Lander; very happy and honored to have you with us here today. Of course, we have the Counsel to the Committee, Samara Swanston and Dan Avery.

Because this is a budget hearing, I'd like to thank in a special way Kate Seely-Kirk, sitting to my right, and Andy Grossman from our Finance Division. They put together the documents that we're going to be looking at today. I'm very grateful for their hard work. I have my legislative person Bill Murray here as well. So I thank the staff for their hard work.

Without further ado, we're all very eager to get to the Commissioner's testimony and start this good conversation about what we're going to be doing in the budget this year. We're going to dispense with the swearing of the witness today. We'll just get right into his testimony. I'm very happy and pleased to have you here, Cas,

and your very good team that's always a real pleasure to work with. Without further ado, I'd ask you to state your name for the record and begin your good statement.

CASWELL F. HOLLOWAY: Thank you, Chairman Gennaro and members, good afternoon. My name is Cas Holloway. I'm Commissioner of the New York City Department of Environmental Protection. I appreciate the opportunity to testify on the Fiscal Year 2012 Preliminary Budget.

When I testified before this committee a year ago, I talked about DEP's core functions. Customer Service: first and foremost, DEP is a customer service organization. Nine million people, nearly half the population of New York State, rely on the water and wastewater services we provide every day. 835,000 of those customers pay the water bills that make it possible to run and maintain our ingenious and tremendously complicated system. We have a special obligation to them to provide accurate, fast and efficient service, and to run DEP as transparently as possible so that you know how we're spending those resources.

DEP also counts among our customers thousands of home and business owners who need our approval to hook into the water and sewer system. We have a responsibility to make their jobs easier by making permitting processes simple, fast, and efficient so that they can focus on helping New York City to grow and thrive.

Water supply and wastewater treatment: our second core function and the heart of our day-to-day operations is to supply and distribute more than 1 billion gallons of water each day to 9 million New Yorkers, and to treat the 1.3 billion gallons of wastewater that residents, businesses and visitors send to our 14 wastewater treatment plants daily.

Capital projects: DEP runs on of the largest construction operations in the region, with \$14 billion of projects currently in some phase of design or construction. Our third core function is to maintain and build the City's water and wastewater system through well managed projects that are on time and on budget.

And finally, sustainability: our fourth core function is to maintain the quality of

1
2 water New Yorkers drink, the air we breathe, the
3 harbor waters that surround us, and to protect
4 residents and businesses alike from environmental
5 hazards like asbestos and excessive noise, that
6 can impact public health, and generally lower New
7 Yorkers' quality of life.

8 I committed last year to develop a
9 strategic plan to accomplish all of this at the
10 lowest possible cost: by cutting our expenses;
11 spending capital dollars only where they will
12 achieve the greatest public health and
13 environmental benefits; by using DEP's vast asset
14 base to attract private investment; and working
15 with our regulators, primarily the Federal EPA and
16 the State Departments of Health and Environmental
17 Conservation, to end the cycle of unfunded
18 mandates in favor of a partnership-based approach
19 that will continue environmental improvement at a
20 sustainable pace, and for a price New Yorkers can
21 afford.

22 Last month, we delivered on that
23 promise when Mayor Bloomberg and I released
24 Strategy 2011-14. I'm holding a copy of it here.
25 It's also available on our website. This is a

1 strategic plan that lays out 100 distinct
2 initiatives to make DEP the safest, most
3 efficient, cost effective, and transparent water
4 utility in the nation. Each initiative advances a
5 key goal connected to the four core functions I
6 just described. The plan will guide DEP's
7 investments and operations over the next four
8 years, and we will keep you and the public up to
9 date about our progress with an annual report
10 card.
11

12 If you haven't already, I hope you
13 will take a few minutes to review the plan, and
14 I'd welcome an opportunity to meet with you to
15 discuss specific initiatives, capital investments
16 or other activity in your districts, or on any
17 other issue. So you can follow up with me
18 personally or Matt Mahoney, our Associate
19 Commissioner for Intergovernmental Affairs.

20 Now, what does all of this have to
21 do with the budget? Keeping water and sewer
22 service affordable is at the core of our plan, and
23 cost was an explicit consideration for each of the
24 100 initiatives we are committed to achieving.
25 Some, like the Green Infrastructure Plan that I'll

discuss at greater length shortly, were developed for the express purpose of reducing the costs of improving water quality in New York Harbor.

Others, like repairing the leaks in the Delaware Aqueduct, are significant new capital commitments. But we're paying for it by re-prioritizing our entire ten-year capital investment plan, not by increasing it.

As the Mayor said when we released the plan last month, "DEP's strategic plan is a blueprint for making sure that our growing city continues to have a sound environmental infrastructure and a great quality of life. Many of its 100 goals and initiatives can be accomplished over the next four years. And they're all affordable, even in this era of budget constraints."

I'll start with the expense budget. DEP's projected expense budget for Fiscal Year 2012 is \$987 million, our four-year capital budget from Fiscal Years 2012-2015-is \$6.6 billion. On the expense side, we've worked aggressively since last year to cut costs, and we achieved an 8 percent across-the-board expense budget reduction

that included a headcount reduction of 214 positions, and nearly \$20 million in savings on sludge removal. We're going through another round of cuts to take effect in 2012, and we expect to achieve significant reductions.

The Agency expects significant combined savings from this year and for next year on a recurring basis; though we have some new needs, principally in connection with the new facilities that you know about: the ultraviolet disinfection plant and the water filtration plant that will offset some of those savings. The overall cost of running the system though, obviously, would be less than it otherwise would without those cuts.

The single largest expense in the FY 2012 budget is \$452 million in personnel services to pay the salaries for our nearly 6,000 employees. Outside of personnel costs, taxes on upstate watershed lands accounts for more than 10 percent of all expenses, and we anticipate that they'll come in at over \$140 million in 2012.

Now, this is a sizeable amount, but particularly, Chairman Gennaro, as you know, the

upstate land holdings that we have are critical to protecting our drinking water quality, and the alternative, a multi-multi-billion dollar filtration plant for Catskill Delaware water, would be much more costly.

We work closely with our upstate partners to ensure that the taxes we pay are fair, and to promote responsible economic activity like agriculture supported through the Watershed Agricultural Council, known as WAC, that protects the City's Catskill, Delaware, and Croton watersheds.

Heat, light and power: DEP's energy costs, account for over \$90 million of the Fiscal Year 12 expense budget and our power bill and greenhouse gas emissions will increase substantially as we bring new facilities online, unless we start taking aggressive steps now to become more efficient.

Our strategic plan includes six energy-related initiatives to increase efficiency, reduce overall demand, and generate revenue through public-private partnerships that take advantage of DEP's energy-rich asset base. We

recently received 12 submissions in response to a request for expressions of interest to develop a co-generation facility at our Ward's Island plant.

Our four-year capital plan includes almost \$300 million for investments to make our treatment plants more energy efficient, including \$60 million in FY 2011 for digester gas system upgrades at five of our treatment plants. We currently use, just so you have a sense of it, about 50 percent of the digester gas that's produced as a natural byproduct of the wastewater treatment process. Clearly, the more of that that we can use to meet our energy needs at our plants, the lower our utility electric bill will be. We're also looking at opportunities to sell some of the excess at certain plants back into the grid.

Sludge management is another significant expense. The wastewater treatment process generates approximately 1,200 tons of sludge each day, and last year we generated nearly \$20 million of recurring expense savings by diverting a portion of our sludge to landfills. Over the long term, though, we want to find a

beneficial use for as much of the City's sludge as possible, and we recently received 17 submissions in response to an RFP released last fall. The evaluation process is under way, and cost will certainly be a factor in our decision-making.

Although it is a byproduct of the sewage treatment process, sludge has many potential applications, including energy extraction and as a component for building materials. We're hopeful that the firms that have expressed interest in this will have made viable, cost effective proposals. I'll certainly be letting you know more as that process moves forward.

Moving to the capital budget, the Preliminary Budget includes \$1.7 billion for FY 2012, as compared with a forecast of \$2.5 billion for this fiscal year. The Preliminary Ten-Year Capital Plan projects \$12.1 billion for water and wastewater infrastructure. Of the FY 12 total, more than \$760 million is projected for drinking water system investments, which have been a signature priority for the Bloomberg Administration. As the members of this committee

know, three of the largest capital projects currently in construction will significantly transform the way drinking water is supplied and distributed in the City:

There's the Croton Water Filtration Plant which once it goes online will be able to supply nearly 300 million gallons a day from the Croton watershed, our oldest. The Ultraviolet Disinfection plant which is under construction just south of the Kensico Reservoir; that's going to have the capacity to treat 2 billion gallons a day of water from the Catskill-Delaware Water sheds with ultraviolet light, which disinfects certain pathogens.

And of course: City Water Tunnel No. 3. Mayor Bloomberg has made completion of City Water Tunnel No. 3 a top priority and has committed more to this project than the past five administrations combined. City Tunnels No. 1 and 2, which have been workhorses since they were put into place, in approximately 1917 and 1936 respectively, eventually do need to come offline so that we can maintain them and ensure a robust and reliable supply.

In addition to these ongoing projects, the Capital Plan addresses one of the most complicated challenges to the long-term reliability of the City's water supply: leaks in the section of the Delaware Aqueduct known as the Rondout-West Branch Tunnel. Last November we unveiled a plan to build a three-mile bypass around a portion of the aqueduct that's leaking in Roseton in Orange County, and to repair from the inside leaks that are happening beneath Wawarsing, in Ulster County.

We're on track to break ground on the bypass tunnel in 2013, that's one of our 100 initiatives in the strategic plan. And we estimate that construction cost is going to be approximately \$1.2 billion. We'll also have to spend another approximately \$900 million to pay for supplemental water supply while the aqueduct is offline when we connect the bypass.

The bypass and repairs at Wawarsing will restore the long-term reliability of the Delaware Aqueduct. To ensure the quality of the water coming from the west of Hudson watersheds, our capital plan also continues the highly

successful and extensive watershed protection program, including the land acquisition program that has already protected more than 116,000 acres either through outright purchase or through easements.

Just a few months ago, State DEC, our primary regulator in this area, issued us a 15-year permit for water supply that re-ups the land acquisition program for another 15 years.

Now, our Capital Plan includes many more projects, including water and sewer work throughout the five boroughs. I'm just going to hit one or two things in each borough.

First starting in Queens, Chairman Gennaro, the Preliminary Budget includes \$2.3 billion of spending for the ten-year plan, including \$417 million for sewers. And \$190 million of that amount is for high-level storm sewers in Southeast Queens.

In the Bronx, Council Member Koppell, the Preliminary Budget includes--and I'm sorry, Queens also, Council Member Crowley--it also includes \$326 million of capital spending, \$56 million to continue ongoing construction work

2 at the Croton Filtration Plant, \$39 million for
3 the reconstruction of the Throgs Neck Pumping
4 Station and will be funding \$59 million in
5 upgrades of various water main projects.

6 In Brooklyn, Council Member Levin,
7 Council Member Lander, we have \$601 million in
8 commitments in the ten-year plan. The \$137
9 million is for sewer and water main work in the
10 Coney Island Area. And \$110 million is budgeted
11 for the 26th Ward Primary Settling Tank and Solids
12 Handling work, which is required under the Jamaica
13 Bay Consent Order.

