

Testimony of Emily Lloyd
Commissioner

New York City Department of Environmental Protection
At a hearing of the New York City Council
Committee on Finance

Re: Intro. 656 - A Local Law to amend the administrative code of the city of
New York, in relation to the sale of tax liens

Monday, December 17, 2007

Good morning Chairman Weprin and members of the Committee. I am Emily Lloyd, Commissioner of the New York City Department of Environmental Protection (DEP). Here with me today are Sam Miller, Assistant Commissioner of Communications and Government Affairs and Margaret Donadio, Tax Lien Ombudsperson from the Department of Finance, who will be available to answer any questions you may have. Thank you for the opportunity to testify today on this important legislation, which authorizes the sale of tax liens and stand-alone water and sewer liens.

Your consideration of this legislation – and our agreement to terms in the Memorandum of Understanding (MOU) – enables us to take an important step forward in our program to transform the customer service, billing, and collection operations of DEP, New York City's water utility. I want to recognize the leadership of Mayor Bloomberg and Speaker Quinn, in reaching an agreement that will allow us to increase dramatically future collection rates and collect outstanding revenue, while protecting the City's most vulnerable accountholders – seniors, the disabled and low-income homeowners. I also want to thank Chairman Weprin and Chairman Gennaro for the role you have played in bringing the concerns of New Yorkers to the fore.

In a minute, I will describe some of the provisions of Intro. 656, and how we will apply our authority under that bill, but first, I would like to address the proposed mid-year rate increase. You will remember that earlier this fall, a projected revenue shortfall of approximately \$200 million, and the absence of strong enforcement tools, required the Water Board to consider a mid-year rate increase of 18%. The Water Board has informed me that approval of Intro. 656 will eliminate the need for the mid-year increase. The revenue generation potential of lien sales, a slightly better revenue forecast, and other

enforcement methods will bring in the revenue necessary to maintain our drinking water and waste water systems, which are among the best in the world.

The proposed legislation authorizes lien sales for the collection of overdue taxes and water bills, including for the first time, the authority to initiate lien sales to collect water and sewer fees from residential properties that do not also owe back taxes. However, the legislation creates important new restrictions on the City's authority to sell tax liens - restrictions that grew out of the Administration's and the Council's joint recognition that preserving home ownership is an essential goal. For liens based on property taxes, the legislation excludes from the lien sale all Tax Class I properties owned by senior citizen, disabled and low-income homeowners who meet the criteria for the Senior Citizens' Homeowner's Exemption (SCHE), the Disabled Homeowner's Exemption (DHE) or the New York State Personal Income Tax (PIT) circuit breaker credit. For liens based on water and sewer charges, the legislation excludes all single family properties in Tax Class I, as well other Tax Class I properties that are receiving SCHE or DHE exemptions or the PIT circuit breaker credit. Where necessary, DEP will use service shut-offs to collect from single-family properties.

The legislation also includes a longer notification period, extended from 60 to 90 days. That extra month will allow property owners who are eligible for the lien sale additional time to obtain information, talk to DEP or the Department of Finance (Finance), or make financial arrangements that might allow the property to be withdrawn from the lien sale.

The legislation provides that DEP will create an Ombuds Unit, beginning January 1, 2008. The unit will be responsible for providing special assistance to all account holders facing lien sale and undergoing the lien sale process. The Ombuds Unit will also hear dispute cases as part of DEP's expanded dispute resolution process.

In addition, the Ombuds Unit will oversee the work of the Safety Net Referral Program, which will use the existing network of City agency and not-for-profit programs, including the Home Energy Assistance Program (HEAP); the Senior Citizen Homeowners' Exemption (SCHE), the Weatherization Assistance Program, and HPD's newly launched Center for New York City Neighborhoods, which provides extensive financial counseling and legal services to homeowners affected by the national

mortgage and predatory lending crisis. A brochure providing all of this information is available through multiple channels and will be updated as new programs are identified.

Modeled on the outreach events that it is currently conducting, and on the successful Department of Finance lien sale outreach program, DEP will conduct extensive outreach during the 90-day lien sale notification period. With special emphasis on collaborating with Council Members in informing their constituents, this outreach can include informational town hall meetings, live account help and payment opportunities (including payment agreements), and on-site representatives of safety net referral programs. DEP will coordinate its outreach efforts with Finance, and where appropriate, seek to co-host these events with Finance and with Council Members.

The Administration and the Council have also agreed in the MOU to create a broadened Payment Incentive Program (PIP), the implementation of Automated Meter Reading (AMR), as well as a new Customer Information System (CIS). DEP will extend both the scope and terms of its PIP, which is currently being offered prior to service termination to approximately 8,200 single family homeowners with overdue accounts (accounts must be more than a year and more than \$1,000 overdue). In conjunction with the passage of the legislation, DEP will make this program available on a one-time basis to all classes of residential account holders. The expanded program will be modeled on the current offer, but it will apply to properties subject to lien sale as well as to residential properties subject to service termination. Under the terms of the program, all late charges are eliminated. Utility charges are capped at \$2 per day per dwelling unit.

