

**Testimony of Commissioner Emily Lloyd
New York City Department of Environmental Protection
before the
New York City Council Committee on Finance
concerning
Intro. 612 – Relating to the Reauthorization of Lien Sale Authority
250 Broadway
January 8, 2015, 10 am**

Good morning, Chairwoman Ferreras and Members. I am Emily Lloyd, Commissioner of the New York City Department of Environmental Protection (DEP). I am joined today by Steve Lawitts, First Deputy Commissioner and Executive Director of the New York City Water Board, as well other DEP staff. Thank you for the opportunity to testify on Introduction 612, which would reauthorize the sale of property tax and water and sewer liens.

As you know, DEP has overall responsibility for the City’s water supply and sewer system, including providing drinking water to all New Yorkers, maintaining pressure to fire hydrants, managing storm water, and treating wastewater. All of our water related expenses—both operational and capital—are paid for with the money collected from the water and sewer rate charge—billed to all New York City property owners and authorized annually by the New York City Water Board. DEP’s stand-alone lien sale authority for seriously delinquent water and sewer charges, which expired on December 31, 2014, is a critical enforcement tool that allows us to keep water and sewer rates as low as possible, while fulfilling our Agency’s mission. I appear before you today to express DEP’s strong support of Introduction 612 and to urge the reauthorization of DEP’s lien sale authority.

Each year, DEP collects more than \$100 million of revenue directly attributable to the sale of water and sewer liens and the pre-lien sale process. In addition, we estimate that we also collect another \$360 million annually, due to the lien sale’s “halo effect”, that is an inducement of customers to stay current on their charges to avoid being placed on the lien sale list. These funds currently represent close to 13% of our overall budget, an amount that is vital to meeting our obligations every year.

As background on the scale of the lien sale for water and sewer charges for Fiscal Year 2014, in October 2013, well before the required period, DEP sent notices to nearly 22,000 properties that had either already met, or were on track to meet, the eligibility criteria for inclusion in the FY 2014 lien sale. Properties in Tax Class 2, 3, and 4 were eligible for the lien sale if their delinquency on water and sewer payments was at least \$1,000 for at least one year and on two- and three-family homes in Tax Class 1 were eligible for the lien sale if their delinquency was at least \$2,000 for a period of at least a year.

In January 2014, DEP sent another notice to more than 11,000 properties that met the criteria for inclusion in the lien sale. In February 2014, the official 90-day notice was sent to 16,267 properties, representing \$193 million in outstanding charges. In addition, these properties were listed on the Department of Finance’s website and in a printed notice that was published in the Daily News. This same group of properties continued to receive a 60-day notice, a 30-day notice and a 10-day notice, unless they either paid their delinquent balance or signed a binding payment

agreement for the delinquent balance. These notices resulted in over 13,000 payments made for amounts totaling \$108.6 million. In Fiscal Year 2014, DEP sold liens on only 2,267 properties—or less than 15% of the original 90-day list.

As of January 5, 2015, DEP has approximately 20,717 customers with \$310 million in outstanding charges that would be eligible for the lien sale.

Our goal is to make sure that the water and sewer system receives the revenue it needs to support current and future operations. DEP's lien sale authority is an essential tool that not only provides needed revenue, but also ensures that all building owners pay for the water and sewer services that their buildings consume. Without continued lien sale authority, we would in effect be returning to the years before 2008, when delinquent customers perceived that there were no consequences for failure to pay their water bills. We are concerned that this would create a large gap in revenue, which would result in a significant increase in the water rate. Not renewing the lien sale authority would unfairly shift the financial burden from a minority of delinquent customers to the majority of customers who pay their bills on time, pay their fair share, and who would now have to pay even more because the water and sewer system no longer has its most effective enforcement tool available.

Since 2011, we have also implemented several initiatives aimed at helping our customers and reducing individual costs. We have installed Automated Meter Reading devices (AMR) on 96% of all properties. Customers are now able to view their water usage data in near-real time, allowing them to manage their consumption more effectively and potentially reduce their charges. Since 2011, more than 72,000 customers have received automated Leak Notifications and saved more than \$60 million dollars in charges because they have been able to respond and fix their leaks in a timely manner. Accordingly, this year, the Water Board also expanded the leak forgiveness program to include leaks of maintainable fixtures, such as toilets and sinks, which were previously excluded. Over 1,000 customers have benefited from this change so far, receiving \$1.2 million in leak forgiveness. Finally, and perhaps most relevant to the lien of water and sewer charges, because of AMR, DEP's estimated bill rate has fallen by more than 82% since 2009. As a result, 97.8% of the water and sewer bills sent to metered customers reflect actual usage, which led to a 55% drop in customer disputes in Fiscal Year 2014 versus Fiscal Year 2011—and a 40% reduction since Fiscal Year 2008. DEP will also begin offering monthly billing as an opt-in option to all 836,000 customers by June 30, 2015.

In addition to these initiatives, DEP is committed to protecting its most vulnerable customers while ensuring that everyone pays his or her fair share for the water and sewer services used. That is why the Water Board, in partnership with DEP, adopted the lowest rate increase in nine years, froze water and sewer bills for roughly 25% of all single-family homeowners—many of them seniors—and partnered with the NYC Human Resources Administration to carry out Mayor de Blasio's progressive vision by creating the Home Water Assistance Program to help over 12,500 of our low-income customers.

Again, we strongly support Introduction 612 and urge you to vote in favor of the continued fiscal health and resiliency of the water supply, distribution, and wastewater collection and treatment systems. While uninterrupted lien sale authority is crucial, we are mindful of issues that some Members would have preferred to address in the context of this reauthorization. We believe the

inclusion of a task force in this bill ensures that these issues will receive the thorough and deliberative consideration they deserve in anticipation of the next reauthorization two years from now. We look forward to working with the Council and the other members of the task force to ensure that the tax and water lien sale process is fair, efficient and effective. I thank you for the opportunity to testify today and would be happy to address any of your questions.