14 We'll also use \$53 million to
15 finally build the sludge loading dock at Newtown
16 Creek which will enable us to move forward on
17 Mayor Bloomberg's commitments as part of the
18 Williamsburg rezoning, taking down the sludge tank
19 that's over there. I can tell you that they're
20 already cutting steel on the sludge boats that
21 we're building. So those projects are moving
22 forward.

23 In Manhattan, the Preliminary
24 Budget projects \$969 million in capital spending.
25 That includes nearly \$600 million to complete the

shaft site reconstruction necessary to connect the extension of City Water Tunnel No. 3 to the distribution network under the street. We're on track to turn that one by 2013. And we have \$65 million for the reconstruction of the boilers at Wards Island.

In Staten Island we're doing a lot, including the Bluebelt reconstructions. We also have \$276 million for sewers in the ten-year plan, including a siphon that is going to provide additional water supply that the Army Corps of Engineers is splitting the cost with us because of the harbor deepening project. Just moving through the Staten Island investments, there's a lot that we're doing there to deal with storm water especially.

We're also investing heavily to improve customer service. To provide more timely billing information for our customers, we are continuing to install at a record pace our wireless meter readers. We are now 75 percent complete, which is a major milestone. Last year around this time we had installed 200,000. Now we're at 625,000 and we are on track to be

substantially complete by January 2012.

This \$252 million investment has enabled us to expand customer service in ways not formerly possible. In fact, two weeks ago today, Mayor Bloomberg and I were at the Douglaston Pumping Station in Queens. We announced the leak notification program, which enables us to reach out to customers based on when their water usage goes beyond the parameters that have been established by their normal use and tell them that we think they may have a leak.

We've already saved customers what we estimate several hundred thousand dollars. We had woman who is a real estate owner in Brooklyn in Greenpoint who was helped by the program. Her water costs went from \$8 a day to \$100 a day. We told her about it. She fixed the leak and saved her definitely thousands of dollars under the old system. She might not have gotten a bill for up to three months.

So it's these kind of programs that are enabling us to help customers save money, which is really one of the primary benefits of wireless meter reading.

I noted earlier that part of our efforts to keep water and sewer service affordable that we did not increase our overall capital funding envelope for the ten-year plan. Projects like the Delaware Aqueduct repair, but instead we prioritized our projects. One of the ways that we did that was with the help of an asset management program that has been in development since 2009.

As part of that effort, which I'd be happy to brief any of you on at greater length, we analyzed over 27,000 assets across the agency and bundled them into potential capital projects. Then we went through the exercise working with our operating bureaus of developing business cases for each of those projects in order to have to articulate specifically why this project had to be done, is it something that requires capital funding or could we deal with it through operations and maintenance.

Ultimately we have a plan that we think strikes the right balance between projects that need to be addressed through capital dollars and things that we can maintain through regular operations and maintenance of our plants and other

facilities.

Now, I hope this short summary of projects under way and in the pipeline is helpful. But just as important is the question of what future investments we may be required to fund, and how soon, depending on actions taken by our federal and state regulators.

I don't need to tell the members of this committee that the size and pace of recent water rate increases cannot continue; you already know it. Mayor Bloomberg has committed more than \$20 billion to water and wastewater infrastructure between 2002 and 2010. More capital funding, I should note, than went to any other social need, and that includes education and public safety. Water rates have increased by 117 percent during that period, from an average bill of \$375 for a family of four in 2002 to \$816 today, to fund these investments.

Of that \$20 billion, approximately \$14 billion, more than 70 percent, was for projects that are mandated by federal or state regulations and whose schedules and scopes are established and enforced by consent or court

orders. Less than 1 percent of our capital funding during this period came through federal grants, and even if you add the American Recovery and Reinvestment Act funds, which we certainly appreciate, it only accounts for 1.3 percent of the water and wastewater infrastructure funding between 2002 and 2010.

Now, the fact that a project is mandated by the state or federal government does not mean that it's a bad investment for the water system. To the contrary, in many cases, the City would likely make the same or a similar investment at some point. But consent orders dictate when and how a project will be done, and they are focused on a specific compliance issue. So they don't take into account the water systems' overall needs and priorities.

And I've gone to Washington several times over the last year and I can tell you that when you talk to the enforcement people about this, they readily acknowledge that they have specific mandates that they are supposed to deal with. And whether an investment in a certain part of the water system, drinking water system, means

that an investment won't be made in the wastewater system or to improve air quality, not their concern.

Now, when you combine this with the one-size-fits-all enforcement approach favored by EPA and other authorities, the result is massive, simultaneous investments that require billions of dollars of debt-funded cash-on-hand to build. As a direct result of the compressed construction windows for the vast majority of DEP's consent order work, water rates have increased by double digits in each of the last 4 years: 11.5 percent in 2008, 14.5 percent in 2009, 12.9 percent in 2010 and 12.9 percent again in 2011.

Timing that couldn't be worse for New Yorkers, many of whom are seniors on a fixed income, hard hit by the recession. And more increases are projected into the future, to complete mandated work that is peaking now. We have approximately 1,000 workers a day at the Croton Filtration Plant, 600 or 700 workers at the UV Disinfection Plant and we're doing the \$5 billion upgrade at Newtown Creek. It's a staggering amount of money. You issue debt on a

cash-needed basis. So while the capital funding may happen in a particular year, you may not actually have the money on hand until now when we're in the middle of construction, and many of these projects are coming to completion at exactly the same time.

So unless something changes in the federal government's approach, a new enforcement paradigm, or a massive infusion of funds for local governments and water utilities, we're going to see more of the same from Washington, and the State regulators who follow Washington's lead or risk losing jurisdiction over their water and wastewater infrastructure.

As much as I, and the 835,000 property owners who pay New York City's water bills, would like more cash, I think it's unlikely in the current fiscal environment. But a change in the enforcement paradigm is possible if EPA and State regulators are committed to it.

EPA Administrator Jackson and her staff with initiatives like the Green Infrastructure Task force--which I presented to personally--have signaled a strong willingness to

move in a new direction. But they must acknowledge that these quantum leaps on the so-called program side of EPA must be accompanied by a change in EPA's enforcement approach or else bold initiatives like green infrastructure simply cannot succeed.

The stakes are high. Thanks to the hard work of DEP's first-ever Deputy Commissioner for Sustainability Carter Strickland and his team, Mayor Bloomberg and I launched the Green Infrastructure Plan, which I am holding up now, last September.

As the members of this committee know, one of the most significant remaining water quality challenges we face is combined sewer overflows, CSOs that happen when the network that carries both storm water and sanitary flows becomes overwhelmed during a rainstorm.

Under a consent order currently in place with State DEC, the City would be required to build massive tanks and tunnels, what we call grey infrastructure, to capture CSOs and pump them to a treatment plant after a storm.

The Green Infrastructure Plan

proposes in detail that we make cost effective grey infrastructure investments, but use green infrastructure: tree pits, green roofs, bio-swales and other installations-to capture storm water at the source, before it can enter and potentially overwhelm the sewer system.

We have already appointed an Assistant Commissioner for Green Infrastructure to oversee installations, and we project that the plan could reduce the cost of addressing CSOs by more than \$2 billion that would otherwise have to be paid for through water rates. And cost savings are not the only, or even the primary benefit of the Green Infrastructure approach.

In addition to reducing CSOs and improving water quality, green infrastructure improves air quality, lowers energy costs, increases open space and raises property values. Grey infrastructure foregoes all these benefits, and it increases energy consumption and greenhouse gas emissions, truly a lose/lose proposition.

We are in active negotiations with DEC about the plan and to succeed they and EPA must be willing to discard the current adversarial

1 approach to enforcement in favor of a
2 collaborative approach that includes the
3 flexibility needed, in the form of the trial and
4 error that will inevitably be necessary for green
5 infrastructure to work. Changing this adversarial
6 dynamic will not be easy, but it is certainly
7 possible.
8

9 A first step could be embracing the
10 idea that consent-order driven enforcement and the
11 litigation and the penalties that too-often come
12 with it should be used to compel the unwilling,
13 not as standard operating procedure. For
14 localities like New York City that are putting
15 billions of dollars into water and wastewater
16 infrastructure; that are funding a Green
17 Infrastructure plan to confront the CSO problem
18 head on; and that have laid out a clear strategy
19 to run a safe and compliant water and sewer system
20 EPA should be willing to give us the benefit of
21 the doubt. Not every initiative needs to be or
22 should be written into a consent order and
23 overseen by a judge.

24 But giving us the benefit of the
25 doubt means developing flexible remedies that

1
2 incorporate investments that are planned or are
3 already under way. It means providing the
4 opportunity to understand what EPA's enforcement
5 priorities are, and how we propose to achieve
6 them, without the threat of a judicial order, or
7 rigid, inflexible milestones that require
8 increased water rates, or major diversions of
9 existing resources.

10 Fundamentally, this requires
11 treating cities and utilities as partners in a
12 common effort rather than as adversaries, and to
13 the maximum extent possible, deferring to a local
14 jurisdiction's plan to tackle a problem, as long
15 as we get to the right result.

16 Now, DEP's Strategic Plan and
17 PlaNYC and our Green Infrastructure plan,
18 demonstrate that the City is willing, and has
19 committed massive resources to improve our
20 environment and improve public health in ways
21 consistent with the goals of national
22 environmental regulation. If we could adapt
23 federal enforcement strategies to complement and
24 reinforce this effort, it would go a long way
25 towards bridging the gap between federal

enforcement, scarce funding, and local goals.

I have been to Washington three times in the past year to make the case for changes in federal enforcement policy. I would welcome help from this committee and the Council generally to continue to make that case.

What's been made clear to me in my visits to Washington is that it's extremely important to EPA what the public thinks, what elected officials think and that there be a process where input comes not just from the regulated entity.

Because there is, I guess frankly speaking, a concern that utilities and city entities, all things being equal, don't want to be told what to do and wouldn't do it unless they were told what to do. Even though that's not true and we're demonstrating that. Unless the agency and the government generally hear from you, I think it's going to be a really uphill battle. So that would be much appreciated.

A very promising development has happened in the regulatory area in January, when President Obama issued Executive Order 13563,

initiating a comprehensive review of Federal rules and regulations. As part of that effort, federal agencies, including the EPA, are required to submit a preliminary review plan by mid-May, and the EPA is soliciting public comments on how they should go about it.

Last Friday we submitted comments requesting changes to specific regulations- including the rule that requires New York City to cover the Hillview reservoir, as well as general comments proposing a framework for review that includes not only existing and future rules, but the way those rules are interpreted and enforced.

We are hopeful that this process will result in meaningful changes that improve environmental protection, while at the same time eliminating unnecessary investments that analysis shows will not produce substantial public health and environmental benefits.

Before I close, I want to thank the Council for passing Intro 26-A, which allows the City to resume selling liens on properties on the basis of delinquent City charges, including water bills. Persuading delinquent customers to pay is

an important tool in helping to keep water rates as low as possible and making sure that we don't unnecessarily burden the people who do pay their water bills by forcing them to pay for those who don't pay but can afford to. I'd like to continue to work with the Council to ensure that DEP has all the tools necessary to ensure that those who can afford to pay their bills actually pay.

