

# **NEW YORK CITY WATER BOARD**

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**James T.B. Tripp**  
CHAIR

Before The Environmental Protection  
And Finance Committees Of  
The New York City Council

Statement of James T. B. Tripp, Chair, Don Capoccia, Dawn Davis,  
Marilyn Gelber, Amaziah Howell, Alan Moss and Maria Santos Valentin, Members  
New York City Water Board

The Environment Protection and Finance Committees of the City Council are jointly holding a hearing to receive input on New York City Department of Environmental Protection (DEP) customer service, bill practices and collection performance. My name is James T. B. Tripp. I serve as chair of the New York City Water Board. I am presenting this statement on behalf of all seven members of that Board.

The NYC Water Board strongly supports approval by these two Committees and the entire City Council of DEP independent water lien sale authority. We are cognizant of the need to upgrade the City's water and sewer system to meet both the needs of a growing City and the challenges that lay ahead. Lien sale authority, along with other measures, will give DEP the tools to face these challenges.

The long-term financial stability of the water and sewer system requires that water consumption charges be paid on a timely basis by all customers, both residential and commercial. This is not the case today, with less than 88% of residential customers paying their bills within two billing cycles, i.e., six months of receipt of their bills. In addition, thousands of customers are in arrears going back years. Our goal is to address the backlog of unpaid bills in an efficient and fair manner in an effort to establish and maintain a billing system where 98% or better of DEP's customers are current with their water and sewer charges. This collection goal is in line with the experience of other water utilities around the country. Obviously, if all customers of DEP's water and sewer services pay their bills on time, water and sewer rates set by the Water Board would be lower than they otherwise would be. The system's reliance on this revenue source warrants a very robust collection and enforcement program. The independent water lien sale authority, after other reasonable means of collecting revenues have been utilized, would achieve that goal fairly and efficiently.

In supporting the City Council's granting of this authority, the Water Board recognizes that both DEP and the Board have a responsibility to their customers to reduce where reasonably possible all expenses that contribute to rate increases. The underlying premise of any robust collection or enforcement program must be DEP's historically

accurate billing information. The installation of meters in every residential and commercial building in NYC and devising accurate water billing operations, supported by a capable customer service operation, has been an enormously complex and challenging undertaking. The Board has devoted extensive time and resources to this issue in recent years. While there were many questions in the past about excessively high water bills and the historic accuracy of those accounts and other bills, DEP has made enormous progress in improving the quality and accuracy of its customer accounts and in strengthening its customer service operations. In our view, this problem has been largely resolved and should no longer justify any delay in implementing a robust collection and enforcement program.

Under regulations that the Board has approved, DEP has the authority to shut off water in residential and commercial buildings that are significantly in arrears and have not entered into payment agreements with DEP. The Board has directed DEP to take advantage of this authority. DEP has in recent months conducted pilot shut-off projects both for single-family, detached residences and commercial buildings that are significantly in arrears. The results of these pilot actions are encouraging.

Furthermore, at its September 28 and October 18, 2007 meetings, the Board discussed at length proposed modifications to its water shut-off enforcement regulations. These modifications would allow DEP to move more expeditiously and aggressively against residential and commercial customers who have not paid their bills for two billing periods. At its October 18 meeting, the Board authorized DEP to proceed with the issuance of a formal notice of these proposed revisions. We will hear public comments on these proposed modifications at our next meeting scheduled for November 9 and hope to take final approval action at that time. In addition, we have approved a payment incentive program, currently designed for single-family residences, that provides incentives for over 8,000 such residences that are in arrears to come forward and make payments.

While a robust residential and commercial water shut-off enforcement program can play a useful role in promoting prompt payment of water bills, it has its practical limits when it comes to multi-family housing. It may be unfair to tenants who have met their rent obligations and whose building owners are responsible for the payment of water bills; it may create particular problems for building residents with medical or other conditions; and it will certainly be resource-intensive and costly to implement since it would entail creating physical access to water shut-off valves in the streets in front of these buildings both to shut water off and then, following payment, to turn water back on. As a practical matter, a water shut-off enforcement program for most multi-family housing will be far from optimally effective under the best of circumstances. If the City Council does not grant the requested independent water lien sale authority that avoids these kinds of pitfalls, the Board will remain obligated under its covenants to diligently enforce payments from delinquent accounts, and we will work with DEP to shape the best possible multi-family water shut-off program. But we have serious doubts about its efficacy and deem the lien sale authority, coupled with judicious use of water shut-offs where appropriate, to be the best strategy for effective enforcement.

In order to protect the long-term integrity of the City's remarkable water and sewer system that includes the largest unfiltered surface water system in the US in the Catskill/Delaware watershed while moderating rate increases over the next 10 to 20 years, the Board has been looking at other appropriate actions to limit operating expenses and rapidly escalating debt service costs. One item that has greatly concerned the Board has been the rental payment. For many years, that payment has been around \$150 million per year. It has aroused intensified discussion by the Board as the level of the rental payment is now based on 15% of debt service costs (whereas up until a couple of years ago it was set to cover the water system's pro rata share of pre-1985 general obligation bonds). Just as debt service costs are forecasted to escalate rapidly over the next several years, this rental payment is forecasted to escalate rapidly as well. With rate increases materially higher for FY 07 and 08 than they have been and with the prospect of hefty rate increases over the next several years, the Board is looking at opportunities to keep expenses down that will not sacrifice the basic, long-term integrity of the water and sewer system.

While it is fair and reasonable for the water system to continue to make payment to cover its share of the debt service costs of the City's general obligation bonds, we question the rationale and fairness of simply transferring to City coffers the increasing portion of the rental payment not required to cover GOB debt service costs. We recognize that the City views the rental payment as part of its revenues stream. However, from the point of view of the Water Board, it is bizarre, to say the least, that this payment to the City escalates as debt service costs escalate and, in turn, water rates escalate. We are increasingly loath to approve rates that assume continuation of this arrangement.

At the same time, the Board is cognizant that it must set rates high enough to assure an 115% coverage of debt service costs. If those extra revenues are collected and retained in the water system, we are of the view that a significant portion of those revenues should be used as paid-in-capital to reduce long-term borrowing needs and thus long-term borrowing costs and not just for purposes of holding rate increases down in the subsequent year. The Board's responsibility is the long-term financial sustainability of the water and sewer system, not just minimizing rate increases in any year. Outstanding debt of the water and sewer system at the end of FY 07 was about \$17 billion. With a \$23 billion 10-year DEP capital program, total debt could rise to \$40 billion. An increase in paid-in-capital is one way to hold down the total amount of new debt that we would otherwise have to take on to pay for capital improvements. The other strategies would encompass all responsible actions to minimize increases in operating costs and, in some cases, stretch out capital investments in addition to aggressive collection and enforcement that independent lien sale authority would underpin.

We want the Council to know that the Water Board is concerned about water rates this year, next year and over the next 10 to 20 years. We are very impressed with DEP billing and customer service improvements. In the face of increasing challenges to moderating rate increases, we are becoming more active in searching for actions that we can take, including an aggressive water shut-off enforcement program, a new rental payment arrangement and other expense reduction measures. However, it is imperative that DEP have all appropriate enforcement powers to assure prompt payment of water bills, and, to that end, we urge prompt adoption of independent water lien sale authority.

Testimony of Emily Lloyd  
Commissioner  
New York City Department of Environmental Protection  
At a hearing of the New York City Council  
Committee on Environmental Protection

Monday, October 22, 2007

Good morning Chairman Weprin, Chairman Gennaro and members of the Committees on Environmental Protection and Finance. Thank you for the opportunity to testify today. I am Emily Lloyd, Commissioner of the New York City Department of Environmental Protection (DEP).

Last December we came before you to discuss our plans to improve customer service in the Bureau of Customer Services (BCS).

Since that time, we have:

- Further reduced the average customer wait time at our Customer Call Center;
- overhauled our correspondence processing unit and created a customer-friendly dispute form to ease processing and further reduce wait time;
- implemented new billing notices that alert customers to spikes in consumption;
- developed new payment options including a feeless online service available via our Web site and new, walk-in locations for cash payment Citywide;
- significantly enhanced the language accessibility of our written materials;
- and implemented several new collection programs, including a residential service termination pilot late this summer, that resulted in swift payments from 21 chronically delinquent customers, and a similar pilot for more than 30 commercial properties throughout the City. We have also begun the process of issuing shut-off notices to approximately 2,000 commercial properties under the Water Board's existing regulations. Just last week, DEP asked the Water Board to broaden the existing regulations governing shut-offs.

In addition, in early November, DEP will introduce for single-family homeowners a one-time only Payment Incentive Program (PIP) that offers to cancel late payment charges if customers settle their delinquent accounts. Customers who don't settle within 90 days will be scheduled for service termination. We are extremely pleased to be offering this program, as we feel it will afford customers with outstanding accounts receivable (A/R) and a history of billing disputes a critical opportunity to settle their accounts and avoid serious collection actions. We will be conducting extensive outreach around this program and we hope the Council Members will join us in promoting the PIP.

In my testimony this morning, I will elaborate on the great progress we've made in the transformation of our customer service, billing and collection operations since that time. Following that I will discuss and discuss the reasons why our water rates will continue to increase without the Council's authorization to use lien sales as a means to collect from customers who will otherwise never pay.

To maintain a reliable revenue stream and, in turn, maintain vital components of our city's infrastructure, we need an effective set of enforcement tools. Though service termination is effective in recovering revenue, going forward, in order to increase payment rates, confidently collect the revenue needed to run our system, and recoup past-due revenue owed us by delinquent customers, we will need stand-alone lien sale authority. Recently, the lack of authority to conduct stand-alone lien sales has left us with significantly diminished revenues, and required the Water Board to consider a mid-year rate increase of 18%.

Our Bureau of Customer Services is DEP's primary interface with the city's 826,000 water and sewer account holders, whose payments support the entire water and wastewater system. Historically, this relationship has suffered from poor access to customer service assistance, an inability to resolve disputes promptly, high numbers of estimated bills, and a lack of adequate enforcement techniques.

However, over the last 15 months, DEP has taken aggressive steps to improve customer service and developed a roadmap for continued improvements in the future. Our first step was to overhaul our Customer Call Center and make immediate changes in the way we interact with our customers. To achieve this, we retrained existing staff, added new staff in

critical positions, and extended Call Center hours, all of which resulted in wait time reductions of as much as 95%. On high-volume days, the average wait time is 15 seconds, and during lower-volume days, it drops to 9 seconds. We also upgraded existing system technology to give staff better access to account information so that they could be more helpful to callers.

In addition, we undertook an extensive effort to correct errors in our customer data. We matched our data against comprehensive Department of Finance databases; we focused on return mail to raise our percentage of CASS-certified addresses from about 75% to 95% ("CASS" stands for Code Accuracy Support System, which verifies addresses against the USPS National Database); and, we retained a consultant to visit sites with chronic no-reads to identify and resolve meter access problems. Most recently, we have begun verifying customer telephone information in anticipation of an aggressive outbound calling initiative to customers delinquent between 30 days and one year scheduled for the end of this year. We have also been mailing monthly overdue notices to customers between quarterly bills to remind them of their payment obligations.

Perhaps most importantly, we began sending spike notices to many customers with unusually high reads rather than automatically sending an estimated bill. Over the last eight months, 40,000 such notices have been substituted for estimated bills, resulting in 25,000 requests for leak detection kits.

In January of this year, when we engaged the consultant Booz Allen Hamilton we asked them to help us address our immediate goal of correcting delinquent behavior and encouraging increasingly timely payments throughout our customer population. Based on their rigorous analysis of DEP's A/R, Booz Allen developed customized collection strategies for each customer category and according to A/R age – up to one year, one to five years, and over five years. This work is detailed in Booz Allen's report, from which you have already received highlights. The full report will be available on our website later this morning. I have been very pleased by the quality of Booz Allen's analysis and by their operational recommendations, and I am equally pleased to report that they will continue to support the transformation of BCS.

Based on this analysis, DEP decided to focus first on collecting A/R aged five years or less, and to defer analysis of A/R older than five years until we

had initiated steps to collect newer A/R. Though industry experience indicated that collectability declines precipitously after two years, DEP's own experience revealed that we could effectively collect on debt aged five years or less.

Collecting on accounts with debt aged more than five years is a more acute problem. Our working assumption was that much of the information about these accounts would be significantly flawed and prevent any collection efforts. However, after analysis, we discovered that much of the A/R was actually collectable. Though many of the delinquent accounts had debt older than five years, significant portions of their debt had been incurred within the last five years. Concurrent analysis of Department of Finance (DOF) databases revealed that many of the same customers with delinquent water and sewer accounts were diligently paying their property taxes or other City fees.

This point is particularly important, because DEP's returns from the Department of Finance lien sale process have diminished significantly due to a number of well-known loopholes and various other process constraints. DOF's process does not include properties with delinquent water and sewer bills unless they also owe taxes, and properties are removed from the lien sale process if they satisfy tax payments, regardless of their outstanding water and sewer delinquencies.

In recognition of this fact, DEP will pursue collection on all accounts with debt aged five years or more. Beginning November 1<sup>st</sup>, approximately 3,000 such residential accounts will be among those included in DEP's PIP. As part of this program, these accounts will be forgiven all of the late charges that have accrued on account and utility costs will be capped at two dollars per day if they pay their remaining balance immediately. Combined with a strong enforcement tool like service termination or lien sale, this program will allow us to collect debt effectively from many of these most complex accounts.

To reduce delinquency moving forward and establish a fair and equitable foundation for these new collection strategies, DEP is overhauling dispute resolution procedures. Like many major utilities, billing disputes are a significant problem for DEP that can lead to inefficient customer service and adversely affect customer payment rates. Historically, BCS had handled billing disputes on an ad hoc basis, with different customer service

representatives and account managers reaching different conclusions about similar disputes. The resolution process was decentralized and inefficient, relegating most disputes to a lengthy review process by second-level account managers and representatives.

Preliminary analysis revealed that, of accounts in dispute over the past year, 56% were one-, two- or three-family residential properties, and 72% had water and sewer balances under \$1,000. Furthermore, the vast majority of complaints from these customers related to minor billing issues (discrepancies as a result of a high estimated bill, for instance).

Based on analysis and examination of effective approaches used elsewhere, DEP has adopted a four-step dispute resolution process. Each step is standardized with staff at each step authorized to resolve progressively more complicated and / or higher value disputes.

The first step is at point of entry, usually the Call Center or a walk-in borough service center. The customer service representatives in the Call Center are currently being trained in the adjustments they are authorized to make, and will be able to offer this to customers by the end of the year. With this first level of problem solving, many unresolved disputes will be avoided altogether.

Filing a written dispute is usually the second step (although it is occasionally the point of entry). One of the simple but significant innovations in this area is the introduction of a customer-friendly dispute form, which can be downloaded from our Web site. The form will help to standardize the complaint process and result in a more consistent and efficient documentation and tracking of disputes. It will also speed filing and DEP's response time. The staff at this level is trained and authorized to exercise additional discretion. All staff involved in the dispute resolution process are receiving training in issue escalation and dispute resolution, as well as new standard operating procedures developed by Booz Allen.

The third step – an entirely new one – is the face-to-face meeting currently being piloted. Customers who make a verbal or written request will be able to informally discuss their disputes with trained BCS managers, which will enable us to better explain charges to the customer and to adjust the charges if merited.



The final step is an appeal to the Water Board. We anticipate that our work to overhaul the preliminary dispute resolution steps will greatly reduce the number of appeals and allow for more detailed review as needed.

I believe that we have gone about the difficult task of fixing the Bureau of Customer Services in the right way: taking time to understand what has been an intractable problem, then moving quickly to implement recommendations as they were developed, reviewed and adopted. Virtually all the major recommendations under our control are now underway.

We are also working to fundamentally change the way we collect billing information. This fall, we conducted a field test of Automated Meter Reading (AMR) technology at 800 properties throughout Brooklyn and Lower Manhattan. Once implemented citywide, AMR will provide more frequent and accurate usage information to DEP customers and dramatically reduce the use of estimated bills, which are a major cause of billing disputes with our customers.

AMR technology has been used widely throughout the country and it has helped many municipalities dramatically improve collection rates. AMR will allow DEP to collect water meter readings remotely without needing to gain access to the property.

Citywide installation will begin in June of 2008, and DEP estimates that all 826,000 AMR devices will be installed by the end of 2010, with approximately 1,200 devices installed each day until then. Because approximately 76% of all call center inquiries in 2006 were related to billing and meter reads, DEP is designing new bills to enhance communication with our customers and reduce the likelihood of customer complaints. An interim bill will be introduced by June 2008, and by 2009 a final version will be implemented that leverages the comprehensive usage information made available through AMR.

These are critical accomplishments that are moving us toward the level of customer service we are committed to providing. However, as we have always known, good customer service alone cannot persuade all of our customers to pay their bills in a timely way or, in some cases, at all. Even with this year's customer service changes, revenue is down \$70 million against our \$2.25 billion annual financial plan for the first quarter of this fiscal year, and will continue to fall without adequate enforcement tools.

In New York City, the diversity of our housing stock and the immense size of our customer base require a multi-faceted collection strategy, both to ensure adequate revenue collection and consistent treatment of all customers and property types. DEP has developed a collections strategy that is workable on a citywide basis and accounts for the billing histories specific to certain property types and tax classes.

DEP has begun to design and implement a successful service termination program, including recently proposed changes to Water Board regulations that would broaden the criteria for service termination and increase its utility as collection strategy Citywide.

