

STATEMENT BY  
NYC COMPTROLLER WILLIAM C. THOMPSON, JR.

AT A MEETING OF THE  
NEW YORK CITY WATER BOARD

FRIDAY, APRIL 3, 2009

Good morning, Chairman Moss, and members of the Water Board. I want to thank you for giving me this opportunity to share my views as the Board begins this year's rate-setting process.

I think I speak for the vast majority of New York City water ratepayers in expressing my deep concern over a possible double-digit water rate increase – the third in three years.

Simply stated, rising water and sewer rates are gouging New York City families and small businesses precisely at a time when they can least afford it.

For example, if the Board sticks to last year's projected 14% rate increase for FY 2010, an average single family homeowner's rates will have risen from \$571 to \$913 in just four years – that's a 60 percent increase, over five times the inflation rate.

Today I am recommending that the board focus on 5 areas immediately to address escalating rates:

- 1) The Board must complete and make public a promised million-dollar study of alternative rate structures. That study was intended to help the board set rates this year.
- 2) Excess rent now being paid by the Water Board to the City – to exceed \$200 million by 2012 – should be rebated back to the water system, to be used for pay-go capital spending and rate reductions.
- 3) Gov. Paterson must support direct granting of all the federal stimulus money that is dedicated to clean water and drinking water projects in New York State – nearly 500 million dollars.
- 4) The City Department of Environmental Protection should be required to cut its operating budget by 5% as other city agencies have been required to do.

- 5) We must ensure that the New York City water supply west of the Hudson River is protected from proposed gas drilling that could necessitate the construction of a \$10 billion filtration plant.

Let's begin with the rate study. As most of you know, last year, the Water Board committed a million dollars of ratepayer money:

- to review how other utilities across the country structure their rates; and
- to examine ways to inject a greater degree of fairness into our system.

Then-DEP Commissioner Lloyd promised that the Fiscal Year 2010 water and sewer rates would take into account the results of this study

I could take you through the minutes of your meeting last June, in which member after member of the board – from current Chairman Moss, to then-Chairman Tripp, to Ms. Davis and others – spoke to the study's importance in addressing problems with the current rate structure.

And yet here we are a year later. As New Yorkers struggle to pay their bills in the midst of an historic economic crisis, a million dollars of their money has been committed to study that has yet to be released.

That is an outrageous breach of responsibility.

Even if you release it today, that is too late to affect the rate structure and rate levels this year.

If delivered as promised, the report will deal with complex matters that must be absorbed and analyzed by government officials, policy advocates and the public. To do so effectively, we should have had it weeks or months ago.

While it's too late for this year, the Board must produce this study so that we may take actions to avoid new rate increases next year.

One important issue that was to be analyzed by the study is my longstanding proposal to rebate excess rent paid by the Water Board to the City.

As you know, the Board's current rental payments to the City are based on a formula that, until recently, simply reimbursed the City for water-related debt service on bonds issued before the Water Authority was created.

However, because of the way the formula works, since 2005 those rental payments exceeded the amount needed to pay down this old debt.

This “excess rent” will be nearly 123 million dollars this Fiscal Year and grow to more than 200 million dollars by Fiscal Year 2012.

For the past two years, I have proposed rebating the excess rent to the Water Board to offset the cost of running the water system.

That excess rent would be split equally for two purposes:

- One-half for pay-as-you-go capital spending, which reduces costs over the long term; and
- One-half to cut other water system expenses so we can give ratepayers relief from ever-escalating charges.

Using the excess rent in this way would save ratepayers over \$350 million between fiscal years 2010 to 2013 while protecting our bondholders.

Another way to help our water system is the federal stimulus package.

Under the terms of the stimulus bill passed by Congress, our State will get more than 400 million dollars for clean water projects and over 80 million dollars for drinking water projects.

I have written to Gov. Paterson to support direct grant allocation of all of this stimulus money for capital projects.

This is critical given the overwhelming needs of our State water system and, particularly, New York City’s Water Authority.

A direct grant program to the Authority would have an immediate and lasting impact on New York City’s water and sewer rates.

For every \$100 million that is granted rather than loaned, we save debt service costs of more than \$5 million per year.

I hope you will join me in calling on the governor to take this common-sense approach.

An additional means of bringing savings to ratepayers is to require that the DEP cut its operating budget by five percent, as other city agencies have been required to do in this time of financial crisis.

New Yorkers are facing tough times. They are losing their jobs and their homes and they are paying more for less across the board.

At a time New Yorkers must tighten their own belts, they have a right to expect that their government will do the same.

Finally, we must protect the New York City drinking water supply west of the Hudson from proposed gas drilling.

Drilling near the watershed threatens to contaminate New York City drinking water and necessitate the construction of a \$10 billion water filtration plant, further increasing water rates.

The State's Environmental Impact review process must ensure that any drilling permits be tied to rules protecting our water from contamination associated with the drilling.

I submitted recommendations to the State in December and will continue to closely monitor and participate in the review process to protect our watershed and rate payers.

The Water Board has commissioned a study of these issues, but I urge you to take a more activist approach to this threat. As custodian of our drinking water, the Board should adopt an explicit policy to protect the watershed from natural gas drilling.

In conclusion, our water system cannot continue with business-as-usual in the face of tremendous economic and environmental threats.

Last year, many of the members of this body challenged the city's approach to the rate-setting process and extracted the promise – now broken – to have a comprehensive rate study inform the 2010 rate-setting.

Coincidentally or not, several of those members are no longer on the Water Board. I am sure the new members are equally committed to public service and urge you all to demonstrate your independence as you examine these issues.

At the very least, we owe it to New York City ratepayers to do everything we can to keep rate increases down as they struggle to keep up with the rising cost of living in our city and proposed hikes in transit fares, as well as sales and payroll taxes.

Toward that end, I urge you to give my excess rent rebate proposal careful consideration as the rate setting process moves forward in the next few months.

Thank you very much.