

Testimony of Emily Lloyd
Commissioner, New York City Department of Environmental Protection
before the
New York City Council Committees on Environmental Protection & Finance
concerning the
FY 2016 Executive Budget

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City Hall, 1:30 pm

Good afternoon Chairpersons Ferreras and Richards and Members. I am Emily Lloyd, Commissioner of the New York City Department of Environmental Protection (DEP). I am joined today by First Deputy Commissioner Steven Lawitts; Deputy Commissioners Angela Licata, Nancy Cianflone and James Roberts, Associate Commissioner Eric Landau; Assistant Commissioner for Budget Joseph Murin; as well as other senior managers. Thank you for the opportunity to testify on the Fiscal Year 2016 (FY16) Executive Budget.

As you very well 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. In addition, DEP also regulates air quality, hazardous waste, and critical quality of life issues, including noise.

Before I review our Expense and Capital budgets I would like to review with the Members the water rate increase adopted for FY16. Although we understand that no increase is ever welcome, the need to maintain and improve the delivery of water and sewer service is critical. In the absence of state and federal assistance for drinking water and wastewater infrastructure, water and sewer rates paid by our customers are the only source of revenue to support this service, which is essential for local public health, quality of life and economic development, and which is highly regulated at the state and federal levels.

On May 8th, the New York City Water Board adopted a 2.97% increase, the lowest increase in fifteen years, and 39% lower than the published projection of 4.9%. This significant reduction was made possible by:

- Reduction of the Rental Payment—Building on Mayor de Blasio's commitment to reduce the rental payment, he lowered the FY 16 Rental Payment by 40% (\$82 million), and we expect reductions in the payment to continue.
- Strong Revenues—As of May 3, revenues were \$93 million or 3% ahead of projections, due in part to the replacement of 31,000 large meters. In addition, the Council's renewal of DEP's lien sale authority this year has played an important part in helping us collect the charges that are owed by ratepayers. We also began the year with more carry-forward revenues from FY 2014 than we had expected, due, in large part, to an \$83 million payment we received from Exxon Mobil in connection with a judgment regarding MTBE, a gasoline additive, in Queens ground water.
- Debt Service Payments—Due to continued low interest rates, debt service was \$195 million lower than projected for FY 2015. By the end of the year, we expect to have re-funded \$2.2

billion of outstanding debt for an estimated 17% in net savings, which will reduce the cost of debt service in future years.

Under the adopted rate, a typical single-family homeowner will see an increase of less than \$3 per month, on average. And, a typical multi-family home with metered billing will see an increase of less than \$2 per unit per month. In addition, as part of this year's rate proposal, DEP has introduced a number of progressive changes to the water and wastewater rate schedule for FY16, including:

- freezing the minimum charge for the second consecutive year for more than 150,000 customers who use fewer than 100 gallons per day, which a quarter of all single-family homeowners do, many of them seniors. Those customers are currently billed at the minimum water charge of \$1.27 per day, including wastewater charges.
- expanding the Home Water Assistance Program, which provides a \$116 credit annually to 12,500 low-income homeowners who qualify for the federal Home Energy Assistance Program. This year DEP will expand the program by including an additional 46,500 low-income senior and disabled homeowners who receive Department of Finance property tax exemptions.
- offering all customers the option to be billed on a monthly basis. Customers who sign up for electronic monthly billing will receive a one-time \$10 credit.

OneNYC

Playing a major role in our expense and capital budget is Mayor de Blasio's OneNYC plan, which was released on April 22, and expands on prior long-term sustainability plans for New York City, as well as on the work of the de Blasio administration over the last 16 months. \$6.4 billion of DEP's \$14.7 billion Ten-Year Capital Plan will be devoted to OneNYC initiatives. I would like to highlight two key elements in OneNYC for DEP.

Southeast Queens Flooding

One of the major goals of OneNYC is reducing the risks of flooding in the most affected communities. As the Members know, the focus of this multi-pronged initiative is Southeast Queens. Included in our Ten-Year Plan is \$1.5 billion to address Southeast Queens flooding. Our specific plan includes building out the storm sewer system throughout Southeast Queens at an accelerated pace. In addition, we are developing a plan that uses green infrastructure and innovative sewer construction to bring relief to the worst-affected areas faster.

For example, over the next 10 years, we will be extending the trunk sewer network up Springfield Boulevard serving the eastern parts of Southeast Queens, including Cambria Heights and Queens Village, and upgrading the trunk sewer system north on Farmers Boulevard to serve the western portions, including Saint Albans, Jamaica and Hollis. These projects will produce almost 10 miles of new or reconstructed sewers, as well as five miles of water main replacement while we have the streets excavated.

