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HEARING ON THE FISCAL YEAR 2014 EXECUTIVE BUDGET FOR THE

DEPARTMENT OF ENVIRONMENTAL PROTECTION

May 9, 2013

EXECUTIVE BUDGET HIGHLIGHTS

- The Department of Environmental Protection (DEP, or the Department) has a Fiscal 2014 Expense Budget of \$1.1 billion, a decrease of \$14.7 million when compared to the Fiscal 2013 Adopted Budget.
- The \$1.1 billion Fiscal 2014 Executive budget is \$11.9 million more than was anticipated in the Fiscal 2014 Preliminary Budget. This is due to \$54.8 million new needs and a reduction of \$42.9 million in other budget adjustments.
- The budget of the Department of Environmental Protection includes \$47 million for the reconstruction and repair of facilities damaged during Hurricane Sandy including \$32.9 million for sewage pumping stations and \$8.7 million for Wastewater Treatment Plants.

The Department's Fiscal 2014 Preliminary Budget included \$551.5 million for Hurricane Sandy in Fiscal 2013 expense funding including \$500 million for the New York City Rapid Repair Program, a free program to make emergency repairs to residents' homes. The Fiscal 2014 Executive Budget includes an increase for Fiscal 2013 of \$77 million for the Rapid Repair program, all of which will be reimbursed with federal funds.

- Due to a miscalculation that the Department discovered during the Fiscal 2013 Executive Budget the Other Than Personal Services (OTPS) budget for DEP was artificially inflated. A correction has been made in the Fiscal 2014 Executive Budget with a reduction of \$32.8 million in the Wastewater Treatment Operations budget.
- The Fiscal 2014 Executive Budget shows a net reduction of 70 full-time civilian positions. This reflects a significant redistribution of staff, eliminating unfilled positions to increase efficiency, and new hires to meet new needs. Highlights include:
 - 54 staff redistributed to other agencies due to the citywide fleet consolidation.
 - A net of 55 staff positions eliminated in Wastewater Treatment Operations saving \$4.6 million.
 - 29 new staff in Water and Sewer Maintenance and Operations including 13 new positions for the Croton Water Filtration Plant, 9 new staff for the Green Infrastructure unit, and 8 custodians to do cleaning in-house that had previously been contracted out.

FINANCE DIVISION

Preston Niblack, Director
Jeffrey Rodus, First Deputy Director

Nathan Toth, Deputy Director
Kate Seely-Kirk, Sr. Legislative Financial Analyst

OVERVIEW

This report provides an overview of the Department of Environmental Protection's Fiscal 2014 Budget and a summary of the Department's Capital Budget for Fiscal 2013-2017. Appendix 2 reports the changes made to the Fiscal 2013 and Fiscal 2014 Budget since adoption of the Fiscal 2013 Budget. For additional information on DEP's Budget and its various programs, please refer to the Department of Environmental Protection's Preliminary Budget Hearing Report" available at: <http://www.council.nyc.gov>.

Financial Summary

<i>Dollars in Thousands</i>	2012	2013	2013	2014	*Difference
	Actual	Adopted	Exec. Plan	Exec. Plan	2013 - 2014
Spending					
Personal Services	\$485,871	\$458,943	\$463,613	\$453,057	(\$5,885)
Other Than Personal Services	573,176	675,634	1,260,145	666,811	(8,823)
TOTAL	\$1,059,048	\$1,134,576	\$1,723,758	\$1,119,868	(\$14,708)
Budget by Program Area					
Agency Administration & Support	\$85,420	\$87,937	\$83,092	\$86,505	(\$1,432)
Customer Services & Water Board Support	40,104	48,743	48,772	50,173	1,430
Engineering Design and Construction	33,823	35,723	36,220	36,123	400
Environmental Management	15,902	15,904	16,419	15,531	(373)
Miscellaneous	21,468	2,968	598,243	6,344	3,376
Upstate Water Supply	283,282	297,897	294,160	336,773	38,876
Wastewater Treatment Operations	380,928	460,900	467,578	409,241	(51,659)
Water & Sewer Maintenance & Operations	198,120	184,504	179,274	179,179	(5,325)
TOTAL	\$1,059,048	\$1,134,576	\$1,723,758	\$1,119,868	(\$14,708)
Funding					
City Funds	N/A	\$1,066,416	\$1,013,045	\$1,056,631	(\$9,785)
Capital- IFA	N/A	66,833	66,833	61,918	(4,916)
State	N/A	0	1,302	0	0
Federal - Other	N/A	123	639,789	123	0
Intra City	N/A	1,204	2,788	1,196	(7)
TOTAL	N/A	\$1,134,576	\$1,723,758	\$1,119,868	(\$14,708)
Positions					
Full-Time Positions - Civilian	5,564	6,010	6,004	5,940	(70)
TOTAL	5,564	6,010	6,004	5,940	(70)