Thank you for the opportunity to testify on the preliminary budget. I would be happy to answer any questions that you have.

CHAIRPERSON GENNARO: Thank you, Commissioner. I'm very grateful for your comprehensive statement. I look forward to going through it. I have some questions and comments to pose on that. I'm going to defer to some of my colleagues first. I'm very grateful that they're here and that they're very engaged. I want to give them an opportunity to pose some questions to you because I think it's very good to get everybody fully engaged.

Before I do that, let me just recognize some of the members that have come in since you started your statement. We have Council

Member Crowley. I thank her for being here. We have Council Member Levin and Council Member Vallone. I'm grateful for their presence here today. I'm going to recognize the first Council Member that signed up for a question and that would be Council Member Koppell.

But before I do that, let me just comment on the record, too, that whatever we can do to help you with EPA and this regulatory paradigm or comments that we could make in that process, I would direct staff to talk to Cas' staff to see how we can be of help in having us make the case that needs to be made. I think when we are flexible and we do things that make sense rather than just some cookie cutter kind of way, I think we get a better result. I think that's what you and the Bloomberg administration have been all about. We'd like to be supportive of that. So that's my pledge to you.

With that said, let me recognize Council Member Koppell for questions.

COUNCIL MEMBER KOPPELL: Thank you very much, Chair. Thank you, Commissioner, for your testimony and for your cooperative attitude

as we've been working together on various things, including the filtration plant which is in my district.

I want to focus on something I've talked about for years now, which is the collection. I'm a little disappointed in your presentation because in past years, as I recall it, the presentation included statistics as to where we are with respect to collection. They're not in your statement today. Maybe you want to tell us where you are with respect to percentage of residential and nonresidential customers and what percentage of their bills we're collecting.

CASWELL F. HOLLOWAY: Sure, I just want to introduce, I've asked our Chief Financial Officer at DEP, Steve Lawitts to join me up here for Q&A.

Let me just say on a macro level, the revenue picture right now is good. We're 4 percent ahead of plan right now, approximately \$73 million. In terms of collection rates for commercial and residential, let me get back to you with specific breakdowns on what those are. As a general matter and we track them every two weeks,

we're not seeing a major change from last year in terms of the percentage of homes and businesses that are paying their bills within the specific brackets of time. Water rates have gone up, so there is a slight increase in the amount of accounts receivable outstanding, but it hasn't translated into more properties being delinquent.

So, in addition, we are going to be moving forward shortly with an RFP to increase the collection tools available to us, including having an outside service help us with collections for customers who are particularly delinquent. So I have a very strong interest in ensuring that those who can afford to pay actually pay.

COUNCIL MEMBER KOPPELL: Well, as you may remember, because I think we've discussed it. Certainly I've discussed it with your predecessors. The utilities, Con Edison particularly, have a much higher percentage collection rate. The reason that they do is it's relatively easy for them to shut off and they will shut off, with certain protections, which I'm proud to say that I actually engineered or drafted back in Albany many years ago. I'm not saying

those protections shouldn't exist for people who literally cannot pay, for the elderly, for people in winter season and so on.

That having been said, notwithstanding those protections which exist for Con Ed customers, they still have a much higher rate of compliance. I've been disturbed at the slow rate of increase in compliance. When you say it's about the same as last year, that's disappointing to me. That's not encouraging, because the rate should be like 97 percent, not about 90 percent which is I recall what it was in the past.

So I'm wondering, I know we renewed the lien and we actually broadened I think the lien sale power somewhat, but the other power that you have besides the lien sale is shutoff. Now I know it costs money to shut people off, but my recollection is from looking at the reports that you've provided in the past is that when you threaten the people to shutoff, you don't really actually have to shut many people off. You don't have to incur the costs because once they sort of see the white truck at the driveway, they pay.

2 I'm just wondering where are we
3 with that? Are we threatening more people with
4 shutoff, which is I think what we want to do? Not
5 shut them off but threaten them with shutoff.

6 CASWELL F. HOLLOWAY: We are at the
7 point in the process where we are sending out
8 notices. In fact, Steve, are we doing shutoff
9 notices now or in connection with the lien sale?

10 STEVE LAWITTS: By the end of this
11 month.

12 CASWELL F. HOLLOWAY: By the end of
13 this month we'll have sent them all out. So we
14 are sending out the shutoff notices. It is very
15 expensive to do shutoffs. That is because our
16 system, unlike some other cities, doesn't have
17 curbside shutoffs that enable somebody to go out
18 and just turn off the water actually. It costs
19 about \$2,700 per shutoff. It's highly
20 inefficient. So that is one thing.

21 In terms of the 97 percent, and the
22 percentage rate that we see today, that is
23 probably 88 percent within 60 days. Is that about
24 right? Within 60 days we get about 88 percent of
25 collections. Is that like property taxes used to

1
2 be when you had a fixed water charge that you
3 would have the charges escrowed in connection with
4 properties? That doesn't happen now because it's
5 a variable charge based on consumption. That's
6 just a little bit of history for you.

7 There are other ways that could be
8 helpful to do this. The recent lien sale
9 legislation, which we greatly appreciate, didn't
10 actually expand in terms of water bills are
11 concerned. It expanded to certain properties,
12 certain other properties not related to water
13 charges. And in fact, it increased the threshold
14 to \$2,000 from \$1,000 of the properties that will
15 be eligible for shutoffs, you know I think that--
16 I'm sorry, eligible for the lien sale, I think
17 that I'd be interested in discussing with you and
18 other members ways that those tools might be able
19 to be strengthened.

20 COUNCIL MEMBER KOPPELL: Well, I
21 look forward to seeing the statistics. But I
22 think 88 percent is not a good result. What it
23 does is it means that the 88 percent who are
24 paying are paying for the 12 percent who aren't,
25 as you mentioned in your statement. Do you have a

2 prediction as to what the percentage increase
3 you're going to look for or the Water Board is
4 going to look for this year?

5 CASWELL F. HOLLOWAY: We're
6 required to publish a forecast of what we think
7 that the increase will be in connection with any
8 debt issuance that we do. So the current forecast
9 is 9.8 percent. I'm hoping to do better than
10 that. We're doing another internal expense budget
11 cut. You know, we've looked at our capital plan.
12 We're hopeful to get a bit of a break on interest
13 rates. We'll see. I'm hopeful that we can do
14 better than that.

15 COUNCIL MEMBER KOPPELL: I'm
16 hopeful as well. Again, I say I think an
17 aggressive--I realize that some of my constituents
18 may not be happy, the ones who are in default, but
19 I think that we can expect people to pay their
20 bills. And if the people aren't paying their
21 bills, it means that the vast majority of my
22 constituents who do pay their bills are paying for
23 those who don't.

24 I do this every year, several
25 times, both when the Commissioner testifies and

2 then again at the Water Board. But I want to
3 stress that I think we've got to get that number
4 up.

5 CASWELL F. HOLLOWAY: I totally
6 agree with you. The agency has made some
7 proposals about ways that we might be able to do
8 that which I think you're aware of. We can
9 discuss them and see how we might be able to move
10 forward.

11 COUNCIL MEMBER KOPPELL: Good.

12 CHAIRPERSON GENNARO: Thank you,
13 Council Member Koppell. I'm going to next
14 recognize Council Member Crowley. But before she
15 starts her line of questioning, I'd just like to
16 recognize that the panel has been joined by Steve
17 Lawitts, who has served DEP with great distinction
18 for many, many years. I'm very happy to have you
19 with us here today, Steve.

20 With that said, I recognize Council
21 Member Crowley for questions.

22 COUNCIL MEMBER CROWLEY: Thank you,
23 Mr. Chair. My question is about the Green
24 Infrastructure program and the specific projects
25 that are currently underway to reduce the combined

sewer overflow. There was a specific amount, I think it was close to \$200 million that we received from the federal government, I believe. There was a big press conference maybe a year ago with the governor at the time and the Mayor. They had identified places throughout the city. I just wanted to know where we are in the timeline. Am I confusing two different projects?

CASWELL F. HOLLOWAY: Well there are two different things. One is that we did get about \$280 million.

STEVE LAWITTS: \$218 million.

CASWELL F. HOLLOWAY: \$218 million in funding in connection with the American Recovery and Reinvestment Act. Now, that bill actually, I believe, had a provision for some green investments and green infrastructure. But all of the projects that are going to be funded with that money are well underway, and that includes the boats for the sludge docks and things like that. So we're pretty happy with where that is.

The Green Infrastructure plan which I announced with the Mayor at the end of September

of last year is also funded in the capital budget for nearly \$200 million. It's \$187 million over the ten years. What that plan does is seeks to leverage investments that the city is already going to make in terms of road repair, sidewalk repair, investments in buildings, to capture rainwater at the source rather than dealing with it by only doing tanks and tunnels.

Now whether or not we can implement that plan fully, which we think will save nearly \$2.5 billion over 20 years, which is a sizable amount, will depend on whether or not the State DEC and EPA ultimately approve the plan. But Mayor Bloomberg, as has often been the case, is not one to wait for approval before acting. The first four years of the plan are funded. If you look at our ten-year plan, what do we have?

STEVE LAWITTS: It's \$730 million.

CASWELL F. HOLLOWAY: \$730 million in the ten-year capital plan because it's about a \$1.5 billion over 20 years, plus some changes in the storm water flow rules for new development, which we think will appropriately require developers to deal with more storm water onsite.

We have about 30 pilots in the ground. We've already got a new Assistant Commissioner for Green Infrastructure. There's a Green Infrastructure Task Force that's been identified, that's been put together of city agencies, which is looking at 400 projects throughout the five boroughs because we want to frontload some projects as early as this summer to get some things in the ground.

And, about three weeks ago, or a month ago now, we initiated a process for \$3 million worth of grants to neighborhood groups to do green infrastructure on rooftops and other places. So we're actually making some of this capital funding available for projects in districts around the city so that they can tell us what they think the best investments would be. If they meet the criteria and they actually help us deal with the problem, then they'll get funded.

In fact, I would encourage the members, and I can give you much more information about this. One of the components on which these programs are going to be judged is if you have matching funds to do a bigger project that will capture more storm water that is a good thing. So

I think the membership does have an opportunity in that way to maybe contribute to some of these projects for local groups in your districts and make their applications even stronger.

COUNCIL MEMBER CROWLEY: What was the Deputy Commissioner in charge of that project?

CASWELL F. HOLLOWAY: There's the Deputy Commissioner for Sustainability is Carter Strickland. Then we've also appointed who is under him, Magdi Farag, who has been with the city for 40 years. He's one of the most experienced sewer engineers in the world, who is now the Assistant Commissioner for Green Infrastructure. My theory was that if the most experienced engineer that we have says it can work, then it can work.

CHAIRPERSON GENNARO: I just want to jump in for a second on that. So if Magdi is doing that, then he's not working for Jim, like doing that.

CASWELL F. HOLLOWAY: He is no longer in the Bureau of Water and Sewer Operations. Now, of course, he is continuing to advise on projects. I mean he's still within the

agency and his institutional memory is legendary. But he is not in his old position. He's got actually quite a workload now to help us implement this plan.

