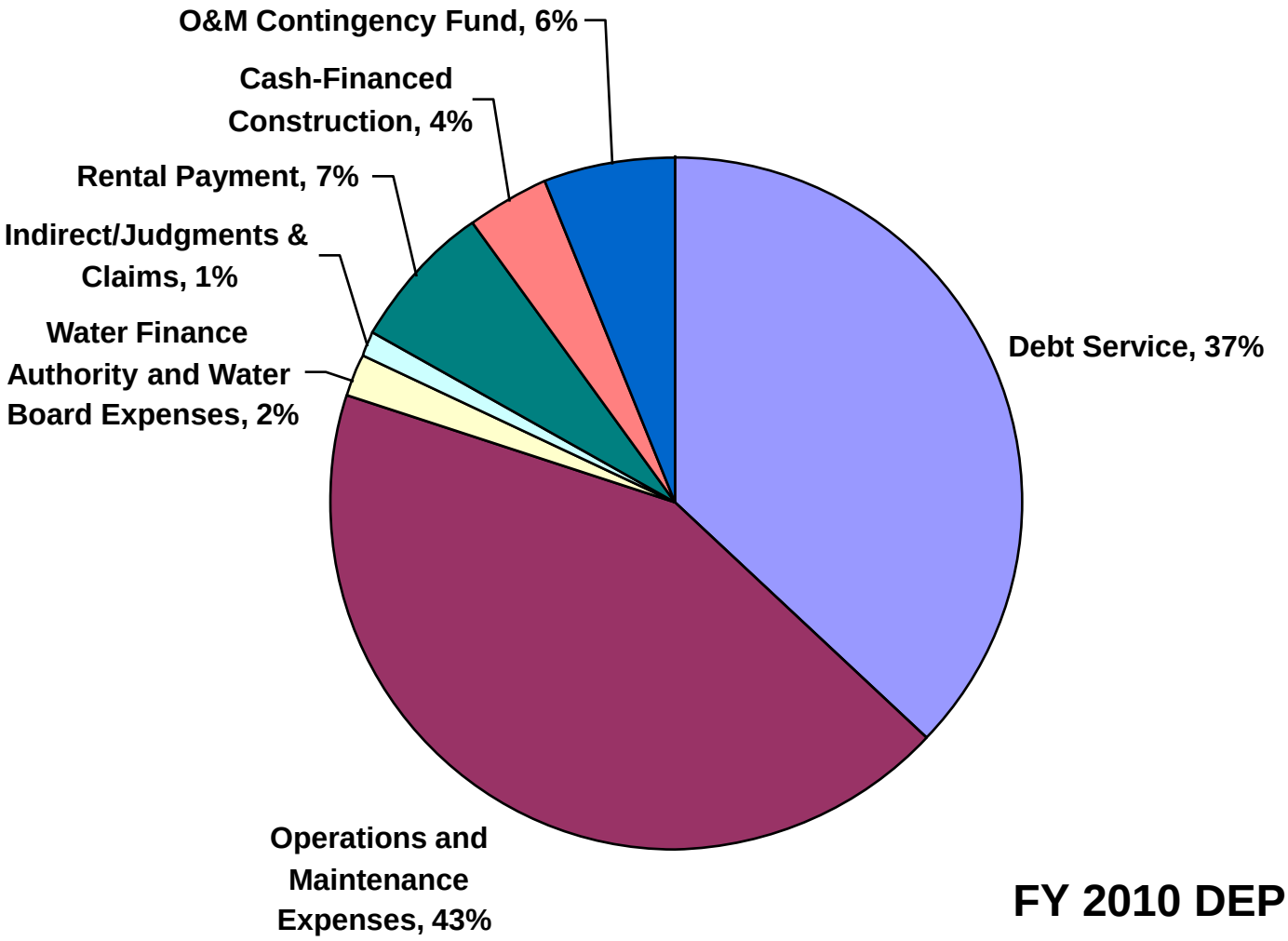
Environmental Protection

Queens Engagement Meeting

Majority Baptist Church
115-21 Farmers Boulevard

Tuesday February 16th 2010

Where does your money go?