*Difference between Fiscal 2013 Adopted Budget and Fiscal 2014 Executive Budget.

NEW IN THE EXECUTIVE BUDGET

The Fiscal 2014 Executive Plan reduces the Department's budget by \$14.7 million compared to the Fiscal 2013 Adopted Budget. However, the \$1.1 billion Fiscal 2014 Executive budget is \$11.9 million more than was anticipated in the Fiscal 2014 Preliminary Budget. This is due to \$54.8 million new needs and a reduction of \$42.9 million in other budget adjustments.

- **Filtration Avoidance Determination (FAD).** To meet Federal regulations regarding water supply protections DEP negotiates a FAD with the U.S. Environmental Protection Agency (EPA). DEP anticipates that an updated FAD will be issued in September 2013, a mandatory midterm assessment for the ten-year agreement (2007 – 2017). There are \$19.5 million in new costs in the Fiscal 2014 Upstate Water Supply budget which reflect various projects that were previously funded through the Capital Budget. The projects include septic remediation, stream management, Watershed Agricultural Council (WAC) and forestry program, WAC conservation easements stewardship, GIS database, and water quality modeling.
- **Capitally Ineligible Items.** As per the New York City Comptroller's Directive 10 pre-design studies, training, travel and planning that was previously funded in the Capital Budget must now be supported by the Expense Budget. Consequently \$10.5 million will be added to the Fiscal 2014 Upstate Water Supply Budget that was previously in the Capital Budget.
- **Chemical Savings.** DEP achieved savings of \$5.8 million in Fiscal 2014 due to price and contract changes for chemicals used by the Bureau of Water Supply, the Bureau of Wastewater Treatment, and the Bureau of Water and Sewer Maintenance and Operations.
- **Upstate Real Estate Taxes.** Property taxes for the update watershed are anticipated to increase by \$3.5 million in Fiscal 2014.
- **Superfund Studies.** Additional funding of \$3.1 million in the Fiscal 2014 Agency Administration and Support budget is allocated for technical studies for the Newtown Creek and Gowanus Superfund sites. These costs partially offset the savings seen in the Fiscal 2014 Preliminary Budget relating to the citywide fleet consolidation.
- **Revenue Generation.** The Department anticipates \$785,000 of additional revenue in Fiscal 2014 from increased issuance of asbestos permits and boiler certifications and registrations. Additional Superfund Amendments and Reauthorization Act (SARA) Right-to-Know fees due to an online registration and payment system are expected to bring in \$160,000 in Fiscal 2014.

CAPITAL PROGRAM

The May 2013 Capital Commitment Plan includes approximately \$9 billion in Fiscal 2013-2017 for the Department of Environmental Protection (including City and Non-City funds). This represents 20.2-percent of the City's total \$44.5 billion May Plan for Fiscal 2013-2017. The agency's May Commitment Plan for Fiscal 2013-2017 is less than a one percent change from the January Commitment Plan.

