



# Croton Watershed Clean Water Coalition



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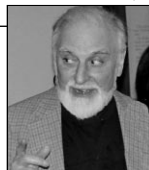
## OVER OUR HEADS IN DEP DEBT ESCALATING WATER AND SEWER RATES AND WHY ATTENTION NEEDS TO BE PAID

By David Ferguson, HDFC Council, CWCWC Vice President

### The Water Board: how water & sewer rates are set

The Water Board, along with the Municipal Finance Authority, was set up by an act of the State legislature in 1984. The Water Board, seven people appointed for two year terms by the Mayor, sets the water and sewer rates and the Municipal Finance Authority floats the bonds that fund capital water projects such as the Croton filtration plant and the third water tunnel. These bonds, amounting to billions of dollars and the interest paid on them are funded by the water and sewer rates. Each year the Water Board calculates the water and sewer rates based on what the New York City Department of Environmental Protection (DEP) has determined it needs.

Creation of the Water Board took funding of the City's water supply system out of the City's operating budget with the hope that it would provide a more transparent accounting of the



The author

cost of supplying the city with water. Having a separate dedicated revenue stream of water and sewer ratepayers allows for a somewhat more favorable rate of interest in the bond market.

One unintended consequence has been to insulate elected representatives from the process by which these costs are determined and to remove the setting of water rates from political accountability. With a few exceptions, City Council members, no longer have to suffer the slings and arrows of a disgruntled electorate. DEP requests, the Water Board complies and the rate-payers pay up. However, the mayor controls both the Water Board and the DEP. After six successive major increases from 1988 to 1993 further threatened what's left of affordable housing, Mayor Dinkins made sure there were no increases for the following two years. In 2003 the City Council actually held hearings to trim the proposed increase to 6.5%.



Illustration by Enrique Dura

## How the chance to cut costs and better serve the public was lost

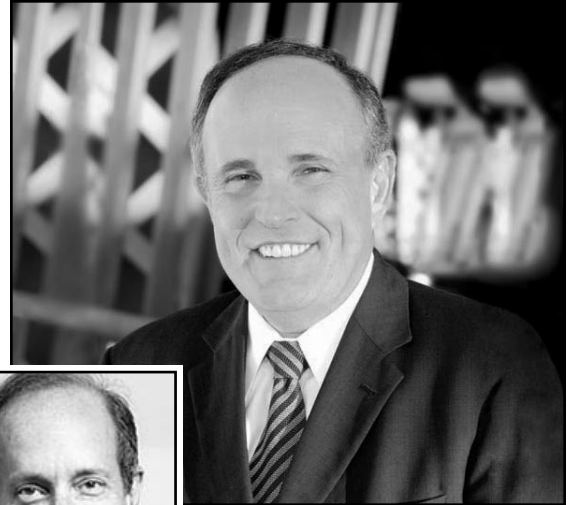
Jim Tripp, chairman of the NYC Water Board and general counsel for the Environmental Defense Fund (EDF), was appointed to the Water Board by Mayor Giuliani. He is also a co-chair of the Highlands Coalition which is working to preserve the environment integrity and absolute beauty of an over three million acre region covering parts of Connecticut, New York, New Jersey and Pennsylvania. At a hearing on the City's water resources held by Assemblyman Richard Brodsky in 1998, Mr. Tripp asked,

"Why should anyone care about the debt service and water and sewer rates in the city? The seven and a half to eight million people who live in the city pay those costs. For some significant fraction of the population of the city, rising costs are an onerous economic burden. And housing advocates - have you had anyone from the housing community who's testified today? Well, you should have invited them. They are often forgotten in this kind of a proceeding, but they are very active before DEP and the New York City Water Board working with environmental groups in terms of looking at this overall capital program. For some low income housing units, escalating water and sewer rates becomes a primary factor as to whether people can continue living in their housing or whether they're going to have to make gross choices between paying for water and sewer on one hand and medical aid and so on the other.

From a global, regional environmental point of view it is desirable, in my view, not to have costs of living and doing business in the urban core of this region go up anymore than is necessary because increasing costs for businesses and people simply are one factor that leads to what we can call super urban and rural sprawl. And let me assure you that, on a per capita basis people in the city of New York produce less pollution than people in suburban or rural areas.

So, when costs go up and people move out of the city into more suburban and rural areas, not only is the landscape affected, but the amount of pollution goes up....