DEP piloted residential service termination late this summer. Twenty-one delinquent customers who had defaulted on payment agreements received notices indicating that their service would be terminated if they did not pay a specified percentage of their delinquent amount within the next 30 days. Within the 30-day period, all 21 customers paid the required amount. Last week we began a similar pilot for more than 30 commercial properties that had defaulted on payment agreements and we have begun the process of noticing approximately 2,000 commercial properties under the Water Board's existing service termination regulations. It is DEP's expectation that lien sales will encourage payment in much the same way as service termination and will result in significant revenue collection without actually selling liens on most properties.

One of our most important initiatives was to structure a Payment Incentive Program. The PIP creates a financial incentive for customers with long-standing disputes to come to closure with DEP on their outstanding bills. The financial incentive would, at a minimum, be a cancellation of late payment charges. As part of a PIP, DEP will begin mailing notices to nearly 8,500 residential customers on November 1<sup>st</sup>, informing them that their late-payment charges have been reduced, and if they pay their full, owed amount within 90 days, they can avoid service termination. After 90 days, customers who don't avail themselves of this offer will be scheduled for service termination. The incentive program will offer customers significant opportunity to settle their accounts before being scheduled for shut-offs and allow DEP to better target delinquent customers.

Although DEP will continue expanding the shut-off program, shut-offs alone will not be enough to collect revenue. Ultimately, stand-alone lien sale authority will be necessary to maintain revenues and continue to execute our capital budget effectively.

The Administration is clear that some Council Members are concerned about the consequences of authorizing a lien sale based only on delinquent water and sewer charges. I can remind the Council that the history of lien sales in New York City shows great sensitivity to the importance of preserving property ownership. The Council has continually extended lien sale authority because the lien sale process is both fair and effective. This process has always emphasized working with property owners and, where necessary, with social service providers before and after a lien sale to prevent homeowners from being dispossessed. For stand-alone water and sewer lien sales, we will mirror the already proven Department of Finance lien sale procedures. Additional protection will be provided by the fact that DEP is strengthening the dispute resolution process to offer additional opportunities for DEP and property owners to review charges.

Over the past year, DEP has made significant and steady customer service improvements. We have enhanced our customer relationships and fundamentally overhauled the tools and systems we use to manage billing, collections and all other aspects of customer service. And in preparation for being granted stand alone lien sale authority, we have devoted significant time, as part of the reorganization of BCS, to re-designing our internal lien sale process by developing standard operating procedures that build on our successful work with DOF to create a rigorous account review and selection process, and ensure that only the truly delinquent customers are targeted.

If we are not able to take effective action on customers responsible for the approximately \$600 million in past-due arrears, then these positive changes, and the work of our broader transformation as well, will be undermined by the higher rates we will be forced to impose on our paying customers. As noted earlier, the lack of authority to conduct stand-alone lien sales has already resulted in revenues down \$70 million against plan for the first quarter of this year, and required the Water Board to consider an 18% mid-year rate increase.

The long-term consequence of failing to meet this obligation will be more expensive bonds that will further increase the costs of building critical water infrastructure that will inevitably show up in the water and sewer rates.

Improvements in customer service satisfaction will not lead to increased revenues without adequate means of enforcement. And though input from the various stakeholders in our system helped guide the transformation of BCS, it also helped to publicize this weakness of our system and reinforce the mentality of chronically delinquent payers: that non-payment will have no significant repercussions. A growing set of DEP's customers simply will not pay their water and sewer bills unless threatened with serious collection actions such as service termination or lien sale, and will continue to take advantage of the current loophole that allows properties to be removed from the lien sale process if they satisfy tax payments, regardless of their outstanding water and sewer delinquencies. We need your help to fix this.

I will be pleased to answer any questions you have. Thank you.

**OVERSIGHT HEARING ON DEP CUSTOMER SERVICE & COLLECTION**  
**STRATEGIES—THE BOOZ ALLEN REPORT**

Committee on Finance  
Committee on Environmental Protection  
October 22, 2007

**DEP- Commissioner Lloyd**

1. On December 13, 2006, you testified before the Environmental Protection Committee where in your testimony, you set forth a number of objectives that the Department sought to achieve in both the short-term and long-term. Please update the Committees on the progress you have made in the following areas:

**Customer Service Practices**

- How many people currently work in the DEP's Bureau of Customer Service (BCS)?
- How does this number compare to last year?
- How many of those staff are "analytical staff" that work on closing out "problematic bills"?
- Are there any plans to hire any additional people for this Bureau?
- What is the status on the restructuring of the Department's Call Center?
- What is the typical wait time now to speak to somebody at the Call Center on peak days?
- Currently, how long does it take the BCS to respond to correspondence?
- How has BCS made the walk-in help centers more people-friendly and the website more user-friendly?

**Current Meter Reads**

- It is our understanding that the DEP has a contract with Con Edison to read its water meters. What is the current percentage of successful water meter reads for Con Edison?
- How does your current contract with Con Edison work as an incentive to achieve a 90% "successful" rate?
- At the Fiscal 2008 Executive Budget Hearing, Commissioner Lloyd stated that the DEP was currently in contract to provide the "Hard-To-Access" program. Was a supplier ever identified? What has happened to date, regarding this program? What problems have been identified and what solutions have been implemented?

**Dispute Resolution**

- Please describe the process by which NYC water customers are able to challenge water and wastewater bills.
- What, if any, progress has been made in regards to dispute resolution?
- What is the number of billing complaints received by the DEP in each of the last three years? Of those complaints, how many were made by residential customers?

- How many challenges regarding erroneous water and wastewater bills were made in each of the last three years?
- Of those challenges, how many were made by residential customers?
- What is the current, average length of time that it takes the DEP to resolve bill challenges? How does this compare with one year ago?
- What efforts, if any, have you made to reduce this period of time?

### **Customer Billing**

- What is the current status of the spike notification program?
- What measures has DEP implemented thus far to address the problem of water bills being sent to incorrect addresses?
- It is the Committees' understanding that once delinquent bills reach a certain date (approximately 5 years) the ability to collect greatly diminishes. How does DEP handle these particular non-collectible bills?
- The Committees have heard from constituents who have assumed that water charges are paid by their escrow agent only to find out that they have been billed (but have not paid) later on usually when they refinance. What happens in this particular case? Is this a frequent, common occurrence?
- Last December, the Commissioner testified that she would like DEP's water bills to be as "clear as a credit card bill" by June of this year. What progress has DEP made on issuing this type of bill?

2. Following the December 13, 2006 hearing, DEP hired Booz Allen Hamilton (BAH) as consultants to review the Bureau of Customer Services. BAH issued it's findings during the summer of this year.

### **Automated Meter Reading (AMR)**

- The Commissioner testified that the Department's goal was to switch over to automated meter reads to achieve 99%-plus actual reads by 2010. The BAH report places AMR as a crucial piece for accurate billing, lower rate of customer disputes, and an increase revenue collection rate. What is the status on AMR, and are you still on target to meet the 2010 date?
- DEP currently has pilot programs in Brooklyn and Lower East Side. Why were these areas selected?

### **Water Bill Redesign and Billing System**

- The BAH report creates a new water bill design. How, if at all, has DEP followed BAH's recommendation for a redesigned water bill to make them easier to read and to help customers recognize a spike in water usage?
- BAH report recommends DEP upgrade its billing system. Where is DEP on this recommendation?

## **Standard Operating Procedures**

- BAH report states that part of the BCS failures in providing world-class customer service is due to the Bureau's lack of formal operating procedures. What is DEP doing to create formal operating procedures and ensuring that every BCS employee understands his/her operational function?

## **Pilot Programs**

- Please name all the current pilot programs DEP is engaged in based on recommendations from the BAH report. Include the start and concluding dates of these pilots.

## **Timelines**

- With AMR not in place city-wide until 2011, organizational redesign to be completed in 2008, and new billing system in place in 2010, why does DEP want the ability to do stand-alone lien sales in 2007?
- With these aggressive timelines, is DEP capable of implementing fully all of BAH's recommendations?

## **3. Current/Anticipated Payment Agreements**

- DEP has offered payment agreements to customers with liens eligible to be included in tax lien sales. The terms of those agreements have not been as generous as the ones the Department of Finance offers for property tax liens.
- Do you plan to liberalize your payment agreements? Please explain the terms of the payment plan: amount of down payment, length of time to pay off the debt? Are they the same for residential and commercial property owners?
- Will you offer this plan to customers who may have their water service terminated? Will you offer this plan to owners with liens eligible for tax lien sales?

## **4. Revenue Collection Options: The Booz Allen report recommends several collection options:**

### **Payment Incentive Plan (Amnesty)**

- Because of the historical problems with DEP's billing system, will you offer some kind of payment incentive plan or amnesty for residential owners before service termination or stand alone water and sewer lien sales? The City offered an amnesty when it made rent stabilization fees subject to tax lien sales in 2001. The City has periodically offered amnesty on various business tax arrears.
- What criteria will you use to try to separate out those owners with excessive or disputed bills from those owners who have failed to pay the "normal" charges? Will you offer different payment incentive plans to these two groups?

- What kind of payment incentive plan will you offer to owners who are slated for service termination?
- How long will owners have to either pay off their outstanding balance or enter into payment agreements before service is terminated?
- Will you offer a similar plan to residential owners IF stand-alone water and sewer lien sales were authorized?
- Will you include owners who have unresolved billing disputes with DEP in payment incentive plans or any other collection efforts, such as service termination or lien sales? Or if such a customer accepts a payment incentive plan or payment agreement does that terminate their dispute with DEP?

#### **Accounts that are over due for more than five years**

- The Booz Allen report is skeptical that the City can collect from the more than 9,000 accounts that are overdue for more than five years. Would you consider writing off the debt? Are there Water Board/bond covenant restrictions on debt write-off? Or how do you expect to collect this debt?
- Do you think these accounts are too risky to be included in normal tax lien sales or would they be “bundled” into a special lien sale, such as the sale of liens with high lien to property value ratios the City conducted several years ago?
- Have you analyzed the 9,000 accounts to understand the reasons for non-payment—are they bills that have been in dispute for several years, customers that have received excessive charges, or customers who have failed to pay the normal water bill charge for their type of property?
- Will you offer a payment incentive plan to these customers and will it be the same as the one offered to customers with outstanding balances that are less than five years old?

#### **Water Service Termination**

- DEP is beginning to send service termination notices to select groups of residential and commercial properties. We understand that you intend to expand the residential water service termination program to 8,500 owners of single-family homes.
- What criteria did you use to select those customers for the service termination notices?
- Are the residential properties concentrated in certain neighborhoods—or what is the geographical distribution?
- Have you exempted senior or disabled homeowners or other residential owners from service termination?
- How much revenue do you anticipate collecting from residential customers, from commercial customers?
- Does DEP plan special outreach to contact these customers and help them with financial plans, other aid?



- Are there legal or other protections for certain residential customers faced with service termination?
- Are there sources of financial aid available to certain residential customers faced with service termination?
- Do you plan to expand residential service termination in the future?
- Will you expand service termination to 2 or 3 family homes? To multi-family rentals?
- Will you expand service termination to co-ops and condos?

### **Stand Alone Water and Sewer Lien Sales-Collection History**

- Based on the history of past lien sales, how much does the City collect in outstanding water and sewer balances during the lien sale notification period: from residential properties; from stand alone water and sewer liens on commercial properties?
- What is the pre-sale collection rate for residential properties: class one homeowners, rentals. How does this rate compare to commercial properties?
- From recent lien sale history, how much have you collected annually in water and sewer liens after the liens have been sold: from residential properties, commercial properties?
- What percent of class one properties end up in foreclosure as a result of lien sales, and how does this compare to other residential properties, and to commercial properties?
- How many of these properties actually go to auction?

### **Anticipated Collections from Stand Alone Water and Sewer Lien Sales on Residential Properties**

- You have stated that you may collect as much as \$200 million in water and sewer arrears as a result of stand alone water and sewer lien sales on residential properties.
- Does this include all outstanding balances that are less than 5 years old?
- The lien sale legislation governing the sale of property tax liens requires that the owners of class one properties and co-ops and condos be a minimum of three years in arrears. What would you expect to collect if the water and sewer arrears are limited to liens that are 3 or more years old?
- The first lien sale will bring a big “bump-up” in revenue, but how much do you expect to collect annually in future stand-alone sales of residential water and sewer liens?
- How much did you collect per year in stand-alone sales of commercial water and sewer liens after the initial sale?

### **5. Closing the Lien Sale Loophole**

- There is a loophole in the tax lien legislation that allows owners of class one properties and co-ops and condos to pay property tax arrears but not water and sewer balances in order to be pulled from tax lien sales. If we closed that loophole, how much would the City collect in outstanding water and sewer liens from these residential properties?

### **6. Distribution of Water Liens & Taxpayer Protection**

- The distribution of residential water and sewer liens by Council District from information DEP shared with Council staff shows that the liens on 1, 2 and 3 family homes are concentrated in certain neighborhoods, such as Jamaica, St Albans, Bed-Stuy, East New York. These same neighborhoods have the highest concentration of recent foreclosure filings whose owners may have taken out sub prime mortgages.
- Do you know how many residential homeowners with outstanding water bills also are in arrears on property taxes, on mortgages?
- Don't you think that service terminations and lien sales may add to the pressures on these owners that may ultimately result in their losing their homes, or to becoming prey to unscrupulous lenders?
- Do you plan to partner with other agencies, such as HPD and Dept of Consumer Affairs, and non-profit community groups engaged in foreclosure prevention programs?
- What kinds of outreach do you plan to do to help homeowners with their outstanding water and sewer balances before you initiate service termination or lien sales? Will you partner with DOF and HPD in conducting outreach sessions in the communities where DEP can deal with customer problems?
- Would you consider exempting senior and disabled homeowners from lien sales?
- Would you consider exempting owners with low-incomes, or hardship cases from lien sales?
- Would you consider not selling liens below a minimum amount, say \$5,000?
- A large number of multi-family walk-up buildings have substantial outstanding water balances? We assume these are rental units. But do you know if these are smaller buildings (4 to 10 units)? Do you know if these buildings are in other financial trouble and may be considered "distressed"?
- Would you consider having an ombudsman program in DEP, like DOF's ombudsman program, for landlords, homeowners and senior owners, to help owners with their billing issues; to develop payment plans for the arrears, give financial advice, provide information on sources of funds to pay outstanding bills that certain owners may qualify for?
- Would you consider extending the lien notification period from 60 days to at least 90 days to allow owners time to get the finances to pay off the liens?
- Would you consider a reduction in the interest rate that residential owners will be charged once their liens are sold? Currently, once liens are sold, owners are charged 18 percent interest on outstanding debt even if they were required to pay 9 percent before the lien sale.

#### **Water Board- Mark Page**

- In regards to proposed rate increase, less than 3 months into the fiscal year and the Board has already proposed an 18% hike- don't you think this is a bit premature? What are the factors underlying the rate increase? Ways to avoid the increase?
- Do you have the legal authority to impose a mid-year rate increase? New York State law (the public authorities law) seems to indicate that rate changes can only take place on an annual basis following a public hearing in every borough. In addition, the information that you, the Water Board, provides to the public outlining the Board's rate change

policies and objectives operates under the assumption that these rate changes can occur on an annual basis only.

- Last time we did a mid-year rate increase was in 1992? Based on the numbers as of close of that fiscal year, do you believe it was necessary? (i.e. were your revenue projections on target for that year?)

In discussions with members of the water board and at Council hearings it has become evident that the Water Board and DEP agree with the Council's assertion that the rental payment made by the Water Authority to the City each year since Fiscal 2005 has amounted to a tax on water and sewer system users that goes to supplement the City's general fund coffers. They have agreed that the excess rental payments made (those above and beyond the funds needed to finance outstanding GO Debt) by the Water Authority to the City would better serve the water and sewer users being put back into the system.

- Do you agree that the rental payment formula needs to be reworked?
- Do you believe it is equitable for water and sewer rate payers to be financing the City's general operating fund?
- Do you believe it makes more sense for the funds collected from rate payers to be used for the benefit of the water and sewer system?



