

September 6, 2007

Hon. Daniel Garodnick,
Chair
Subcommittee on Franchises, Dispositions and Concessions
Committee on Land Use
New York City Council
City Hall
New York, NY 10007

RE: L.U. No. 542

Dear Chairman Garodnick:

This letter answers questions and clarifies certain points to address concerns expressed during yesterday's testimony regarding the proposed disposition of certain City-owned property and the Brewster Wastewater Treatment Plant to the Village of Brewster in Putnam County.

The State statutes authorizing the City to construct its water supply system, adopted in the 1800's and early 1900's, obligated the City to provide free sewer services to certain watershed towns and villages if they so elected to receive them. Brewster was one of several such towns/villages which elected to receive such services.

Including the plant in Brewster, the City ultimately built eight wastewater treatment plants in its watershed, and all eight are still in operation today. The construction and operation of these plants, by the City, was one among many efforts to protect the City's enormous investment in building its reservoirs by guarding the water supply against pollution from inadequately treated sanitary sewage.

The new plant in Brewster, which has just been completed and is the subject of the proposed disposition, is the fourth wastewater treatment plant in the Village of Brewster. The previous plant, which was constructed by the City in the early 1950's, had reached the end of its useful life by the time the City entered into the historic Watershed Memorandum of Agreement (MOA) in 1997. That agreement, and the City's Watershed Rules and Regulations which became effective also in 1997, required that all wastewater treatment plants, whether City-owned, owned by other municipalities or by private entities, located within the New York City watershed be upgraded to achieve enhanced levels of treatment. The City also agreed in the MOA to pay for the entire capital cost of designing and constructing those upgrades required solely by its new Watershed Regulations, at all existing wastewater treatment plants in the watershed, both East and West of the Hudson River. In addition, the City agreed to pay for the incremental operation and maintenance costs associated with such upgrades.

The City discharges this obligation through an upgrade program managed by DEP, with assistance from the New York State Environmental Facilities Corporation. From 1997 to the present, dozens of facilities have been upgraded and other upgrades are in progress. It is universally accepted that enhanced wastewater treatment is one of the most effective means of safeguarding and improving water quality and the City's upgrade program, a main component of the MOA, has already resulted in demonstrable improvements to water quality in certain areas of the watershed.

As stated before with respect to the City's Brewster Plant, the New York City Department of Environmental Protection (DEP) determined that, due to its age and condition, merely upgrading the existing facility was not adequate. Since DEP would prefer to reduce its obligations for operating wastewater treatment plants outside the City, a series of discussions were commenced with the Village of Brewster. The City agreed to fund the design and construction of a new plant, provide certain financial assistance to repair and/or construct new portions of the Village's sewer collection system, and provide a defined amount of ongoing assistance toward the operation and maintenance costs of the new facility. In exchange, the Village agreed to accept ownership of the plant and take over the responsibility of its operation, including compliance with the operating or SPDES permit issued by the State.

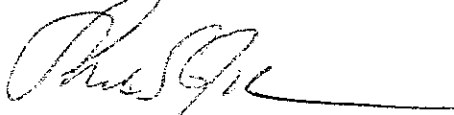
DEP views this project as a benefit to drinking water quality, since the agreement has resulted in a new state-of-the-art plant and new collection system, which will reduce potential contamination of the water supply while treating wastewater at an enhanced level, both of which were completed at a cost which approximates what the City would have incurred for just a new plant had it not entered the agreement with Brewster and instead proceeded with an upgrade project on its own.

Second, other financial benefits inure to the City, as demonstrated in the chart below, including savings on annual operating expenses such as heat, light, power and personnel costs; being relieved of responsibility for real estate taxes on the new plant; being relieved of responsibility for capital replacements as the plant ages; and avoiding potential legal liability for SPDES permit violations.

	Without Agreement	With Agreement	Benefit to City?
Construction Capital Cost	\$25-\$30 Million	Approx. \$28 Million	\$-Neutral
	Does not include sewer system	Includes sewer system	WQ - Benefit to Water Supply
Future Capital Obligation (Capital Replacement)	Perpetual obligation for entire WWTP	No	Yes, eliminate need for future capital reconstruction (current reconstruction cost \$25-30M range)
Total Annual O&M Costs	\$450,000 to \$500,000	\$350,000	\$150-200K annually
Future Increase in O&M Costs (Annual)	Varies but 2% to 4% increase is typical	2% Fixed	Yes, exact amount not known
Future SPDES Liability	Yes	No	Yes
Property Tax Obligation (Annual)	\$585,000	\$0	\$585K annually

In sum, we believe that this project provides, as was intended, many benefits to New York City, in terms of water quality protection and substantial financial savings. DEP respectfully urges approval of this matter.

Very truly yours,



Sandra S. Jackson