

Fiscal 2009 Preliminary Budget Hearings

**Department of Environmental Protection
(Capital)**

March 2008

*Hon. Christine C. Quinn
Speaker of the Council*

*Hon. David I. Weprin, Chair
Committee on Finance*

*Hon. James F. Gennaro, Chair
Committee on Environmental Protection*

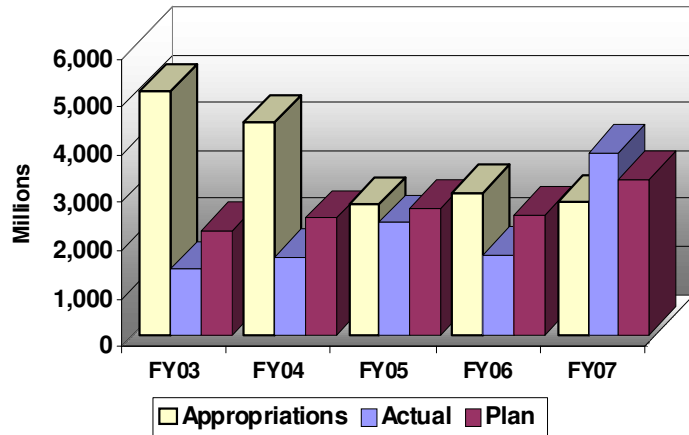
*James Caras, Acting Director
Finance Division*

Agency Overview

The Department of Environmental Protection's (DEP) major responsibilities are for the operation and maintenance of the City's water supply and wastewater collection system; enforcement of air, noise and water use regulations; the conveyance and treatment of storm water and sanitary flow; management of environmental issues and natural resource protection; and construction and reconstruction of the City's water-related infrastructure.

New York City's water supply is controlled by a network of 19 upstate storage reservoirs, three controlled lakes, three aqueducts, two downstate balancing reservoirs, two City water tunnels (Water Tunnel Number Three is under construction), the world's largest storage tanks and 5,773 miles of water mains which deliver 1.3 billion gallons of water a day to 9 million residents in six upstate counties and the five boroughs of New York City. Wastewater is collected through some 6,320 miles of sewer pipes throughout the five boroughs. The DEP maintains 90,000 catch and seepage basins to prevent flooding and sewer backups. The Department also operates 14 sewage treatment plants, 80 pumping stations, and treats approximately 1.7 billion gallons of sewage a day.

DEPARTMENT OF ENVIRONMENTAL PROTECTION
Appropriations vs. Actual & Planned Commitments



The DEP is funded (with the exception of air and noise functions) by two separate and independent entities, the New York City Municipal Water Finance Authority (Water Authority) and the New York City Water Board (Water Board), which were established in 1985. The Water Authority was created to issue debt to finance the cost of capital improvements to the water and sewer system. The Water Board was created to lease the water and sewer systems from the City and to establish and collect fees, rates, rents and other service charges for services furnished by the system to produce cash sufficient to pay debt service on the Water Authority's bonds and to place the Water and Sewer System on a self-sustaining basis.

Fiscal 2009 Preliminary Capital Budget Report

Current Budget Summary

The January 2008 Capital Commitment Plan includes \$11.53 billion in Fiscals 2008-2011 for the Department of Environmental Protection. This represents 22.0 percent of the City's total \$52.5 billion January Plan for Fiscals 2008-2011. The agency's January Commitment Plan for Fiscals 2008-2011 is less than 1 percent greater than the \$11.5 billion in the September Commitment Plan, an increase of \$23.6 million.

Over the past five years DEP has committed an average of 83.1 percent of its annual capital plan. Therefore, it is assumed that a portion of the agency's Fiscal 2008 capital plan will be rolled into Fiscal 2009 thus increasing the size of the Fiscal 2009-2012 capital plan. Since adoption last June, the Capital Commitment Plan for Fiscal 2008 has risen from \$3.75 billion to \$3.77 billion, an increase of \$20 million or less than one percent.