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# **NYC DEP Bureau of Customer Services (BCS) Best Practices Customer Service Model Design Project Report – Executive Summary**

**January 2007 - October 2007**

**New York, NY**

**Updated as of October 18, 2007**

*This document is confidential and is intended solely for the use and  
information of the client to whom it is addressed.*

# Table of Contents

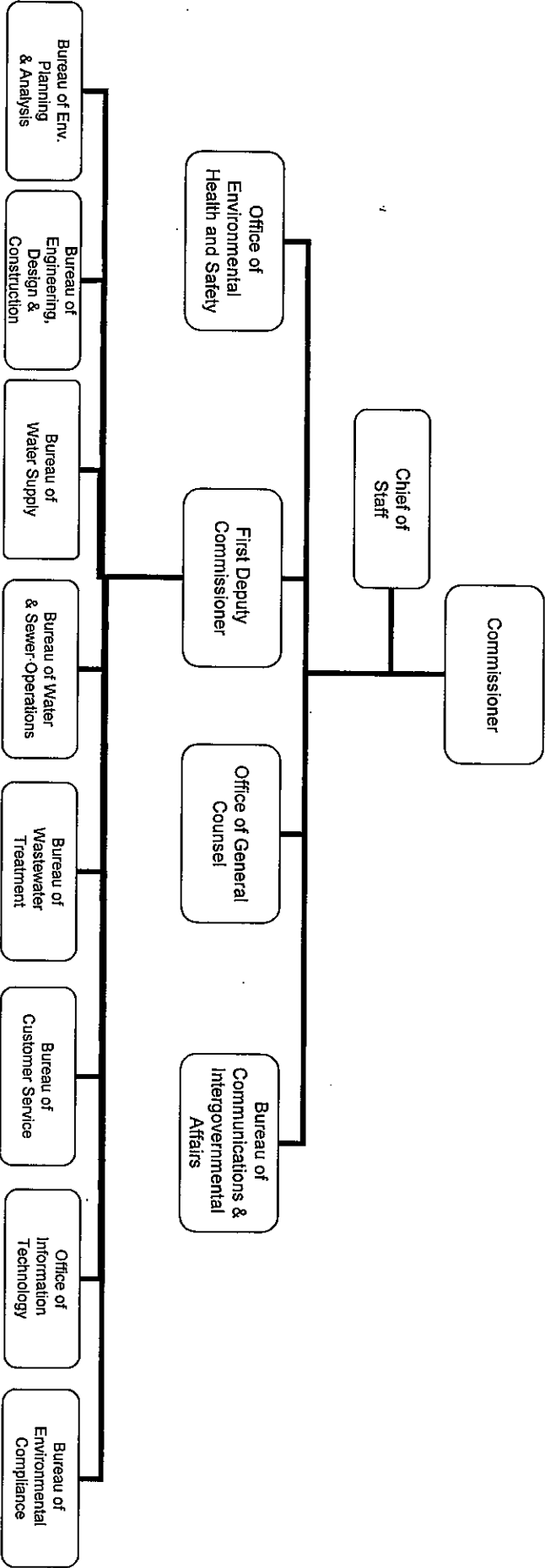
- ▶ BCS Project Overview
- ▶ Customer Service
- ▶ Revenue Collection
- ▶ Systems and Technology
- ▶ Organizational Design and Next Steps

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
------------------	------------------	--------------------	------------------------	--------------------------------------

# The Bureau of Customer Services (BCS) is one of 10 bureaus and offices within the Department of Environmental Protection

The Department of Environmental Protection's (DEP) mission is to promote public health, by providing clean water, managing the effects of storm water and removing wastewater safely. DEP also provides stewardship of other critical environmental issues, such as air, noise and hazardous waste

## DEP Bureaus and Offices



Sources: New York City Department of Environmental Protection Website (<http://www.ci.nyc.ny.us/html/dep/home.html>), Strategic BCS Workplan (2007)

# BCS is transforming its vision, strategy and day-to-day operations, using a Best Practices Customer Service Model

- ▶ BCS is transforming into a customer-focused organization that uses state of the art technology and business practices to accurately and clearly bill and collect from 826,000 water and sewer account holders

## Objectives:

- *World-class customer service*
- *Efficient collection of revenue*
- *Effective promotion of water conservation*
- ▶ Reflected in this report is significant analysis that will allow DEP to:
  - *Correct outdated account information*
  - *Settle outstanding account balances*
  - *Begin supplying better information to customers*
- ▶ This effort will include the introduction of a new billing system and culminate in the installation of AMR within the next few years – both of which are critical to improving BCS infrastructure and providing good customer service

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
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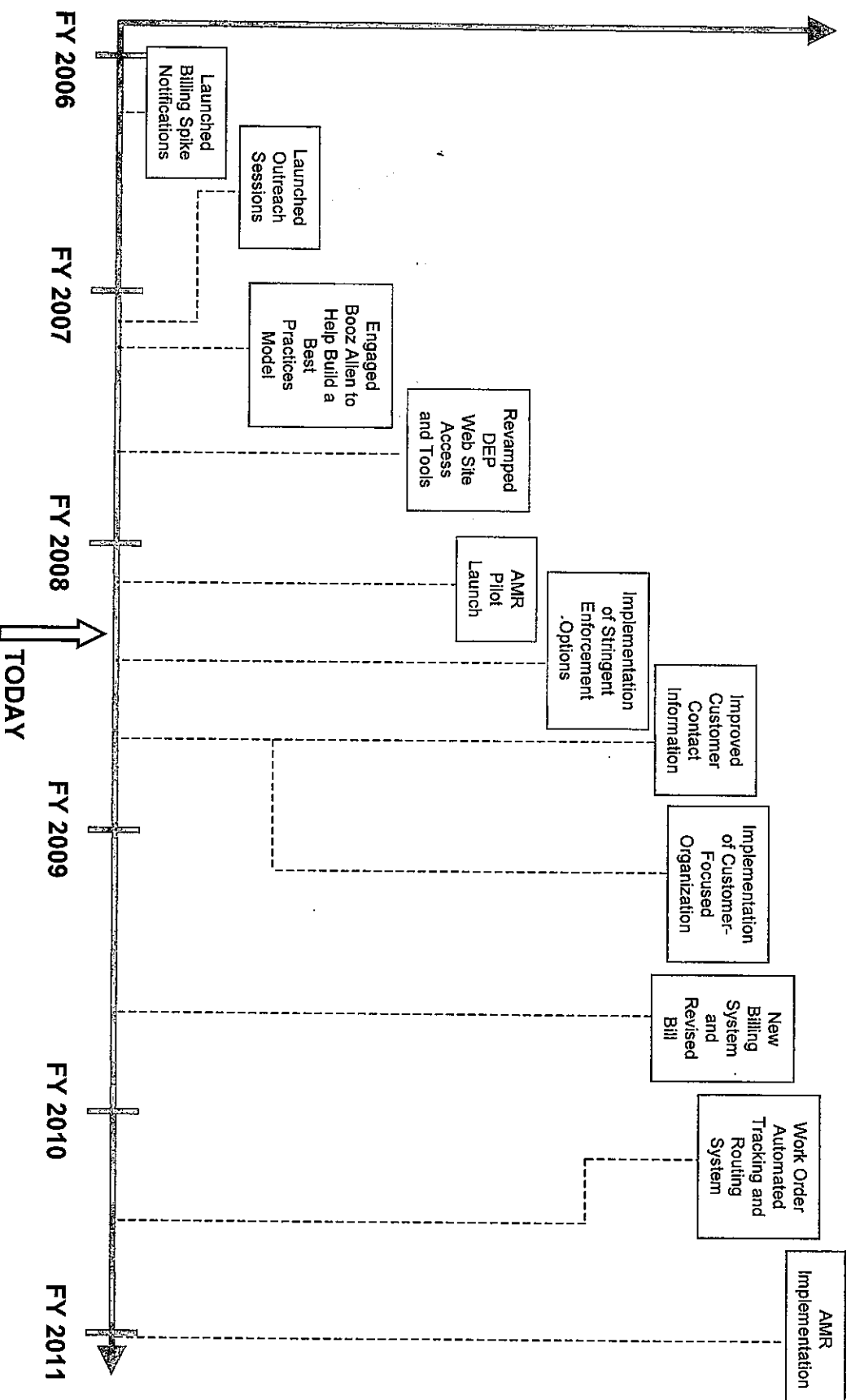
## **Already, BCS has achieved significant customer service milestones and increased customer access**

- ▶ The BCS Call Center, which handles 85 percent of customer inquiries, has been significantly overhauled
  - Already, more than 95 percent reduction in average call wait time (currently at nine seconds)
  - Call Center hours extended
  - Staff reorganized and retrained
- ▶ There has also been a 41 percent reduction in response time for written correspondence
- ▶ BCS has launched successful collection program pilots
- ▶ BCS is coordinating across multiple city agencies to verify existing data and acquire missing data



Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
------------------	------------------	--------------------	------------------------	--------------------------------------

As part of transformation, BCS is implementing several customer-focused initiatives, such as a self-service Web site, AMR, a new billing system and more



## In January 2007, DEP engaged Booz Allen to analyze BCS operations, make recommendations and implement key process improvements

Area	Description
▶ Customer Service Process Assessment	▶ Evaluation of BCS customer service operations across delivery channels, including the call center, correspondence unit and walk-ins
▶ Organizational Design and Reorganization	▶ Design of BCS organizational model to support best-in-class customer service
▶ Collections Strategy	▶ Analysis of DEP collections processes, customer data segments and operating model
▶ Accounts Receivable (A/R) Strategies	▶ Evaluation of A/R reporting, policies, processes and systems
▶ Redesign of Water Bill	▶ Analysis and redesign of DEP's water bill to facilitate payment and promote effective communication with customers
▶ Analysis of Technology & System Capabilities	▶ Evaluation of DEP's technology capabilities to drive recommendations in contact center technology and infrastructure

**Booz Allen's work builds on existing initiatives such as AMR, which serves as the foundation for timely, accurate billing and enhanced customer service**

### Key Benefits

- ▶ Provides more accurate billing records, which help DEP build and maintain positive relationships with customers
- ▶ Generates daily consumption information that helps identify leaks immediately (e.g., water spike notifications for customers)
- ▶ Speeds up resolution of customer inquiries/complaints by giving customer service representatives (CSRs) greater confidence in billing and consumption accuracy
- ▶ Enhances customer service by minimizing the need to access properties for meter reading
- ▶ Allows DEP to switch to monthly billing cycles, reducing delinquent accounts and improving revenue flow

### Key Milestones

- ▶ Install and implement AMR field test (July - August 2007)
- ▶ DOTT and AML (vendors) begin installation of receivers (October 2007)
- ▶ Complete majority of MIU Installation work (January 2011)

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
------------------	------------------	--------------------	------------------------	--------------------------------------

## Since enhanced customer service involves processes and delivery channels, Booz Allen started with Operational Process Assessment and Improvement (OPAI)

- ▶ Reviewed existing processes and operations, and identified systemic weaknesses
- ▶ Established a vision for BCS that is consistent with industry best practices and the DEP mission
- ▶ Recommended specific changes and process adjustments to align BCS operations with superior customer service models, helping BCS achieve its vision in both the short and long term

## The goal was to develop an integrated customer services organization that could help DEP prepare for upcoming challenges

- ▶ A key element of this preparation is the vision that BCS will meet or exceed customer expectations as measured by:
  - A high degree of first contact resolution by a knowledgeable and well-trained, front-line staff member
  - An enhanced dispute resolution process that makes it “easier to do business with DEP” and enables efficient collection of past-due revenue
  - Standardized inquiry resolution process across all service delivery channels
  - Efficient utilization of staff by appropriately applying skills-based workflows
  - Service level- and key performance indicator-driven performance measurement
- ▶ This vision requires comprehensive changes to three key components<sup>1</sup> within the BCS approach:
  - Strategy
  - Process
  - Human capital

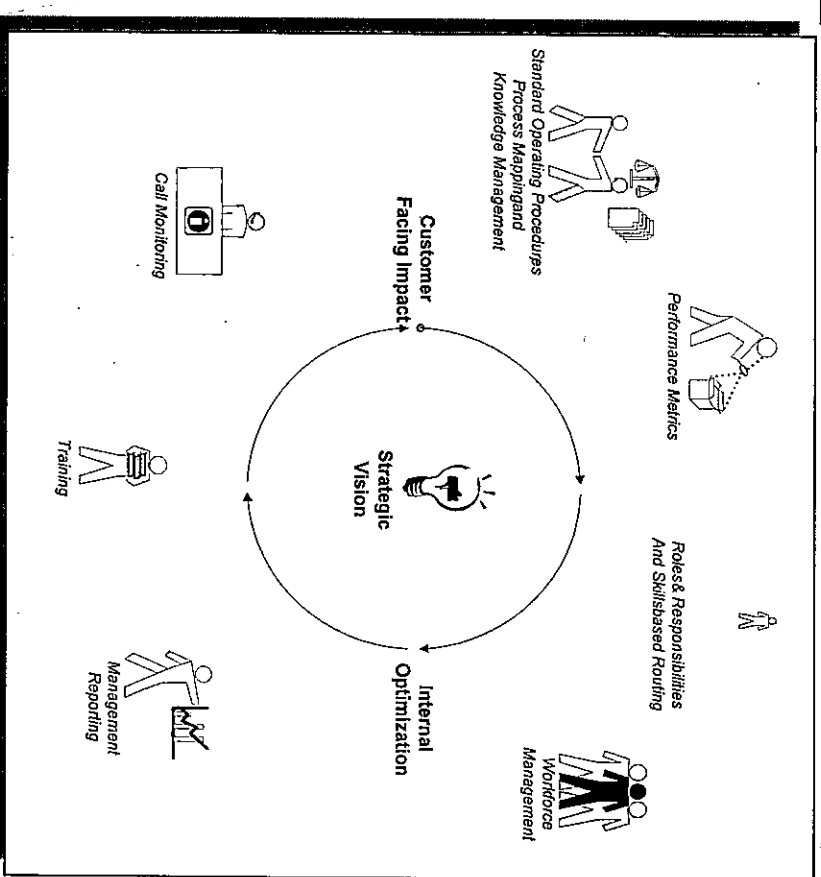
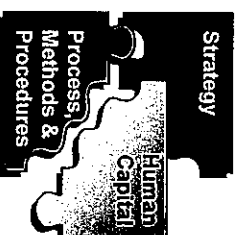
(1) Technology (component four) is covered in the Systems and Technology section of this report.

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
------------------	------------------	--------------------	------------------------	--------------------------------------

# BCS transformation can be enhanced by realigning operational processes for strategy, human capital, and process, methods and procedures

Key actionable areas for growth include:

- › Standard operating procedures
- › Enhanced customer self-help
- › Quality monitoring program
- › Training program
- › Workforce management
- › Defined roles and responsibilities
- › Performance metrics
- › Management reporting dashboard

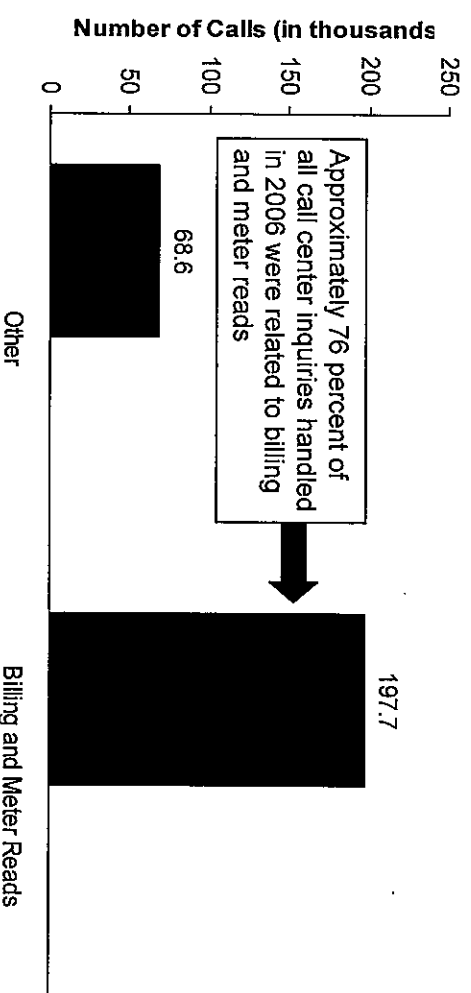


# Improving customer service also required analyzing the effectiveness of DEP's water bill design

## Key Observation Categories

<b>Overall Design / Layout:</b> The layout and aesthetics of the current bill are not user-friendly and do not effectively communicate key information
<b>Presentation of Billing Information:</b> Billing information is not clearly communicated to customers
<b>Communications:</b> DEP's water bill provides opportunities to share important information, such as water conservation strategies

2006 Call Center Statistics



Sources: Call Center Statistics for Year 2006 (January 9, 2007); Interviews with Call Center and Queens Walk-in Staff

# A new water bill would communicate key information to a broader range of customers and increase the likelihood of customer payment

## Proposed General Metered Bill

**WPC DEPARTMENT OF ENVIRONMENTAL PROTECTION**  
Water Pollution Control Division  
1000 North 10th Street, Suite 100  
Bozox, AL 36004-1000  
Phone: (205) 333-1000  
Fax: (205) 333-1001

**Customer Information**  
Name: **BOZOX, ALLEN & HAMITON**  
Address: **1000 North 10th Street, Suite 100**  
City: **BOZOX** State: **AL** Zip: **36004-1000**  
Phone: **(205) 333-1000** Fax: **(205) 333-1001**

**Service Information**  
Service Type: **General Metered**  
Meter Number: **1000**  
Meter Location: **1000 North 10th Street, Suite 100**  
Meter Reading Date: **10/1/90**  
Meter Reading Value: **1000**

**Bill Information**  
Bill Number: **1000**  
Bill Date: **10/1/90**  
Bill Period: **10/1/90 - 9/30/91**  
Bill Amount: **\$1000.00**

**Payment Information**  
Payment Due Date: **10/1/90**  
Payment Amount: **\$1000.00**  
Payment Method: **Cash**

**Notes**  
This bill is for the General Metered service. The meter reading is 1000. The bill amount is \$1000.00. The payment is due on 10/1/90. The payment method is cash.

## Reverse

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## Current General Metered Bill

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## Booz Allen also analyzed BCS Revenue Collection

- ▶ BCS revenue collection encompasses two focus areas:
  - 1) *Recovering past-due revenue*
  - 2) *Preventing more accounts from becoming past due by creating new accounts receivable systems and reporting mechanisms*
- ▶ In February 2007, past-due revenue totaled approximately \$590 million
- ▶ To improve collection rates, Booz Allen:
  - Developed new customer segmentations to enable creation of policies and procedures that better reflect customer needs
  - Built an analytical model to gauge DEP's ability to recover debt of varying ages and identify effective debt collections strategies.
  - Analyzed other large cities' water utility collections strategies and enforcement tools and identified the best options for New York City, including stand alone lien sales, service termination and high-volume outbound calling.

