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Hearing on the Fiscal 2013 Executive Budget

Department of Environmental Protection

May 14, 2012

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Department of Environmental Protection Fiscal 2013 Budget Overview

The Department of Environmental Protection (DEP or the Department) protects the environmental health, welfare, and natural resources of the City and its residents. The Department manages the City's water and wastewater system (the System), including 19 reservoirs and three controlled lakes, which provides more than one billion gallons of quality drinking water daily to more than eight million New York City residents and one million in nearby counties. The wastewater system includes fourteen in-City wastewater treatment plants and treats 1.3 billion gallons of wastewater daily. DEP also implements federal Clean Water Act rules and regulations, handles hazardous materials emergencies and toxic site remediation, oversees asbestos monitoring and removal, enforces the City's air and noise codes, bills and collects on approximately 836,000 water and sewer accounts, and manages citywide water conservation programs.

This report provides a review of the Department of Environmental Protection's Executive Budget for Fiscal 2013. A Financial Summary chart precedes highlights of the Executive Expense Budget actions including significant new needs or adjustments. A complete chart of Executive Budget actions follows. The Capital Program section begins with a summary of the Executive Capital Budget. The first chart compares the Executive Capital Commitment Plan with the Preliminary Capital Commitment Plan for Fiscal 2012 – 2016. The following chart shows the Executive Capital Commitment Plan broken down by capital program area. The Executive Capital Budget highlights include status updates on major projects and a discussion of major proposed changes.

Department of Environmental Protection Financial Summary

Dollars in Thousands

	2011 Actual	2012 Adopted	2012 Exec. Plan	2013 Exec. Plan	*Difference 2012-2013
Spending					
Personal Services	\$473,529	\$455,194	\$461,889	\$458,390	\$3,196
Other Than Personal Services	548,048	586,872	586,268	675,495	88,623
TOTAL	\$1,021,577	\$1,042,066	\$1,048,156	\$1,133,885	\$91,819
Budget by Program Area					
Agency Administration & Support	\$76,388	\$81,224	\$83,633	\$87,509	\$6,284
Customer Services & Water Board Support	45,426	48,137	50,427	48,743	606
Engineering Design & Construction	32,570	37,009	37,096	35,723	(1,286)
Environmental Control Board	190	10	0	0	(10)
Environmental Management	15,582	15,578	15,910	15,904	326
Miscellaneous	8,309	2,912	27,195	2,884	(28)
Upstate Water Supply	249,486	277,830	269,692	297,897	20,067
Wastewater Treatment Operations	407,305	387,542	378,348	460,900	73,358
Water & Sewer Maintenance & Operations	186,322	191,824	185,856	184,326	(7,498)
TOTAL	\$1,021,577	\$1,042,066	\$1,048,156	\$1,133,885	\$91,819
Funding					
City Funds	N/A	\$976,738	\$958,633	\$1,065,725	\$88,987
Capital- IFA	N/A	64,010	64,010	66,833	2,823
State	N/A	0	393	0	0
Federal - Other	N/A	123	23,519	123	0
Intra City	N/A	1,195	1,601	1,204	8
TOTAL	N/A	\$1,042,066	\$1,048,156	\$1,133,885	\$91,819
Positions					
Full-Time Positions - Civilian	5,653	5,942	5,983	6,010	68
TOTAL	5,653	5,942	5,983	6,010	68

**The difference of Fiscal 2012 Adopted compared to Fiscal 2013 February Plan funding.*

The Department's Fiscal 2013 Executive Budget of \$1.1 billion is \$91.8 million more than its Fiscal 2012 Adopted Budget of \$1 billion. The increase is largely located in the Other Than Personal Services (OTPS) budget of \$88.6 million. Due to a miscalculation that the Department discovered, and is highlighted below, the OTPS budget is artificially overstated by approximately \$33 million. Once accounted for, the \$1.1 billion Fiscal 2013 budget is \$58.8 million more than its Fiscal 2012 Adopted Budget of \$1 billion, a change of 5.8 percent.