The majority of capital projects span multiple fiscal years, and it is, therefore, common practice for an agency to roll unspent capital funds into future fiscal years. In Fiscal Year 2012, the Department of Environmental Protection committed \$1.59 billion or 70 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2013 Capital Plan will be rolled into Fiscal 2014. Since adoption last June, the City's total Capital Commitment Plan for Fiscal 2013 has decreased from \$17.9 billion in the September Capital Commitment Plan to \$16.6 billion in the May Capital Commitment Plan, a decrease of \$1.3 billion or 7.3 percent.

2013-2017 Commitment Plan: Executive Budget and Preliminary Budget

Dollars in Thousands

	FY13	FY14	FY15	FY16	FY17	Total FY13 – FY17
Executive						
Total Capital Plan	\$2,032,104	\$2,276,777	\$2,193,985	\$1,353,927	\$1,136,550	\$8,993,343
Preliminary						
Total Capital Plan	\$2,268,744	\$2,028,844	\$2,193,430	\$1,353,199	\$1,137,015	\$8,981,232
Change						
Level	(\$236,640)	\$247,933	\$555	\$728	(\$465)	\$12,111
Percentage	-10.43%	12.22%	0.03%	0.05%	-0.04%	0.13%

2013-2017 Commitment Plan: Executive Budget by Capital Program Area

Dollars in thousands

	FY13	FY14	FY15	FY16	FY17	Total FY13 – FY17
Equipment (EP)	\$75,052	\$131,080	\$57,230	\$141,315	\$55,733	\$460,410
Sewers (SE)	386,143	440,011	306,478	317,728	233,414	\$1,683,774
Water Mains, Sources and Treatment (WM)	556,189	832,200	361,335	506,082	242,205	\$2,498,011
Water Pollution Control (WP)	682,350	822,843	685,033	308,302	585,731	\$3,084,259
Water Supply (W)	332,370	50,643	783,909	80,500	19,467	\$1,266,889
TOTAL	\$2,032,104	\$2,276,777	\$2,193,985	\$1,353,927	\$1,136,550	\$8,993,343

MAJOR CAPITAL PROJECTS

- **Wastewater Treatment Facilities.** There is \$1.4 billion allocated in Fiscal 2014 – 2017 to maintain the operational integrity of the City’s wastewater treatment facilities. Additionally there is funding allocated for Fiscal 2014 – 2017 to ensure compliance with State and Federal mandates including \$362 million to meet operating permit requirements, \$148 million for mandated studies and facility upgrades to reduce nitrogen levels in discharged water, and \$43.7 million to enhance existing chlorination systems. There is also \$107.7 million planned for installing and upgrading generators at treatment plants during the same time period.
- **Sewer Extensions and Reconstructions.** Planned work to extend and replace approximately 366.1 miles of sewers in Fiscal 2014 – 2017 has funding committed in the amount of \$1.3 billion. This includes funding for emergency replacement and combined sewers.
- **Delaware Aqueduct Leak.** There is \$976.5 million allocated in Fiscal 2014 – 2017 for the construction of a bypass tunnel and related projects to repair the Rondout-West Branch Tunnel. The funding includes \$560 million for the construction work and \$482.7 million for supplemental water projects to help cope with the aqueduct being offline at a later stage of the project. Currently the aqueduct carries approximately half of New York City’s drinking water to more than eight million people daily—approximately 500 million gallons per day.

DEP is focusing on water conservation programs in preparation of the Delaware Aqueduct repairs. There is \$132.7 million scheduled for Fiscal 2014 – 2017 that will include large water meter installation and conservation measures at City-owned buildings.