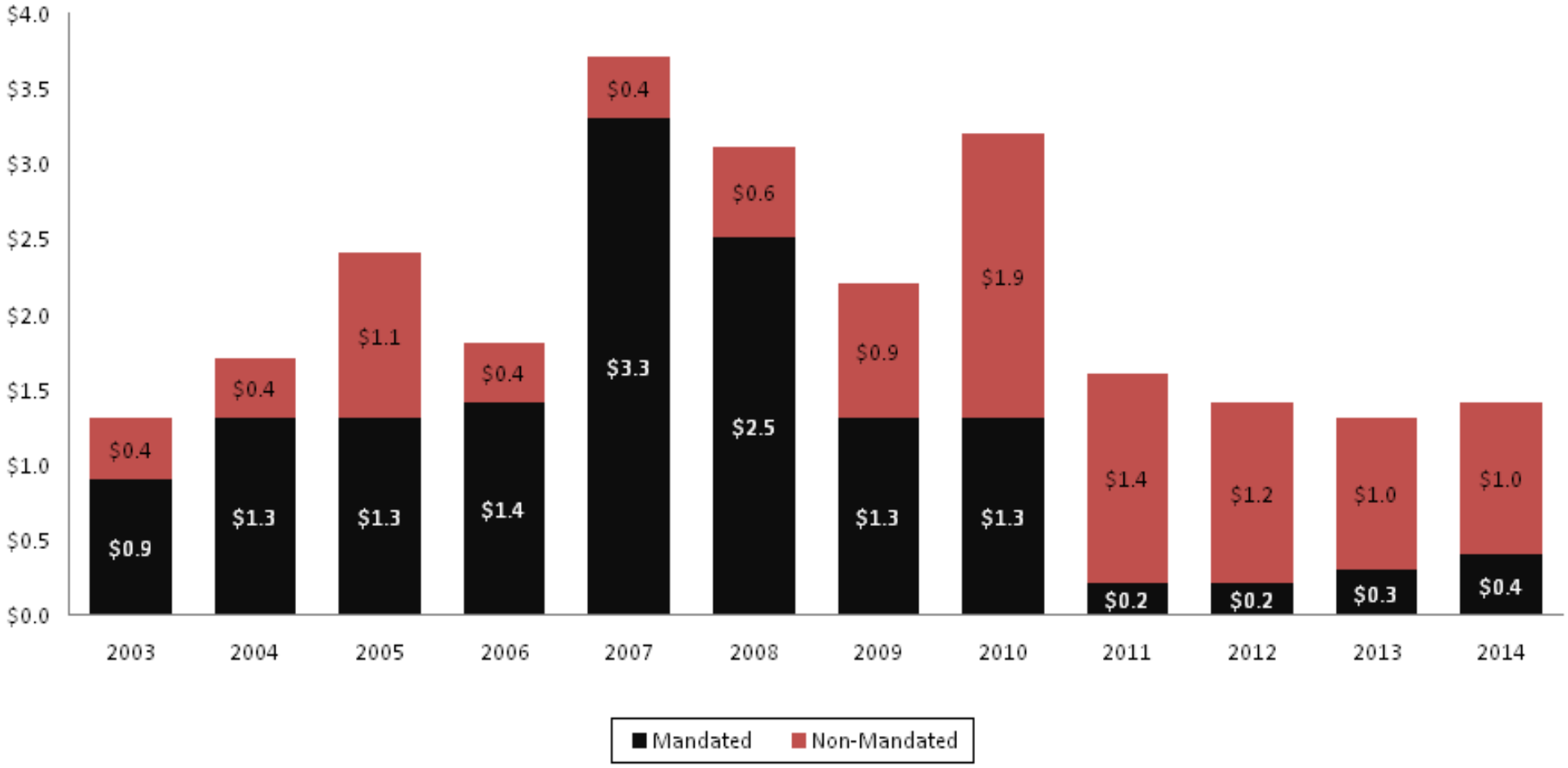


FY 2010 DEP Budget

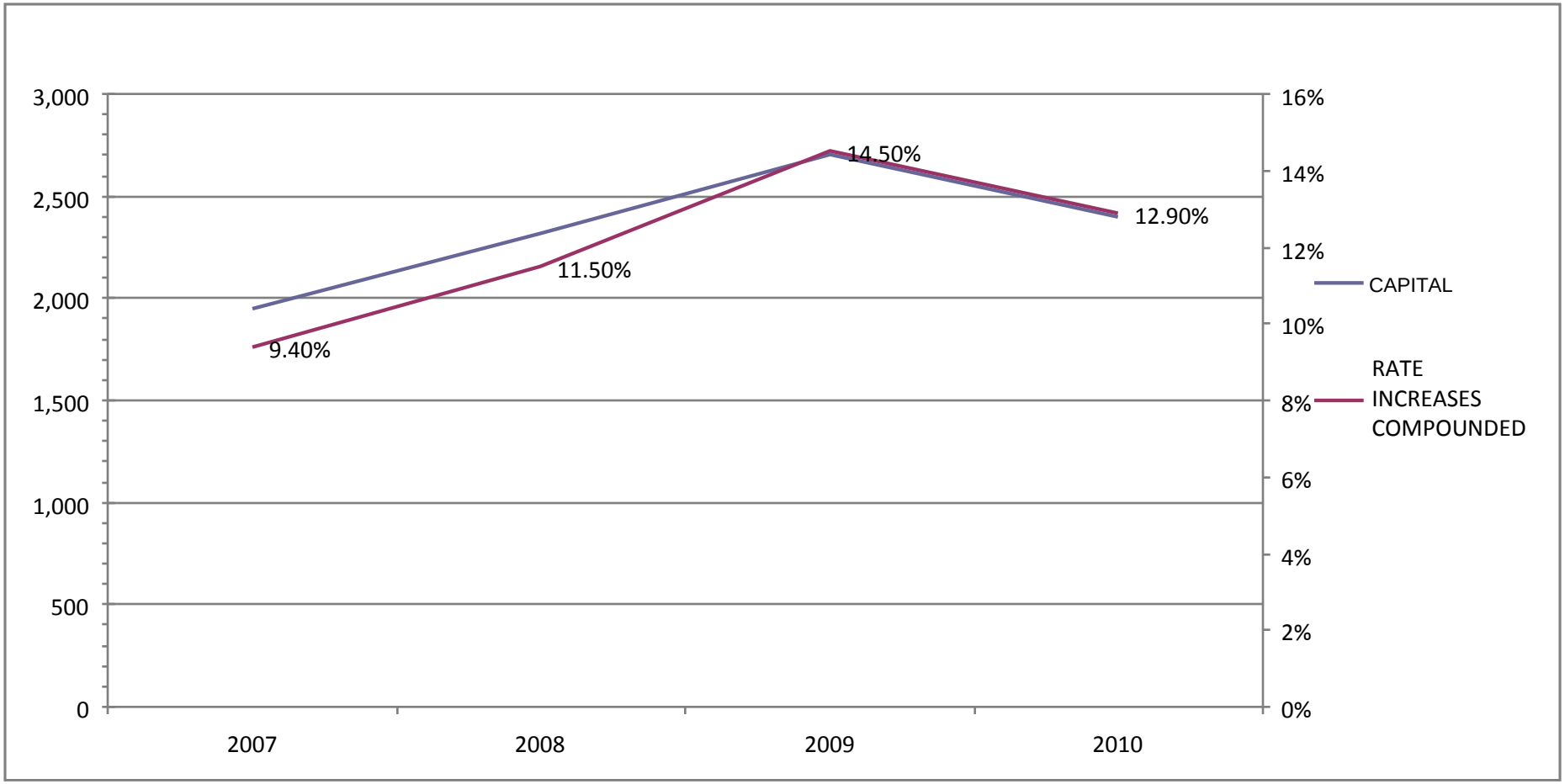
What is DEP's Debt Service?

Debt Service = Capital Construction

Historically, mandated projects comprised 3/4 of the Capital Investment Plan. Going forward, that ratio drops



Capital Outlays and the Water Rate



Citywide Investments
UV Disinfection Plant

Citywide Investments
Croton Filtration Plant

Citywide Investments
Water Tunnel #3

Investments in perspective

- City water Tunnel #1 was completed in 1917 at a cost of $27M
  - If we had to build it in 2010 that would cost us $989M in today's dollars

- City Tunnel #2 was completed in 1936 at a cost of $57M
  - If we had to build it in 2010 that would cost us $1.5B in today's dollars

- Once Croton filtration and UV plants are operational, 100% of NYC's water supply will be filtered or will receive two different forms of disinfection

Citywide Investments

Newtown Creek

Citywide Investments
Flushing Bay CSO Project

Citywide Investments
Alley Creek CSO Project

- Necessary to reduce the amount of combined sewer overflow (CSO) going into Alley Creek and Little Neck Bay
- Construction began in 2004; will be substantially complete in 2010. It is over 90% complete
- The project cost is $100M, including $17M for landscaping and restoration
- Related work includes upgrade of Douglaston Pumping Station ($30M); and construction of sewers on Springfield Boulevard