A major outstanding need that hasn't yet been



Mayor Giuliani



James Tripp

addressed has to do with deficient basic plumbing infrastructure in buildings in particularly lower income parts of the city. This is not only a loss to the water supply system, but it leads to a deterioration of housing stock. A very tough problem."

***So, when costs go up and people move out of the city into more suburban and rural areas, not only is the landscape affected, but the amount of pollution goes up....***

It is difficult to square these and other well informed, exceptionally relevant and perceptive remarks with some of Tripp's later actions. He supported Mayor Giuliani's ill advised attempt to "sell" our water system, a deal whereby the Water Board, which rents the system from the City, would be granted title to that system. This "sale" would have taken a billion dollars of water rate payer's money to plug the Mayor's general revenue budget gaps. The "sale" would also have made the City's Water Board a state authority, allowing the governor to appoint people to the City's Water Board.

Tripp supported this deal despite the fact that such raiding of water rate revenues for non-water related purposes is expressly forbidden in the statutes that established the Water Board, as then City Comptroller Hevesi pointed out when he said no to the proposal. The Mayor took it all the way to the State Supreme Court only to discover

that the court agreed with the comptroller. This is the same sort of illegal use of water rate revenues as the DEP's use of \$200 million for parks throughout the Bronx to entice certain Bronx officials to support the Van Cortlandt Park filtration plant site. Unfortunately, this time there was no one in the city to say no.

One of the provisions included in the legislation that created the Water Board was that the board would hold frequent meetings where DEP could inform the public and the public would have a chance to comment on DEP policies. With respect to such matters as water billing snafus, this has been a useful forum. But when CWCWC and the Sierra Club presented the Water Board with the advantages of the ultra-filtration membrane alternative - more comprehensive pathogen and pollutant removal at a fraction of the cost; far less adverse environmental impacts; substantial operational savings; and feasibility of building the plant within EPA's time-line constraints - Water Board chair Jim Tripp showed no interest whatsoever in any alternative to DEP's hugely expensive and increasingly obsolete technology. No interest either in hearing from our experts. Instead, the board then went into executive session to hear DEP's engineer explain why membrane filtration was a bad idea for the Croton. The engineer, Warren Kurtz, has been DEP's point person and tireless advocate for the Dissolved Air Flotation (DAF) plant, having spent more years than I'm sure he would like to recall, reiterating, at hearing after hearing, the virtues of DEP's chemical treatment/filtration plant.

Citizen's Advisory Committees (CACs) provide one other continuing venue in which the public can be heard, if not listened to. One CAC that we hadn't known about had been meeting for some time on water quality issues. In 2002, thanks to the good offices of then



Christopher Ward

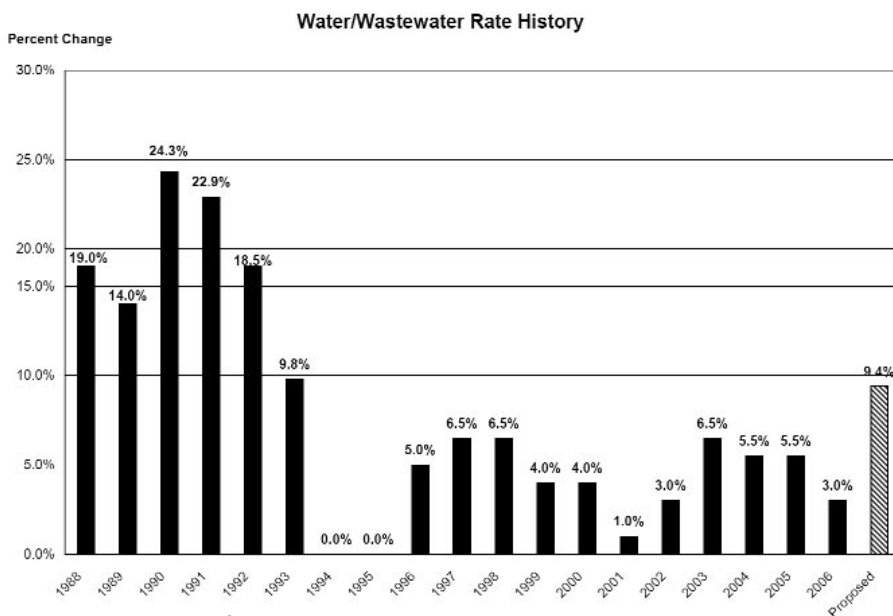
Bronx Borough President Ferrer, CWCWC and the Sierra Club were finally invited. The meeting was held at the offices of EDF since the co-chair of the CAC was Jim Tripp. EPA, New York State Department of Environmental Conservation (DEC) and DEP made presentations. While I prepared my camera, Jim Tripp announced with an odd logic, that video taping would not be permitted, "Since this is a scientific meeting." (The substance of that meeting must wait for a subsequent article on the rationale for filtration.)