- **Extending and Replacing Water Mains.** The Fiscal 2014 – 2017 Capital Commitment Plan includes \$883.4 million to build out and replace trunk and distribution water mains.
- **Green Infrastructure Plan.** The Department continues to prioritize its Green Infrastructure Program which incorporates different techniques to handle Combined Sewer Overflows (CSOs). There is \$264.2 million allocated for projects such as bioswales, tree pits, and green roofs in Fiscal 2014 – 2017.
- **Staten Island Bluebelts.** To continue the award-winning Staten Island Bluebelt program the Department has allocated \$256.6 million for Fiscal 2014 – 2017 for land acquisition. The program preserves streams, ponds and wetlands which are natural drainage corridors. They are both economical and environmentally beneficial means of stormwater management.
- **Filtration Avoidance Determination (FAD).** To meet Federal regulations regarding water supply protections \$212.4 million is planned for Fiscal 2014 – 2017 for land acquisition and various filtration avoidance measures in the upstate watershed.
- **Croton Water Filtration Plant.** Construction is progressing on this roughly \$3.2 billion, multi-phase project located in Van Cortlandt Park with plans to connect to the drinking water system in Fiscal 2014. There is \$185.9 million allocated in Fiscal 2014 – 2017 to complete construction and for related projects, such as \$66.6 million in Fiscal 2014 for Parks Department projects in the Bronx.
- **City Water Tunnel No. 3.** This critical \$6 billion project has been under construction since 1970, with phase two, or the Manhattan section, to come online in 2013. Once the tunnel is completed it will allow Water Tunnels No. 1 and 2 to be inspected and repaired for the first time since they entered operation in 1917 and 1936 respectively. There is \$52.2 million scheduled for Fiscal 2014 – 2017 for this project. There is an additional \$142.1 million planned during the same time period to connect the water tunnel to the distribution system.

EXECUTIVE BUDGET HIGHLIGHTS

- **Job Order Contracting.** The Department has added \$52 million in Fiscal 2014 for Job Order Contracting for various Water Pollution Control Plants. This funding allows for “on call” construction services achieved by awarding contracts for a wide variety of projects.
- **Reconstruct Digester Roofs.** There is \$47 million that has been allocated in Fiscal 2014 to replace the roofs of the Digesters at the 26th Wastewater Treatment Plant (WWTP) which releases treated wastewater into Jamaica Bay. The old concrete digester covers are being replaced with new steel covers.
- **Green Infrastructure in the 26th Ward Area.** In the area around the 26th Ward WWTP \$42.7 million will be spent in Fiscal 2014 to build bioswales to divert and retain storm water to reduce CSOs into a tributary that leads to Jamaica Bay and Fresh Creek in Brooklyn.
- **FAD West of Hudson Land Acquisition.** DEP has entered into agreement with the Watershed Agricultural Council (WAC) to acquire conservation easements on active farmland in the watershed. The Department has scheduled \$29.5 million in Fiscal 2014 to expand that program as well as to pilot a program for easements under WAC Forestry Plans.