Investments in Southeast Queens

- In southeast Queens, DEP has constructed over $500M worth of work in the last ten years, and $170M in the last three years

- These infrastructure improvements will help to manage stormwater, and guarantee the reliable delivery of drinking water to our account holders throughout the community

- The following are a sample of our projects that we have recently completed:

  - Trunk main in 110th Avenue (Between Sutphin Boulevard and 173rd Street): **$36 Million**
  - Storm sewers in 202nd Street (Between 115th Avenue and 116th Avenue): **$3.26 Million**
  - Sewer and Water Main Improvements: **$6.75 Million**

Trunk Main Installation

Trunk Main Installation

Citywide Investments- Capital Project Summary

- Croton Filtration Plant
  - Project cost $2.7 B
- Catskill-Delaware Ultraviolet Disinfection Plant
  - Project cost $1.42B
- Newtown Creek
  - Project cost $5B
- City Tunnel #3
  - Stage I & Stage II project cost $6B
- Alley Creek CSO Project
  - Project cost $100M
- Flushing Bay CSO Project (completed)
  - Project cost $300M

  - **Total for NYC & Major Queens projects $15.52 Billion**

Automated Meter Reading (AMR)

OLD DEP METER

NEW DEP AMR METER

AMR is new wireless equipment that will:

- End the use of estimated water bills
- Provide homeowners a web based application this summer to track consumption, identify ways to conserve water and reduce bills

Water Debt Assistance Program

- Launched February 8, 2010, the Water Debt Assistance Program is a new initiative that will temporarily relieve qualified homeowners at risk of foreclosure with past-due water and sewer debt

- To Qualify:
  - Property is on the 2010 lien sale list published February 2010
  - Serious mortgage delinquency
  - Tax Class 1, owner occupied 2 or 3 Family home
  - Submit required forms by April 22nd

- Benefits:
  - Past-due charges are placed on hold as long as customer remains current with new charges
  - Account is dropped from the 2010 lien sale

Customer Service

DEP has made major customer service improvements:

- Extended call center hours and days
- Bills can be paid online by credit/debit card or Electronic Funds Transfer (EFT)
- Reduced call waiting time from an average of 6 minutes to between 30 and 50 seconds

Water Rate Study

How does NYC compare?