CHAIRPERSON GENNARO: Great. Okay, I just wanted to clarify that move. Please, Liz?

COUNCIL MEMBER CROWLEY: Thank you. Do you have a list of the projects that are currently underway with this Green Infrastructure program?

CASWELL F. HOLLOWAY: We definitely have a list of the projects that we're looking at. Why don't I have, with Matt, get in touch with you and we can provide you with that information?

COUNCIL MEMBER CROWLEY: And also, in addition to that, the TARP projects.

CASWELL F. HOLLOWAY: Absolutely. We have a great breakdown of those projects, what they are, where they are, status.

COUNCIL MEMBER CROWLEY: The grants that are given to encourage some time of sustainable projects for homeowners and businesses, is that the goal?

CASWELL F. HOLLOWAY: Yes.

2 COUNCIL MEMBER CROWLEY: For
3 putting green roofs on?

4 CASWELL F. HOLLOWAY: To do green
5 roofs. A green roof, a blue roof, some other form
6 of drainage that would deal with more storm water
7 onsite, and depending on how the program succeeds,
8 we would look to increase that amount of funding
9 as the years move forward.

10 COUNCIL MEMBER CROWLEY: Has
11 anybody been able to receive any grants?

12 CASWELL F. HOLLOWAY: The first
13 round of applications is due at the end of April.
14 So we haven't given out any money yet, but we
15 will. Even with that program, too, we can provide
16 you and the other members more information about
17 it. Council Member Lander, you and I have already
18 spoken about this. I'd also be happy to put
19 together events or send representatives to work
20 with you to put together information sessions so
21 that people understand what the opportunity is and
22 can take advantage of it.

23 COUNCIL MEMBER CROWLEY: And just
24 so I understand it a little bit better, do they
25 need their own funds, or they need to have another

government agency match it?

CASWELL F. HOLLOWAY: No. It is not a requirement to match. However, the applications are judged on a number of criteria. Clearly, what we want to do is get the highest value per dollar spent here, but also ensure that the grants are--first, they have to be effective. The projects have to be effective in dealing with storm water in a way that the city is going to get credit for. The great thing about the Green Infrastructure plan is that it achieves so much more than just dealing with CSOs in terms of beautification, clean air, property values and so forth.

But fundamentally, from a regulatory perspective, we are going to be judged on water quality and the amount of CSO that we reduce. So that is the primary metric. Projects that can demonstrate that that's going to happen are going to do well, whether they have matching funds or not. Of course, \$3 million is a start. It's not a tremendous amount in the context of everything we're going to have to spend to deal with this issue. It is conceivable that an

application could be strengthened if you're going to do a bigger project or if a proposal that a groups wants to make--

COUNCIL MEMBER CROWLEY:

[interposing] If a project was like \$10,000, how much do you think that you would give towards a grant?

CASWELL F. HOLLOWAY: You know, I can't get that specific because I don't know.

COUNCIL MEMBER CROWLEY: You don't know any percentage?

CASWELL F. HOLLOWAY: I mean until we see what the applications are. I'm not going to be personally judging them, obviously.

COUNCIL MEMBER CROWLEY: Then my last question, just in the interest of time, the capital project overall for infrastructure improvement in Queens as it relates to the areas that have had a planned project, have budget cuts delayed the plan?

CASWELL F. HOLLOWAY: In terms of major changes to the capital plan, I mean I know we have a tremendous amount of work that is happening. There are some, overall in terms of

the--we did make some reallocations of funding in the ten-year plan because we wanted to keep the size of the plan over the ten years the same, but we had major needs to address. One of which is the Delaware Aqueduct, which we need to fix.

There are some general categories of spending that really aren't all identified with specific projects for water main and sewer line replacement that have been pushed. No specific projects that are currently underway are being pushed out. I can give you more specific information about that afterwards.

COUNCIL MEMBER CROWLEY: Thank you.

CHAIRPERSON GENNARO: Thank you, Council Member Crowley. I'm wearing kind of drab green today. You're wearing a bright green, which reminds us all that I think we should recognize that today is the first full day of spring. It seems like we should recognize that. This is the Environmental Committee. So now it's duly noted; today is the first full day of spring. Happy day.

I recognize Council Member Lander for questions. He'll be followed by Council Member Vallone. But for now, I recognize Council

Member Lander for questions.

COUNCIL MEMBER LANDER: Thank you very much, Mr. Chairman. Commissioner, it's good to see you. I guess I'll begin by following up with just a question or two on the Green Infrastructure plan. I'm very enthusiastic about it. I appreciate the grants program and your inclusion of folks.

You said a little bit in your testimony about where we are with DEC and their approval, but I wonder if you could just expand a little more. Obviously, a critical next step is for us to get their approval so this can move forward. Do we need to be doing something to help? I don't know, if I got this I think I would say, "Hey, this looks great." But it sounds like it's more complicated than that.

CASWELL F. HOLLOWAY: Right.

COUNCIL MEMBER LANDER: Can you say a little more about what's going on there?

CASWELL F. HOLLOWAY: Well, the good news is I've already been to Albany once to meet with the new DEC Commissioner Joe Martens. He was formerly with the Open Space Institute. He

gave us a tremendous amount of his time, given how much he's dealing with in terms of learning everything new at that agency. He was very supportive of the plan. The staff at DEC has been supportive of the plan.

We have gotten down to talking nitty-gritty in terms of what changes--basically the framework here is pretty complex. The city, as many cities are all required to submit long-term control plans for storm water, either through the state or to EPA, depending on whether you have the state, as is the case in New York State, the state has been delegated the authority to enforce this part of the Clean Water Act. So we'll be doing that to the state. Some jurisdictions do it directly to the EPA.

We are developing 17 of those plans, all as a precursor to having a citywide long-term control plan by 2017. So right now there's a consent order, which has all kinds of mandates in it in terms of what we're going to build when and what's going to be submitted by whom, where and when and for what. We need to make some changes to that if it's going to allow

for green infrastructure.

So we want to do that in a way that does the least violence to the existing order, because that's just simpler. And in a way that gives us flexibility, but I know from the state's perspective they want to make sure that they retain enough oversight to be able to make sure that the job is getting done. So discussions with the state are going well.

I think that it would, of course, be helpful for any support that you as individual members or the Council collectively would give to this approach to the idea that where it's possible to achieve more than one good outcome with a tax dollar spent as the Green Infrastructure plan does, because it not only improves water quality but also has all of the sustainability co-benefits that I talked about. That would be helpful. Hearing support from all different quarters is very helpful.

I've been out and done tours with a number of people, including the Deputy Administrator of EPA. A lot of our pilot projects are in East New York in Jamaica and they really,

in addition to capturing storm water, do beautify neighborhoods and provide education as well. So a lot of opportunity here and we should think specifically about what communication might be helpful.

CHAIRPERSON GENNARO: Brad, I just want to jump in for a second and just make a further pledge to DEP and to let staff know that this is one of the takeaways I want from this hearing, to figure out what we can do by reaching out to Judith Enck or reaching out to Lisa Jackson or reaching out to Joe Martens on how we can be supportive of the approaches that we know will bear the most fruit and save our taxpayers money.

This is now an active focus of the committee, by virtue of the fact that I just said it. For you to work with Matt and those good folks at DEP to work on these communications and then we can talk to members of the committee on how we want to do this. Is this a committee thing, is this a Speaker thing, whatever. So we should have those discussions and that'll be one of the follow-ups to this hearing. So this is kind of an on-the-record note to staff. So that's

meaningful. Sorry for the interruption, Brad,
please continue.

COUNCIL MEMBER LANDER: That sounds
great. I'd be glad to join you on a letter or a
resolution or whatever the chair and others agree
would be the sensible way for us to communicate
this. I think it'd be great for us to do so. So
thank you.

CASWELL F. HOLLOWAY: You're great.
Thank you.

CHAIRPERSON GENNARO: Sure.

COUNCIL MEMBER LANDER: I'm looking
forward to having you out in the neighborhood. As
you know, the Gowanus Watershed is one of the
areas and one where there's a very active
citizenry interested in sort of joining onboard.
I'm enthusiastic. I hope we'll get a good
response to the grants program.

I do think we should keep looking
at other ways to enable homeowners and citizens
and not-for-profits to do more here. You know,
the average homeowner is not going to fill out a
grant to get an enhanced tree pit, and the average
not-for-profit whose mission is not improve water

quality or water runoff. So I think we should keep thinking about what we can do, both to make it easier for people to participate and provide incentives for people to participate.

I think the grants program is a great first step, but I do think there's a lot more that we can do on the model of your guys giving out the rain barrels. But also there's a lot of nonprofits, there's park administrators, there's homeowners, so I think we can get to do more over time. So I look forward to working with you and your staff on that.

Sort of in that vein, last year you had a pilot program on the water runoff and tax policy side, to start charging people who weren't hooked into the sewer system for the privilege I guess of having rain fall on the blacktop. I mean I don't say that facetiously. We have to figure out how to spread the balance out to a wider range of people and provide incentives for people to act in ways more attuned with our Green Infrastructure program. I wonder if you could just give us an update on that. Did it happen? Did it no happen? Are we expanding on it this year?

2 CASWELL F. HOLLOWAY: Sure. Well,
3 first of all, one thing that was adopted as part
4 of last year's water rate proposal was a pilot for
5 a storm water charge for parking lots that are not
6 getting water or sewer service. We were able to
7 put that together. We did a tremendous amount of
8 work over last summer doing physical inventory of
9 all these parking lots.

10 We ultimately developed a program.
11 Not only would there be a charge, which is based
12 on square footage, but if you could demonstrate
13 that you were actually taking steps to deal with
14 the storm water, you could get that credited
15 against what the charge would be. So there was a
16 direct connection between action you could take to
17 deal with the specific problem and know how much
18 you would have to pay.

19 So actually in January the bills
20 went out. We are currently in the middle of the
21 pilot period. Steve, do you have anything to add
22 there?

23 STEVE LAWITTS: It went out to
24 several hundred parking lots. The average charge
25 per parking lot, based on their square footage is

1 hovering around \$650-\$700. We sent the bills out
2 in January. We haven't had any pushback from
3 those customers.
4

5 COUNCIL MEMBER LANDER: Maybe it's
6 too soon to tell. Do you know whether anyone has
7 taken some of the steps they can to control
8 runoff, or are they all just paying the bill?

9 CASWELL F. HOLLOWAY: Do we have
10 any detention measures?

11 STEVE LAWITTS: I think a number of
12 the parking lots right now don't have any
13 detention measures. But let's get back to you
14 with information specifically about whether
15 anybody has. I don't know whether anybody has put
16 in. If people are asking questions, which I hope
17 they are, then are going to take those steps,
18 ultimately we do really want that. The issue
19 we're trying to tackle here is storm water. So we
20 can get back to you with more information on that.

21 COUNCIL MEMBER LANDER: So that
22 pilot is underway. You're not proposing in this
23 year's budget to expand it? You're going to see
24 how it works and then potentially follow up on it
25 in the future? Or is there a proposal to?

STEVE LAWITTS: Well, we haven't made the water rate proposal for this year, so I don't want to get into that, except to say that we are dead in the middle of the pilot. So I for one want to make sure that number one, we can administer it appropriately and see what is the market reaction to this. Do more people just pay this because it's a cost of doing business or are we actually going to get the storm water dealt with? Because storm water that continues to go into the sewer system is storm water that we have to treat. So there's a lot to learn but more to come on that.