To bring faster relief to areas with repeat flooding, we will also build what we call sewer extensions at a rate of about six per year, at a cost of about \$20-30 million annually. We have already used this technique in several locations in Jamaica and Saint Albans with good success.

Another innovative tool that is producing notable results is green infrastructure (GI). The basic concept of GI is to use natural techniques to detain, retain and absorb rainwater before it becomes a flooding problem in the street or on someone's property. Some examples of GI projects include permeable paving and rain gardens at City schools, parks, and public housing, and most notably bioswales and stormwater greenstreets within City streets and sidewalks. Bioswales look like enlarged and densely planted tree pits, but are designed with specific plant species, known to soak up a significant amount of water, and below-grade engineering. Bioswales "intercept" storm water coming down the street, preventing it from going into the sewer system. In addition, they provide other hugely important environmental benefits, including improved air quality and greening of the street.

The largest type of GI, known as a Bluebelt, uses a combination of pipes, plantings and other techniques that channel water through areas with existing watercourses and water bodies, thereby cleaning it of pollutants naturally before it is discharged into the surrounding waters. We have built an extensive network of Bluebelts on Staten Island over the past two decades, and are now developing several in Southeast Queens, including an ongoing project at Springfield Lake and Twin Ponds, and new installations at Baisley Pond. A joint project with the Department of Transportation at Brookeville Edgewood Triangle will create a Bluebelt in Idlewild Park. Over the next 10 years, we expect to find more locations to use these techniques.

Partnering with other agencies, such as the Department of Transportation, Department of Parks and Recreation, Department of Design and Construction, the School Construction Authority and the New York City Housing Authority, we are looking for all possible green infrastructure opportunities to effectively help manage stormwater.

In addition to the new infrastructure, we are also launching an intensive public education campaign throughout Southeast Queens to educate businesses, homeowners and students about proper grease disposal to help avoid sewer backups. In 2014, 79% of all confirmed sewer backups in Southeast Queens were the result of grease build-up in the sewers.

Finally, we are also about to initiate a door-to-door survey of 200 properties in Southeast Queens. Partnering with York College, we hope to identify specific reasons for flooding, including storm related or from ground water.

Water Fountains

Also, as part of OneNYC, DEP has committed to install new and/or repair 500 water fountains around the City. Working with the Departments of Health and Mental Hygiene, Parks and Recreation, Transportation, City Planning, Design and Construction, and the Mayor's Office of Sustainability, we hope to significantly decrease the number of areas around the City that are without water fountains—what we now refer to as "water fountain deserts." In addition, we hope to significantly increase the number of reusable water bottle filling stations around the City in an effort to reduce plastic waste.

FY 16 Expense Budget

The projected Expense Budget for the current fiscal year, FY15, is \$1.64 billion. This includes approximately \$425 million in Community Development Block Grant (CDBG) funds for the Build It Back program and \$36 million in other Sandy-related funds, for which DEP serves as the contracting entity for the City. For FY16 we expect DEP's expense budget to be \$1.25 billion, including \$42 million in CDBG funding for the Build it Back program. Please note, however, that this funding represents a net increase of \$17 million from the Preliminary Budget estimate.

Highlights of the net changes to the Preliminary Budget include the following:

- Projected increases of \$5.7 million in property taxes for land owned in the upstate watersheds;
- An increase of \$5.6 million to fund interceptor cleaning at Wards Island and on a city-wide basis;
- An increase of \$5.5 million to fund the dredging and removal of CSO-impacted sediments from Flushing Bay;
- An increase of \$1.0 million to the Water for the Future water conservation program, which is related to the Delaware Aqueduct shutdown that is planned as part of the repair of the Rondout-West Branch Tunnel;
- Increases totaling \$2.9 million for equipment repairs at the wastewater treatment plants and in maintenance contracts at the Croton Filtration Plant;
- An increase of \$805 thousand that will fund 15 new positions to provide litigation support to DEP;
- Savings of \$1.2 million from re-estimates of heat, light and power, and fuel budgets.

The expense budget breaks down into the following large categories:

Personal Services

The FY 2016 budget projects \$485 million, 39% of our total expense budget, in personal services to pay the salaries for our nearly 6,000 funded positions. As with other agencies, changes in employee benefits are not shown in the agency's budget.

I would also like to note that in an effort to enhance our Air and Noise compliance and enforcement capability, we changed three administrative staff positions to air inspector positions. In addition, DEP will be hiring eight new Environmental Compliance inspectors, which will give us the flexibility to deploy inspectors on weekends and evenings when many of the violations occur. These additions will also increase the number of inspections in all five boroughs, enabling DEP to send inspectors to even more events and projects to ensure compliance with the Air and Noise Codes.