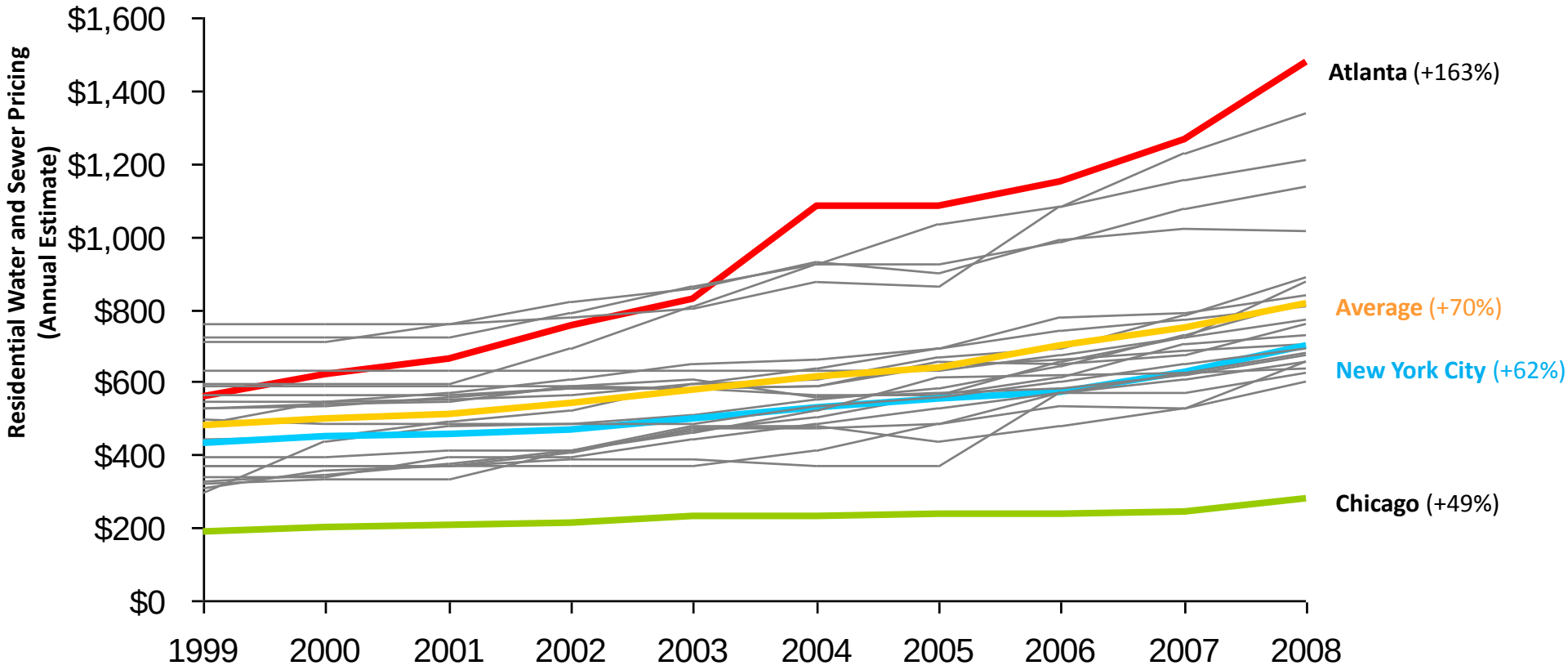
Water Rate Study – Background

- Similar to NYC, water utility rates across the country have significantly increased over the past decade

- DEP collected data from 56 water and wastewater utilities nationally, including information on rate structures, capital and operating budgets, and intergovernmental reimbursements

- Based on an industry-wide evaluation, DEP identified four alternative rate structures, all of which meet the following criteria:
  - Commonly and successfully employed by other municipalities
  - Allow for improved financial stability, equity, water conservation, or stormwater management

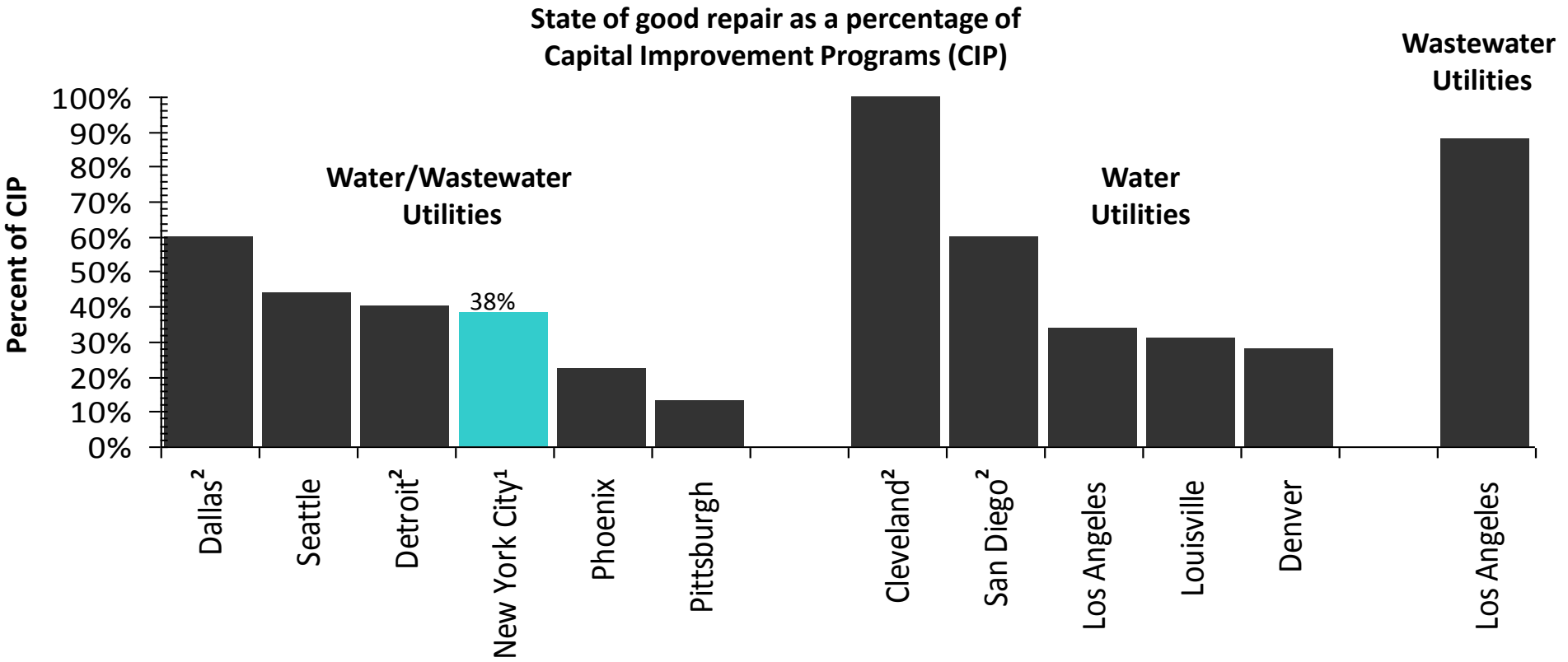
Rates around the country have increased over the past decade and NYC's rates and rate of increases are still below the national average