COUNCIL MEMBER LANDER: Thank you. My last question, I was enthusiastic to see that the water leak notification program is live now and you can sign up. I haven't signed up yet but I will be signing up shortly. I wonder if you could tell us just a little more about that, but in particular, it sounds like that is primarily oriented to if there's a spike in your usage, this thing is going to catch it and will let you know and hopefully you can move quickly on the leak, which would be a big thing.

So is that it, which is good? Are there other ways in which the data that'll start being collected can be made useful to people? They can start to look for other ways to save. Or is it really focused on sort of that leak spike?

CASWELL F. HOLLOWAY: Well, I see those as two separate issues in a way. I think there is a lot, and many things we haven't even thought of, that we're going to be able to do with the data from AMR. That we're going to be able to do internally and make useful, that customers are going to be able to use.

The first and foremost for homes and businesses, they can now, and we know they're doing this because we have more than 100,000 signed up through My DEP Account, people are going on and they can see how much they're using, how much water they're consuming. Then they can make changes in their own behavior, because the best way to pay less for your water is to use less of it. So that is something that is already available to now 75 percent of the city, and that's good.

On the leak notification program,

basically what the system allows us to do is establish parameters for use for every individual property owner in the city. And the initial rollout of the leak notification went to single and two and three-family homes and basically the system basically trips when after a certain period of time you get a substantial increase in that amount.

Now, a substantial increase could happen if you have relatives in for a month. This is really true; you will see a substantial rise. That might not be a leak. Just because the water use goes up doesn't mean there's a leak. But we've already been in touch with more than 1,300 customers. You can sign up for email alerts; that's what you sign up for.

But if you don't sign up, we're still going to reach out to you through either a phone call or a letter if we get a trip, because we're not just going to sit and watch you have to spend more money to fix a problem you may not know about.

Now, you need to fix it once we tell you. And if you look into and can't figure

it out, maybe we can help.

COUNCIL MEMBER LANDER: That's better than National Grid who just comes and shuts off your gas. So you guys at least have one. I mean, they have to do that. That's great. I look forward as also you get more information on that.

CASWELL F. HOLLOWAY: But I think there's more that we're going to be able to--

COUNCIL MEMBER LANDER: [interposing] For us to have the opportunity to learn more about what you're collecting and what we're able to do with it together.

CASWELL F. HOLLOWAY: Absolutely. I'm really interested through the Big Apps thing and I know we've made certain data. We'll be able, I think over time, to hopefully through some crowd sourcing get some ideas about to use this data in ways that, as I said, maybe we haven't even thought of yet. But we're doing a lot initially with what we've got. It's going to be a very powerful tool.

COUNCIL MEMBER LANDER: Thank you.

COUNCIL MEMBER VALLONE:
Commissioner--

2 COUNCIL MEMBER KOPPELL:

3 [interposing] The Chairman asked me to recognize
4 Councilman Vallone.

5 COUNCIL MEMBER VALLONE: Thank you.

6 I was going to recognize myself, but thank you.

7 Commissioner, first of all, let me join in the

8 rest of the committee, I guess, in saying that

9 it's been a pleasure to deal with you since you've

10 been appointed. I think you're doing a great job.

11 Clearly, we're all going to have disagreements on

12 certain percentage of a one billion dollar budget,

13 but overall I think you're doing a great job. I

14 look forward to continue to work with you.

15 CASWELL F. HOLLOWAY: Thank you.

16 COUNCIL MEMBER VALLONE: I'm a

17 little bit concerned that your entire testimony

18 did not mention security of our watershed once.

19 Especially since you mentioned headcount

20 reductions and things like that. So on page two

21 you said that, I guess this is in 2011, you

22 achieved an 8 percent across the board expense

23 budget reduction that included a headcount

24 reduction of 214 positions. Were any of those

25 positions with the DEP police?

CASWELL F. HOLLOWAY: None of those positions were police officer positions. In fact, the allocation of police officers that we have is the highest that we've had in years. In terms of the security, I can tell you Deputy Commissioner Kevin McBride and he and I meet every other week. He also takes part in our bi-weekly utility metrics meetings where we go through all of his sector patrols.

He does sector patrols, facility patrols, issues violations, does environmental review. He's really focused the resources of the DEP Police, which as you know has a long and prestigious history, on protection of the watershed. So it is something that it's definitely not to have a sentence about it in the testimony. It is something that we take very seriously.

COUNCIL MEMBER VALLONE: I'm going to ask a few more questions on that. But before I do, since the Chair is out of the room, how much does it cost DEP to fluoridate our water supply?

CASWELL F. HOLLOWAY: Hang on one second. It's about \$7 million a year.

2 COUNCIL MEMBER VALLONE: \$7 million
3 represents the costs of purchasing the chemicals
4 they call fluoride to put in the water?

5 CASWELL F. HOLLOWAY: Yes.

6 COUNCIL MEMBER VALLONE: So what
7 are the attendant costs? What are the costs for
8 hazmat suits and the precautions you must take
9 while handling this material? Does it corrode the
10 pipes? If so, what are those costs?

11 CASWELL F. HOLLOWAY: Well, we have
12 facilities where the fluoride is added in the same
13 way that chlorine is added. I'd be happy to
14 follow-up with a rundown of the specific
15 operational costs associated with it. I don't
16 know off the top of my head, but I can get back to
17 you on it.

18 COUNCIL MEMBER VALLONE: Okay.

19 CASWELL F. HOLLOWAY: I mean it's
20 going to be some marginal cost in addition to work
21 that the employees are already doing. The
22 facilities that are in place have been in place
23 and we keep them in a state of good repair.

24 COUNCIL MEMBER VALLONE: I'll write
25 a letter then for just the budget cost that's

involved there.

CASWELL F. HOLLOWAY: Sure.

COUNCIL MEMBER VALLONE: So back to what we were discussing. You said the DEP Police headcount is more than it has been in the past. The Chair and I went up to visit the watershed and look at the security measures and we were both very impressed by the operation and the training and what goes on up there, and both concerned about the amount of officers. So can you tell us how many you had in 2010, 2011 and 2012?

CASWELL F. HOLLOWAY: Right now, we have a budgeted headcount of 188. We have 9 vacancies. We have 179 in. We've had the lowest attrition rate in 20 years, 6.9 percent. I also can tell you that the number of sector patrols and security checks on a year-to-year basis between 2010 and 2011 has gone way up. I can provide you more information on that.

That I think also is just a function of systematizing the way officers are deployed and what they do and prioritizing what they do. There had been some, before Deputy Commissioner McBride started at the agency, a

little bit too much of a focus really on helping maybe local police enforcement efforts. The DEP Police are not a supplement or a complement to local jurisdictions' police forces. They have a job and that job is to protect the water supply.

Now that doesn't mean we won't help, we do. We have actually had some officers who have done some pretty heroic stuff, because, if you see a problem, a public safety officer responds. But as a general matter, our officers now are very focused. I've gone to swearing in ceremonies and promotion ceremonies, and our officers are very focused on the security mission.

COUNCIL MEMBER VALLONE: I can't tell you how much I agree with that. It's something the Chair and I put out there a long time ago that obviously you're not going to ignore things that are happening, as law enforcement officers, but that's not your job. Your job is to protect the watershed. I think that's a great focus that you've changed things around and made your primary concern.

To what do you attribute the lowest attrition rate?

2 CASWELL F. HOLLOWAY: It could be
3 the people are very happy with their jobs. It
4 could have something to do with the economy and
5 what other opportunities are available. I think
6 that certainly we have seen I think in some of the
7 local jurisdictions up there that police forces
8 certainly aren't hiring. So there is not as much
9 competition. There's been competition
10 historically, not only for DEP Police but NYPD as
11 well. So I think there are a lot of factors at
12 work there. I think that the overall morale and
13 attitude of the force is pretty good though.

14 COUNCIL MEMBER VALLONE: I
15 appreciate your honesty because you're absolutely
16 right. We've been cherry picked for a long time.
17 We saw the training that your officers undergo.
18 It's intensive, it works and then they don't get
19 paid, as you and I agree, what they deserve, and
20 then with that training they go work for all the
21 other local police forces who probably have a hard
22 time hiring right now. So it's working to our
23 advantage. Anything that helps keep us safe is a
24 good idea.

25 So you're budgeted at 188. That's

been the budget for a while though. So you're just closer to that number. The budgeted headcount for a while, you're just closer to that number than you've been in the past? You haven't increased--

CASWELL F. HOLLOWAY: [interposing]
Steve, do you want to? I know that looking at
this historically we're in a good place.

STEVE LAWITTS: The budget has remained at 188 for several years, as you know. In Fiscal Year 2010, we were at 160 actual, compared to the 179 now. In Fiscal Year 2009, we were at 156.

COUNCIL MEMBER VALLONE: For the upcoming year, are there any projects or plans regarding those numbers?

CASWELL F. HOLLOWAY: We're going to have a new academy class at some point. I'm not sure. We can get back to you with the schedule on that. We had a class of 25 last spring that I was at the swearing in ceremony. The training, as you say, is extensive and impressive, but we want to make sure that we have the full complement of officers doing the job that

2 we need them to do, which is to protect the
3 watershed.

4 COUNCIL MEMBER VALLONE: I'll
5 finish up. The Chair and I had more than one
6 hearing on watershed security and perhaps we
7 should sit down now that McBride and you are
8 involved. I don't know if we have to have a
9 hearing on it, but perhaps sit down and look at
10 some of these new initiatives that you're putting
11 in and keep us up to date on what's happening.

12 There was a report that was done by
13 a Mr. Dennis Smith that I requested last year, but
14 it hadn't been completed yet. I assume, number
15 one, it's completed, and number two can the Chair
16 and I get a copy? It examines watershed security.

17 CASWELL F. HOLLOWAY: Let me get
18 back to you on that. I know that there was a
19 draft of that that was completed. Let me get back
20 to you on it because I want to make sure we don't
21 have any security issues ourselves on it.

22 COUNCIL MEMBER VALLONE: Again, I
23 appreciate your honesty. I don't see any reason
24 why the two chairs can't have a copy of a report
25 which talks about what our job is. So I hope that

we get a copy of that. Again, other than mentioning it, I think you're doing a great job also on security. We will see you again in May and we'll have some follow-up questions to this. Thank you for all your help.

CASWELL F. HOLLOWAY: Thank you, Councilman.

CHAIRPERSON GENNARO: Thank you, Council Member Vallone. Yes, like you said, Council Member, I welcome the opportunity to sit down and talk with DEP about some security matters. I think you're right that when you're talking about security matters sometimes, like with a public hearing format may not be the best venue to talk about certain things, I think of you're ongoing with regards to security in the watershed and the city as a whole. So that's great. With that, I recognize Council Member Levin for questions.

COUNCIL MEMBER LEVIN: Thank you, Mr. Chairman. Let me, Commissioner, add my voice to the chorus applauding your efforts and strategy 2011 through 2014 and your commitment towards sustainability and keeping this city's drinking

2 water and wastewater systems viable for the next
3 generation. So I do applaud you on that.