The Fiscal 2012 Adopted Budget anticipated a Fiscal 2013 budget of \$1 billion. The budget actions since Fiscal 2012 Adoption that have increased the Fiscal 2013 Budget include Programs to Eliminate the Gap (PEGs) totaling \$277,000 in savings, New Needs of \$67.3 million, and Other Adjustments of \$46.9 million.

Fiscal 2013 Executive Budget Actions

- ☑ **Agency Administration and Support.** An increase of \$6.3 million for Agency Administration and Support is largely attributed to contractual services including \$2.7 million for software licenses, \$1.1 million for security at the Department's central offices, and \$1.1 million for a greenhouse gas study.
- ☑ **Upstate Water Supply.** An increase of \$20.1 million in Upstate Water Supply includes \$9.6 million in upstate taxes, \$2 million for the Jamaica Bay Environmental Benefit Fund (the third of five payments), and \$1.6 million in upstate fines relating to water quality after Hurricane Irene.

The increase also includes \$10 million in Fiscal 2013 for a Toilet Replacement Program. This program is a component of a citywide conservation effort being undertaken by the Department to prepare for when the Delaware Aqueduct is offline while a bypass tunnel is connected to fix a critical leak. There is a corresponding decrease in the Executive Capital Plan; DEP is working to determine if the program is capitably eligible. The program costs would be spread over six years.

Also included is a \$2.6 million for 43 additional full-time civilian positions including 11 Ultraviolet (UV) Disinfection Facility personnel, 15 UV Disinfection Facility police and security, and 15 Croton Water Filtration Plant police and security. The staffing increase will bring the UV Disinfection Facility to full staffing levels.

This is partially offset by \$6 million that was rolled from the Fiscal 2011 budget to the Fiscal 2012 budget mostly comprised of upstate taxes.

- ☑ **Wastewater Treatment Operations.** An increase of \$73.4 million in Wastewater Treatment Operations includes a new need of \$66.7 million for heat, light, and power. A miscalculation was made and DEP estimates that the figure was overstated by about \$33 million. The mistake will be corrected at Adoption. A transfer of \$25.7 million from Water and Sewer Maintenance and Operations partially offsets the increase. The new allocation more accurately reflects the usage realities.

The increase also includes \$4 million for service contracts and \$1.5 million for capital charges.

The increase was partially offset by \$4 million in savings from eliminating 16 vacant full-time civilian positions.

- ☑ **Water and Sewer Maintenance and Operations.** Despite showing a budget reduced by \$7.5 million, Water and Sewer Maintenance and Operations gained 44 additional full-time civilian positions, at an additional cost of \$2.3 million, which include 18 Croton Water Filtration Plant personnel; 19 positions for shaft maintenance and a new program, Capacity Management, Operations & Maintenance (CMOM); and 2 positions for the Office of Green Infrastructure. CMOM is a new proactive program to keep sewers clean and free of debris to help reduce combined sewer overflows. The decrease reflects the \$25.7 million transfer for heat, light and power explained above. The savings were partially offset by \$15 million new need for chemicals for the Croton Water Filtration Plant and other water treatment; Superfund work related to Newtown Creek investigation and operations service contracts.

