

Testimony of Steven Lawitts
Acting Commissioner
New York City Department of Environmental Protection (DEP)
Before the Council of the City of New York
Committees on Environmental Protection and Finance
City Hall, March 23, 2009

(10 a.m. Capital; 11:15 a.m. Expense)

Good morning, Chairmen Weprin and Gennaro, and Members. I am Steven Lawitts, Acting Commissioner of DEP. I am joined at the table this morning by Joseph Murin, DEP's Assistant Commissioner for Budget. In the audience are many other DEP senior staff who are here to help answer your questions.

Capital

The January 2009 Financial Plan has DEP's FY10 Capital Budget funded at \$1.932 billion, with a total funding of \$14.528 billion for FY10 through FY19. FY10 and the most current years represent a significant decrease from the Agency's last three years.

It is important to note that DEP – like other agencies – projects a decline in our capital budget. However, unlike other agencies, the single largest component driving our capital program is State and Federal mandates. Pursuant to these mandates DEP initiates multi-year projects that we are legally obligated to continue without regard for changing economic conditions.

In the current fiscal year DEP expects to award four large non-recurring contracts for several of our most significant projects, mandated and non-mandated. Those contracts are:

- A \$710 million contract for work at the Newtown Creek wastewater treatment plant in Brooklyn the largest of New York City's 14 wastewater treatment plants. Newtown Creek serves approximately one million residents, as well as commuters and visitors, in a drainage area that includes parts of Manhattan, Brooklyn and Queens. The contract is part of a capital project that began in 1998 and will finally

bring the plant into full compliance with water quality standards, which the plant has been very close to meeting for several decades. The project will also increase the plant's wet weather capacity and replace equipment and facilities that have reached the end of their useful life. Although the driving force behind the project is better and more consistent treatment of wastewater, the project will make the plant more attractive and a better neighbor. The designs for two of the buildings at the plant received awards from the New York City Design Commission; and the Department of Cultural Affairs commissioned two artists to create public art projects at the site of the plant.

- A contract for reconstruction and upgrading of the Gowanus Pumping Station and Flushing Tunnel, two related projects that will improve the quality of water in the Gowanus Canal. That contract is estimated at \$168 million. A few years ago DEP re-activated the long dormant Flushing Tunnel which was an important step in a long process of improving the stagnant waters of the Gowanus Canal. The next step in that process is to a) increase the capacity of the Flushing Tunnel; and b) expand the capacity of the pumping station, which will increase the amount of combined sewer overflow that the pump station diverts away from the Canal during wet weather. Although these projects alone aren't going to make the Gowanus available for bathing, they are going to make it a better, healthier and more attractive body of water.
- A contract for equipping shafts and chambers constructed as part of the Manhattan leg of City Tunnel No. 3. That contract is estimated at \$269 million. Tunnel No. 3 is one of the largest and most complex capital construction projects in New York City history and has often been referred to as one of the world's engineering marvels. Last year our contractor completed the current leg of the tunnel, in Manhattan, as well as nine shafts that descend from Manhattan city streets to the tunnel. This \$269 million contract is to equip those shafts with the risers, valves and the regulators that will allow water from Tunnel 3 to go into the City's water main system.
- A contract for construction of "off-site" facilities connected to the Croton filtration project. That contract is estimated at \$114 million. Although the Croton Filtration Plant itself is being built under a

portion of the Mosholu Golf Course in Van Cortlandt Park, the plant will not be able to deliver water to our distribution system without some infrastructure modifications at the Jerome Park Reservoir, nearly a mile away. This contract will allow that work to proceed.

- And, a \$126 million contract for implementing the Automated Meter Reading (AMR) project.

To improve customer services for all of our customers DEP is automating its meter reading capabilities using a system of small, low-power radio transmitters connected to individual water meters that send readings to a network of rooftop receivers throughout the city. In most cases, the transmitters will be placed on the exterior of the building, where meter remote receptacles are currently located. The AMR receivers will be part of the New York City Wireless Network (NYCWIn) operated by the Department of Information Technology and Telecommunications (DoITT)

That concludes my prepared statement for the capital portion. I am happy to take any of your questions.