However, the CAC did agree to Dr. Rose's suggestion that the next meeting consider the science that supports watershed protection and alternatives to the proposed chemical treatment/filtration plant. At that meeting Dr. Rose presented the case for an alternative. This time I was again prohibited from videoing the discussion. In any case, Dr. Rose's presentation again fell on deaf ears, including those of former DEP Commissioner Ward. Commissioner Ward was then informed by a Washington DC firm representing CWCWC that, after meeting with CWCWC, EPA was interested in exploring the alternative with DEP. DEP never followed up on EPA's invitation.

## How statistical fallacies mask environmental concerns

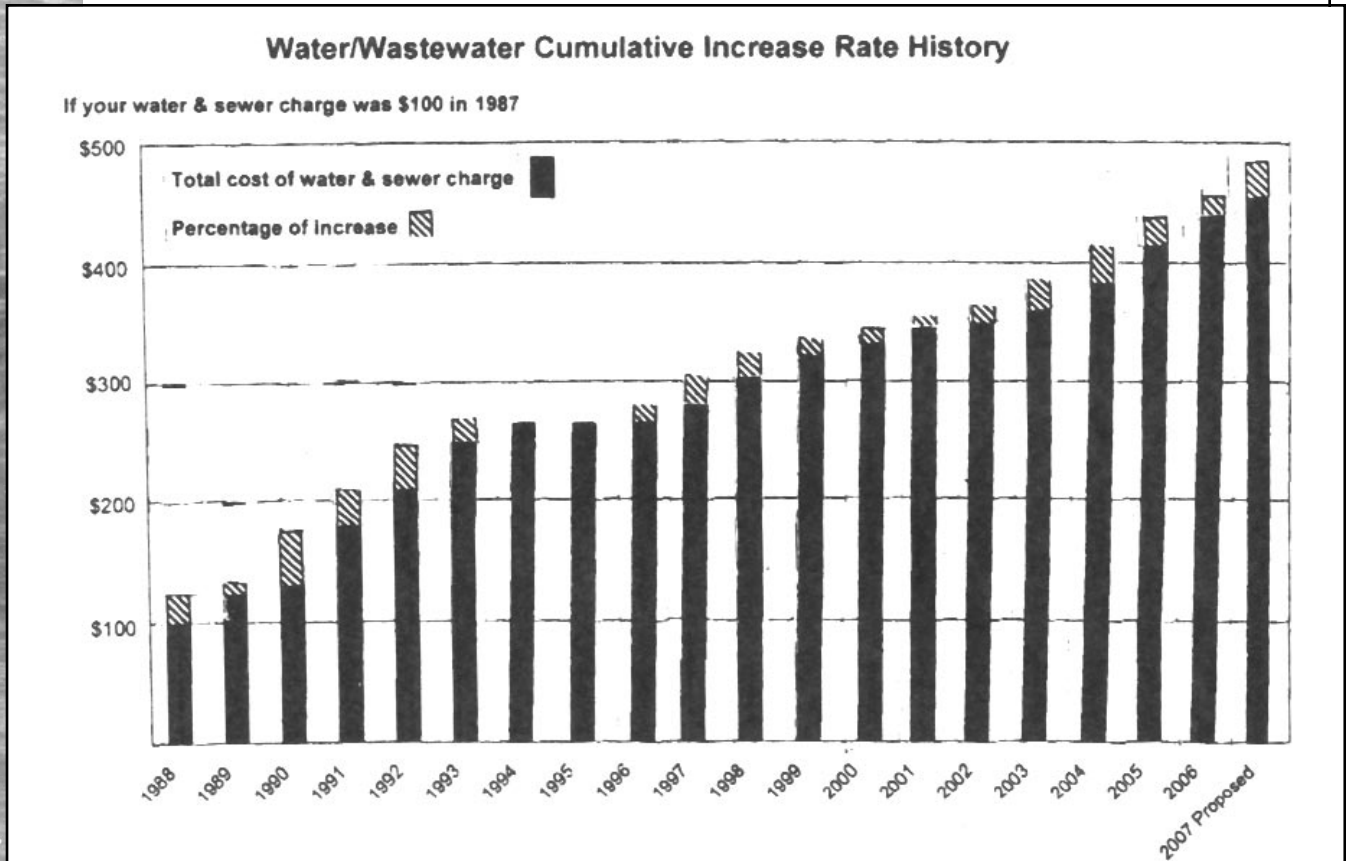
The Blue Book is issued every year to justify that year's proposed water rate increase. Our comments at the 2003 water rate increase hearing included exceptions we took to the Blue Book's misleading bar graph representations. To compare only the percentages of each year's increase obscures the fact that the basic water charge is increasing.