Currently DEP's appropriations total \$7.56 billion in city-funds for Fiscal 2008. These appropriations are to be used to finance the DEP's \$3.06 billion city-funded Fiscal 2008 capital commitment program. The agency has over 147 percent more funding than it needs to meet its entire capital commitment program for the current fiscal year.

Fiscal 2009 Preliminary Capital Budget Report

The Department of Environmental Protection's capital commitments for the last five years are shown below:

FIVE YEAR HISTORY – CAPITAL BUDGET (\$ in millions)					
	FY03	FY04	FY05	FY06	FY07
CITY	1,373	1,614	2,337	1,664	3,699
NON-CITY	7	59	1	40	33
TOTAL	1,380	1,673	2,338	1,704	3,732

The Adopted Four-Year Capital Plan is shown below:

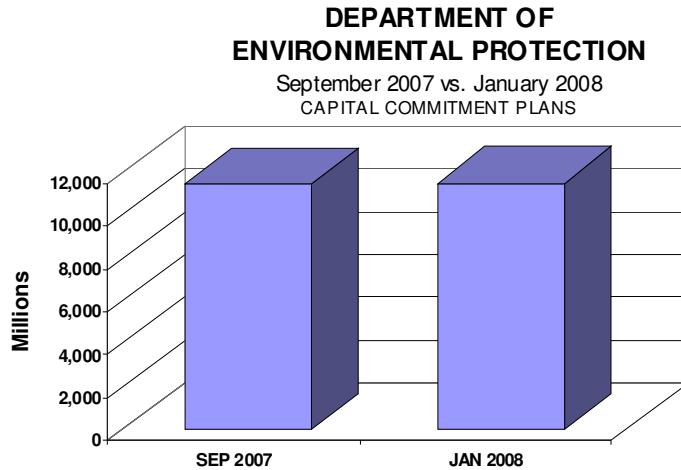
ADOPTED CAPITAL BUDGET – SEPTEMBER 2007 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	3,532.4	3,106.0	2,141.5	2,500.7	11,280.5
NON-CITY	219.0	3.0	0	0	222.0
TOTAL	3,751.4	2,109.0	2,141.5	2,500.7	11,502.5

The Preliminary Four-Year Capital Plan is shown below:

PRELIMINARY CAPITAL PLAN – JANUARY 2008 (\$ in millions)					
	FY08	FY09	FY10	FY11	FY's 08-11
CITY	3,565.1	3,153.7	2,095.2	2,500.7	11,314.5
NON-CITY	208.6	3.0	0	0	211.6
TOTAL	3,773.7	3,156.7	2,095.2	2,500.7	11,526.1

PRELIMINARY BUDGET ISSUES:

- The Department of Environmental Protection's January Capital Plan for Fiscals 2008 – 2011 is only \$24 million greater than the Adopted Capital Plan from September. This small change is the result of a large increase in the four-year plan for water mains and nearly equal decreases in all the other areas of DEP's capital plan. Last year at this time DEP's four-year plan was increased by over \$4.67 billion or 60 percent from the previously adopted budget. As a result of this large increase, much of the budgetary changes in the current plan had net-zero effects. The changes to DEP's Fiscal 2008-2011 plan include an increase in the Water Mains capital plan of \$1.16 billion and decreases in the plans for Water Pollution Control (\$671.6 million), Water Supply (\$243.6 million), Sewers (\$162 million), and DEP Equipment (\$50.3 million).