**First, Booz Allen developed an overall collections strategy using a three-step approach**

**Segment Customers**

## Identify Customer Segmentation, Treatment Options and A/R Distribution

2

**Develop  
Collections Model**

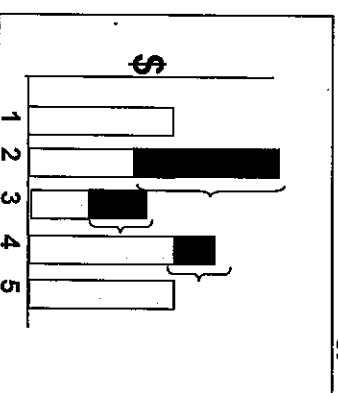
**Build and Apply  
Collection Model to  
Determine Ability-to-  
Collect for Each  
Customer Segment**



## Analyze Financial Impact

## Perform Financial Impact Analysis for Each Treatment Stream and Rate of Recovery Perspectives

## Potential Financial Impact of New Collections Strategy

[illegible]

# Booz Allen then developed new, simpler customer segmentations for a more targeted collections approach

## Current BCS Customer Segmentations

<b>Residential</b>	
1	Family (A*) (A0-A9)
2	Family (B*) (B1, B2, B3, B9)
3	Family (C0)
4	Multi Family (C1-C9)
5	Elevator Apts (D*) (D0-D9)
6	Residential Multi Use (S*) (S0-S5, S9)
7	Loft Building (L*) Except L8 (L1-L3, L9)
8	Condos (R*) (R1-R9)
9	Store, Apartments Above (K4)
10	Office Buildings with Residential Apts (O8)
<b>Commercial</b>	
11	Warehouses (E*) (E1, E3, E4, E6, E9)
12	Factory & Industrial (F*) (F1, F2, F4, F5, F8, F9)
13	Garages & Gas Stations (G*) (G0-G9)
14	Hotels (H*) (H1-H9)
15	Theaters (J*) (J1-J9)
16	Store Building (K*) Except K4 (K1-K3, K5-K9)
17	Office Building (O*) Except O8 (O1-O7, O9)
18	Loft with Retail Stores (L8)
<b>High Profile: Health</b>	
19	Hospitals & Health (I*) (I1-7, I9)
20	Asylums & Homes (N*) (N1-N4, N9)
<b>High Profile: Religious</b>	
21	Churches & Synagogues (M*) (M1-M4, M9)
<b>High Profile: Government</b>	
22	Government Installations (Y*) (Y1-Y9)
<b>High Profile: Other</b>	
23	Outdoor Recreation (Q*) (Q1-Q9)
24	Transportation (T*) (T1, T2, T9)
25	Utilities (U*) (U1-U9)
26	Vacant Land (V*) (V0-V9)
27	Educational Structures (W*) (W1-W9)
28	Exempt Properties (X*) (X0-X9)
29	Miscellaneous (Z*) (Z0-Z9)
30	Public Assembly (P*) (P1-P9)

### Methodology Used

- Realigned the original list of 207 building class codes into 15 new BCS customer segments

### Factors Considered

- Tax Class
- Customer Attributes
- Past Payment Patterns

## Recommended BCS Customer Segmentations

	Future BCS Customer Segmentation	Tax Class
1	Residential: 1 Family	1
2	Residential: 2-3 Family	1
3	Residential: Multi-Family Walk-Up	2
4	Residential: Multi-Family Elevator	2
5	Residential: Mixed Use (Tax Class 1)	1
6	Residential: Mixed Use (Tax Class 2)	2
7	Residential: Mixed Use (Tax Class 3)	2
8	Residential: Mixed Use (Tax Class 4)	4
9	Residential: Condos	1
10	Commercial: High Consumer	4
11	Commercial: Mixed Consumer	4
12	Commercial: Low Consumer	4
13	Special: Hospitals/Health	4
14	Special: Government/Religious/Education/Others	4
15	Special: Utilities	3
16	Housing Development Fund Corporation (HDFC)	2

# Using the revised segmentation, Booz Allen examined A/R balances<sup>1</sup> across tax classes<sup>2</sup> to generate detailed insight for the collections strategy

Building Class Category	Tax Class Group			
	1	2	3	4 Residential
Residential: 1 Family	\$ 81,716,764			
Residential: 2-3 Family	\$ 135,198,186			
Residential: Multi-Family Walk-up		\$ 100,417,657		
Residential: Multi-Family Elevator		\$ 56,283,734		
Residential: Mixed-Use (Tax Class 1)	\$ 30,036,639			
Residential: Mixed-Use (Tax Class 2)		\$ 27,001,495		
Residential: Mixed Use (Tax Class 4) <sup>2</sup>			\$ 4,533,061	
Residential: Condos	\$ 25,551,472			
Commercial: High Consumers				\$ 2,993,167
Commercial: Mixed Consumers				\$ 31,211,448
Commercial: Low Consumers				\$ 16,945,522
Special: Hospitals/Health				\$ 18,191,528
Special: Govt/Relig/Educ/Other				\$ 26,038,277
Special: Utilities			\$ 3,145,342	
Housing Development Fund Corporation	\$ 174,249	\$ 29,694,721		\$ 138
Sub Totals	\$ 272,677,309	\$ 213,397,606	\$ 3,145,342	\$ 51,150,275

Total A/R: \$ 589,644,172

Total Residential  
\$460.7 MM

Total Commercial  
\$51.1 MM

Total Special  
\$47.4 MM

Total HD/FCs  
\$30.4 MM

(1) 2/20/2007 CIS data extract was used in this analysis  
(2) Building category "4 Residential" includes lofts and apartment-covers

# For a more comprehensive view, Booz Allen divided DEP's delinquent debt into two segments: accounts delinquent less than and greater than five years

## Factors Considered

- Results from previous DEP collections campaigns indicate there are customers with aged arrears 3+ years who are willing and able to make payment; thus, the industry 3 year demarcation point was determined to be too early
- The average balance for the 5+ years segment is \$17,168 vs. \$1,720 for the <5 years segment (a difference of almost 900%), therefore, highly unlikely to be collectible

## Collections Model (Forward going Processes and Procedures) 5+ Arrears Analysis (One-time Clean-up)

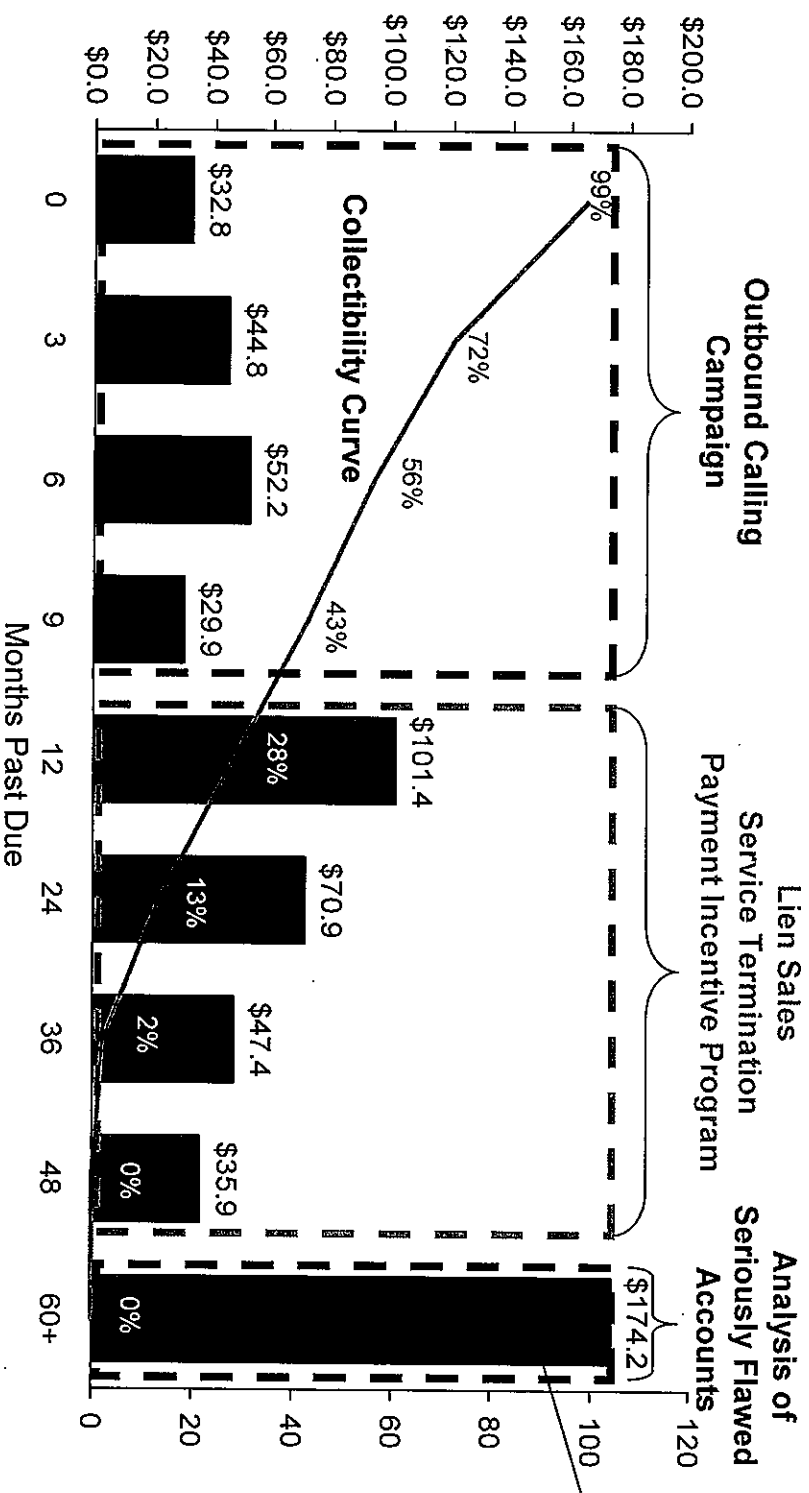
### Total Current A/R

Building Class Category	Tax Class Category	0-1 Year Combined		1-5 Years Combined		5+ Years Combined	
		Balance	Accounts	Balance	Accounts	Balance	Accounts
Residential: 1 Family	1	\$ 16,789,274	68,806	\$ 31,379,260	19,658	\$ 33,548,230	3,494
Residential: 2-3 Family	1	\$ 32,432,446	71,780	\$ 59,389,780	21,392	\$ 43,375,960	3,226
Residential: Multi-Family Walk-up	2	\$ 24,169,259	12,254	\$ 52,290,116	4,629	\$ 23,958,281	637
Residential: Multi-Family Elevator	2	\$ 23,396,812	1,798	\$ 26,663,306	524	\$ 6,223,616	75
Residential: Mixed-Use (Tax Class 1)	1	\$ 4,009,589	4,766	\$ 11,628,795	2,100	\$ 14,398,255	705
Residential: Mixed-Use (Tax Class 2)	2	\$ 4,906,428	3,052	\$ 12,714,985	1,451	\$ 9,380,082	366
Residential: Mixed Use (Tax Class 4)	4 Residential	\$ 2,626,341	1,195	\$ 1,611,833	263	\$ 294,888	12
Residential: Condos	1	\$ 5,585,514	1,463	\$ 10,545,314	596	\$ 9,420,644	277
Commercial: High Consumers	4 Commercial	\$ 2,323,976	169	\$ 504,892	24	\$ 164,359	4
Commercial: Mixed Consumers	4 Commercial	\$ 15,064,903	5,729	\$ 12,879,917	1,752	\$ 3,266,628	82
Commercial: Low Consumers	4 Commercial	\$ 9,473,736	4,265	\$ 5,390,380	1,302	\$ 2,081,407	91
Special: Hospitals/Health	4 Special	\$ 7,016,002	345	\$ 6,981,316	94	\$ 4,194,209	13
Special: Govt/Relig/Educ/Other	4 Special	\$ 7,004,886	2,139	\$ 10,733,224	847	\$ 8,300,167	267
Special: Utilities	3	\$ 1,421,542	111	\$ 1,028,929	26	\$ 694,872	30
Housing Development Fund Corporation	Various	\$ 3,558,489	461	\$ 11,966,204	312	\$ 14,853,189	115
<b>Subtotal (excluding HDFCs)</b>		<b>\$ 156,220,546.59</b>	<b>177,872</b>	<b>\$ 243,742,047.04</b>	<b>54,658</b>	<b>\$ 159,301,556.88</b>	<b>9,279</b>
<b>Total (including HDFCs)</b>		<b>\$ 159,779,135.48</b>	<b>178,333</b>	<b>\$ 255,707,250.66</b>	<b>54,970</b>	<b>\$ 174,154,755.79</b>	<b>9,394</b>

(1) The age of delinquency reflects the oldest date up to which the last payment was applied - and might not represent the official start of delinquency. This is a close approximation for the original point of delinquency. Total delinquent balance equals \$589.6MM, as of Feb 20, 2007 OIT data extract (includes both metered and frontage accounts)

**Aged Receivables were then further refined into three segments, with customized collections strategies recommended to increase revenue recovery against these delinquent accounts**

**Aged Receivables<sup>1</sup> vs. Collectibility Curve<sup>2</sup>**



(1) The age of delinquency reflects the total A/R currently due for each account according to the oldest date up to which the last payment was applied - and might not represent the official start of delinquency. This is a close approximation for the original point of delinquency. Total delinquent balance equals \$589.6MM, as of Feb 20, 2007 Data Extraction (includes both metered and frontage accounts)

(2) Source: IRS Collectibility Curve, August 5, 2002, as well as Industry Receivables and Collections Best Practices

**To determine potential new collections strategies for BCS, Booz Allen analyzed enforcement methods employed by water utilities in other large cities**

**Metropolitan Water and Service Providers Contacted**

Account Profile & Other Attributes	NYC (DEP)	Wash. D.C.	Chicago	Boston	Philadelphia	LPA Key/Span
- Percentage of Rental Units	70%	57%	56%	68%	41%	N/A
- Property-based Accounts	✓	✓	✓	✓	✓	
- Monthly Billing		✓	✓ <sup>1</sup>	✓	✓	✓
- AMR <sup>2</sup>	✓	✓	✓	✓	✓	
- Easy-valve shut-off		✓	✓	✓	✓	✓
- Avg. Cost per Service Termination <sup>3</sup>	\$1,500 - \$3,000	\$50	\$35	\$80	\$100	N/A
<b>Collections/Enforcement Methods</b>						
- Service Termination		✓	✓	✓	✓	✓
- Stand Alone Liens for all accounts		✓	✓	✓	✓	
- AutoDialer		✓	✓			✓
- Payment agreement programs	✓	✓	✓	✓	✓	✓
- Third-party collection agencies		✓	✓		✓	✓
- Multi-lingual collections notices		✓	✓	✓	✓	

(1) Chicago bills monthly, bi-monthly, quarterly, semi-annually, and annually depending on the account type

(2) NYC DEP is in the early stages of AMR implementation planning. Chicago is in the early stages of implementation in the field

(3) Costs are for water shut-off only. Additional costs are assumed for restoring service. DEP shut-off cost is estimate only.

# Booz Allen narrowed these collections strategies based on New York City's unique environment and recommended several for potential implementation in the near term

## Recommended Collections Methods

Collections Enforcement Methods	Status	Timeline	Description
Stand Alone Lien Sale	Expand and Enhance	> 6 months	Introduce legislation to grant DEP authority to pursue stand alone lien sales across all Tax Classes (i.e., lien authority independent of Department of Finance requirement of delinquent property taxes)
Service Terminations <sup>1</sup>	Enhance	< 6 months	Begin strategic service terminations as a collections strategy, where feasible
Payment Incentive Program <sup>1</sup> (Structured Compromise)	New	< 6 months	A one-time Payment Incentive Program (PIP) would allow DEP to collect delinquent receivables from a large number of residential property owners that are willing to pay past utility charges, with removal of Late Payment Charges (LPC). This treatment option would be offered to customers before more stringent enforcement options would be deployed (service termination, lien sales)
Dunning Notice <sup>1</sup>	Enhance	< 6 months	Customize notices to address different customer segments and attributes, and to describe the specific penalties and timelines for non-payment that apply to that segment
High Volume Outbound Calling (Auto Dialer) <sup>1</sup>	Enhance	< 6 months	Implement a tool that automatically calls customers in delinquency and leaves a soft reminder message that a balance is due, while also providing an option to connect to DEP staff when customer answers <sup>2</sup>
Low Volume Outbound Calling (Person-to-Person)	Enhance	< 6 months	Implement a "tiered customer service model" in which outbound calling is reserved exclusively for high risk delinquent accounts and managed systematically by collections reps that are specialists in those customer segments

(1) Implementation underway

(2) Currently this treatment option is being implemented through DOITT's 311 outsourced services to leverage cost and speed factors



1-5 Years Delinquent

# Collections strategies such as stand alone lien sales, a Payment Incentive Program, service termination and high-volume outbound calling could help DEP recover 25 - 35 percent in past-due A/R

Based on the experience of other water utilities and reengineered processes, this version of the model depicts a 33% recovery rate.