Even smaller percentages of a much larger basic cost constitute a greater increase in the actual dollar amount added to the water bill. Obviously, each new increase in the water rate further compounds the dollar amount upon which each subsequent increase will be based. A percentage of increase by itself does not reflect the amount the ratepayer must pay





Since the Water Board declined to respond to our 2003 comments we have taken the liberty to create a bar graph that reflects the cumulative effect of rate increase, using \$100 as the water and sewer charge for one rate payer in 1987. For example: the Blue Book's bar graph, Water/Wastewater Rate History, contrasts percentages of rate increases without giving actual dollar amounts, as if the highest percentage, 24.3% of \$135.66 (\$32.97) in 1990, were somehow more onerous than 9.4% of \$443.67 (\$41.67) in 2006. As the bar graph depicting the cumulative cost shows, Water/Wastewater Cumulative Increase Rate History the actual dollar amount on water bills has soared almost 400% since 1987.

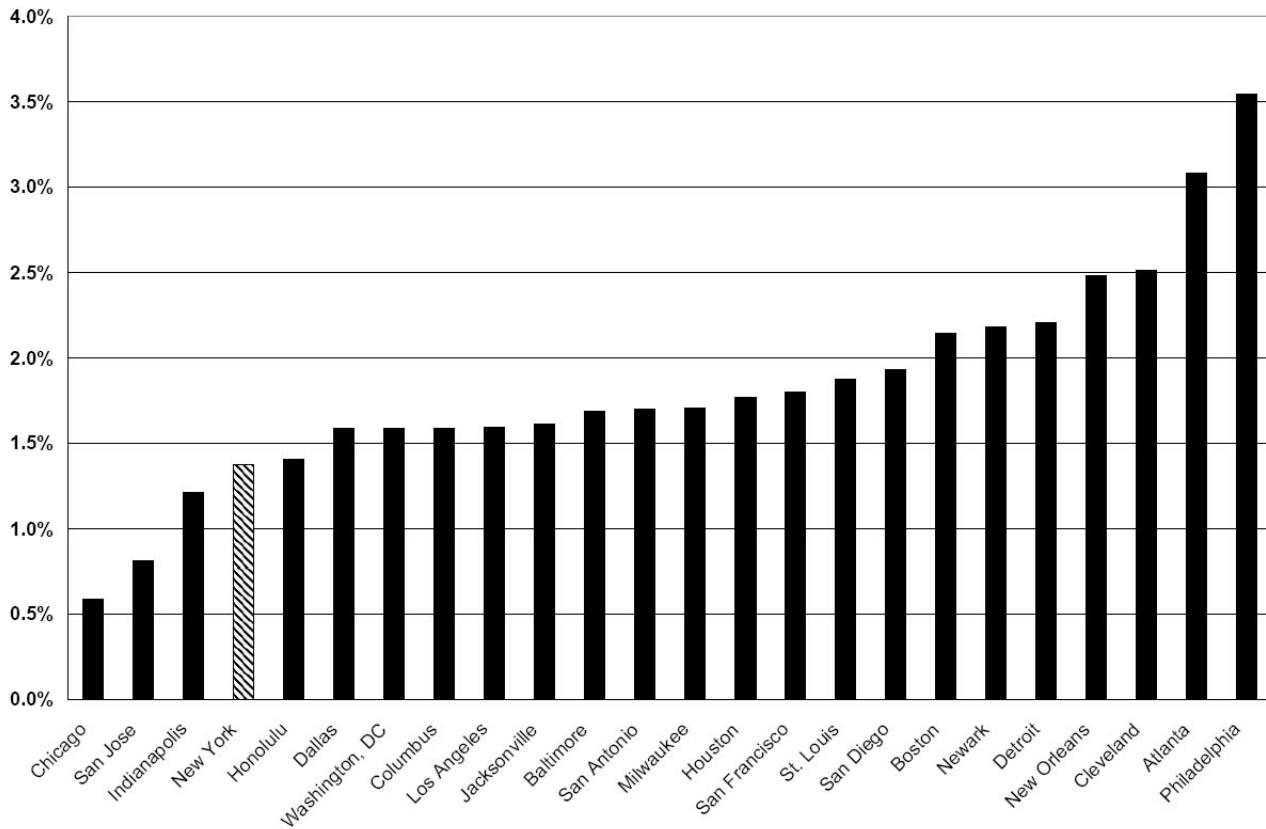


Another graph compares water rate charges as a percentage of median household incomes, disregarding the fact that New York City has a far higher percentage of both high and low income households. The headline for a 1999 New York Times article reporting on a Community Service Society analysis, read, "Poverty Rate Persists in City Despite Boom, It Is Double the Average for U.S., Analysis Finds." Lower income residents, many in older buildings with substandard plumbing and large families, without a country house, vacations away and business trips, use more water. Since water is now metered, the burden falls more heavily on the least able to pay. The notion of a median income is further skewed by the City's high percentage of the most affluent. This statistical maneuvering masks the fact that the poor pay a disproportionate percentage of the money required to fund DEP. Both of these graphic representations are, to put it kindly, misleading.

Furthermore, real estate taxes in New York state are the highest in the nation according to the New York Times.

The city tax hike of 18.5% in 2002 put a greater financial burden on low income housing as well as middle income home owners. Perhaps a bar graph comparing the total financial burden placed on rate payers by each city would provide a more realistic measure of just where New York City fits in the ranking of cities.