Budget Actions in the Executive Plan

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
DEP Budget as of February 2012 Plan	\$976,630	\$88,170	\$1,064,800	\$954,305	\$65,328	\$1,019,633
Program to Eliminate the Gap (PEGs)						
N/A	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL, PEGs	\$0	\$0	\$0	\$0	\$0	\$0
New Needs						
BCS - IBM Consultants	\$0	\$0	\$0	\$3,771	\$0	\$3,771
BCS - Upstate Prop. Taxes	0	0	0	9,569	0	9,569
BWS - Wawarsing Payment MOA	0	0	0	2,700	0	2,700
BWSO - Backhoe Contract	0	0	0	1,700	0	1,700
BWSO CMOM Program	0	0	0	5,117	0	5,117
Catskill/Delaware UV Facility	0	0	0	604	0	604
Croton Filtration Plant	0	0	0	6,883	0	6,883
Croton Forestry Memorandum of Understanding	425	0	425	1,411	0	1,411
DEP - Chemicals	0	0	0	6,027	0	6,027
DOITT Intra-City Misc.	0	0	0	4,977	0	4,977
Expense for Capitally Ineligible Costs	0	0	0	3,000	0	3,000
FAD Programs	0	0	0	824	0	824
Green Infrastructure	0	0	0	1,944	0	1,944
Jamaica Bay	0	0	0	2,000	0	2,000
MOU with Dept. of Investigation	0	0	0	1,125	0	1,125
NYCWiN Payments	846	0	846	834	0	834
Superfund Investigation	0	0	0	3,183	0	3,183
Toilet Replacement Program	0	0	0	10,000	0	10,000
Upstate Fines	0	0	0	1,600	0	1,600
TOTAL, New Needs	\$1,271	\$0	\$1,271	\$67,267	\$0	\$67,267
Other Adjustments						
Misc. Rollovers (Law, Exec., & Utility)	(\$6,145)	\$0	(\$6,145)	\$6,145	\$0	\$6,145
Misc. Adjustments	3	328	332	63	0	63
Fuel and Gasoline	(3,139)	0	(3,139)	177	0	177
Homeland Security Grant	0	702	702	0	0	0
Heat, Light, Power	(9,987)	0	(9,987)	41,049	0	41,049
NYSERDA Grant	0	323	323	0	0	0
Lease Budget Reductions & Adjustment	0	0	0	(457)	8	(449)
TOTAL, Other Adjustments	(\$19,268)	\$1,353	(\$17,915)	\$46,977	\$8	\$46,985
TOTAL, All Changes	(\$17,997)	\$1,353	(\$16,644)	\$114,244	\$8	\$114,252
DEP Budget as of May 2012 Plan	\$958,633	\$89,523	\$1,048,156	\$1,068,549	\$65,336	\$1,133,885

Capital Budget Summary

The May 2012 Capital Commitment Plan includes \$8.7 billion in Fiscal 2012-2016 for the Department of Environmental Protection (including City and Non-City funds). This represents 22.3 percent of the City's total \$39.5 billion Executive Plan for Fiscal 2012-2016. The agency's Executive Commitment Plan for Fiscal 2012-2016 is 2.2 percent less than the \$8.9 billion scheduled in the Preliminary Commitment Plan, a decrease of \$198.7 million.

The majority of capital projects span multiple fiscal years and it is common practice for an agency to roll unspent capital funds from the current fiscal year into future fiscal years. In Fiscal Year 2011 the Department of Environmental Protection committed \$1.25 billion or 53.68 percent of its annual capital plan. Therefore, it is assumed that a significant portion of the agency's Fiscal 2012 Capital Plan will be rolled into Fiscal 2013, thus increasing the size of the Fiscal 2013-2016 Capital Plan. Since the Preliminary Budget was released in February the City-wide Capital Commitment Plan for Fiscal 2013 has increased from \$8.69 billion to \$10.82 billion, an increase of \$2.13 billion or 24.6 percent.