4 CASWELL F. HOLLOWAY: Thank you.

5 COUNCIL MEMBER LEVIN: A couple of
6 very just quick question.

7 CASWELL F. HOLLOWAY: It is a team
8 effort, by the way.

9 COUNCIL MEMBER LEVIN: Of course.

10 CASWELL F. HOLLOWAY: One of the
11 great things that makes my job pretty easy is that
12 DEP has a little less than 6,000 employees and
13 many of them, it's been something that they've
14 done in some cases for generations, but in all
15 cases we have among the greatest experts in each
16 of the fields. A lot of expertise in a lot of
17 different areas is required to make this system
18 go. So let me just acknowledge the work of our
19 pretty exemplary workforce.

20 COUNCIL MEMBER LEVIN: Well agreed.
21 A question for you: what is the annual cost or
22 what was the cost to date in FY 11 or maybe you
23 can speak to FY 10 of CSO penalties?

24 CASWELL F. HOLLOWAY: In terms of
25 CSO penalties, the way that penalties work, we

have obviously DEC looking at the entire wastewater treatment operation and occasionally you'll have an exceedance at a plant or you'll have an odor issue, all different things can generate violations. We tend to resolve these issues in an omnibus way where we can put everything together and figure out what is a reasonable penalty.

Even though I believe they're given--if jurisdictions are demonstrating a commitment to actually dealing with the problem, I think that the theory behind a penalty which is supposed to be punitive and to deter--

COUNCIL MEMBER LEVIN:

[interposing] Change behavior.

CASWELL F. HOLLOWAY: Right, it is supposed to change behavior. If you're already working to change the behavior and everybody understands the magnitude of the problem, why make it a penalty? It'd be one thing to be it into an environmental benefit fund and make sure that those funds plow back into the system. I've actually made that case. I've made it Pete Grannis and I'm making it again to Joe Martens and

we'll see where we go. I think there's also some institutional interest that DEC has. But let me get back to you specifically on the cost of CSO penalties.

I can tell you that right now we're investing more than a billion dollars in CSO-related investments and we have planned about \$3 billion worth in the Green Infrastructure plan. Notwithstanding that, there are occasionally overflows that we have and they generate violations. So I can get back to you on that.

COUNCIL MEMBER LEVIN: Great. With regard to the Delaware water system and the leaks that are in those tunnels, can you put a monetary amount on what that costs? I mean, first off, is the lost water impacting the DEP in terms of revenue? Also then, in terms of just what type of capital, I mean how bad is the capital a need there due to the leak?

CASWELL F. HOLLOWAY: Sure. The short answer, I guess maybe to put if one question is the leak in the Delaware Aqueduct driving up the cost of water.

COUNCIL MEMBER LEVIN: Yeah.

CASWELL F. HOLLOWAY: Well, on a day-to-day basis, no. We have a robust supply. So there's a 15-35 million gallon a day, depending on flow, leak or leaks in the Rondout-West Branch portion of the tunnel. We are still able to push through the system to meet demand on a daily basis. So that is not an issue on a day-to-day basis. But the leaks need to be fixed. They need to be fixed for the important reason that we want to make sure the integrity of the infrastructure is maintained and last another 100 years or longer.

So we've been working for about ten years to get a fix on the scope of the problem and what are the options for fixing it. We've spent about \$40 million on research and study, including two submersibles that we've sent in there. We've got a \$200 million capital contract to do preparation work because we know there are certain pumping and things that we're going to have to do whatever plan we pick. So that's already underway. This agency is very good at planning in advance.

Now we've made a major leap forward

as of last November when we decided on a three and a half mile bypass for a portion of the tunnel in Rondout. Then in Wawarsing, where there's a town there and some people who are having surface expressions. We're doing a study with USGS to see how much of it is actually a result of the leaking tunnel and how much is a result because they have storm water issues up there.

If we're causing harm, I want to try to resolve it in a way that is going to hopefully help anybody who is being harmed by something that the city is doing. But now we're committed to fixing the problem. We think the bypass and the internal repairs will be about \$1.2 billion.

If you go to our website, nyc.gov/dep, and we can give you the date on this, but there's definitely a great presentation that gives you a conceptual idea of what the bypass is going to look like. Then there's about \$900 million worth of supplemental water supply projects.

One of the reasons that we picked a bypass is because you want to have as little

1 disruption to the water supply as possible. What
2 you're able to do with a bypass--you know, another
3 option would have been to do all of the fixing
4 internally. Shut off the tunnel and then go in
5 and basically grout the leaks in Roseton and
6 Wawarsing. But if you do that and you go down and
7 the situation isn't exactly as you expected, then
8 you might have to have the tunnel off for longer
9 than you otherwise would want. It's a very
10 complicated and contingent set of calculations
11 that have to be made to ensure that demand can be
12 met in the city.
13

14 So that's a rough overview, but I
15 would be happy to go through the whole project
16 with you.

17 COUNCIL MEMBER LEVIN: I was
18 wondering if you could briefly, in talking about
19 the hydrofracking issue. This committee did a
20 hearing earlier in the month. A representative
21 from DEP had given an estimate. In the instance
22 where contamination could potentially result, and
23 that's DEP's position and my position as well that
24 that is a real possibility, DEP has estimated \$10
25 billion could potentially be the cost to the city.

Can you briefly discuss how your agency came to that estimate?

CASWELL F. HOLLOWAY: Sure.

CHAIRPERSON GENNARO: I think I want to piggyback on that question. I think it's a great question and I thank the Council Member for bringing it up. I was going to go there myself. It's great that it's on the table. I think it's very important that folks have some sense of the number that we could be looking at in terms of filtration.

Again, this is not some boogeyman number, this is a real thing. This should be a big part of the discussion of this kind of technology in this state. This could bring great harm to the city's watershed, great harm to the city's finances. So it's very important that we get the best number that we can. Kind of, you know, seared into the public mind that this is like a big-time consequence that we could be looking at for hydrofracking.

This is a great time to state all the good work that DEP has done on this. This study is probably the most comprehensive body of

science put together by anyone, by any local government certainly, on the potential impacts of fracking. I thank you for putting that on the table. It gave the state a lot to chew on. I think that was money very well spent. I'm grateful for that. So they have it. That's just my little add-on to Council Member Levin's good question.

CASWELL F. HOLLOWAY: Okay. So there are a couple of ways to look at the costing. First, the agency was required to do a design for a filtration plant and we did that in the late 90s. At that time it was estimated that the costs could be anywhere from \$4-\$8 billion. So we know that the cost of construction has certainly gone up since then, even though it's gone up and now subsequently has come down, it's come down relative to 2007 levels. We estimate that it would be at a minimum \$10 billion just to do what's already been designed. But we think it could be anywhere \$10-\$20 billion. There is obviously a huge swing in what you'd have.

Another way to look at it is to say we're building a filtration plant in the Bronx for

the Croton system. That's going to provide about 300 million gallons a day. Filtering water requires a certain amount of space to do process. That is going to do about 300 million gallons. The cost of that is about \$2.9 billion. We get about a billion gallons. To push a billion gallons through, which would be \$11 billion right there; if you just looked at it to say well \$3 billion, 300, \$9-\$11 billion for a billion.

So it's partly based on an estimate of a facility that has been designed and certain assumptions about just construction inflation and construction management and so forth. But then also now we have the experience of building this filtration plant. It's going to be a mammoth undertaking. So I think we should not minimize in any way what the possible cost of this. We think it could drive water rates up for New Yorkers by as much as 30 percent just for that facility.

So the stakes financially of losing filtration avoidance for any reason, whether it's related to hydrofracking or what have you, but let's just talk about hydrofracking for a minute. We did do a study and it was focused on the

watershed. We think that based on the technology and the way that you exploit or get this resource out of the ground that it poses too big a risk to unfiltered water systems like the city. The State basically agreed with us, that's why they're requiring independent environmental reviews. We need them to go further.

Ultimately, one of our initiatives in the strategic plan is to convince the state that whatever happens with hydrofracking outside of New York City's watershed, it shouldn't be allowed inside the city's watershed. So we're very committed to getting that result.

Now in terms of study, we funded that one study. Let me just say, because I did get a chance to take a look at some of the questions that came in. Although we don't have specifically identified funding for an additional study, we have some money left in that original contract. I can tell you that we are following this very closely.

We're following what the federal government is doing, what private companies are doing, what the EPA and the state are doing. If

we think that there is more to be invested in assessing this problem, or whatever it needs to be taken to help get the outcome we want, which is to protect the watershed from this activity, then we're not going to hesitate to make whatever reallocations necessary to do it. So you certainly have my commitment on that, and the Mayor's.

COUNCIL MEMBER LANDER: Thank you very much, Commissioner. Thank you, Mr. Chairman.

CHAIRPERSON GENNARO: Thank you, Council Member Levin. Yes, Cas, I have no doubt about your commitment or the Mayor's commitment or the Bloomberg Administration's commitment to doing what needs to be done to make sure we speak to this clear and present danger that you've put forward in the study. We thank you for that.

I haven't started my formal questioning yet. Let me continue in the pattern that I've done, which is recognizing other members who want to participate in our good discussion. That's the paradigm we've used since the beginning of the hearing. I'm grateful that Council Member James is with us, and it's my pleasure to

recognize her for questions.

COUNCIL MEMBER JAMES: Thank you, Mr. Chair. Just particularly one question and it's a local question. Am I on? Yes, I'm on. I'm always on.

So Commissioner, the question is this, it has to do with a watershed where you have parkland or an open space and community is interested in using that space. I particularly would like to refer to a lot on Myrtle and Kent I believe it is. It's an entire block. A watershed is located there, an underground tunnel. A number of residents have contacted my office because of the lack of open space.

A number of other residents have contacted my office with regards to the possibility of one day building on that lot for affordable housing, since a significant number of people in downtown Brooklyn and central Brooklyn are being displaced. They're looking for any opportunities. So, I've spoken to your staff in the past and they indicated to me that that was not possible at this juncture. That given the construction, we would have to wait until 2014,

2015 or something like that.

The community on their own found that unacceptable and they're holding a town hall meeting I believe next week to see if we could get DEP to perhaps revisit this issue, change your mind and offer that as open space, one for gardening, for composting, et cetera, and/or the possibility of affordable housing.

The second issue there is a DEP building on Flushing and Franklin which appears to be under utilized and I know at this point in time in our budget where we're looking at efficiencies and consolidations and all under utilized real estate, what is the possibility of perhaps putting that building which is, again, half a block, on the market? Since it appears last count there were less than about 20 employees working there.

CASWELL F. HOLLOWAY: So let me handle those in reverse order. On the facility, I haven't been to that particular facility, although I made a point of trying to visit as many sites as possible and by the time I'm finished, I certainly will have been to hopefully all of our at least staffed facilities.

2 COUNCIL MEMBER JAMES: I would love
3 to welcome you to the district. It's a hulking
4 building and it appears that a number of people
5 haven't visited it in a long time.

6 CASWELL F. HOLLOWAY: Well, I'm
7 going to go.

8 COUNCIL MEMBER JAMES: It's caked
9 in black.

10 CASWELL F. HOLLOWAY: I will go to
11 the facility and take a look at it and talk to our
12 deputy commissioner for water and sewer operations
13 and see who's there, what's the deployment. So
14 without any expressing any view on what we can do,
15 let me do that first and get back to you.