Notes:

1. Percentages reflect overall change between 1999 and 2008.
2. Amounts are taken from annual survey performed on behalf of the NYC Municipal Water Finance Authority.

State of good repair costs



- CIP percentages shown are of 5-year, 10-year, or 11-year plans depending on the utility.

Footnotes:
1. Value for NYC based on budget for State of Good Repair (SOGR) and portion of BWSO projects identified in CIP.
2. Estimated percentage provided by utility.
3. Values shown reflect utiilities' CIPs current at the time of analysis.

Rental Payment

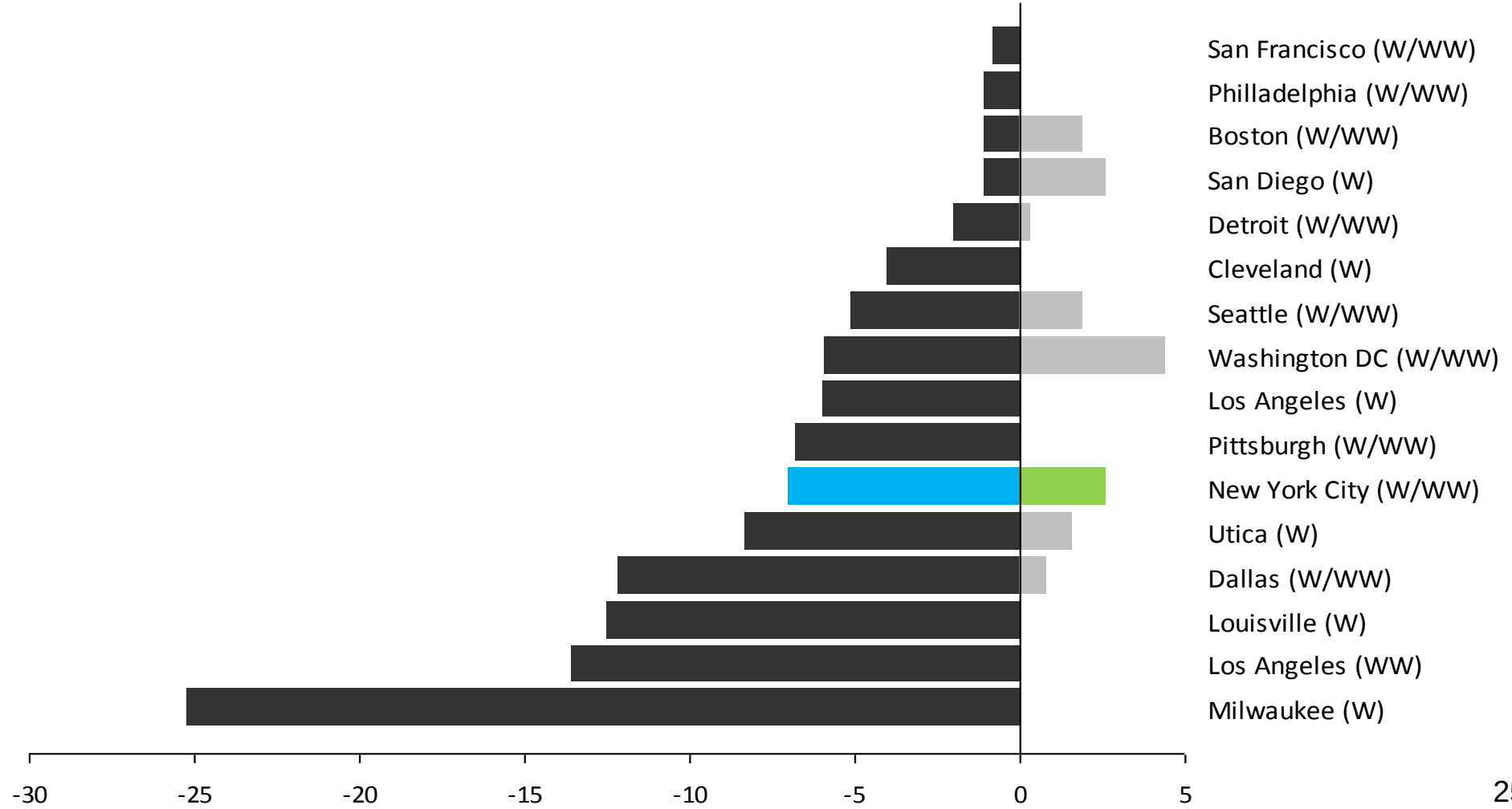
What is the Rental payment?