As the program is structured now, customers who accept the PIP offer must pay their remaining balance in full. In conjunction with this legislation, DEP will allow PIP-eligible customers with a substantial remaining balance after cancellation of late charges to enter into a payment agreement to settle that remaining balance. Under the terms of the payment agreement, PIP customers must put 10% down and they will have up to five years to pay.

Moreover, payment agreements will continue to be available to all customers, including customers who decided not to accept the PIP one-time offer. We recently modified the terms of the payment agreement to track those of the Department of Finance: 10% down and up to five years to pay.

Further, the Administration has agreed with the Council that DEP will not seek to collect on adjusted estimated bills older than two years from customers who keep current on their bills. This cuts in half the current back-billing period of four years.

Over the past 18 months, DEP has made significant progress in transforming its Bureau of Customer Services. The rigorous analysis and recommendations of the consultant, Booz Allen Hamilton, has guided much of this work, along with valuable insight and comments by the City Council and members of the public who testified last December and in October of this year. Highlights of our work in the last year have included: reducing customer wait time, launching a user-friendly dispute form, establishing a feeless, online payment option and opening new, walk-in locations for cash payment. In addition, we improved the accuracy of our customer addresses in two ways: we matched them with other City databases; and we focused on return mail to raise our percentage of CASS-certified addresses, which verifies addresses against the USPS National Database.

Our plans for the future – many of which are noted in our Memorandum of Understanding (MOU) with the Council – will result in even more direct benefit to our customers. Introduction of Automated Meter Reading (AMR) and a new Customer Information System (CIS) for billing will be the foundation of this work.

Regarding AMR, after a successful field testing period in summer 2007, we will begin installation of roof top receivers and account-based transmitters for the Citywide Automated Meter Reading system in spring 2008. Installation throughout the City is scheduled for substantial completion by December 2010.

Ultimately, DEP will switch to monthly billing; however, we do not want to wait until our new systems are fully installed to improve on the clarity and amount of information provided on our water and sewer bill. Consequently, the agency will introduce a new interim water and sewer bill in June 2008. Installation of a new customer information system (CIS) is expected by June 2010. Introducing monthly billing and making additional improvements to the water and sewer bill are dependent on installation of the new CIS system and the AMR system, which provides the actual water usage data. Based on the installation schedule for both these systems, it is expected that a monthly bill will debut in spring 2011.

To keep the Council and our accountholders apprised of our progress, beginning July 1, 2008, DEP will provide quarterly reports to the Council detailing a wide range of performance factors, including the number of properties noticed for service termination and corresponding payment, delinquency data, spike notifications, dunning notices, call center traffic, and dispute resolution. Revenue data will be provided on a monthly basis. DEP will also work with the Department of Finance to coordinate inclusion of water and sewer liens on the lien sale servicer and financial advisor reports.

Thank you again for your collegial approach to improving DEP's customer service, billing, and collections operations. I will be pleased to answer any questions you have.



Council of New York Cooperatives & Condominiums
INFORMATION, EDUCATION AND ADVOCACY

250 West 57 Street • Suite 730 • New York, NY 10107-0700

TESTIMONY IN SUPPORT OF INTRO 656
BEFORE THE FINANCE COMMITTEE

Presented by Mary Ann Rothman

Tuesday, December 18, 2007

Good afternoon Chairman Weprin and members of the Finance. My name is MaryAnn Rothman, and I am the Executive Director of the Council of New York Cooperatives & Condominiums (CNYC), a membership organization comprised of housing cooperatives and condominiums located throughout the five boroughs of New York City that are the homes of more than 170,000 New York families. I participated in the hearing you held several weeks ago when we faced the daunting prospect of a huge water rate increase in January on top of the very substantial increase last July.

I applaud the City Council for responding promptly to this crisis by drafting Intro 656 to help address the looming deficit in water revenues. It is a good step forward toward administering the system more fairly. I have attended hearings of the Water Board for many years to speak out for the interests of home owners in the cooperatives and condominiums of New York City. We pay our bills on time; we conserve water and report drips. I have testified more than once, before this body and before the Water Board about the urgent need to go after scoff-laws, rather than endlessly increasing rates. For far too long, the good citizens who follow the rules and pay their bills timely have had to shoulder the extra burden left by those who refuse to pay.

The program outlined in Intro 656 seeks to deal fairly with all parties. It provides for notices and gives consideration for individuals with hardship conditions. If successful in bringing more non-payers into compliance, perhaps Intro 656 will be a first step toward more reasonable water rates in the future. This will help keep housing costs in this city more affordable.

CNYC offers its strong support for Intro 656 and urges its swift passage and equally swift implementation.