16 COUNCIL MEMBER JAMES: Thank you, I
17 appreciate that. I already have a buyer for it.

18 CASWELL F. HOLLOWAY: Okay. Like I
19 said, I will do that in short order and we'll get
20 back to you on what if anything we can do there.

21 The Myrtle and Kent site that is
22 Shaft 3 for City Tunnel 3?

23 MARK LANIGAN: [off mic] Tunnel
24 Three shaft.

25 CASWELL F. HOLLOWAY: It's one of

the shafts for City Tunnel No. 3.

COUNCIL MEMBER JAMES: Yes.

CASWELL F. HOLLOWAY: Is that where we have to actually sink the shaft site?

MARK LANIGAN: [off mic] No, there is a shaft site there. It stretches the whole block on Kent, between Myrtle and Willoughby.

COUNCIL MEMBER JAMES: Speak into the mic. That's Deputy Commissioner Lanigan Mark [phonetic] who helps me on everything. I just want to thank him publicly.

CHAIRPERSON GENNARO: That's a side bar and he's kind of talking in--

CASWELL F. HOLLOWAY: [interposing] He's giving me information that I'll relay.

CHAIRPERSON GENNARO: --the Commissioner's ear and the Commissioner will put it on the record.

CASWELL F. HOLLOWAY: Yes, I will put it on the record. Let me acknowledge Mark Lanigan, who is our Assistant Commissioner of Intergovernmental Affairs and really just does a tremendous job and gets--

COUNCIL MEMBER JAMES:

[interposing] Truly.

CASWELL F. HOLLOWAY: --rave
reviews from everybody--

CHAIRPERSON GENNARO: Yes, he does.

COUNCIL MEMBER JAMES: Yes, he
does.

CASWELL F. HOLLOWAY: --that he
deals with. Not every DEP issue is a pleasant
one.

COUNCIL MEMBER JAMES: And he
doesn't yell or he doesn't get angry, he just
takes it all in. I appreciate it.

CHAIRPERSON GENNARO: I do that.

COUNCIL MEMBER JAMES: Because I do
that.

CHAIRPERSON GENNARO: That's my
job.

COUNCIL MEMBER JAMES: He's calmed
me down at meetings.

CASWELL F. HOLLOWAY: It is one of
the shaft sites for City Tunnel No. 3. So I want
to look specifically at what the timeline and
plans are for the shaft site. We have this issue
not only in Brooklyn but in Manhattan. There are

some of these sites that are very large. In some cases we are able to do something. Now what that is, and on what timeline, I don't know today. Let me look into it and we'll meet with you on it. I know there have been meetings in the past.

COUNCIL MEMBER JAMES: Yes.

CASWELL F. HOLLOWAY: So I don't want to just have kind of a revolving door of meetings, but I do need to get up to speed on this particular issue. Hopefully we can take a look at it and see what if anything can do. It may be that there's--

COUNCIL MEMBER JAMES:

[interposing] Thank you, Commissioner. Apparently there were some previous commitments prior to this administration, so the community is just urging that this administration honor those commitments.

Last, but not least, I forwarded an email to Commissioner Lanigan and I'm sure he'll follow up. It's in regards to residents on Carlton Avenue who received a grant to plant some evergreens and they need access to a fire hydrant. Apparently they need from your office the ability to use a fire hydrant garden hose adapter. I'm

sure Commissioner Lanigan will address that. I thank you, Commissioner, for all that you do.

CASWELL F. HOLLOWAY: Thank you.

COUNCIL MEMBER JAMES: And particularly Mark.

CASWELL F. HOLLOWAY: Thank you, Mark.

CHAIRPERSON GENNARO: Thank you, Council Member James. Who takes care of her district like Council Member James? Nobody. Who gets it done? Thank you for being here.

I'm very happy with the great participation and members of the committee. They're engaged. I don't want to seem patronizing when I say that I'm very proud of them. I don't mean it that way. It's terrific. I'm so happy that they're very engaged.

So they touched on some of the things that I was going to, but there are still a couple of items that I want to speak about. Some of these are very good things. With regard to our many capital projects, there was once a upon a time when the change order process was such that it was leading to bid inflation and contractors

2 had to sort of go into the banking business,
3 knowing that the change orders were going to take
4 a long time to process.

5 It's my understanding that there's
6 a good story to tell on how that process has
7 gotten better. Could you talk a little bit about
8 how we're working to get change orders processed a
9 little better and how that's making the capital
10 budget a little easier to manage in that we're not
11 getting bids that are more than they need to be by
12 virtue of the fact that contractors believe that
13 they may face hurdles in getting their change
14 orders approved?

15 CASWELL F. HOLLOWAY: Yes. First,
16 it is a top priority. If you look in the
17 strategic plan in the capital projects section,
18 one of our strategic goals is to be the owner of
19 choice in the region for contractors to work for.

20 Now, how do you do that?
21 Primarily, you have to have a reputation for
22 resolving issues on the site and paying your
23 contractors. So getting people paid is something
24 that I am very interested in doing. I understand
25 that for companies large and small, cash flow is

really what it's all about in terms of being able to--because you also want a healthy mix of companies to do your work. The more companies who are able to bid for your work, the better your bids are going to be, the lower price you're going to get to get a good product. So, all of that feeds into why we should be strongly incentivized to make sure that for contractors who do a good job and do the work that they're supposed to do that they get paid.

So in connection with the city effort that we've continued and that I get updated on a regular basis, we've reduced change order processing time from the time of identification to registration by 150 days so far. The way that we're doing that is really just breaking up the whole process. Once you identify it, then what are the steps, how long do they take, what are our goals? We have a whole internal effort geared towards that.

In addition to that, when contractors have disputes, I've brought in a deputy counsel who is focusing only on our commercial side of our business. So I think DEP

has a great basically environmental law firm. When I came in, we also run one of the biggest capital programs in the region, so we ought to have a strong commercial legal practice as well that's able to look at potential disputes and resolve them. There are no rubber stamps in terms of what I get.

So if a contractor presents a legitimate issue that requires a change order, I think probably if you ask the contractors who do our work, I think you'll get good responses indicating that they have actually been contacted proactively by the agency about claims that they've put in, because I want to get them resolved and move things forward.

If there is a legitimate dispute and it has to go to the comptroller, well then it's public money, so it's something that you have to take very seriously in terms of making sure that people get paid for the work they do, but if they don't do it or if they should have done it-- because you know a lot of times a contractor will say well I really need a change order, it's outside of the scope and that can drive up costs.

So if it is outside of the scope, on the one hand you don't want to just say, oh no, forget it, good luck with the comptroller. You want to deal with that. But if it's not outside the scope, you want to make sure that you get what you paid for.

So we've also reorganized the entire way we manage our projects in the capital division so that you have greater accountability in our project managers for getting projects done. They're able to spend less time dealing with paperwork and more time actually doing project management and helping with the engineering to get these projects built. Kathryn Mallon, our Deputy Commissioner for Capital Projects, who I appointed about a year ago now, has been doing a tremendous job there.

So I think there's more to do. I would like to get the processing time--number one, I'd like to get the overall number of change orders way down. DEP has had traditionally a high number of change orders, partly because a lot of times when you go in to do a major piece of capital work at a plant you find conditions that are worse than you thought.

However, good planning ought to be able to deal with that. So are we spending enough upfront to get a good sense of what a certain job is going to require to do? Are we having scope creep either on the design side with our design consultants maybe giving us a little more design than we need for a certain facility? Or are our people looking for the gold plated version when a less precious metal would do just as well? So all of those issues drive change order processing time and I guess the first is fewer change orders, which we're also going for.

CHAIRPERSON GENNARO: Thank you, Commissioner. Thanks for getting that under control. I used to hear a lot about that and now I don't hear so much about that from contractors. That's to your credit.

CASWELL F. HOLLOWAY: That's good to know. Thank you.

CHAIRPERSON GENNARO: I do bump into them. With regard to Delaware which Steve Levin was talking about, and the fix, once the three and a half mile bypass is put in place, presumably the whole length of it will be

constructed and the only time that will have to be offline is when we take both ends of what we've already built and sort of like hook it in. That's fair to say?

CASWELL F. HOLLOWAY: That's right. Simultaneously hooking in both ends.

CHAIRPERSON GENNARO: Right.

CASWELL F. HOLLOWAY: So basically you're going to say, okay go.

CHAIRPERSON GENNARO: Right.

CASWELL F. HOLLOWAY: Then you want to make that connection as quickly as possible and turn the water back on.

CHAIRPERSON GENNARO: Right. What is the estimate for how long Delaware could be down to do that hookup?

CASWELL F. HOLLOWAY: We are planning for a timeline. Well, we're still in the planning stage. So ideally it would be between six and nine months. From a planning perspective you have to do a lot more than that because you want to be very conservative. So we're looking at having a--this really bears upon what investments do you make in supplemental water supply.

2 CHAIRPERSON GENNARO: Right.

3 CASWELL F. HOLLOWAY: There are a
4 lot of assumptions. I think I'd be happy to meet
5 with you to go through in much more detail this
6 aspect of the project, which is a costly one and
7 very important. But assuming you have an ideal
8 hydrologic year, so that you go into the fall with
9 as much water as you think you're going to need
10 and you would do the connection in the fall
11 because you'll be through your period of greatest
12 demand for the year. That if all things go well,
13 we think it could happen within six to nine
14 months.

15 In terms of what supplemental water
16 supply you want to have on hand, you know you
17 probably want to have a year or two worth,
18 assuming it would be out for maybe up to that
19 amount of time, just because of contingency. Now
20 the longer the tunnel is off, the more
21 supplemental supply you need.

22 CHAIRPERSON GENNARO: Right.

23 CASWELL F. HOLLOWAY: So that is
24 one of the--on the other hand, we don't want to
25 make investments we don't have to.

2 CHAIRPERSON GENNARO: Sure.

3 CASWELL F. HOLLOWAY: So this is a
4 really interesting subject. I can provide you
5 some more information and we could maybe set up a
6 separate briefing.

7 CHAIRPERSON GENNARO: Sure.
8 That'll be fine, because other things will factor
9 into that. How much can we get out of the
10 Catskill Aqueduct, how about the former Jamaica
11 water service wells, and the Brooklyn-Queens
12 Aquifer and other--

13 CASWELL F. HOLLOWAY: [interposing]
14 Interconnections with other jurisdictions.
15 There's a list of options and we are going through
16 right now. We're in the planning stage really.

17 CHAIRPERSON GENNARO: How about
18 some Lloyd water? Get some Lloyd water?

19 CASWELL F. HOLLOWAY: Lloyd
20 Aquifer?

21 CHAIRPERSON GENNARO: Yeah.

22 CASWELL F. HOLLOWAY: You know, it
23 depends on--

24 CHAIRPERSON GENNARO: [interposing]
25 Hard to get.

2 CASWELL F. HOLLOWAY: Why don't we
3 talk about it more extensively?

4 CHAIRPERSON GENNARO: This is just
5 fascinating. I had a question that was related to
6 that, but that'll be for the time we get together
7 and chat.