- **Water Mains:** DEP's Fiscal 2008-2011 capital plan increased by over 31 percent since the Adopted Capital Plan for Fiscal 2008 was released last year. The majority of this increase in the four-year plan is attributed to three large projects.
 - *Cat/Del UV Light Treatment Facility:* The cost of construction for the Cat/Del UV Light Treatment Facility increased by \$385.3 million to \$1.49 billion, this is a nearly 35 percent increase since September. The increase is the result of higher than anticipated bids on the project.
 - *Schoharie Reservoir / Gilboa Dam Intake/Outlet Chamber:* The cost estimate for this project in September was \$355.6 million. In the January plan these cost estimates have increased by \$295.4 million, or over 83 percent.
 - *Catskill Aqueduct Bypass Chamber:* This project was added to the January Plan for work needed in conjunction with the Cat/Del UV project. This project includes \$51.6 million in new capital funding.
- **Water Pollution Control:** DEP's Fiscal 2008-2011 capital plan for Water Pollution Control decreased by nearly 14 percent the decrease in the four-year plan is offset by a seven percent increase in the 10-Year Plan.

Fiscal 2009 Preliminary Capital Budget Report

- **Water Supply:** DEP's Fiscal 2008-2011 capital plan for Water Supply projects decreased by over 33 percent since Adoption. Much of this reduction is the result of funds being pushed out to the out-years of the ten-year plan. These reductions include \$89 million originally planned for Fiscal 2011 for the dependability study for water supply and demand reductions. These funds have been pushed out of the Four-Year Plan. This project was initiated in order to determine how to ensure that a sufficient supply of drinking water will continue to be delivered to New York City residents in the event that the aqueducts need to be shut down for maintenance or inspection. At some point in the future the infrastructure carrying water from the Catskill and Delaware watersheds will need to be shut down for inspection cutting off a large percentage of city drinking water for a period of time. The study is intended to develop a plan that will enable DEP to take critical water system components out of service, one at a time, for inspection and repair while still meeting demand. Other large projects pushed out of the Four-Year Plan include \$19.8 million from the aquifer source recovery project in Fiscal 2011, \$36.1 million from Fiscal 2009 for the Hillview monitoring building part of the construction of Water Tunnel 3, \$39 million from Fiscal 2011 for the Hillview chlorination building, \$102.1 million in Fiscal 2010 for Shaft 17B, Shaft 18B and valve chamber and \$44.5 million in Fiscal 2009 for the restoration of Shaft 3 in the 3rd Water Tunnel.
- **Sewers:** DEP's Fiscal 2008-2011 capital plan for Sewer project decreased by over 14 percent since Adoption. This reduction includes the deferral of \$14.4 million for water main work in the Jewel Streets area of Queens until Fiscal 2013. The adjustment reflects the revised timeline for the project. Increases in the 2008-2011 plan for Sewers include \$23.8 million additional funds (a 51 percent increase) for sewers in the Coney Island area of Brooklyn and \$15.9 million additional funding for storm sewers on Hook Creek Boulevard in Queens. These increases reflect the need to address chronic flooding in the areas.
- **DEP Equipment:** The January Plan includes \$50.3 million less in Fiscals 2008-2011 for DEP equipment. The majority of this reduction is the result of four projects being pushed out of the plan into the out-years, including: \$48.4 million in Fiscal 2011 for the construction of the Consolidated Water Stalinization and Water Treatment Facility, \$30 million in Fiscal 2010 to provide permanent space for the Sewer Maintenance Unit at the Jerome Ave Yard, \$28 million in Fiscal 2009 for the plumbing retrofit program and \$23 million in Fiscals 2009 and 2010 for the water meter replacement program. A year ago \$201 million was added to DEP's Plan for the purchase of automatic meter readers. The agency's Preliminary Capital Plan includes an additional \$40 million in Fiscal 2010 for acquiring automatic meter readers. These funds will be used for the acquisition and implementation of a new program to implement wireless technologies to improve accuracy in meter reading and enhance customer service. The increase is attributable to the fact that the plan now includes for changing 400,000 meters as opposed to the original 100,000 plan. The system is expected to be operational by Fiscal 2011. Other increases in the DEP Equipment budget include \$10 million more for water meter replacement. This 15

Fiscal 2009 Preliminary Capital Budget Report

percent increase in commitments was necessary to cover the cost increase in the cost of meters.