DEP 2012-2016 Commitment Plan: Preliminary Budget and Executive Budget

Dollars in Thousands

	FY12	FY13	FY14	FY15	FY16	Total
Prelim						
Total Capital Plan	\$2,771,663	\$2,026,346	\$1,631,622	\$1,351,403	\$1,166,837	\$8,947,871
Exec						
Total Capital Plan	\$2,120,742	\$2,511,976	\$1,632,057	\$1,351,839	\$1,132,553	\$8,749,167
Change						
Level	(\$650,921)	\$485,630	\$435	\$436	(\$34,284)	(\$198,704)
Percentage	-23.48%	23.97%	0.03%	0.03%	-2.94%	-2.22%

DEP 2012-2016 Commitment Plan: Executive Budget by Capital Program Area

Dollars in thousands

	FY12	FY13	FY14	FY15	FY16	Total FY12 – FY16
Equipment (EP)	\$72,943	\$144,278	\$90,636	\$103,458	\$112,739	\$524,054
Sewers (SE)	413,873	404,285	265,767	198,964	127,690	\$1,410,579
Water Mains, Sources and Treatment (WM)	708,188	957,748	448,635	119,904	417,351	\$2,651,826
Water Pollution Control (WP)	780,039	565,230	633,126	570,654	434,662	\$2,983,711
Water Supply (W)	145,699	440,435	193,893	358,859	40,111	\$1,178,997
TOTAL	\$2,120,742	\$2,511,976	\$1,632,057	\$1,351,839	\$1,132,553	\$8,749,167

Major Capital Projects & Executive Budget Highlights

- **Delaware Aqueduct.** Due to a leaking portion of the Delaware Aqueduct, also known as Rondout-West Branch Tunnel (RWBT), a new 3-mile tunnel will be built to bypass the leak. Funding for this project is estimated at \$2.1 billion. During construction, when the bypass is being connected, the entire Delaware Aqueduct will need to be shut down from the City's water supply for an extended period of time. Currently the aqueduct carries approximately half of New York City's (NYC) drinking water to more than eight million people daily—approximately 500 million gallons per day. It is capable of transferring 900 million gallons of water a day.

Currently DEP is seeking approvals from local towns, and taking borings to help plan the tunnel construction. The Executive Capital Plan contains approximately \$281 million for work in Fiscal 2013.

There are other costs of about \$921 million associated with this project as the Department takes action to ensure that there will not be service impacts. However, since the Preliminary Budget a toilet replacement conservation program has been moved from the capital budget to the expense budget due to concerns about capital eligibility. This decreased the Executive Capital Plan by \$75 million from Fiscal 2012 through Fiscal 2016.

As the schedules are refined, some projects to ensure future capacity are being moved to the outyears. Due to the fluidity of the schedule \$111.1 million of work on the tunnel and related projects has been moved out of the Executive Capital Plan beyond Fiscal 2016. It is anticipated that the schedule will begin to solidify by the next January Capital Plan.

- **Croton Water Filtration Plant.** Construction is progressing on this roughly \$3 billion, multi-phase project with plans to start pumping water through the plant on a test-basis in early summer. Completion of construction is anticipated for March 2013 and connection to the drinking water system is expected in late 2013. A number of change orders in the home stretch of this project raise its Fiscal 2012 through 2016 budget by \$64.5 million.
- **Newtown Creek Wastewater Treatment Plant.** In February 2012 the south battery tanks became operational as part of its secondary treatment upgrade. The completion of the battery increases the Plant's capability to treat wastewater during wet-weather storms, reducing CSOs into Newtown Creek. Of the \$5 billion project currently about \$550 million of work is currently underway in open contracts. However, the Executive Capital Plan includes a reduction of \$46.5 million in Fiscal 2012 and 2013 as some planned work was determined to be unnecessary. Completion of the project is anticipated in 2014.
- **Ultraviolet (UV) Disinfection Facility.** Once completed, this approximately \$1.6 billion facility will be able to treat 2.4 billion gallons of water a day from the Catskill and Delaware water supplies. The project helps support the FAD agreement with U.S. Environmental Protection Agency. The agreement includes various watershed protection and water treatment commitments that make building a \$10 billion filtration plant unnecessary. Testing of the UV facility should begin in July 2012 with completion of the project tentatively planned for the end of summer. In Fiscal 2013 through Fiscal 2016, \$36 million is allocated towards this critical project.