Taxes on Upstate Watershed Lands

The FY 16 budget projects \$167 million or nearly 13% of the Expense Budget. The ownership of watershed lands represents a critical investment in maintaining the high quality of New York City's drinking water by protecting it at the source and ensuring that it does not require more expensive treatment, such as filtration. I am pleased to report that we have successfully negotiated agreements with upstate jurisdictions to make our tax obligations more stable and predictable and, in some cases, to reduce them.

Heat, Light, and Power

DEP's energy costs account for \$107 million or 9% of the FY16 expense budget. DEP is the third-largest municipal consumer of electric power in New York City after the Department of Education and the Health and Hospitals Corporation, and our consumption will grow as we bring new treatment facilities on line for both drinking water and wastewater. To control energy costs and reduce our greenhouse gas emissions, DEP is investing in projects to reduce energy needs, such as a cogeneration plant at the North River Wastewater Treatment Plant.

Chemicals

Chemicals, such as chlorine and fluoride, that are used in the treatment of drinking water, and other chemicals used during the wastewater treatment process, account for \$55 million, which is 4% of our total expense budget. Finally, management of 1,200 tons per day of sludge is projected to cost about \$39 million in FY16, or about 3% of our projected FY16 expenses.

FY2016-FY2025 Ten-Year Capital Plan

DEP's FY16 Executive Capital Budget is \$14.7 billion for FY16-25, as presented by Mayor de Blasio on May 7, 2015. Highlights of the Executive Ten-Year Plan are as follows:

Croton Water Filtration Plant

On May 8 DEP announced the activation of the Croton Water Filtration Plant, and water from the Croton water supply system has been reintroduced into the city's distribution network for the first time since 2008. Built pursuant to a federal mandate at a cost of \$3.2 billion, the plant will help to ensure the city has a safe and reliable supply of drinking water in the event of a future drought, provide critical flexibility as we deal with the effects of a changing climate, and allow us to make needed repairs to other parts of the water supply system. Containing one of the largest arrays of ultraviolet treatment 'bulbs' in the world, it will also ensure that Giardia and Cryptosporidium, two microorganisms that can cause intestinal illness, are eliminated from the drinking water supply.

Construction commenced in 2007 and, at the height of the work, roughly 1,300 laborers were on site. In addition to building the plant, the 33-mile-long New Croton Aqueduct was rehabilitated and three new water tunnels were constructed to bring water to the plant, and then from the plant back to the distribution system. With the capacity to filter up to 290 million gallons of water a day, the state-of-the-art facility can provide roughly 30 percent of the city's current daily water needs.

Wastewater Treatment

The Executive Ten-Year Plan projects a \$5.6 billion investment in wastewater treatment projects, \$3.3 billion of which is for the reconstruction or replacement of components of the wastewater treatment plants and pumping stations.

The remaining \$2.3 billion investment will be used to mitigate combined sewer overflows, with \$805 million for green infrastructure such as green roofs and bioswales, and the remainder for gray infrastructure, such as tanks and tunnels to store wastewater.

In addition, \$167 million is budgeted for the construction of a new cogeneration plant at the North River Wastewater Treatment Plant. The new cogeneration plant will use renewable digester gas produced by the wastewater treatment process to both power equipment and heat the facility. It will help us reduce our energy use and help the City meet the Mayor's major commitment to reduce greenhouse gas emissions.

A significant part of our wastewater treatment budget is \$1.3 billion in funding to cover planned consent order work related to the Long-Term Control Plans (LTCPs) for combined sewer overflows (CSOs) and stormwater control. This is a portion of a larger commitment being negotiated with DEC to invest \$3 billion over 30 years to improve water quality in designated water bodies. The most significant element of this commitment is \$300 million for improvements to reduce CSO discharges into the Gowanus Canal. In addition, DEP will undertake projects in Bronx River, Alley Creek, Hutchinson River, and Flushing Creek and measures in other waterbodies yet to be agreed upon.

Reservoirs, Dams, Treatment Facilities and Water Mains

Over the next 10 years, the Administration is proposing to invest an additional \$3.3 billion in protecting the quality of our reservoirs and the integrity of our dams, providing for treatment where necessary, and maintaining and repairing the water main system conveying potable water to all New Yorkers. We have budgeted \$287 million for the reconstruction of dams in our three watersheds.