Near Term Future Consideration

Customer Categories	% of Current A/R Balance	Estimated Collected FY06	% Increase from Model	Estimated \$ Increase from Impact of Model <sup>1</sup>	Estimated \$ Value of Increased Collections Attributed to Each Enhanced or New Treatment Option <sup>1</sup>						
					Stand Alone Lien	Service Termination	Payment Incentive Program (PIP)	Dunning Notice	Low Volume Outbound Calling	High Volume Outbound Calling (311 Implementation)	Collection Agencies
1 Residential: Single Family (TC 1)	12%	\$ 14,343,519	292%	\$ 41,838,428	\$ 14,732,213	\$ 13,361,618	\$ 6,238,358	\$ 471,681	\$ -	\$ 4,656,232	\$ 2,158,325
2 Residential: 2 to 3 Family (TC 1)	23%	\$ 27,342,518	198%	\$ 54,246,561	\$ 28,083,575	\$ -	\$ 11,691,994	\$ 699,162	\$ -	\$ 9,257,289	\$ 4,114,351
3 Residential: Multi-Family Walk-up (TC 2)	19%	\$ 22,767,902	185%	\$ 42,085,759	\$ 24,512,921	\$ -	\$ 8,592,430	\$ 502,139	\$ -	\$ 5,976,488	\$ 2,611,773
4 Residential: Multi-Family Elevator	13%	\$ 14,906,790	114%	\$ 16,950,492	\$ 14,666,399	\$ -	\$ -	\$ 182,586	\$ -	\$ 538,847	\$ 1,562,658
5 Residential: Mixed-Use (TC 1)	4%	\$ 4,656,763	224%	\$ 10,450,897	\$ 4,932,989	\$ -	\$ 2,316,983	\$ 139,913	\$ -	\$ 112,913	\$ 722,644
6 Residential: Mixed-Use (TC 2)	4%	\$ 5,247,265	204%	\$ 10,728,214	\$ 5,975,925	\$ -	\$ 2,466,081	\$ 68,808	\$ -	\$ 148,073	\$ 636,716
7 Residential: Mixed-Use (TC 4)	1%	\$ 1,282,034	196%	\$ 2,473,212	\$ 704,425	\$ -	\$ -	\$ 14,298	\$ -	\$ 27,165	\$ 116,610
8 Residential: Condos (TC 1)	4%	\$ 4,803,402	82%	\$ 3,949,863	\$ -	\$ -	\$ 2,219,000	\$ 75,271	\$ -	\$ 146,698	\$ 1,508,893
9 Commercial: High Consumers (TC 4)	1%	\$ 842,356	252%	\$ 2,119,110	\$ 683,072	\$ 1,306,841	\$ -	\$ -	\$ -	\$ 15,928	\$ 113,256
10 Commercial: Mixed Consumers (TC 4)	7%	\$ 8,321,346	194%	\$ 16,106,109	\$ 5,185,692	\$ 9,821,174	\$ -	\$ -	\$ -	\$ 199,337	\$ 853,907
11 Commercial: Low Consumers (TC 4)	4%	\$ 4,426,203	206%	\$ 8,111,616	\$ 2,992,548	\$ 6,630,404	\$ -	\$ -	\$ -	\$ 39,064	\$ 489,600
12 Special: Hospitals/Health (TC 4)	3%	\$ 4,169,090	3%	\$ 144,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,120	\$ -
13 Special: Govt/Religious/Other (TC 4)	4%	\$ 5,282,015	4%	\$ 186,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,724	\$ -
14 Special: Utilities (TC 4)	1%	\$ 729,696	4%	\$ 31,339	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,339	\$ -
15 Housing Development Fund Corporation (HDFCs not included in model)	n/a	n/a	n/a	\$ 210,422,343	\$ 102,429,363	\$ 31,687,729	\$ 34,314,864	\$ 2,363,851	\$ 1,630,209	\$ 24,820,286	\$ 13,386,052
		\$ 119,100,000			\$ 49% \$ 133,273,368 (Estimated Range)	15%	16%	1%	1%	12%	6%

Analysis indicates that the effectiveness of Stand Alone Lien authority extended across all Tax Classes will represent approximately 49 percent of the total projected increases in collections

- Assumptions for Collections Model Summary (Debt < 5 Years)**
- 1) The collections model applies to all delinquent A/R aged under 5 years based on the 2/20/2007 OTT A/R data extraction file, not including HDFCs.
  - 2) The Estimated \$ Increase from Impact of the Model (\$210.4MM) is not meant to be an annual figure, but one that may be realized over the next few years, depending on the implementation timelines of enhancements and new treatment options.
  - 3) We estimate that stand alone lien policy implementation for Tax Class 1 & 2 properties could yield increases in collections that range from \$102.4MM to \$133.3MM, with the highest estimated amount based on the increase in the number of Tax Class 4 liens sold one year after the 2001 stand alone lien policy change (333% increase in the number of BIL's sold). For additional details, see the Advanced Model assumptions for Tax Class 1 and 2 customer categories
  - 4) \$210.4MM represents the debt from the Collections Model analysis, i.e., debt that is less than 5 years old

**We conducted a detailed analysis of approximately 8,000 accounts that have been delinquent more than 5 years**

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
5+ Years Delinquent				

## Key Questions

- ▶ How old are the outstanding charges on the accounts that have open charges 5 or more years of age?
- ▶ How is the delinquent A/R distributed among building class categories?
- ▶ What is the magnitude of the A/R balances among this population, and how much of the A/R is comprised of LPC?
- ▶ How much of the A/R on the books is more than 5 years old how much is more recent?
- ▶ What portion of these charges have already been subject to Collections actions?
- ▶ Are the delinquent customers in this study population making payments against their outstanding balance?
- ▶ What are the characteristics of the customers who are not paying?
- ▶ How do DEP payment rates compare with DOF payment rates?

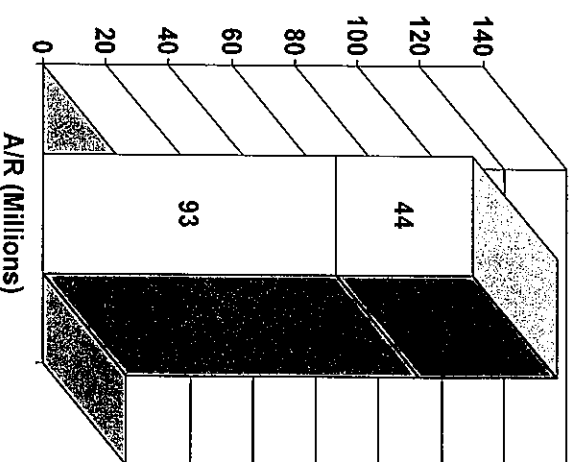
Topic of Analysis	Description
A/R Distribution	The age and size of A/R on the accounts, for each building class category
Account Information	Indicators as to whether there may be issues with the owner name, address, etc. that could be preventing the owner from receiving the bill
Payment History	Customer's payment history – indicators of a current relationship with the customer
Billing History	Indicators as to whether there may be issues with the billing history

5+ Years Delinquent

## Although these accounts have been delinquent for at least five years, almost 70% of the charges were posted from 2003-2007

Charges posted before 2003      Charges posted 2003 - 2007

Building Class Category	Accounts	Total AR	AR > 5 Years Old	AR < 5 Years Old
Residential: 1 Family	2980	\$ 27,145,422	\$ 9,064,211	\$ 18,081,212
Residential: 2-3 Family	3107	\$ 43,882,073	\$ 14,142,641	\$ 29,739,432
Residential: Multi-Family Walk-up	432	\$ 16,677,874	\$ 4,939,680	\$ 11,738,194
Residential: Multi-Family Elevator	37	\$ 3,389,465	\$ 1,208,719	\$ 2,180,749
Residential: Condos	240	\$ 7,740,536	\$ 2,517,626	\$ 5,222,909
Residential: Mixed-Use (Tax Class 1)	671	\$ 14,426,436	\$ 5,013,271	\$ 9,413,165
Residential: Mixed-Use (Tax Class 2)	570	\$ 19,044,137	\$ 5,809,569	\$ 13,234,567
Residential: Mixed Use (Tax Class 4)	11	\$ 309,338	\$ 160,937	\$ 148,401
Commercial: High Consumers	4	\$ 181,497	\$ 32,333	\$ 149,164
Commercial: Mixed Consumers	81	\$ 2,645,934	\$ 740,553	\$ 1,905,380
Commercial: Low Consumers	80	\$ 1,347,559	\$ 531,620	\$ 815,939
<b>Total</b>	<b>8213</b>	<b>\$ 136,790,268</b>	<b>\$ 44,161,156</b>	<b>\$ 92,629,113</b>



☐ Charges Posted Before 2003  
☒ Charges Posted 2003-2007

**\$93 M = 68%**  
**\$136 M**

\* This analysis focused on the 8,200 accounts in the Residential and Commercial building class categories. This excludes the "Special" building classes, such as government and religious properties, and HDFCs, because BCS has a process in place for dealing with these accounts on an individual basis. In addition, a few categories of accounts that are known to be mis-categorized are excluded. Finally, these data are from September 13, 2007. For all of these reasons, the total amount shown here differs from the \$175 million on Slide 55.

# An analysis of payment history over the last 10+ years indicates that customers who are not paying DEP are paying property taxes and other city charges

Date of Last DEP Payment	Date of Last DOF Payment				
	No Payment on Record	1979 - 1995	1996 - 2002	2003 - 2006	Total
No Payment on Record	31	59	107	1040	1237
1995 - 2002	56	28	208	3791	4083
2003 - 2007	11	31	86	2765	2893
Total	98	118	401	7596	8213



84% (1040 out of 1237) of the customers with no DEP payment on record have paid DOF between 2003 - 2006. The A/R associated with these accounts is nearly \$24 m.

The remaining 197 accounts, comprising \$6.5 m in A/R, likely have major issues with the account data or are no longer valid properties.

93% (3791 out of 4098) of customers whose last payments were between 1995 - 2002 have paid DOF between 2003 - 2006.

The remaining 292 accounts, comprising \$4.8m in A/R, may have problems with account data that could be repaired through a cross-check with DOF.

Date of Last DEP Payment	Date of Last DOF Payment				
	No Payment on Record	1979 - 1995	1996 - 2002	2003 - 2006	Total
No Payment on Record	\$478,939	\$1,942,713	\$4,059,277	\$23,921,821	\$30,402,750
1995 - 2002	\$462,356	\$458,409	\$3,889,665	\$54,083,887	\$58,894,317
2003 - 2007	\$96,625	\$951,737	\$3,621,530	\$42,823,310	\$47,493,201
Total	\$1,037,920	\$3,352,859	\$11,570,472	\$120,829,017	\$136,790,268

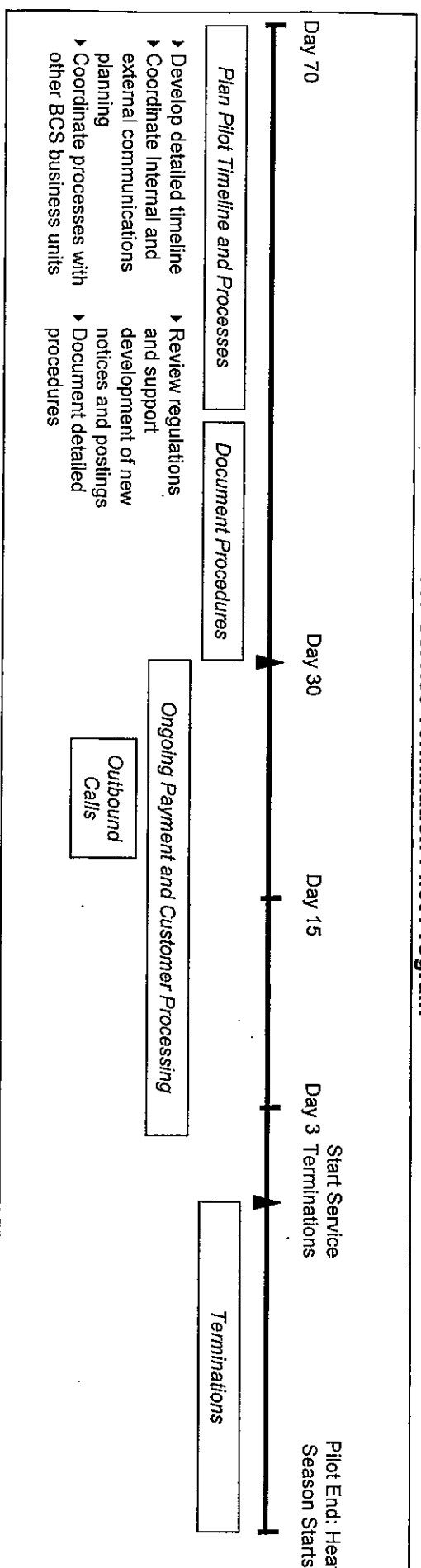
DOF payment rates may be higher because many tax bills are paid by mortgage service companies; however, the discrepancies (particularly among DEP customers with little to no payments on record) may in some cases be due to inconsistencies in account data.

- Notes:
- (1) Based on data extract on 09/13/07
  - (2) Excludes HDFCs, A4s, block 99999, lot 9999, "Special" Building Classes
  - (3) DEP payment records available through 1995

# A service termination pilot will help DEP collect past-due revenue and discourage additional customers from becoming delinquent

- ▶ Deliberate and justified pilot program service terminations can enable DEP to clearly demonstrate its determination toward actively enforcing payment policy for residential properties
  - Pilot will focus on Tax Class 1 – Single Family Residential (Building Class A)
  - Defaulted payment agreement (no substantial payment for six months)
- ▶ Selective service terminations using accounts with defaulted payment agreements will send the message that DEP can and will start implementing more stringent enforcement methods

## 2007 Service Termination Pilot Program



Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
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## **Leveraging Department of Information Technology and Telecommunications' 311 call center will allow DEP to implement a cost-effective, high-volume outbound calling campaign**

- ▶ Enables DEP to directly contact customers and provide an immediate mechanism for customers to speak with a trained Collections Department agent
  - 311 Call Center capacity up to 48,000 calls per day
  - Option to transfer to a collections CSR during the recording
- ▶ Permits less costly, widespread, early-stage delinquency treatment against customer segments with generally lower accounts receivable balances
  - Outbound calls for past-due accounts less than one year old (8,600 accounts)
  - Also includes potential PIP candidates that have not responded to DEP notices about the program
- ▶ Prevents the need for employing vendor staff, conducting vendor training, or sharing sensitive DEP account data with a third party

Project Overview	Customer Service	Revenue Collection	Systems and Technology	Organizational Design and Next Steps
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## **In-house Systems and Technology provide additional, supporting tools and infrastructure to serve BCS customers more efficiently**

- ▶ Systems and Technology are essential not only to BCS' back-office functions, but also to its ability to transform into a more customer-focused organization
- ▶ In addition to CIS and AMR, Booz Allen recommends redesigning:
  - The telephone interactive voice response (IVR) system; and
  - Using new and different technology-based systems to improve management, metrics and quality assurance
- ▶ Effective use of customer service delivery channels will enable BCS to provide extensive, accurate and frequent information to the customer to reduce confusion and the need for additional phone calls or written correspondence
- ▶ New and redesigned systems will increase BCS' organizational efficiency and significantly enhance the implementation, oversight and management of other recommendations

## As part of this task, Booz Allen completed a detailed technology assessment, which revealed existing, effective processes as well as areas for improvement

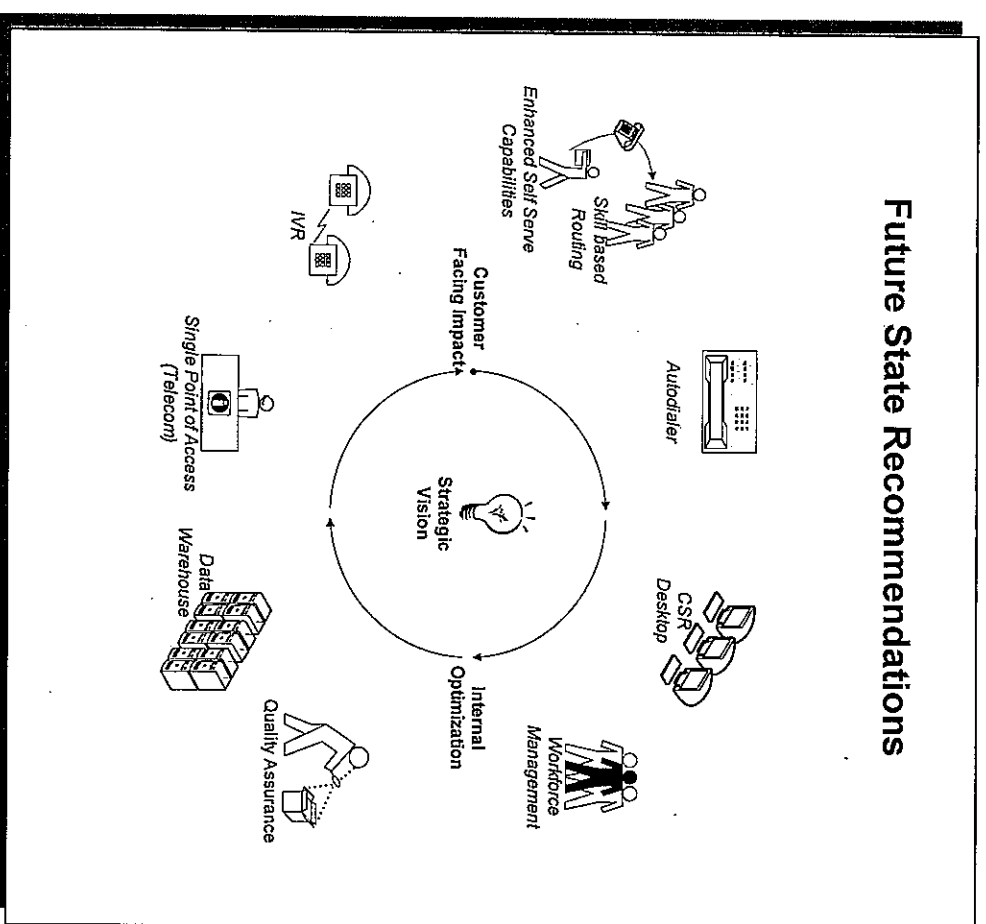
- ▶ **Performed a high-level review of BCS operations**
  - Reviewed supporting documentation to understand existing NYC DEP Customer Care operations for all customer service delivery channels, including Call Center, Correspondence, Website and Walk-in channels
  - Reviewed existing customer service programs, including Quality Assurance, Training, Workforce Management and Performance Management in use for each customer service delivery channel
- ▶ **Conducted technology assessment**
  - Reviewed, identified and documented issues concerning BCS Customer Care tools and technologies, including:
    - CSR Desktop Application, Knowledge Management Systems and other tools used by CSRs
    - Telephony Systems: IVR (Interactive Voice Response) and ACD (Automatic Call Distributor)
    - Performance Optimization Systems: Quality Monitoring, Training, and Workforce Management
  - Initiated development of short-, medium- and long-term technology optimization recommendations for BCS across all customer care service delivery channels based on the current state assessment, BCS requirements and industry best practices
- ▶ **Initiated development of technology alternatives, recommendations for improvement and high-level implementation roadmap**