APPENDIX 1: BUDGET ACTIONS IN THE EXECUTIVE PLAN

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of February 2014 Plan	\$1,062,167	\$632,131	\$1,694,298	\$1,039,822	\$68,142	\$1,107,964
New Needs						
Agency Energy Neutrality Study	\$0	\$0	\$0	\$1,500	\$0	\$1,500
Bureau of Environmental Planning and Assessment On-call Contract	0	0	0	800	0	800
Capital Ineligible Items	0	0	0	10,481	0	10,481
City College of New York Consulting Services	0	0	0	1,146	0	1,146
City Tunnel Main Contract	0	0	0	335	0	335
Croton Forestry Memorandum of Agreement with Parks	0	0	0	1,454	0	1,454
Demolition of Abandoned Facilities	0	0	0	400	0	400
Filtration Avoidance Determination Capital to Expense	0	0	0	19,522	0	19,522
Global Positioning System in Vehicles	0	0	0	100	0	100
Hydroelectric Power MOU with the Law Department	0	0	0	1,278	0	1,278
IBM Consultants	0	0	0	2,435	0	2,435
Jamaica Bay Feasibility Study	0	0	0	500	0	500
MOU with the Dept. of Investigation	0	0	0	1,125	0	1,125
NYCWIn Payment FY13	264	0	264	0	0	0
Police Radio System	0	0	0	275	0	275
Security Guard Contracts	0	0	0	624	0	624
Superfund Studies	0	0	0	3,104	0	3,104
Upstate Real Estate Taxes	0	0	0	3,469	0	3,469
Vehicle Replacement	0	0	0	2,630	0	2,630
Wards Island Study	0	0	0	500	0	500
Wastewater Treatment Plant Operations and Maintenance Costs	0	0	0	768	0	768
Water Quality Forecasting	0	0	0	75	0	75
Wawarsing Community Investment	0	0	0	1,500	0	1,500
West of Hudson Hydroelectric Power Studies	0	0	0	755	0	755
TOTAL, New Needs	\$264	\$0	\$264	\$54,777	\$0	\$54,777
Other Adjustments						
biowatch	\$0	(\$2)	(\$2)	\$0	\$0	\$0
Chemicals	0	0	0	(5,788)	0	(5,788)
Clean Heat MOU with DEP	0	1,585	1,585	0	0	0
Fuel/Gasoline	(1,111)	0	(1,111)	(788)	0	(788)
Heat, Light and Power	(48,275)	0	(48,275)	(32,759)	0	(32,759)
IFA to Utility Switch	0	0	0	4,916	(4,916)	0
Internal Reductions and Needs	0	0	0	(4,620)	0	(4,620)
Lease Adjustment	0	0	0	1,071	11	1,082
Rapid Repairs Increase	0	77,000	77,000	0	0	0
TOTAL, Other Adjustments	(\$49,386)	\$78,582	\$29,196	(\$37,968)	(\$4,905)	(\$42,873)
TOTAL, All Changes	(\$49,122)	\$78,582	\$29,460	\$16,809	(\$4,905)	\$11,904
Agency Budget as of May 2014 Plan	\$1,013,045	\$710,713	\$1,723,758	\$1,056,630	\$63,237	\$1,119,868

APPENDIX 2: BUDGET ACTIONS IN THE NOVEMBER, FEBRUARY AND EXECUTIVE PLANS

<i>Dollars in Thousands</i>	FY 2013			FY 2014		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2013 Plan	\$1,066,416	\$68,160	\$1,134,576	\$1,049,179	\$68,160	\$1,117,339
Program to Eliminate the Gap (PEGs)						
Elimination of PS Funding	(\$85)	\$0	(\$85)	(\$85)	\$0	(\$85)
Energy Program Reduction	(129)	0	(129)	(192)	0	(192)
Intra-City with DEP	0	0	0	0	(18)	(18)
Landfill Program Reduction	(160)	0	(160)	(195)	0	(195)
Transfer Position to Utility	(143)	0	(143)	(192)	0	(192)
TOTAL, PEGs	(\$517)	\$0	(\$517)	(\$664)	(\$18)	(\$682)
New Needs						
E-Designation Fees	\$55	\$0	\$55	\$87	\$0	\$87
Hydroelectric Transfer	1,250	0	1,250	475	0	475
Agency Energy Neutrality Study	\$0	\$0	\$0	\$1,500	\$0	\$1,500
Bureau of Environmental Planning and Assessment On-call Contract	0	0	0	800	0	800
Capital Ineligible Items	0	0	0	10,481	0	10,481
City College of New York Consulting Services	0	0	0	1,146	0	1,146
City Tunnel Main Contract	0	0	0	335	0	335
Croton Forestry Memorandum of Agreement with Parks	0	0	0	1,454	0	1,454
Demolition of Abandoned Facilities	0	0	0	400	0	400
Filtration Avoidance Determination Capital to Expense	0	0	0	19,522	0	19,522
Global Positioning System in Vehicles	0	0	0	100	0	100
Hydroelectric Power MOU with the Law Department	0	0	0	1,278	0	1,278
IBM Consultants	0	0	0	2,435	0	2,435
Jamaica Bay Feasibility Study	0	0	0	500	0	500
MOU with the Dept. of Investigation	0	0	0	1,125	0	1,125
NYCWIn Payment FY13	264	0	264	0	0	0
Police Radio System	0	0	0	275	0	275
Security Guard Contracts	0	0	0	624	0	624
Superfund Studies	0	0	0	3,104	0	3,104
Upstate Real Estate Taxes	0	0	0	3,469	0	3,469
Vehicle Replacement	0	0	0	2,630	0	2,630
Wards Island Study	0	0	0	500	0	500
Wastewater Treatment Plant Operations and Maintenance Costs	0	0	0	768	0	768
Water Quality Forecasting	0	0	0	75	0	75
Wawarsing Community Investment	0	0	0	1,500	0	1,500
West of Hudson Hydroelectric Power Studies	0	0	0	755	0	755
TOTAL, New Needs	\$1,570	\$0	\$1,570	\$55,339	\$0	\$55,339
Other Adjustments						
Biowatch Grant For Air Monitoring	\$0	\$4,158	\$4,158	\$0	\$0	\$0