- The Rental Payment compensates the City for services that the water system receives (such as police, fire protection, street maintenance, snow removal), and provides additional coverage for Water Finance Authority bonds

- The additional bond coverage reassures both investors and bond-rating agencies that the water system will be able to make principal and interest payments on time. As a result:

  - The bonds receive high ratings as secure investments
  - The water system pays lower interest rates
  - The water system has been able to access the credit markets, even when other large construction agencies were unable to sell bonds

DEP's intergovernmental fund transfer, or rental payment, is average when compared to other cities (5-10% of revenue)



On average, DEP receives more City services for its Rental Payment than most other utilities do including:

- ✓Police & Fire Department Services
- ✓Trash Pick up
- ✓Legal
- ✓Administration
- ✓Finance
- ✓Human Resources
- ✓Procurement
- ✓Budgeting
- ✓Insurance
- ✓Other Services

That's more than:

Pittsburgh

Washington, DC

Seattle

Niagara Falls

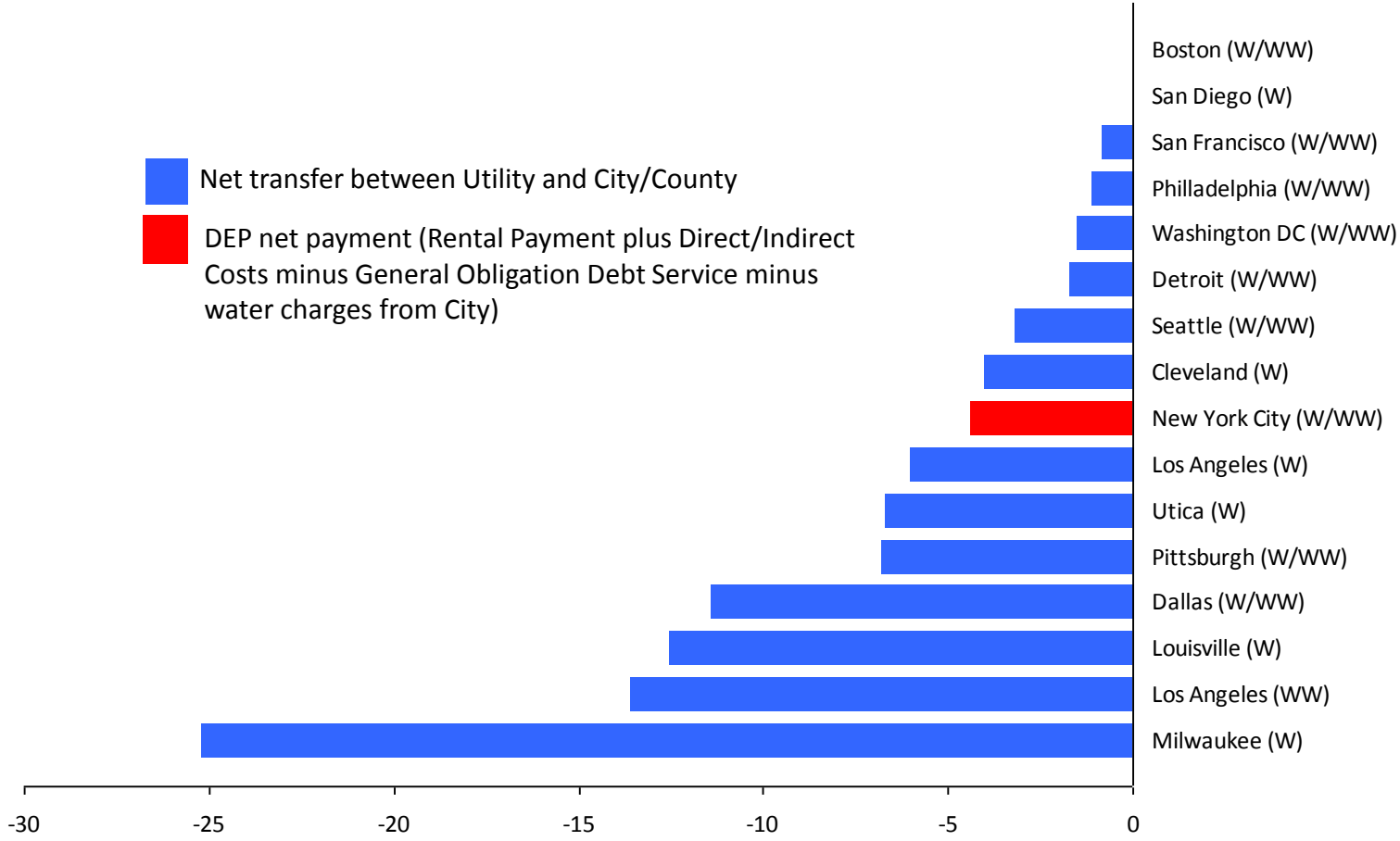
Boston

San Francisco

Cleveland

San Diego

Net Rental payment from Utility to City/County



Footnote:
1. Payments from Boston & San Diego to Utility exceed Utilities' payments to their respective cities.

Rate Study Structures Evaluated

Four potential changes to the rate structure were looked at:

1) Fixed component to current water rate
2) Stormwater Rate charges
3) New Development charge
4) Water Conservation incentive pricing

Fixed Component to the Current Rate

- **What is it?**
  - It's a portion of the current annual bill that does not vary with the amount of water consumed, to cover portions of the water system's expenses that also don't vary with the amount of water consumed (such as customer service or property taxes)

- **What will it look like?**
  - Currently, the average single family home pays about $900 per year for water and sewer, all of which is based on the amount of water that house actually consumes. With a 10% fixed component, that same household would pay a fixed annual charge of $90, and pay $810 per year based on the amount of water it actually consumes

- **Why would DEP do it?**
  - Having a fixed component provides more rate stability and helps to shield both the customers and the water system from higher rate increases during periods of declining water consumption