For the continuation of our current Filtration Avoidance Determination (FAD) programs, the Executive FY16-25 Capital Plan includes \$190 million, covering all our capital needs for the current FAD, including \$124 million for land acquisition. The alternative to the FAD is to have to build a costly new drinking water filtration plant. Our watershed protection programs passed their 2012 five-year review, and we are now in the second five-year period of the unprecedented award in 2007 of a ten-year waiver of the requirement to filter drinking water from the Catskill and Delaware watersheds. The key to maintaining the city's FAD has been the program's grounding in strong monitoring and scientific study, both of which support the three pillars of watershed protection—land acquisition, regulations governing certain activities in the watershed, such as agriculture and stream and forest management, and programs with our watershed partners—upstate communities and organizations.

The Rondout-West Branch Tunnel Repair

Although this project extends even beyond the Ten-Year Plan, the Executive Budget provides over \$261 million for projects related to conservation and providing supplemental sources of water during the Delaware Aqueduct shutdown, associated with its repair.

Increasing the capacity of the Catskill Aqueduct—a project distinct from pressurization—accounts for an additional \$131 million.

City Water Tunnel No. 3 and Related Work

DEP acknowledges that the continued construction of the Third Water Tunnel, Brooklyn/Queens Section was removed from the Preliminary Budget (the January 2015 Plan) as released by Mayor de Blasio. It bears mention that the tunneling for the Brooklyn/Queens Section is complete. The shafts, connections and activation still have to be finished. This work has been deferred because the funding was re-allocated to another, more critical priority—specifically, the dam and dike strengthening of the Ashokan Reservoir. Our intent is to reinstate the funding for design and construction as other priorities shift.

Sewers

The Executive FY16-25 Capital Plan projects \$4.1 billion of spending on sewers including:

- \$1.2 billion for replacement of sewers (storm, sanitary or combined), including the Mayor's initiative for accelerated replacement of some of our oldest infrastructure;
- \$2.2 billion for new sewers (of all types) of which;

- Storm sewers as a category by itself (either new or reconstructed) accounts for \$1.8 billion of projected spending, of which \$245 million is for high-level storm sewers, including Third Avenue in Brooklyn; and
- \$443 million of the total is for both the conventional sewers and the lands necessary to create Bluebelt systems, which are being extended beyond Staten Island to Springfield Lake in Queens, Van Cortlandt Park, the Bronx Botanical Garden, and other locations.

The FY 16-25 Capital Plan Highlights by Borough

In the Bronx, the Executive Budget projects \$811 million of capital spending from FY 16-25. Approximately \$283 million is budgeted for the Hunts Point Wastewater Treatment Plant, including \$33 million for new centrifuges and \$180 million for new digesters. Restoration of the Mosholu driving range, clubhouse and related work is budgeted for \$46 million in FY 16. To reduce CSOs into Pugsley Creek and Long Island Sound, DEP has budgeted \$72 million in FY 16 for construction of a parallel sewer that will help divert flow away from the creek.

In Brooklyn, the Executive Budget includes \$1.5 billion of planned commitments. The 26th Ward Wastewater Treatment Plant and associated sewer work to reduce CSOs into Fresh Creek account for \$373 million. Coney Island sewer improvements are funded at \$34 million in FY 16. An additional \$137 million is projected in FY17-25 for Coney Island sewers.

In Manhattan, the Executive Budget shows \$1 billion over the ten years between FY16 and FY25. The largest single project is the \$167 million cogeneration project at the North River Wastewater Treatment Plant.

Another \$242 million is for several projects at the Wards Island Wastewater Treatment Plant: reconstruction of final tanks; reconstruction of the boiler complex; and installation of emergency generators. The construction of water mains connecting two of the City Water Tunnel No. 3 shafts with the local water distribution system is funded at \$73 million.

In Queens, the Executive Ten-Year Plan shows a total of \$3 billion allocated for projects of all types. Sewers account for \$1.7 billion, of which \$1.5 billion is allocated for projects in Southeast Queens.

In Staten Island, the Executive Ten-Year Plan projects a total of \$1 billion, of which \$589 million is for sewers. The Snug Harbor sewer project is budgeted for \$24 million. Repairs to the Oakwood Beach Wastewater Treatment Plant and to the Hannah Street pumping station are projected to cost \$142 million. \$187 million is included in the budget for Mid-Island Bluebelts.

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On behalf of the almost 6,000 employees of DEP who make a difference each and every day for our environment, I want to thank the Chairs for their support of our agency and express our continued commitment to work with the Council and your committees going forward.

That completes my prepared statement. Thank you for the opportunity to present testimony. I look forward to answering any questions that you have.