<i>Dollars in Thousands</i>	Fiscal 2013			Fiscal 2014		
	City	Non-City	Total	City	Non-City	Total
Brownsfields Grant	\$0	\$380	\$380	\$0	\$0	\$0
Brownfields PS	0	34	34	0	0	0
Brownsfields OTPS	0	8	8	0	0	0
DEP-DPR Fleet Consolidation Transfer to DPR	(451)	0	(451)	(558)	0	(558)
DEP-DSNY Fleet Consolidation Transfer to DSNY	(2,029)	0	(2,029)	(3,276)	0	(3,276)
DEP-NYPD Fleet Consolidation Transfer to NYPD	(1,521)	0	(1,521)	(2,323)	0	(2,323)
Mechanic Supervisor to NYPD (Fleet Consolid.)	(70)	0	(70)	(138)	0	(138)
Review Avenue Lease Adjustment (Fleet Consolid.)	(744)	0	(744)	(1,280)	0	(1,280)
Energy Program Reduction	4	0	4	4	0	4
DHS Grant for Infrastructure	0	533	533	0	0	0
Heat, Light and Power	(242)	0	(242)	(415)	0	(415)
NYSERDA Grant	0	302	302	0	0	0
NYSERDA-Greenhouse Gas Study	0	1,000	1,000	0	0	0
Pelham Bay Landfill Transfer	0	0	0	(1,293)	0	(1,293)
Port Security Program	0	1,425	1,425	0	0	0
DHS Grant for HAZMAT	0	146	146	0	0	0
Transfer Position to Utility - Fringe	18	0	18	25	0	25
Grant for Plume Dispersion Weather Stations	0	2,700	2,700	0	0	0
Grant for Water Security Initiative	0	1,823	1,823	0	0	0
Xerox/Accenture Fee transfer to DCAS	(1)	0	(1)	0	0	0
Hurricane Sandy - DDC - Exterior Air Monitoring	0	87	87	0	0	0
Hurricane Sandy - DEP OT, Equip., and Facilities	0	51,373	51,373	0	0	0
Hurricane Sandy - FEMA STEP Grant for Rapid Repairs	0	500,000	500,000	0	0	0
biowatch	\$0	(\$2)	(\$2)	\$0	\$0	\$0
Chemicals	0	0	0	(5,788)	0	(5,788)
Clean Heat MOU with DEP	0	1,585	1,585	0	0	0
Fuel/Gasoline	(1,111)	0	(1,111)	(788)	0	(788)
Heat, Light and Power	(48,275)	0	(48,275)	(32,759)	0	(32,759)
IFA to Utility Switch	0	0	0	4,916	(4,916)	0
Internal Reductions and Needs	0	0	0	(4,620)	0	(4,620)
Lease Adjustment	0	0	0	1,071	11	1,082
Rapid Repairs Increase	0	77,000	77,000	0	0	0
TOTAL, Other Adjustments	(\$54,423)	\$642,553	\$588,130	(\$47,224)	(\$4,905)	(\$52,129)
TOTAL, All Changes	(\$53,371)	\$642,553	\$589,182	\$7,451	(\$4,923)	\$2,528
Agency Budget as of May 2014 Plan	\$1,013,045	\$710,713	\$1,723,758	\$1,056,630	\$63,237	\$1,119,867

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