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WILLIAM C. THOMPSON, JR.
COMPTROLLER

March 27, 2009

The Honorable David A. Paterson
Governor
State Capitol
Albany, NY 12224

Dear Governor Paterson:

I write to seek your support regarding a number of significant risks concerning the preservation and maintenance of New York City's water supply system.

The recently enacted federal stimulus package (the American Recovery and Reinvestment Act of 2009) directs federal stimulus money to the New York State Revolving Fund for clean water and drinking water purposes. As you are likely aware, the New York State Revolving Fund, administered by the Environmental Facilities Corporation, will receive approximately \$432 million for clean water projects and approximately \$82 million for drinking water projects.

Currently, only half of these funds are scheduled to be distributed in the form of direct grants. Because of the dire needs now faced by the municipal water systems that operate throughout New York State--and the New York City Municipal Water Finance Authority ("Water Authority") in particular--I urge in the strongest terms possible that you support distributing the entire amount of these stimulus funds as direct grants to safeguard our water supply.

The Water Authority now struggles under nearly \$22 billion in debt, and as residents are painfully aware, the City's capital and operating funding structure for the water system is supported primarily by ratepayers. This escalating debt burden is in large part due to federal and state mandates and the need to maintain an aging and dilapidated system. These needs have resulted in double digit water and sewer rate increases within only the last few years and the trend is projected to continue at a time when financially strapped City residents are unable to shoulder additional costs.

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A direct grant to the Water Authority would offer immediate relief and have a lasting impact on New York City's water rates. Indeed, for every \$100 million that is granted, debt service of over \$5 million per year will be put back in ratepayers' pockets. This program will additionally facilitate critically needed capital repairs that translate into new job opportunities in New York City and throughout the New York City Watershed region.

Equally important, making these funds available as direct grants would help localities commence critically needed capital work that might otherwise await bond financing in an uncertain and volatile market. Our office, together with the City's Office of Management and Budget, has already undertaken extensive efforts to maintain market access for all New York City borrowings, including those of the Water Authority. However, we believe that expanded efforts, such as full grant funding, will help reinforce investor confidence and promote the creation of sorely needed jobs.

Your support of this grant program is particularly crucial as the New York State Environmental Facilities Corporation undertakes the task of distributing these funds and it is my hope that you will support this program as the most efficient use of these federal stimulus dollars.

On behalf of City residents thank you for your leadership regarding this important matter.

Very truly yours,



William C. Thompson, Jr.