# Booz Allen then designed system recommendations to help improve the customer experience and optimize internal efficiencies

## Summary:

- ▶ Provide BCS personnel with a new Billing/Customer Management System
- ▶ Enhance management's ability to measure departmental and individual performance through the implementation of automated Workforce Management and Quality Assurance systems
- ▶ Enhance management's ability to measure individual and departmental performance by implementing a Data Warehouse
- ▶ Upgrade the current IVR technology in order to:
  - Facilitate enhanced self-service capabilities
  - Enable the deployment of skills based call routing

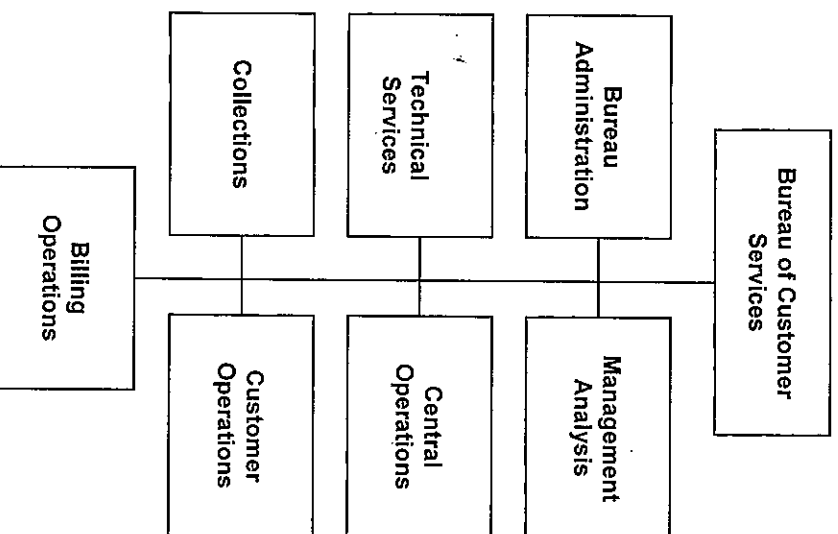


## **To help institutionalize transformation at BCS, Booz Allen also focused on Organizational Design**

- ▶ Booz Allen is working with BCS to propose a new organizational structure to assist in the development, implementation and perpetuation of transformation
- ▶ As part of this effort, Booz Allen benchmarked BCS against water utilities nationally and evaluated internal BCS systems to develop recommendations
- ▶ To ensure these recommendations are implemented efficiently and effectively, Booz Allen is developing integrated timelines and roadmaps that include organizational design and build on the work already started by BCS staff, such as AMR

Currently, BCS is organized into seven divisions that support an array of functions in addition to water and sewer billing

## Current Organization



- ▶ **Bureau Administration** – Manages human resource activities, procurement and fleet/ facilities
- ▶ **Management Analysis** – Primary function is to resolve difficult or high-profile account issues
- ▶ **Technical Services** – Responsible for the management and oversight of larger water meter repair, inspection, installation and conservation programs, and the AMR program
- ▶ **Central Operations** – Responsible for managing the five borough offices, permit compliance, and lien sales
- ▶ **Collections** – Responsible for identifying delinquent accounts and corresponding with customers to collect funds
- ▶ **Customer Operations** – Primarily responsible for managing the central office's correspondence with customers through the call center and written correspondence
- ▶ **Billing Operations** – Responsible for processing customer data used to generate bills and conducting quality assurance reviews of billing data

(1) Ten core processes include: Account Setup/Update, Metering, Billing, Remittance, Inspection / Meter Repair or Replacement, Billing Adjustment, Return, Collections and Annual Lien Sales and Foreclosures, and Customer Handling (Call Center, Web, Correspondence and Walk-ins)

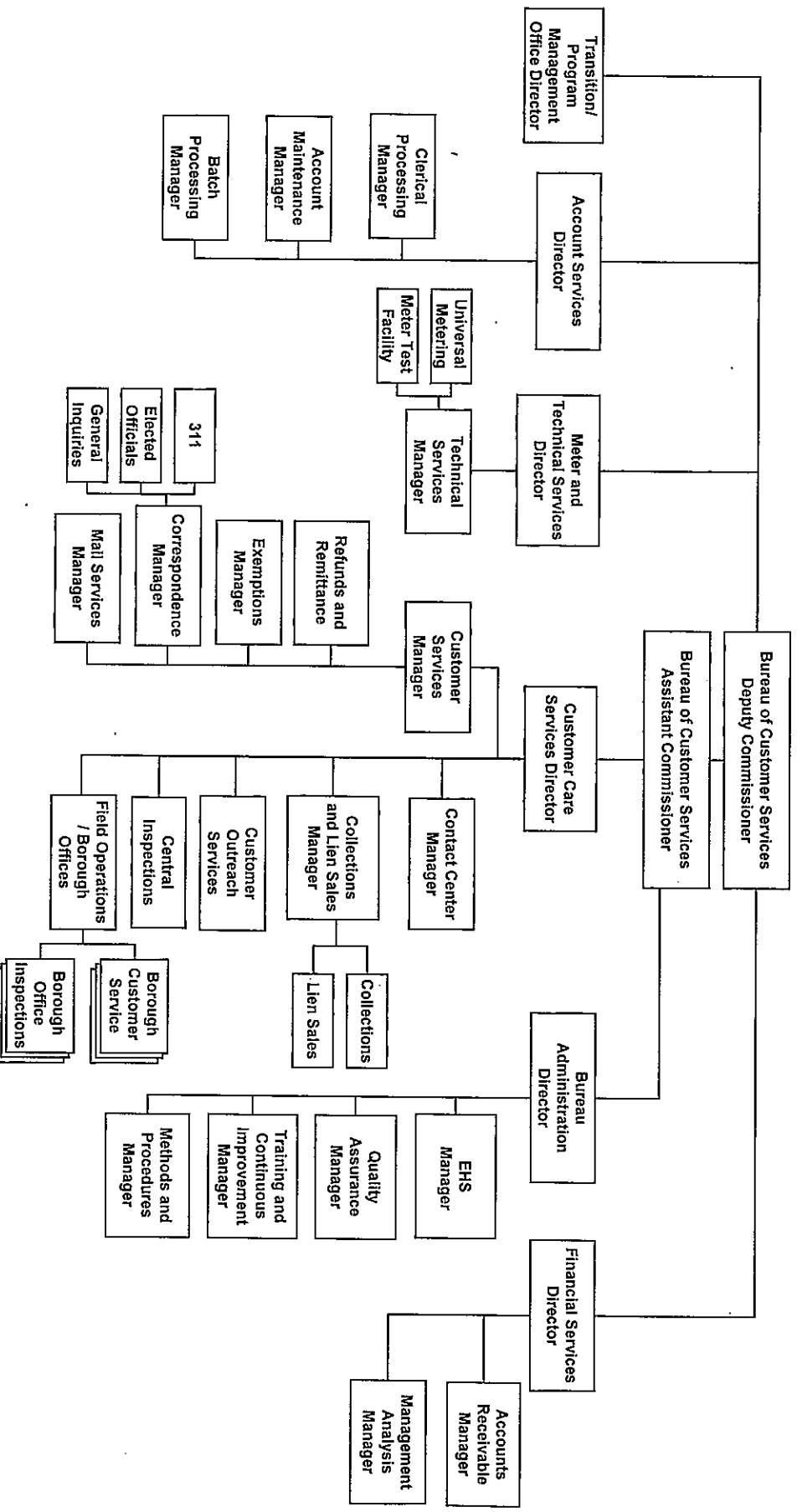


## An analysis of existing organizational structures identified several key challenge areas

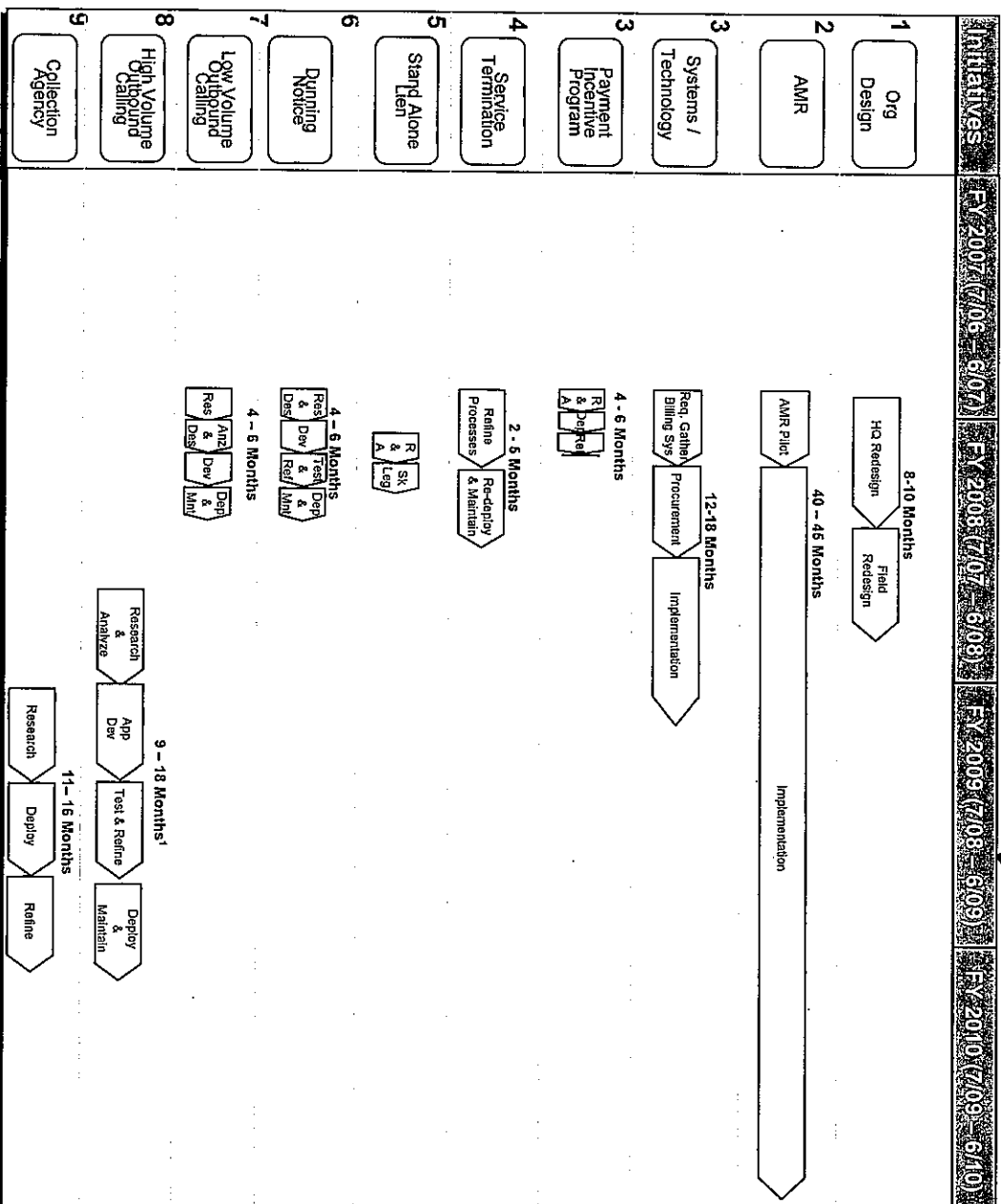
- ▶ **Workload Balancing:** Workload and staff not distributed proportionally across borough offices
- ▶ **Flexibility:** Inability to shift work between the central and borough offices
- ▶ **Best Practices Transfer:** Obstacles for knowledge transfer between borough offices
- ▶ **Process Standardization:** Variation in procedures and process implementation across borough offices
- ▶ **Management Structure:** Organizational structure with unnecessary layers of management

# Based on these challenges, Booz Allen developed a proposed organization structure that combines industry best practices and employee feedback with a focus on customers

*The new design will help BCS better perform water and sewer billing; water meter installation, replacement and inspection; and promotion of water conservation. Overall, it will support BCS in achieving world-class customer service*



**BCS will continue transforming using a consolidated multi-year collections plan that will improve customer service, collection of outstanding receivables, and overall efficiency and effectiveness**



(1) The proposed Road Map for the High Volume Outbound Calling treatment option (Auto Dialer) represents the timeline for implementation by DSP. By leveraging DOT's 311 Infrastructure, timeline for outsourcing this treatment option is shortened to two months for a pilot program



**THE SMALL PROPERTY OWNERS OF NEW YORK  
1681 THIRD AVENUE  
NEW YORK, NY 10128**

**212 410 4600**

**TESTIMONY BEFORE THE  
COMMITTEE OF FINANCE AND THE  
COMMITTEE OF ENVIRONMENTAL PROTECTION**

**ON THE DEPARTMENT OF ENVIRONMENTAL PROTECTION CUSTOMER  
SERVICE, BILLING PRACTICES AND COLLECTION PERFORMANCE**

**OCTOBER 22, 2007**

Good morning. I am Christopher Anthineos, a Vice President of the Small Property Owners of New York, representing over 1,000 members who own New York's private affordable housing.

It is true that the Department of Environmental Protection has shown improved responsiveness to the public in recent years. The DEP has held regular meetings with property owner representatives and many cases of meter misreading and incorrect billing have been resolved.

Yet, problems remain with regard to a few issues:

**\*Inspection of meters by the DEP is not done by appointment:**

The DEP doesn't inform the owner of an intended meter inspection. If the owner isn't there when the inspector arrives at the property, the inspector leaves a notice directing the owner to contact the DEP for an appointment. When the owner calls, he is instructed to leave his phone number, but DEP doesn't call the owner back, and typically shows up to inspect the meter again without an appointment. This is a costly waste of the inspector's time, and could be easily rectified with a policy change of simply calling the owner back to make an appointment.

**\*Con Edison employees are still reading some meters incorrectly.** The resulting bills have wrong balances that skew the data for uncollected funds. DEP should arrange some type of accountability with Con Edison.

We have other concerns that regard billing and rate increases. Many owners find that large quarterly bills are too expensive, and delay in paying until they can accrue the funds with which to pay the bill. Perhaps the DEP could arrange for monthly billing, or give owners the option to pay each bill in three monthly installments so that payment isn't so difficult to make.

**Owners received an 11 ½% water rate increase this past July, and another double digit increase is anticipated this coming July. For the DEP to be considering an interim rate increase of 18% in January of 2008 is unthinkable. We understand that revenues aren't meeting predictions – some owners can't pay their water bills because of a variety of reasons. But to pass on the deficit to paying customers, who are already laboring to pay increased maintenance costs, is unfair.**

**We are presently paying a large portion of our income for water, especially in those buildings that can least afford it. Many older buildings with low-income residents and low rents have high-density occupancy resulting in heavy water use. Those buildings can least afford another rate hike. Increased water costs cannot be collected from tenants and ever increasing oil, gas, and service bills are making the operation of rental property almost impossible. Water bills are a large part of the problem.**

**Finally, the conversion to the multi-family conservation program is confusing for many owners: they are not aware of the time constraints or requirements. A mailing to owners who have not yet complied with the requirements would be very helpful.**





Testimony of the Rent Stabilization Association  
Hearing of the NYC Council  
Committee of Finance and Committee of Environmental Protection  
Monday, October 22, 2007

We thank the City Council Committees for holding these oversight hearings on DEP issues which significantly affect the 25,000 members of the Rent Stabilization Association who own and manage the majority of this City's one million rent regulated apartments.

We would be remiss to not first mention that there has been a significant improvement in customer service at DEP under the direction of Deputy Commissioner Joe Singleton. We particularly appreciate Commissioner Singleton's efforts to establish a workable Multi-Family Conservation Program, a program which is absolutely essential to maintaining the City's affordable housing stock.

That said, problems still remain, many of them the result of years of blunders and ineptitude. As an example, attached is a letter recently received by our office which is probably very similar to complaints received by your offices. We are confident that this matter will be resolved. But it indicates that, while DEP is now on the right track in many regards, straightening out the tangled legacy of DEP billing issues will not be a quick or easy process.

But this Hearing is being held in the context of broader issues: the suggestion by DEP that double digit mid-year rate increases may be needed and a consultant report on the matter of DEP receivables. We would like to offer some comments and suggestions on these issues.

The matter of a mid-year rate increase is simple: it is simply not necessary or justifiable. There are many ways in which DEP can balance its budget. First, DEP can scale back its capital plan commitments and outlays for the current year. Second, DEP can renegotiate its rental payment agreement with the City and either reduce the amount paid or, as Comptroller Thompson has suggested, have the City return all or a portion of that payment at the end of each year. Third, DEP can stop funding non-water and sewer related capital projects such as parks and recreational facilities and ask the City to place these expenditures in the general City budget where they belong.

The Booz Allen consultant report, which we have not been given the opportunity to review, apparently suggests that, while a substantial portion of DEP's accounts receivable is uncollectible, DEP should nevertheless increase its collection efforts including the use of lien sales.