**Residential Water/Wastewater Charges as Percent of Median Household Income**



Commissioner Ward acknowledged that, "Without a doubt today, the water system and its rates have a regressive effect on low income households." In a report commissioned by CWCWC, former Harvard economist Anthony Blackburn analyzed the relative cost of metering according to income level. He found that water rates, in general, were regressive, but that metered rates were hyper-regressive. Coming at a time when city, state and federal safety nets are being curtailed and dismantled, this additional burden on low and middle income residents is bound to increase the need for just those social services that are being cut. Such an acceleration in the transfer of wealth is not only unfair and immoral - it's unsustainable.

## Why the cost of water is going off the charts

In 1998 the New York Times quoted Jim Tripp on the burgeoning cost to ratepayers of the City's capital water projects: "It's logical to ask whether we have to do everything at the same time." Eric Goldstein, senior attorney for the Natural Resources Defense Council (NRDC) added, "There is a need for some sensible priority-setting and triage." The Times went on to say, "The vast scope of the planned water and sewer projects over the next decade also means the city will be spending more and more

on debt service. Already its interest payments account for more than half of city water and sewer spending." In contrast, the average debt service ratio nationwide was 34 percent, according to a 1996 survey by the Association of Metropolitan Sewage Agencies. And that was in 1998, when the cost of DEP's ten year plan for capital projects came to a mere \$8.5 billion and during a period of exceptionally low interest rates, a period clearly coming to and end.

According to the Independent Budget Office, the cost of DEP's current ten year capital projects plan is committed to some \$24 billion of capital projects of which only \$16 billion have been financed for the current ten-year capital plan. And these figures do not include the billions that repair of the 35 million gallon a day leak in the Delaware Aqueduct is likely to cost. Nor does it account for the cost overruns that construction such as the Van Cortlandt Park filtration plant is bound to incur. Perhaps future Water Board Blue Books might include a bar graph showing New York City's position relative to other cities in terms of the percentage that debt service takes out of every dollar rate payers are obliged to spend. Although water and sewer charges have been separated from general revenue funds, they are no less a tax, seeing that they come out of the same pockets that must also provide the 18.5% real estate tax increase. These extraordinary capital demands fall most heavily on those least able to pay.

It is also worth noting that water and sewer rates jumped to 9.4% this year. We have long predicted that the relatively modest increases of the past few years would escalate after construction on the Croton plant began since DEP would no longer have to fear that higher rates might broaden support for the far less costly alternative we advocated.

How are these vast sums being spent?