Expense

The FY10 Expense Budget is currently set at \$941 million, a reduction of \$104 million from the FY09 Expense Budget. However, the budgeted amount does not yet reflect the expense of non-discretionary, variable cost items, such as the price of chemicals needed for water treatment, fringe benefits, and collective bargaining increases. These and some other expense costs are projected to increase in the upcoming fiscal year; but the exact cost of these items will not be fully accounted for until we are much closer to the Executive Budget.

For example, fluoride is added to the water to reduce tooth decay; and chlorine is added for disinfection. DEP is required by its regulators to use these chemicals so there is no ability to limit their purchase because they are expensive. The price of these chemicals has risen dramatically over the past year and is not expected to come down in the foreseeable future, although there may be some fluctuations. Because of the variability in the price of these chemicals, we typically wait until much closer to the Executive Budget to make a prediction about the cost of these chemicals in the upcoming fiscal year.

We also know that the costs of fringe benefits, including pensions, are rising. While the City is responsible for projecting and managing the costs of fringe benefits, and as with other agencies, these expenses are not reflected in DEP's budget, the Agency must consider fringe benefits costs in the overall operations & maintenance expenses of the Water & Sewer System.

As expenses are rising, DEP is undertaking efforts to contain costs where possible. The Preliminary FY10 Expense Budget reflects some reductions to FY09, including the following:

- DEP purchases methanol and ethanol to use as part of the pilot nitrogen removal process currently being tested at our Wards Island treatment plant. A slowdown in construction of the pilot facility has reduced our need to purchase methanol and the expense budget has been adjusted to show that.
- In anticipation of the need to excavate and shut off service to single-family residential customers that have declined to make payments, DEP has a contractor onboard to assist our crews. Through our Payment Incentive Programs and outreach we have persuaded customers to either pay in full or sign a payment agreement, thereby avoiding the need to expend all the funds in the outside shutoff contract and allowing for an adjustment in the Expense Budget. DEP is resuming its shut-offs – which were suspended during winter heating season -- but we believe we can handle this work in-house.

For FY10, DEP will continue to evaluate its operations and implement budget savings whenever possible. The Agency has a 5% target, coming to just over \$45 million a year, for FY10 and out in expense efficiencies and savings. One of these savings is the Mayor's citywide initiative to reduce light-duty fleets. At DEP those fleet reductions will yield \$2.8 million in FY10 and \$350,000 each year thereafter.

Although the Preliminary Budget shows a reduction in headcount related to the Environmental Health and Safety (EH&S) program and lead service lines in City buildings, those reductions reflect the sunseting of funding for positions that are subject of review either annually or bi-annually. By the time of the Executive Budget that review will be completed and we will be

able to report whether the 71 positions in question have been re-authorized or not.

There is one other highlight I would like to discuss, because I believe it will be of interest to the members, particularly Chairman Gennaro who convened a hearing on this topic last year. In January of this year DEP initiated a one-year pilot program of pharmaceutical testing at three source water locations in the watershed. DEP has been tracking and assessing the issue of pharmaceuticals in water for many years, including assisting in and providing peer review of testing and research by the USGS and State Health Department. We undertook this new program because we believe we have an excellent product in New York City water and we don't want anything to undermine the confidence of our consumers. We also would like to support EPA in their statements that they are seeking additional data on the concentrations of pharmaceuticals in water. Preliminary results have been very encouraging in confirming that pharmaceutical contamination is not an issue threatening New York City's water supply. We will look forward to sharing these results with you in the future once we have more data."

We have also started a public education campaign, working with the Catskill Watershed Corporation, to inform residents of the watershed about proper disposal of pharmaceuticals.

Thank you. That concludes my prepared statement on the preliminary expense budget. I would be pleased to take your questions.

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