The RSA firmly believes that every water and sewer user should pay their fair share of system costs. But the RSA cannot support the concept of stand-alone water and sewer lien sales as long as there is such a large backlog of disputed and bad bills. Property owners should not have to pay a bad or an unfair bill under the threat of a lien sale.

We suggest that the receivables issue can be addressed as follows: First, the payment incentive program that DEP will offer to single family owners should be expanded to owners of multi-family properties. We believe that many owners will welcome the opportunity to resolve long-standing disputes. DEP will generate considerable revenues and customers will return to paying current accounts.

Second, the accounts that do not participate in the payment incentive program should be subject to a foreclosure action which is an option now available to the City but is infrequently used. While the foreclosure process is more arduous than lien sales, it has the advantage that the liens will be carefully reviewed. Bills for properties which no longer exist and other bad bills will need to be written off. Only then will we know whether or not water and sewer receivables are a real issue.

In conclusion, DEP has made great strides in customer service but needs to do much more to clear up its backlog of disputed cases and to build a history of credible billing practices before it can justify the sale of stand-alone water and sewer liens. But it is the larger picture that is more important. New Yorkers cannot sustain an unending spiral of double digit increases in water and sewer costs. We must find a way to contain water and sewer expenditures to sustainable levels.

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18 October 2007

RSA  
Ms. Viveene Thompson  
Via fax 212.732.7519

Dear Ms. Thompson:

Thank you for taking the time to speak with me on the phone yesterday. As we discussed many of our buildings have been plagued by this situation with the exorbitant increase in water/sewer charges. I will be faxing them over to you in segments, building by building, beginning with Sullivan Street Condo, 123 Sullivan Street, NYC.

As you can see from the attached report, Sullivan Street Condo has been paying its bills regularly. The bills have been coming in at about \$250 per quarter and most of them were marked "ACTUAL" as opposed to estimated. Suddenly, in May, we got a bill for \$9,572!

I phoned the Water Board thinking it must be an error. I was told that even though the bills were marked ACTUAL and that the meter had been read, DEP had simply decided that the outside meter was inaccurate and they therefore arbitrarily established this amount of \$9,572 as the "real" amount due. I questioned and argued and told them the condo board would not accept this ridiculous figure simply because they said so, since they were the ones who had previously been saying that the "real" amount due was \$250.

The major issue was that the usage they "decided" on was at least triple what this 6-unit building with many owners who travel would use, ever. We compared the usage in this building to three others that we manage of the same age, size and construction and none of them were even close to this usage amount. I insisted on a re-reading but they basically said "Tough Luck" and told me to pay.

Then a few weeks later we got another bill stating an adjustment. The bill went from \$9,572 to \$5,572, a drop of \$4,000. We now are getting "Notice of Delinquency" letters stating they are sending us to collection.

Although it is nice that DEP issued the adjustment, we have no faith in any of their information. We need your suggestion as to how to address this problem. Who should we go to as DEP is not hearing our situation?

We will be forwarding the bills on the other affected buildings, which have been increased simply on the rate--although in a significant fashion. Thank you for your help.

Yours truly,

  
Carol Quatrone



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**TESTIMONY OF**  
**DAVID B. HANZEL, POLICY DIRECTOR BEFORE**  
**THE NEW YORK CITY COUNCIL**  
**COMMITTEE ON FINANCE AND**  
**COMMITTEE ON ENVIRONMENTAL PROTECTION**

October 22, 2007

Good Afternoon. Thank you Chairman Weprin, Chairman Gennaro and committee members for this opportunity to testify about the city's Tax Lien Sale program.

My name is Dave Hanzel and I serve as the Policy Director for the Association for Neighborhood and Housing Development (ANHD).

Some Committee Members here may be familiar with ANHD, and all certainly know our member groups. ANHD is a membership organization of NYC- neighborhood based housing groups- CDCs, affordable homeownership groups, supportive housing providers and community organizers. Our mission is to ensure flourishing neighborhoods and decent, affordable housing for all New Yorkers. We have over 90 members throughout the five boroughs who directly operate over 30,000 units, providing housing for 100,000 people.

The process of collecting outstanding liens has always been challenging and wrought with pain for both the city and landowners. ANHD is sympathetic to both the Mayor's efforts to increase the city's ability to collect outstanding water and sewer bills and the Council's desire to protect property owners who struggle to keep up with rising real estate taxes, mortgage payments and operating costs. As the city begins to re-think how it approaches the sale of liens, we believe it must also recognize the importance of preserving these properties as affordable housing.

As you know, the city has been selling tax liens for over 10 years. While the program has been effective at lowering the real property tax delinquency rate and generating over \$1.1 billion in additional revenue, there has been little effort to ensure owners take responsibility for the long-term physical and fiscal health of the property. Indeed, since the city securitizes the liens, the main objective—once they are sold—is to re-pay investors, not to preserve the housing or protect the residents.

We believe there is a better way for the city to approach the collection of tax liens without writing off these properties as a valuable resource as we endeavor to meet the housing needs of all New Yorkers.

Currently, properties with outstanding liens go down one of three paths based on the city's determination if the building is "viable" and if the existing owner is "responsible." The first path

is for all those buildings—regardless of whether the owner is responsible or not—that are considered “viable,” which means a relatively small amount of money is owed and the property is in fair or good condition. These buildings enter the Tax Lien Sale program.

The second path is for “Non-viable” properties that are owned by “Responsible Owners.” The city has developed numerous initiatives through HPD’s Owners Services Program designed to educate owners and provide them with resources to improve the physical and financial health of the property.

Finally, the third path is for “Non-viable” properties controlled by “Non-responsible Owners.” The city steers these properties to the Third Party Transfer program, which is designed to transfer ownership to responsible owners who will maintain the housing as affordable. Many of ANHD’s members have received TPT properties, transformed them into viable properties, and preserved them as permanently affordable, mixed-income housing. These buildings help stabilize neighborhoods and protect the economic diversity of our city.

According to Local Law 37, which set up the alternative in rem procedure that enabled the Third Party Transfer program, distressed properties are defined as those with:

- A 15 percent or more tax lien-to-market value ratio
- *And* 5 or more hazardous (Class B) or immediately hazardous (Class C) Housing Maintenance Code violations per dwelling unit
- *And / or* \$1,000 or more in HPD Emergency Repair Program liens per building.

These criteria, however, do not always accurately reflect the physical condition of the property or the owner’s ability or desire to maintain it as safe, affordable housing. Although HPD was given discretionary authority to exclude from the Tax Lien Sales program properties it deems distressed, it has failed to do so except for the first lien sale. For the first sale, HPD relied heavily on recommendations from 53 community-based organizations with contracts under its Neighborhood Preservation Consultants Program to identify “potentially distressed” buildings. The result was a “scrubbing” process that removed these liens from the sale list. We believe HPD should re-embrace this approach to identify buildings that may be a good fit for inclusion in the Third Party Transfer program.

After analyzing the number of properties that have been steered into the Tax Lien Sale and Third Party Transfer programs, it is evident that the city’s main priority has been to increase its revenue rather than the preservation of affordable housing. Over the last 10 years, over 45,000 liens have been sold. Over the same period, only 420 properties have entered the Third Party Transfer program. This is a short-sighted strategy that trades the long-term preservation of these buildings for modest increases in revenue.

Of the Class 1 liens that were sold between 1996 and 2003 through the Tax Lien Sale program, 436 (6%) resulted in foreclosure and auction sales. Owners of small homes are already finding it difficult to keep up with rising housing costs. Thus, we expect the number of foreclosures to increase as sub-prime mortgages re-set and the consequences of predatory lending are realized fully. ANHD believes the city should do everything in its power to keep these owners in place through loss mitigation, counseling, and connecting them with organizations and programs such as Neighborhood Housing Services (NHS) and Restored Homes.

While the overall percentage of auctions resulting from tax lien sales on residential properties is modest, over 450 properties representing thousands of units could have been preserved as affordable housing according to the 2003 Mayor's Management Report. This would have gone a long way to helping the Mayor meet the goals he set forth in the New Housing Marketplace plan, which is currently behind schedule in terms of the number of new units produced since development is proving increasingly difficult and expensive. Indeed, *City Limits Investigates* reported that both the hard and soft costs associated with new constructions—already the highest in the nation—have skyrocketed because of the higher price of land, high demand for materials and labor, rising interest rates, and soaring fuel, insurance and water costs. Given these factors, the city cannot permit the loss of another unit of affordable housing.

We believe the threshold to exclude properties from the Tax Lien Sale program should be lowered while simultaneously pressuring HPD to utilize neighborhood-based groups to help it identify "potentially distressed" buildings, which would then be steered to the Third Party Transfer program. As the Council re-evaluates Local Law 26 of 1996, we urge you to re-evaluate the opportunities presented by both the Tax Lien Sale and Third Party Transfer program to better meet the housing needs of low- and middle-income New Yorkers. We believe the city must consider possible revisions that would enhance the pool of properties steered to programs, like the Third Party Transfer program, that serve as a cost effective way to provide affordable housing.

Thank you for your time.



Testimony of

**MARCIA VAN WAGNER**  
New York City Deputy Comptroller  
BUDGET

Before the  
NEW YORK CITY COUNCIL  
Joint Committees on Environmental Protection and Finance

Oversight – Update on Customer Service, Billing Practices  
And Collection Performance at DEP

October 22, 2007

Good morning and thank you, Chairman Weprin, Chairman Gennaro, and members of the Finance and Environmental Protection Committees, for inviting Comptroller Thompson to speak today about billing and collections issues relating to our water system. He is unable to appear here himself and sends his regrets. Accompanying me today is Carol Kostik, Deputy Comptroller for Public Finance.

Many, many households around New York are keenly interested in what we are here today to discuss.

As you know, the Department of Environmental Protection is not a typical City agency – almost all its revenues come from the rates we pay for our water usage rather than from tax dollars. The agency's substantial capital program is financed by the NYC Water Authority, and the independent Water Board is responsible for setting water rates and enforcement regulations.

A mere 5 months ago, the Water Board approved an 11.5 percent increase in water rates for fiscal year 2008. This increase took place on the heels of a 9.4 percent fiscal year 2007 increase, and in the context of proposed average annual increases of 11.4 percent for fiscal years 2009 through 2011.

Since that rate-setting process occurred, the Department of Environmental Protection has found that collections are lagging, and has projected a \$200 million shortfall for this year, if this trend continues. They argue that this projected shortfall is due largely to the lack of a water lien sale in 2007 and are asking the City Council to authorize an expanded water and sewer lien sale program. DEP has paired this lien sale request with two other revenue proposals to the Water Board. The agency has asked the Water Board to approve much more stringent collection procedures, and has initiated the process for a mid-year rate increase of 18 percent.

Of these three DEP proposals, the lien sale authority is the most reasonable. The other two parts of the package should be replaced with more a focused use of existing collection procedures and a reprogramming of existing water system funds. These measures will provide resources to maintain the system's financial strength while a necessary long-term review of the City's water and sewer financial structure is undertaken and the impact of any changes on homeowners is evaluated.

The Comptroller is not suggesting that water customers should not be expected to pay for their water usage. Fairness dictates that all should pay for their usage. And we must protect the financial health of the water and sewer system, to ensure high bond ratings, cost-effective capital borrowing and sound operations now and in the future

I want to stress that the detailed information on collections and arrears that is needed for sound policy decisions has been sorely lacking. It appears from the limited data DEP has made public that the collection performance has varied in unexplained ways and has so far in October been bouncing back. There is not sufficient evidence to allow DEP to



leverage the potential shortfall into a contrived emergency for the purposes of attaining radical policy changes.

Just to review those changes quickly, DEP wishes to reduce the required number of days notice before shut-off from 45 to 15, cut the minimum delinquency required to trigger shut-off procedures from \$1,000 to \$500, and reduce the minimum delinquency period from one year to six months. The defined "cold weather period" during which shut-offs would not be allowed has been cut in half.

Procedures for appealing or suspending termination would also become more difficult for New Yorkers. Customers would have just five days to file a complaint, and would be required to make a payment equal to 50 percent of their outstanding arrears. Termination could be suspended only in case of a certified medical emergency.

Before devising new regulations, the DEP should better apply the regulations it already has in place. For example, the recommendation by the DEP's collection consultant, Booz Allen Hamilton, to use the telephone to contact delinquent customers seems reasonable, and it is, in fact, surprising that the DEP does not already use this tool extensively.

The Comptroller is troubled because the fall-off in collections may be related to the growing problem of mortgage delinquencies and foreclosures that is plaguing many of our neighborhoods, especially those in southeastern Queens and parts of Brooklyn.

Last spring, our office established a foreclosure prevention helpline that provides assistance to people who are trying to keep their homes. Many are struggling mightily to get their financial situation in order. We know from calls to the helpline that the difficult choices people face on a daily basis are heartbreaking.

DEP's ill-conceived proposed regulations will exacerbate the problems of households and neighborhoods that find themselves in the grip of this national crisis. DEP's consultants calculated that the amount owed on water and sewer accounts that are in arrears less than five years averages \$1,720. A family whose arrears equal this average balance would face a tremendous challenge under the proposed regulations. If they are unable to raise the money and pay within 15 days, their service would be terminated. To fend off termination, they would have to raise half that amount, or \$860, within five days of the termination notice. Many people in this room might have difficulty raising that much cash in such a short period of time.

The fact is, this proposed regulation will tip the scales toward foreclosure for many families.

Aggressive water shut-offs in neighborhoods that have a concentration of distressed mortgages will also have a negative effect on the larger community. DEP needs to develop a policy and train staff to handle distressed homeowner situations. It also needs

to map delinquencies and where there is a concentration, determine that there will not be adverse neighborhood impacts before shutting off water.

The Comptroller agrees that allowing water-only lien sales is a sensible approach if DEP can be certain that the relevant accounts are accurate. The sale of water and sewer liens as part of the property tax lien sale has yielded diminishing returns and it appears from DEP data that there are a substantial number of taxpayers that are current on property taxes but delinquent on water and sewer charges. Lien sales are also the best enforcement tool for delinquent properties such as rental apartment buildings where water shut-offs would simply penalize innocent tenants. However, the fact that this is a reasonable and well-grounded proposal should not provide cover for the less acceptable requests DEP has made of the Water Board.

In short, the other proposals put forward by DEP to solve a poorly understood and perhaps temporary collections shortfall are precipitous and smack of scare tactics. There is a better way to proceed.

In a letter to the Water Board on October 2, Comptroller Thompson noted that the fiscal year 2008 budget includes an \$84.5 million surplus, on top of approximately \$55 million in additional funds rolled over from fiscal year 2007. In that letter, the Comptroller proposed that these funds be used to offset any need for mid-year rate increases. Together with a sensitively implemented collection strategy, this would buy time while a more comprehensive financial review and plan is completed.

The City must address the underlying increases in the costs of our water and sewer system. These costs are being driven by a large capital program that is responding to the age of our system and clean water mandates. The capital program expenses in turn raise operating costs, as new projects come on line, and raise the rent paid to the City by water ratepayers.

In a presentation to the Water Board last June, the Comptroller proposed a change in the rental payment from the Water Board to the City that would lessen the pressure on water rates in both the short and long term. As many of you know, the Board pays to the City an amount that is the greater of either the debt service on outstanding water-related debt predating the establishment of the Water Authority in 1985, OR 15 percent of the Water Authority's debt service.

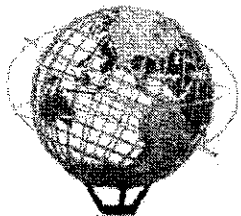
From 1986 to 2004, this formula led to rental payments by the Water Authority in the amount of GO debt service.

Starting in 2005, however, a growing disparity emerged between rental payments and GO debt service. Rental payments are expected to increase nearly 50 percent between 2008 and 2011 from \$155 million to \$232 million, while GO debt service is expected to decrease to \$57 million. The difference is what we refer to as "excess rent." In FY 2008, excess rent will total \$77 million, growing to \$175 million by fiscal year 2011.

The Comptroller's proposal is to rebate the excess rent back to the Board and use it to offset the costs of running the water system. The proposal splits the excess rent in equal measure between pay-as-you-go capital, which would reduce costs over the long term, and current year expenses, which would lessen the need for rate increases. Using the excess rent in this way would save ratepayers approximately \$276 million during fiscal years 2009 to 2012.

If collections are indeed lower than planned this year, funds that are already budgeted by DEP for pay-go capital could be applied toward general expenses, if necessary, and a portion of the excess rent could be used for pay-go capital at the end of the year.

Public policy always involves finding the right balance among competing needs. In this case, the Comptroller believes the DEP's regulatory and rate proposals jump too quickly to the ratepayers' pockets without adequately using the tools and resources already at hand.



FOR THE RECORD  
**Queens Civic Congress**

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FOR IMMEDIATE RELEASE:  
MONDAY, OCTOBER 22, 2007

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## **QUEENS CIVIC CONGRESS OPPOSES WATER & SEWER TAX HIKE**

Testimony to Joint hearing

City Council Finance Committee and Committee on Environmental Protection,

October 22, 2007

Presented and Prepared by  
Corey B. Bearak, Esq., President

Thank you, Chairmen Weprin and Gennaro on behalf of the Queens Civic Congress, for the opportunity to testify on our continuing concerns that water rates increase without any real oversight. I am Corey Bearak, President of this umbrella group that represents 100 civic, cooperative, condo, tenant and other community associations throughout the borough of Queens. Our membership represents almost every community in the borough. We oppose this double digit 18.5% rate hike which effectively serves as another tax hike and represents a further abdication by City Hall when it comes to securing the support New Yorkers should expect from Washington and Albany.