CWCWC fought for an ultra-filtration membrane plant that could have been designed and built within the designated time frame, at a fraction of the cost to build and operate a DAF plant, while avoiding the adverse health impacts now evident as a result of the DAF plant being built in the Bronx park. Asthma cases at Montefiore Hospital, in this, the second most asthma impacted community in the country, have increased 17% since work of the Van Cortlandt Park plant began.

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The Blue Book projects a \$9 million energy bill. When the DAF plant goes on line that cost will skyrocket as the ultraviolet disinfection process consumes vast amounts of increasingly expensive energy. Membrane filtration would have used a small fraction of that energy. The planned \$579 million Cat/Del ultraviolet facility's energy demand will be off the chart. The use of chorine dioxide as a second primary

disinfectant (as advocated by CWCWC) would have saved millions annually. It would also have helped mitigate the consequent environmental damage due to global warming which fuels storms, such as Floyd, which have become ever more devastating to watersheds. But DEP is digging a deep hole in Van Cortlandt Park to house its DAF plant. As with other commitments by our government, it's too late to turn back. The membrane alternative may well prove to have been able to save in excess of \$1 billion as cost overruns are added.





## NYC's Ratepayers Must Hold Politicians and Responsible Agencies Accountable

Who is going to hold our elected officials and the agencies they preside over accountable for how these billions of dollars are being spent if not those of us who drink and pay for the water? In co-ops and condos, amenities such as elevators, doormen and parking garages help to minimize the cost of water as a percentage of their annual budgets. In many middle and lower income buildings these costs are already onerous. While tenants may imagine they are insulated from such costs landlords are acutely aware of the relationship between the cost of water and the rents they charge. For years landlord groups such as the Rent Stabilization Association have actively opposed even modest rate hikes. And when the Rent Guidelines Board meets each year to set the rate of rent increases you can be sure landlords will call attention to increasing water and sewer charges to justify higher rents.

There can be no doubt that a significant portion, currently well over 2/3 of capital costs are driven by federally mandated programs such as upgrading of the City's wastewater treatment plants, the Watershed Agreement and the Catskill/Delaware ultraviolet disinfection facility. Yet, the City refused, for whatever reason, to explore a far less costly alternative to the \$1.5 billion Croton filtration plant. We are now also paying the price for the years of neglected maintenance of our water supply system's infrastructure. The Delaware aqueduct leak hangs over the financial future like the sword of Damocles. Projects such as a new Kensico/City Tunnel and the combined sewer overflow (CSO) designs warrant closer scrutiny.

Almost half of each dollar we pay in water and sewer charges goes for debt service. And these charges have gone up nearly 400% since 1987. Finally, and most importantly, DEP's commitment to comprehensive watershed management to save the irreplaceable sources of our water, remains to be seen. Without water there is no city. For all these reasons it is imperative that the most affected stakeholders, the region's rate paying water consumers educate themselves on the issues and demand that the City and State fulfill their obligations to protect and enhance our most essential resource, the regional water supply, in the most financially prudent manner possible.

This is the same site on Christmas Eve. The lovely grove is no more! Taking advantage of the holiday season, trusting that neighborhood residents would be busy with the festivities, and despite a promise not to start any construction, bulldozers and chainsaws moved in.



**PLEASE JOIN US**

Through regional action, CWCWC is dedicated to providing alternatives to chemical treatment/filtration, and to protecting and improving the naturally-filtered, high-quality waters of the Croton Watershed for today and for generations to come.

Send in your membership and receive membership mailings, a subscription to CWCWC's newsletter, "Our Water, Our Future" and (at your request) a free copy of the multi-award-winning video, "The Fight for the Croton Watershed."

Most importantly, your membership will help you get involved with the preservation of one of our most precious resources, our water.

**Croton Watershed Clean Water Coalition Membership Application**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Email: \_\_\_\_\_

- Group/Coalition Membership (Voting) \$25/year [For Groups/Assoc. only]
- Individual Membership (Non-Voting) \$10/year [For Individuals only]

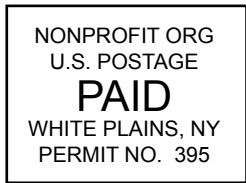
Is this a Renewal or a New Membership? (Circle one)

Make checks payable to Croton Watershed Clean Water Coalition and mail, along with your membership form, to:

FAY MUIR, Secretary, CWCWC, INC., 9 OLD CORNER ROAD, BEDFORD, NY 10506



Our Water, Our Future  
Croton Watershed Clean  
Water Coalition  
9 Old Corner Road  
Bedford, N.Y. 10506



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