- **New York City Water Tunnel No. 3.** This critical \$6 billion project has been under construction since 1970, with phase two, or the Manhattan section, to be completed 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 1976 respectively.

The Executive Capital Plan includes what appears to be a \$135.7 million decrease to the project, but in fact reflects removing private funding from the budget from such entities as in-ground utilities. There is a \$100 million reduction due to funding moved to the outyears and projects being smaller than expected. The plan also shows an increase of \$15 million in Fiscal 2013 for extending security contracts for the Brooklyn and Queens portion of the tunnel where work has been delayed.

- **Adaptive Management Strategy for Green Infrastructure.** The Department continues to prioritize its Green Infrastructure Program (GIP) which incorporates different techniques to handle CSOs without building massive tanks and tunnels (grey infrastructure) that the City had previously relied on. Negotiations are ongoing with the NYS DEC for flexibility on a consent order regarding CSO remediation to allow GIP investments to be counted as towards that effort.

Through Fiscal 2016, \$187 million is allocated towards various GIP projects on public property. Some examples of projects underway now are the right-of-way bioswales, porous pavement and rooftop detention such as green and blue roofs. DEP funds green infrastructure projects on private property through the GI Grant Program and is currently working on a rain barrel program to encourage homeowners to manage stormwater from their roofs.

The GIP reflects the City's goal to improve water quality outlined in PlaNYC 2030 by reducing CSOs into waterways by 40% by 2030, and many of the pilot programs already under way in Jamaica Bay are in accordance with Local Law 71 of 2005 (as amended in 2006). Additionally, Local Law 5 of 2008 required the Administration to develop and implement a sustainable storm water management plan with the goal of reducing the approximately 27 billion gallons of untreated sewage and storm water that is discharged into the City's waters in a typical year.

- **Jamaica Bay Watershed Protection Plan and Nitrogen Removal.** First issued in 2007, the Jamaica Bay Watershed Protection Plan focuses on water quality improvements, ecological restoration and enhancing valuable natural resources. The plan was undertaken in accordance with Local Law 71, which requires DEP to assess the technical, legal, environmental and economic feasibility of protection measures for Jamaica Bay and produce a report every three years. An Updated plan was issued in October 2010 that includes wastewater treatment plant upgrades, oyster and eelgrass pilot restoration projects, a wetlands restoration at Paerdegat Basin, green infrastructure projects such as streetside swales and enhanced tree pits, and wetlands mapping. These pilot programs are already under way and are funded under GIP as outlined above. The Executive Capital plan includes \$29.2 million of increases through Fiscal 2016 for the 26th Ward primary settling tanks, which is part of the Jamaica Bay CSO Order.

In February 2012 construction was completed on a \$2 million carbon addition facility at the 26th Ward Wastewater Treatment Plant that decreases the amount of nitrogen released into Jamaica Bay by 3,000 pounds per day. Nitrogen in high concentrations negatively impacts water ecology, and Jamaica bay is home to many different habitats and ecosystems. This upgrade is part of a \$115 million commitment announced in 2010 to reduce nitrogen discharges by half (approximately 20,000 pounds per day) in ten years.

Contract Budget

<i>Dollars in Thousands</i>	Number	Budgeted	Pct. of DEP Total	Pct. of City Total
Contractual Services General	32	\$61,298	52.0%	16.1%
Telecommunications Maintenance	8	2,144	1.8%	3.6%
Maint & Repair of Motor Vehicle Equipment	25	1,137	1.0%	8.1%
Maint & Repair, General	139	24,848	21.1%	14.7%
Office Equipment Maintenance	13	533	0.5%	3.7%
Data Processing Equipment	14	8,179	6.9%	5.0%
Printing Contracts	9	436	0.4%	1.4%
Community Consultant Contracts	2	98	0.1%	0.6%
Security Services	3	9,760	8.3%	10.8%
Temporary Services	6	19	0.0%	0.1%
Cleaning Services	18	674	0.6%	3.3%
Economic Development	1	1	0.0%	0.0%
Training Programs for City Employees	41	1,145	1.0%	8.1%
Maintenance & Operation of Infrastructure	39	1,730	1.5%	1.2%
Professional Services: Engineer & Architect	1	2	0.0%	0.0%
Professional Services: Computer Services	5	855	0.7%	0.8%
Professional Services: Other	16	4,952	4.2%	2.9%
Preliminary Budget	372	\$117,812	100.0%	0.0%