Stormwater Rate Charges

- **What is it?**
  - Currently, the costs of stormwater are included in the charge for wastewater that gets billed to water customers. It would identify a portion of the existing rate (approximately 10%) as the costs specifically associated with collecting and treating stormwater

- **What will it look like?**
  - DEP would have to create a new billing system based on the amount of stormwater generated by each property. For example, an outdoor paved parking lot generates a lot of stormwater but consumes little or no drinking water. A parking facility pilot program would likely be based on a formula that takes into account property size

- **Why would DEP do it?**
  - This would create the ability for DEP to consider credits for homes and businesses that take steps to control stormwater

Rate Study: New Development Charges

- **What is it?**
  - DEP does not currently charge new customers for past investments made to accommodate new homes or offices

- **What will it look like?**
  - A charge would be added to new construction of residential and commercial properties. For example if a new skyscraper goes up in midtown, a new development charge would be assessed to make sure that property is contributing to all the work the city had previously put into the infrastructure that will serve it

- **Why would DEP do it?**
  - It would insure equity to current rate payers who have contributed to the exceptional infrastructure improvements made over the last 100 years

Rate Study: Water Conservation Incentive Pricing

- **What is it?**
  - Conservation incentive pricing charges a higher rate for elevated levels of water consumption and typically takes one of two forms

- **What will it look like?**
  - Rate payers would be charged a higher price for every incremental gallon above a set threshold level, or charged a higher price for all gallons consumed once consumption has exceeded the threshold

- **Why would DEP do it?**
  - Water conservation incentive pricing could be used during periods when the City's aqueducts are under major repair or during droughts. It would allow customers who use little water an opportunity to pay a fixed price below a certain threshold

Next Steps

- Incorporate stakeholder and public feedback
- NYC Water Board will propose FY ’11 rate (April 2010)
- Borough rate hearings (May 2010)
- Water Board vote on FY ’11 rate (May 2010)

THANK YOU

FOR YOUR COMMENTS