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news from
assemblyman
JEFFREY DINOWITZ

81ST ASSEMBLY DISTRICT

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**DEP COST OVERRUN EXPLANATIONS
DON'T HOLD WATER!**

- **Study says they are lying about inflation, labor, and materials**
 - **Assemblyman demands details on “expert panel”**

According to a study conducted by Assemblyman Jeffrey Dinowitz, the New York City Department of Environmental Protection (DEP) continues to mislead the public in explanations about astronomical cost overruns on the construction of the Croton Water Treatment plant being built in Van Cortlandt Park in the Bronx.

“We have concluded that the DEP’s contentions that inflation and rising labor and materials costs have turned a \$1.3 billion dollar project into a \$2.8 billion boondoggle are simply not true,” said Assemblyman Jeffrey Dinowitz

“When it comes to the Croton Water Treatment Project, the DEP has a problem telling the truth,” he said. “Whether they are attempting a cover-up or are simply not informed remains to be determined. That’s why I’m calling for hearings and investigations. But the bottom line is that the DEP will say anything to justify this out-of-control project regardless of whether it’s based on fact.”

Assemblyman Dinowitz’ study found that none of the items cited by the DEP could account for the doubling of the cost of a \$1.3 billion project.

INFLATION

Historical data for inflation¹ can be reviewed at the footnoted site. In June, 2004, the original cost projection of \$1.3 billion compounded at the average annual inflation during the period of 3.3% results in \$1.43 billion. Thus the impact of inflation on the DEP’s original cost estimates has been no more than \$130 million. Furthermore, despite the DEP’s false contentions, a 2.75% inflation

¹ http://inflationdata.com/Inflation/Inflation_Rate/HistoricalInflation.aspx

rate was factored into the DEP's original estimates, so the affect of inflation on the comparative total cost of the project is even smaller.

LABOR COSTS

According to the NY City Comptroller's Office data² on prevailing wages, the wages and benefits for selected construction workers increased between 2004 and 2007, but no more than just over 17%. While wages and benefits have gone up, it is not so high that it would double the project cost.

MATERIALS COSTS

The City doesn't pay for materials on the project as those expenses are borne by each contractor: Schiavone, as part of the \$127 million site preparation costs, or Skanska, as part of its \$1.3 billion agreement to build the plant, etc. Furthermore, despite DEP statements to NY1 that the price of copper tubing has increased 150%, according to a report by the US Geological Survey³ (USGS is the Federal agency for science about the Earth, its natural and living resources, natural hazards, and the environment) over the last three years, the price of copper and other metals used in construction have remained consistent, except for the affect of inflation, which is 3.3%. While the cost of materials has gone up, it is not so high to equal the doubling of the project cost.

EXPERT PANEL

Assemblyman Dinowitz also takes issue with DEP Commissioner Emily Lloyd's statement at an October 30 Riverdale town meeting that the DEP recently convened an "expert panel" that concluded the sky-rocketing costs of the project are unavoidable.

"Who was on this panel? Who selected the members? When did they convene? What information was presented to them for evaluation? What were their specific findings?" the Assemblyman asked. "A public agency claiming to convene a secret panel and using the resulting report to respond to legitimate concerns about the largest construction project in the city's history is an outrage."

"This chronic pattern of fabrications and distortions in official documents and in public statements underscore why I and a majority of my colleagues in the Bronx Assembly Delegation, Community Board 8, Community Board 12, and many other elected officials and community members are insisting on a full investigation into the Croton Water Filtration Project," the Assemblyman said.

"In addition, I urge the members of the Facilities Monitoring Committee (FMC) to request that the DEP present a written and public report on the issues relating to the rising costs. This report should be circulated prior to the next meeting and must include the original cost projections (including backup) by contract type from the 2004 environmental review for the Croton project at both Mosholu and Eastview. It should also list all of the contracts they have or will bid, including site preparation, so that those original projections can be compared with the actual price tag of the project."

² http://www.comptroller.nyc.gov/bureaus/bll/schedules_archives.shtm

³ <http://pubs.usgs.gov/of/2007/1257/ofr2007-1257.pdf> , slide 9, pp 20-21