Appendix 1: Budget Actions in the November & February Plans

<i>Dollars in Thousands</i>	FY 2012			FY 2013		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as of June 2011 Plan	\$976,738	\$65,328	\$1,042,066	\$954,578	\$65,328	\$1,019,906
Program to Eliminate the Gap (PEGs)						
Reduction to Energy Program	(\$50)	\$0	(\$50)	(\$150)	\$0	(\$150)
Reduction to Landfill Program	(61)	0	(61)	(127)	0	(127)
TOTAL, PEGs	(\$111)	\$0	(\$111)	(\$277)	\$0	(\$277)
New Needs						
N/A						
TOTAL, New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Other Adjustments						
Biowatch	(\$10)	\$0	(\$10)	\$0	\$0	\$0
Biowatch Yr 5 r	40	0	40	0	0	0
Biowatch Yr 6	2,876	0	2,876	0	0	0
Brownfields	9	0	9	0	0	0
Reduction to Energy Program	4	0	4	4	0	4
Shsg'07 mobile lab instrm	1,161	0	1,161	0	0	0
SHSG'08	478	0	478	0	0	0
SHG'08 Rollover	243	0	243	0	0	0
UASI'07 Plume Dispersion	486	0	486	0	0	0
WSI Grant FY'12 Rollover	5,004	0	5,004	0	0	0
WSI Increase	2	0	2	0	0	0
FFY09 STC - NYC DEP	0	54	54	0	0	0
Hurricane Irene	0	11,932	11,932	0	0	0
LGRMIF grant	0	70	70	0	0	0
PlaNYC: DEP Energy Audits	0	375	375	0	0	0
Rodman Neck Range Lead Remediation	0	30	30	0	0	0
SHSG'08O	0	92	92	0	0	0
TOTAL, Other Adjustments	\$10,292	\$12,553	\$22,845	\$4	\$0	\$4
TOTAL, All Changes	\$10,181	\$12,553	\$22,734	(\$273)	\$0	(\$273)
Agency Budget as of May 2012 Plan	\$976,630	\$88,170	\$1,064,800	\$954,305	\$65,328	\$1,019,633

Appendix 2: Reconciliation of Program Areas to Units of Appropriation

<i>Dollars in Thousands</i>	Personal Services					Other Than Personal Services			Grand Total
	001	002	003	007	008	004	005	006	
Agency Administration & Support	\$31,916	\$0	\$0	\$4,439	\$0	\$0	\$0	\$51,154	\$87,509
Customer Services & Water Board Support	0	0	0	32,575	0	16,168	0	0	48,743
Engineering Design and Construction	0	0	200	35,121	0	402	0	0	35,723
Environmental Control Board	0	0	0	0	0	0	0	0	0
Environmental Management	987	11,914	0	721	0	627	1,656	0	15,904
Miscellaneous	0	1,041	0	0	0	0	1,843	0	2,884
Upstate Water Supply	0	0	68,894	265	0	228,738	0	0	297,897
Wastewater Treatment Operations	0	0	0	0	171,548	286,384	2,969	0	460,900
Water & Sewer Maintenance & Operations	0	0	98,771	0	0	85,555	0	0	184,326
Grand Total	\$32,902	\$12,954	\$167,865	\$73,121	\$171,548	\$617,874	\$6,467	\$51,154	\$1,133,885