At a time when one of our brightest New York lights chairs the House Ways and Means Committee and many other Members hold other senior posts in Congress the ongoing lack of any plan to capture appropriate federal aid and relief staggers the mind. The Queens Civic Congress questions why City Hall lets Washington off the hook. Further, the several billion for Croton -- nearly \$3 billion according to the IBO last month -- and UV for Cat-Del would be better allocated to more land purchases and conservation easements; where property owners become recalcitrant, the state must step in for the City which gave up its right to use condemnation as part of the watershed agreements forged with the State and upstate communities. And the annual rental payment to the city from the Water Board, what predecessor Sean Walsh calls a "Ponzi scheme," covers all but one percent of last rate hike. Stop it!

These reasons remain compelling examples why the Queens Civic Congress opposes these water tax hikes. The Queens Civic Congress finds that these consistent annual increases in water -- and sewer -- rates place a hardship on homeowners, many seniors living on fixed incomes, cooperatives and small businesses. It makes all the more incredulous and outrageous City Hall's plan to foist another enormous tax hike on New Yorkers; this is akin the the 22% property tax hike we endured.

- next page, please -

Instead of these hikes – this time perhaps as a ruse to pressure the City Council to act on the lien sale issue, the Queens Civic Congress calls on the Water Board to adopt policies that keep the rates as low as possible, while delivering clean drinking water and providing for safe disposal of wastewater. While we commend the record on quality water delivery and efforts to upgrade wastewater disposal, the Water Board and our City fathers consistently get failing grades on rate-setting. The proposed rate increase looks particularly gouging with the enormous surplus the Water Board projects.

The 18.5% rate increase follows a scheme of hikes throughout all but two times over nearly three decades. This occurs because current water system funding scheme fails to recognize the essential linkage between property taxes, which once subsidized much of the water and sewer system, and these water use taxes. The shift towards full funding of the water and sewer system through the water rates did not result in any corresponding property tax reduction. Rising property tax bills and water use taxes represent significant costs to property owners. Mayor Bloomberg's property tax rebate for homeowners reflects knowledge of the upset that New Yorkers express at these regressive taxes; both impact New Yorkers who can least afford any increases. City Hall continues to ask homeowners and renters to pay more for the same services whose rising prices have yet to be justified by the Water Board. View this proposed increase in context as one in a series of continuing increases; **since metering began in the 1980's, the cost of New Yorkers' water increased more than four-fold. (465%).** This hike puts New Yorkers on the verge of a 500% hike since metering started. [Please see chart, page 4.]

The Water Board and the administration it serves seems to limit discussion to assumptions that dictate an outcome that results in annual rate hikes. In the context of those assumptions, the technicians get an "A" for work done well. The problem remains that dependence on these assumptions allow policy-makers to avoid the reviews that could reduce the systems costs and reduce our rates.

First, this water tax uniquely factors in the capital costs for building a new water supply and delivery and treatment facilities plus the transfer of pre-1982 infrastructure bond debt. Including these capital costs -- much greater than actual operating expenses -- in calculating the water rate perpetuates a regressive practice not used by any other portion of the city for funding capital items. *Furthermore, many of these expenses – 70% of the project capital costs over the next five years - result from Federal and some state mandates.* As stated in our annual testimonies to the NYC Water Board and in our platforms, including our current CIVIC 2030, rather than make ratepayers carry this burden, the City and its water board ought to seek appropriate federal and state relief. It's only fair.

Second, the New York City capital budget should fund the capital costs for water supply and treatment facilities. In our platform, the Queens Civic Congress continues to question a filtration plant in a park when the time exists to pursue filtration avoidance measure in the Croton Watershed and advocate for the Federal reforms needed to empower New York City to implement these cost effective alternatives. New York City and its water board owe a duty to its taxpayers and citizens, not to upstate special interests for whom we effectively subsidize development, when we acquiesce in a building a filtration plant for the Croton system.

Third, the water board and the city must acknowledge Water and Sewer charges as a use tax dedicated to the maintenance and operation of treatment facilities and the city water supply. Use taxes traditionally regulated cost as well as promoted conservation. In New York City, it exemplifies back-door funding for capital work, set outside of the normal budgeting process.

This forms the basis of our fervent objection to the practice of setting rates before the City adopts its budget. Our platform, found on our website, [www.queensciviccongress.org](http://www.queensciviccongress.org), specifically calls for this reform which will end essentially at-will funding of the Department of Environmental Protection. The State Assembly each year passes legislation (A.04824/S.2513), introduced by Assembly Member Mark Weprin that I proposed while working for the Bronx Borough President. It remains pending in the State Senate and should be passed.

The state bill addresses the failed local attempt to impose this reform: Int. No. 72-A, which I co-authored and negotiated, and the City Council passed in 1994 only to be vetoed by Mayor Giuliani. Int. No. 72-A resulted in the Water Board passing a resolution to delay its rate-setting effective in calendar 1999. In December 1997, the Water Board and the Giuliani administration broke the 1994 agreement and voted to rescind this resolution. We continue to support and advocate this important reform. It simply makes sense to empower the City Council to influence the rates set by the Water Board. It would create a greater incentive to economize and expand water conservation efforts. Also, it should encourage more New Yorkers to express their concerns about the City's water and sewer programs.

Better oversight might shed light on the water system's rental payments to the city, a clear subsidy by ratepayers to the general fund. Few know about the agreement which enables the city to pocket \$135.9 million in rental payments in this fiscal year 2007 (source Water Board's Blue Book, Page 25) and projected at \$154.8 million in the next fiscal year. That amount increased by nearly \$19 million – talk about back door taxes. These funds come out of the charges we pay. And for about every \$15 million, the rates could be reduced about 1%. Eliminating the current rental payment erases any need for the increase. Last year's payment would have funded the rescission of all but 0.36% of the rate hike. Add Croton and its related pork projects and save more, and cut the rates further. The current 18% hike makes clear the need for the City Council to reconsider the entire Croton deal.

I also want to use this opportunity to urge support for efforts to ease the impacts of rate increases on our seniors who lived on fixed incomes. The Queens Civic Congress supports legislation which would provide a tax levy subsidy to households 65 or older and with incomes below the current Senior Citizens Homeowner Exemption eligibility limit to help offset the increasing water rates. Modeled on SCRIE and SCHE, this program developed by Ferrer and Queens Assembly Member Ann Margaret Carrozza (just over seven years ago) would help seniors keep housing costs in check, enable them to stay in their homes and continue to be an important neighborhood stabilizer. We urge the Council's support to help get the Senate as well as the Assembly to act when they return next year.

In closing, we oppose any rate hike, support a rate rollback, and urge support for the legislative and program initiatives outlined above. Thank You.

### Queens Civic Congress Members

Association of Old Forest Hills ♦ Auburndale Improvement Association ♦ Bayside Civic Database ♦ Bayside Clear-Spring Council ♦ Bayside Hills Civic Association ♦ Bayswater Civic Association ♦ Bay Terrace Community Alliance, Inc. ♦ Bellaire-BellVill Civic Association ♦ Belle Harbor Property Owners Association ♦ Bellerose Commonwealth Civic Association ♦ Bellerose Hillside Civic Association ♦ Bell Park Manor Terrace Community Council ♦ Bowne Park Civic Association ♦ Briarwood Community Association ♦ Cambria Heights Civic Association ♦ Cherry Robinson Homeowners ♦ Civic Association of Utopia Estates ♦ C.O.M.E.T. (Communities of Maspeth-Elmhurst Together) ♦ Concerned Citizens of Laurelton ♦ Cornucopia Society ♦ Creedmoor Civic Association ♦ Deerfield Area Association ♦ Doug-Bay Manor Civic Association ♦ Douglas Manor Association ♦ Douglaston Civic Association ♦ Dutch Kills Civic Assn. of Long Island City ♦ East Flushing Civic Association ♦ Federated Block Associations of Laurelton ♦ Federation of Civic Associations of Southeast Queens ♦ Floral Park Community Council ♦ Flushing Heights Civic Association ♦ Flushing on the Hill Taxpayers Association ♦ Forest Hills Chamber of Commerce ♦ Forest Hills Crescents Association ♦ Forest Hills-Van Court Association ♦ Fresh Meadows Homeowners Association ♦ Georgetown Mews ♦ Glendale Civic Association of Queens ♦ Glen Oaks Village Owners, Inc. ♦ Greater Astoria Historical Society ♦ Greater Whitestone Taxpayers Civic Association ♦ Harding Heights Civic Association ♦ Hillcrest Estates Civic Association ♦ Hilltop Village Co-Op #1 ♦ Hilltop Village Co-Op #2 ♦ Hilltop Village Co-Op #3 ♦ Hilltop Village Co-Op #4 ♦ Hollis 11423 Block Association ♦ Hollis Hills Civic Association ♦ Holliswood Civic Association ♦ Hollis Park Gardens Civic Association ♦ Holly Civic Association ♦ Hunters Point Community Coalition ♦ Hyde Park Gardens Cooperative ♦ Jackson Heights Beautification Group ♦ Jamaica Estates Association ♦ Jamaica Hill Community Association ♦ Juniper Park Civic Association ♦ Kew Gardens Civic Association ♦ Kew Gardens Hills Homeowners Association ♦ Kissena Park Civic Association ♦ Little Neck Bay Civic Association ♦ Little Neck Pines ♦ Malba Civic Association ♦ Meadowlark Gardens Owners ♦ Middle Village Maspeth Civic Association ♦ Middle Village Property Owners Association ♦ Mitchell Linden Civic Association ♦ Neponsit Property Owners Association ♦ Newtown Civic Association ♦ North Bellerose Civic Association ♦ North Flushing Civic Association ♦ North Hills Estates Civic Association ♦ Northwest Clearview Homeowners Association ♦ Norwood Civic Association ♦ Oakland Terrace/ Gardens Community Council ♦ Off Broadway Homeowners Association ♦ Our Neighborhood Improvement Association ♦ Parkway Village Historical Society ♦ Queensboro Hill Neighborhood Association ♦ Queens Colony Civic Association ♦ Queens Community Civic Corp. ♦ Queens Village Civic Association ♦ Ramblersville-Hawtree Civic Association ♦ Richmond Hill Historical Society ♦ Ridgewood Property Owners and Civic Association ♦ Rockaway Park Homeowners/ Residents ♦ Rocky Hill Civic Association ♦ Rosedale Civic Association ♦ Royal Ranch Association. ♦ Southeast Queens Concerned Neighbors ♦ South Ozone Park West Civic Association ♦ Springfield/Rosedale Community Action Association ♦ Station Road Civic Assoc. of Auburndale ♦ Sunnyside Gardens/Harrison Place Homeowners ♦ Surrey Estates Civic Association ♦ Union Turnpike Merchants Association ♦ United Forties Civic Association ♦ United Neighbors Civic Association ♦ Waldheim Neighborhood Association ♦ Wayanda Civic Association ♦ West Cunningham Park Civic Association ♦ Westmoreland Association ♦ Woodside Community Council

### Appendix A      Water and Sewer Rate Increases

Date/ FY	Meter change %	Sewer Charge %	Total Rate** Increase		Date/ FY	Meter change %	Sewer Charge %	Total Rate** Increase
1980		25%			1994	0%	159%	0%
1981		33%			1995	0%	159%	0%
1982		33%			1996	5%	159%	5%
1983		50%			1997	6.5%	159%	7%
1984		50%			1998	6.5%	159%	7%
1985		60%			1999	4%	159%	4%
1986		60%			2000	4%	159%	4%
1987*	9.9%	60%	9.9		2001	1%	159%	1%
1988	12%	70%	19%		2002	4%	159%	4%
1989	0%	75%	14%		2003	6.5%	159%	6.5%
1990, 1-6	7.8%	88%	24.3		2004	5.5%	159%	5.5%
1990, 7-12	9.00%	112%			2005	5.5%	159%	5.5%
1991	0%	112%	22.9		2006	3%	159%	3.0%
1992	6.4%	136%	18%		2007	9.4%	159%	9.4%
1993	0%	159%	10%		2008	11.5%	159%	11.5%

Proposed FY 2009 11.4%

Proposed FY 2010 11.3%

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**For consideration by the New York City Council Finance and Environmental Protection Committees regarding water billing and collections issues in New York City; submitted by Jim Buckley, Executive Director of UNHP, on October 22, 2007**

University Neighborhood Housing Program is a non-profit community housing organization working in the Bronx. We have been monitoring the impact of the cost of water on affordable housing since the early 1990's.

A turn-off policy and a mid-year increase will not solve the cost of water problem and will exacerbate problems with preserving homeownership and affordable housing. The short term focus should be on re-allocating the \$154 million rental payment to the City to assist in holding rates down. The long term solution is hard to determine, but the process of developing a comprehensive approach must begin. Double digit rate increases as anticipated over the next three years will have a major negative impact on affordable housing and will set back some of the recent progress that has been made. The recent talk of a mid-year increase triggered by poor collections and higher costs makes that call for a new approach all the more timely.

I would like to make the following points:

- a) Soaring water rates are having a major impact on the preservation and development of affordable housing. The increases already projected by DEP will cost the city more in new subsidy on new affordable housing deals, higher rents, deferred maintenance in buildings, and higher foreclosure rates. Foreclosures in the Bronx are up 76% in September of 2007 from September of 2006.
- b) there should be no mid-year increase; current shortfalls, if they continue to exist, could be covered by a re-allocation of the City Rental Payment, which is \$154 million in the current year. The Comptroller's proposal and various Council proposals should be reviewed and action should be taken to bring relief to the bill payers immediately;
- c) turn-offs may help with collections, but without a very clear and efficient appeals process there will be cases of inappropriate turn-offs that cause pain and suffering; if it has not already been done, research should be done on the homeowners who may lose service to determine how much of the problem relates to the growing number of lender foreclosures in this city; turn-offs in apartment buildings is unfair and unsafe for tenants. While tenants might be able to get together to pay the bill, does DEP want (or does anyone else want DEP) to take on negotiating with tenant associations around the city about bill payment;



- d) other methods of collection should also be explored. The Citizens Housing and Planning Council has suggested making water bills collectible through the City Finance Department's In Rem foreclosure procedures. This would require coordination and cooperation between DEP and the Finance Department and is worthy of pursuit. The possibility of making water service in buildings payable through the HPD Emergency Repair Program
- e) water and sewer bills should be as accessible as tax and deed information; currently, to access water and sewer bill information on the internet, you must have a building's water and sewer account number. To get tax and deed information, you only need the block and lot numbers, which can be found on-line if you have the building's address. Making such information easily accessible would allow tenants, community groups and others to check to see if an owner is current with their water bills. It could be an indicator that a property owner, whether a private homeowner or a multi-family building owner is slipping into financial difficulty and it would be an incentive to get certain owners to pay their bills.

Thanks for your attention. For additional information, please contact me at (718)933-3101 or [jim@unhp.org](mailto:jim@unhp.org).



THE CITY OF NEW YORK  
OFFICE OF THE PRESIDENT  
BOROUGH OF MANHATTAN

SCOTT M. STRINGER  
BOROUGH PRESIDENT

Testimony of Manhattan Borough President

**Scott M. Stringer**

*Before*

New York City Council Committees on Environmental Protection and Finance

Monday, October 22, 2007

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Good morning. Thank you Chairman Gennaro and Chairman Weprin, and the Committees on Environmental Protection and Finance, for the opportunity to testify today in opposition to the New York City Water Board's proposed 18 percent rate increase, and to stress my belief that nothing less than ineffective management has led to its introduction. While the Water Board has framed the rate increase as a fiscal imperative, it is rather the acknowledged result of ongoing poor management of customer billing, particularly with regard to past-due accounts, that has caused the Board's financial woes. To make any claim to good government, we must first face this root cause of the Water Board's financial troubles before raising water rates and making the general public pay for the delinquency of a select few.

I sat before the New York City Water Board only six months ago to discuss my beliefs on this issue—just before the newly 11.5 percent rate increase was adopted. I will repeat today what I said then: we face two options in resolving our city's water billing and payment delinquency problems. The first option is for us to work collectively in developing robust and judicious monitoring and enforcement mechanisms that will bring about improved account tracking and payment compliance. The second option is to turn a blind eye on the true sources of the Water Board's financing problems, and simply increase the water rate every time we face a shortfall, thereby making every New York citizen shoulder a burden that should only be borne by some. From the standpoint of long-term efficiency, equity, and ethics, our responsibility is clear.

The long-term effects of a rate increase will be painfully felt by the city's tenants, including those in rent-regulated units. As many renters in New York City do not pay individual water bills, they may not be mobilized around this rate increase. However, tenants will pay for it when the Rent Guidelines Board (RGB) hears from landlords about the rising costs of utilities. An 18 percent rate increase will set off a chain reaction of rent increases for New Yorkers who least can afford it.

Not only should additional rate hikes be a last resort, but the Water Board must improve its internal operations before considering aggressive tactics to collect unpaid bills, such as stand-

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alone water liens and water shutoffs. Terminating water service is a dire measure; it would mean the costly and disruptive action of digging up streets, and it is unfair to residents of multi-family buildings who will find themselves without water because of their landlord's failure to pay the bills. Before even thinking of instituting any such tactics, the Water Board must make every effort to update and revamp its customer service department and collection system so that it functions effectively and is no longer riddled with errors.

Moreover, the threat of a rate increase cannot and should not be used to strong-arm elected officials into approving measures that should only be used as a last resort. We must see real change in the Water Board's collection procedures before allowing any of these aggressive tactics that will unfairly burden those who are not to blame.

I strongly urge the New York City Water Board to make all efforts to overhaul its collections system so that it can effectively collect past-due bills from deadbeat owners and landlords, and so the general public is not left to foot the bill.

Thank you again for the opportunity to testify.