8 This is kind of inline with the
9 type of innovation that we want to do that I think
10 yields good results that are much less of a
11 capital footprint than some other ways to go.
12 This is the kind of innovation that I like to see.
13 You know that one of my favorite projects is the
14 ARP process at 26 Ward. How is that going? This
15 seems to be to be kind of like a bellwether for
16 lower cap, lower carbon footprint, ways to get
17 really good results. I like this project a lot.
18 I like the fact that you're trying to find people
19 who can do stuff like this. So how is that going?

20 CASWELL F. HOLLOWAY: That project
21 specifically is going well. A \$28 million
22 contract is registered for that. That now is one
23 of the projects that we feature prominently as
24 part of the efforts that we're making in Jamaica
25 Bay and in the harbor overall. That's in design

right now.

That's the ammonia removal process for those less close to the details. That is one of a bunch of different nutrient removal technologies that we're implementing at our plants. There's the Sharon [phonetic] process. We have a bunch of different things. But this technology, you're right, is very promising. It is something that is less energy intensive. If it works as well as we think it will, it's going to mean a lot of nutrient loading reduction which is good for aquatic life in the bay.

CHAIRPERSON GENNARO: Sure. There was already a pilot done, and that was on this. This \$28 million project, would that be a further pilot or this deployment?

CASWELL F. HOLLOWAY: No, this is a full deployment of the investment. We know the process works.

CHAIRPERSON GENNARO: Based on the pilot.

CASWELL F. HOLLOWAY: Based on the pilot we know the process works. We wouldn't have moved forward. It's a \$30 million investment.

2 But when you put these processes in place, you
3 have a range of effectiveness. It's always
4 possible that the technology will perform. You
5 want it to perform as least as well as your
6 minimum estimate was. But then in some cases it
7 performs better. When we turned on our nutrient
8 removal in Hunt's Point, depending on the time of
9 year, we're getting even better reduction than we
10 thought we would. Now, on the other hand, you
11 have to average it out over the whole year. When
12 it's colder, the process just doesn't work as well
13 because you have a lot of competing things that
14 you're trying to do as you treat wastewater. But
15 this is a very promising technology.

16 CHAIRPERSON GENNARO: That's very
17 good to hear. I think a track record of having
18 this kind of innovation that helps us to make the
19 case to levels of government above us that we know
20 what we're doing and we know how to use innovation
21 and let us do what we know how to do well and cut
22 us a little slack, to use a technical legal term.
23 I think that is.

24 This is kind of a basic question
25 that goes back to my days as an analyst for this

committee, I kind of thought of it. We have x number of miles of water mains and x number of miles of sewer mains. Not all water mains and not all sewer mains are totally created equal.

There's generally, I would imagine, a theoretical life generally of a water main and sewer main. We want to be replacing your average water or sewer main after x number of years.

If that's the case, then we should be doing so many miles per year if we want to change out the system in 100 years or 150 years or whatever it is. Is this the kind of thinking that goes into the process when we figure out how many miles of water mains and sewer mains we want to replace?

Every generation of DEP professionals has so many things going on that it's kind of easy to say, "Well, the people that came before us weren't doing all this stuff and the people after us aren't going to be able to the stuff, so we're stuck with all the big things to do." Things like changing out water and sewer mains that was for the guys before and the guys after us.

It just seems like every generation bears the burden of making sure you keep that going so that we get the system all redone in the proper amount of time. How does that all work in terms of what we're replacing in water and sewer mains on a year by year basis? Are we on pace to do what we need to do to redo the system in the requisite period of time, even though we may not be holding these jobs when some of the mains that go in the ground are due to be replaced?

CASWELL F. HOLLOWAY: Well there's a lot in that question. So let me just start with what we know right now in terms of water main and sewer replacement and reconstruction. For 2010-2013, we expect to do about 50 miles of sewer reconstruction, 80 miles of new sewers, and 183 miles of water main replacement. But that's just based on what's in the plan right now.

How do we look at this issue? I'll you what we don't do. We don't look at the 6,300 miles of water main, for example, and say we must replace all of this within x years or else. It's not the case that that generally has to happen necessarily. There's a similar issue that we have

in terms of preventative maintenance at our wastewater treatment plants.

First, you want to do your preventative maintenance on the schedule that the warrant requires. So that as long as it's covered by warranty, you get the coverage that you expect. Once the warranty expires and you're on the hook for keeping the equipment running, you may decide that for certain pieces of equipment you're not going to do it. You're going to do it on a longer basis, a shorter basis. Through the asset management program that we just put in place that covered water supply and wastewater treatment did not cover our linear assets, which are the water and sewer mains.

We're going through that right now. One of the first initiatives in the strategic plan is H2O stat, which I went over and met with NYPD and we've already started our management meetings for that program, which looks at key metrics in each of these operating divisions. One of them is in our water and sewer operations, sewer maintenance and water main maintenance and repair.

So we're kind of asking those

1
2 questions. The next step in the asset management
3 program is to do the linear assets. We have
4 tremendous amount of data, we have a lot of GIS
5 information about water mains. We know the year
6 that they were built and when they were put in the
7 ground and when replacements were done. You can
8 use that data to make decisions about
9 programmatically what you're going to repair.

10 Certainly we respond to issues as
11 they arise. We do the reactive work very well.
12 If we hear about a water main break, we get there
13 quick and we get the water back on generally with
14 very few exceptions quickly. If we have a sewer
15 break, the same issue.

16 What we really want to be doing is
17 more programmatic work. So the catch basins are
18 an area where we've been able to do this. Where
19 we've put a plan in place to systematically review
20 all 144,000 catch basins over a three-year period
21 and then continue with that three-year cycle while
22 at the same time responding to particular problems
23 as they arise.

24 We are developing a similar
25 programmatic system for the sewer side. That is

something that is going to involve more cleaning and maintenance in addition to replacement.

Because sometimes what you need to make sure a sewer is working is just make sure that the pipe is clean. Right now we're in the middle of cleaning all 139,046 miles of interceptor sewer. That would stretch from here to Albany, by the way, if you laid it end to end. That is the most important kind of vein that gets waste to our wastewater treatment plants.

We just finished Jamaica and we're doing these areas. The 12 miles of interceptor in Jamaica and we cleared out thousands of cubic yards of material that had deposited over many years, because we want to increase the capacity of the system.

CHAIRPERSON GENNARO: That was thousands of cubic yards.

CASWELL F. HOLLOWAY: Yes, thousands of cubic yards of material.

COUNCIL MEMBER: [off mic]

CASWELL F. HOLLOWAY: That probably went to a landfill. Now there's something interesting that we pulled out that we kept and in

1
2 some cases there were boulders and car parts.
3 People try to put interesting stuff in the sewer.
4 In fact, with Matt, there are some great photos
5 and coverage of when we finished Jamaica. But
6 we're doing all those areas. That is all part of
7 the suite of initiatives to make sure that the
8 water and the sewer infrastructure is functioning
9 at an optimal level.

10 We're not looking at any one
11 metric, like how many years should it take before
12 we have turned over the entire network, because we
13 don't think that that necessarily is the best
14 measure of success. The best measure of success,
15 number one, it's good when people aren't
16 complaining about water main breaks and sewer
17 breaks. But also, programmatically, you want to
18 go out there and make sure that your
19 infrastructure is functioning well.

20 Clearly, there is some very old
21 stuff and we'd like to get that replaced.
22 Sometimes you have problems in certain
23 neighborhoods. We know about that. We're
24 directing resources there. Then there are whole
25 parts of the city where we're still building out

the separate sewer system. So if you look at where we're investing the most dollars for new water and sewer, it's in Southeast Queens, it's in Staten Island. These are areas where those residents would say at least you have a system, right. So it's a big job.

CHAIRPERSON GENNARO: Thank you. I have a better perspective on that. As my mother used to say, "Oh, look at the time." That was my mother's way of getting her point across.

CASWELL F. HOLLOWAY: We'll be able to cover more questions tonight too.

CHAIRPERSON GENNARO: You know what, I think by virtue of the fact that you and I have an engagement in like 100 minutes or something--it's 6:00, right?

CASWELL F. HOLLOWAY: If that's true, let's go.

[Laughter]

CHAIRPERSON GENNARO: So in 102 minutes we're supposed to be in another part of the city and we're doing a little show tonight. I'll have to prep. I'm going to formally end my questioning. Anything that I didn't get to that I

really need to get to on; I know how to find you.
We're going to come back in the next budget
hearing, in May or whatever it is. I just want to
reemphasize to staff the point I made twice
already. They're going to work with DEP on how we
can tag team with them in going after the state
and federal government as appropriate to have them
work with us in a more flexible.

With that, I want to thank the
Commissioner's very, very good team. I am going
to recognize Tish in a minute. I'm just very
grateful to work with one of the professionals
that DEP is. We do a lot of good stuff together.
We're sort of like in our heyday. So I appreciate
working with you for the next two plus years,
whatever it is. A lot to do in that short amount
of time and the sooner I stop talking the sooner
we can get to it. We're going to close the show
with a question from Council Member James, I
recognize her.

COUNCIL MEMBER JAMES: Just
briefly. One, are we still on target and on
budget with respect to the new water mains and new
sewer lines with respect to Atlantic Yards? Any

additional costs: yes or no?

CASWELL F. HOLLOWAY: I believe the answer to that question is yes.

COUNCIL MEMBER JAMES: Yes?

CASWELL F. HOLLOWAY: I believe. Let me look into it.

COUNCIL MEMBER JAMES: Yes, there's more cost or yes, we're on time?

CASWELL F. HOLLOWAY: Yes, we're on time. We're on budget and on track.

COUNCIL MEMBER JAMES: Are they still going to recapture rainwater?

CASWELL F. HOLLOWAY: You mean on the Atlantic Yards site?

COUNCIL MEMBER JAMES: Yes.

CASWELL F. HOLLOWAY: Let me get back to you on the drainage plan there because I just don't have it at my fingertips. I did get a briefing just less than a week ago on the actual replacement of the water infrastructure there that it's moving ahead on schedule.

COUNCIL MEMBER JAMES: In my district, we've received an increase in noise complaints. If we could revisit that, and also, I

want to talk to you off-record with respect to the fact that we are retooling swamp, particularly waste to energy plans, particularly in light of what has happened, I need to have a discussion with you with respect to that. Hydrofracking, given what happened in Japan, is there any pressure for the administration to change its position with respect to hydrofracking?

CASWELL F. HOLLOWAY: No.

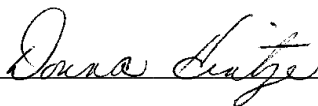
COUNCIL MEMBER JAMES: No? Thank you.

CHAIRPERSON GENNARO: Thank you, Council Member James. I just want to praise the Finance staff for the great job that they did: Andy Grossman and Kate Seely-Kirk. I'm glad that you weren't around when I was a staff member of the committee because my work would have looked poor by comparison, so job well done. I want to thank the rest of the staff too. I want to thank DEP once again. I'll see you in a little while later on at P.S. 49 and with that this hearing is adjourned.

CASWELL F. HOLLOWAY: Thank you, everybody. Thank you to the DEP team.

C E R T I F I C A T E

I, Donna Hintze certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature 

Date April 8, 2011