

NEW YORK CITY WATER AND WASTEWATER RATE REPORT: PROPOSED RATES TO TAKE EFFECT JULY 1, 2024

MAY 2024



NEW YORK CITY
**WATER
BOARD**

The New York City Water Board (the “Board”) has prepared this information booklet to inform the public about a rate proposal that would take effect on July 1, 2024 and to provide information on the financial condition of the water and wastewater system (the “System”).

New York City’s System is among the largest in the world. The water supply system delivers one billion gallons of high quality drinking water every day to approximately 8.3 million people in New York City (the “City”) and approximately one million residents in the counties north of the City. The City’s fourteen Wastewater Resource Recovery Facilities (WRRFs) treat 1.2 billion gallons of wastewater daily. The City’s water and sewer infrastructure plays a critical role in promoting public health and the City’s economic vitality.

The City is a unique asset, constituting the largest urban center in the United States, and is a global destination for commerce, tourism, and diplomacy. Protecting the City’s water and wastewater infrastructure has been a key priority of successive Mayoral administrations. The Adams administration has continued that tradition since entering office in 2022, emphasizing environmentally sound and sustainable policies for the City’s infrastructure. The City’s water and wastewater system, like the City itself, is characterized by its large physical scale, as well as its composition consisting of thousands of unique, important, and distinct infrastructure assets.

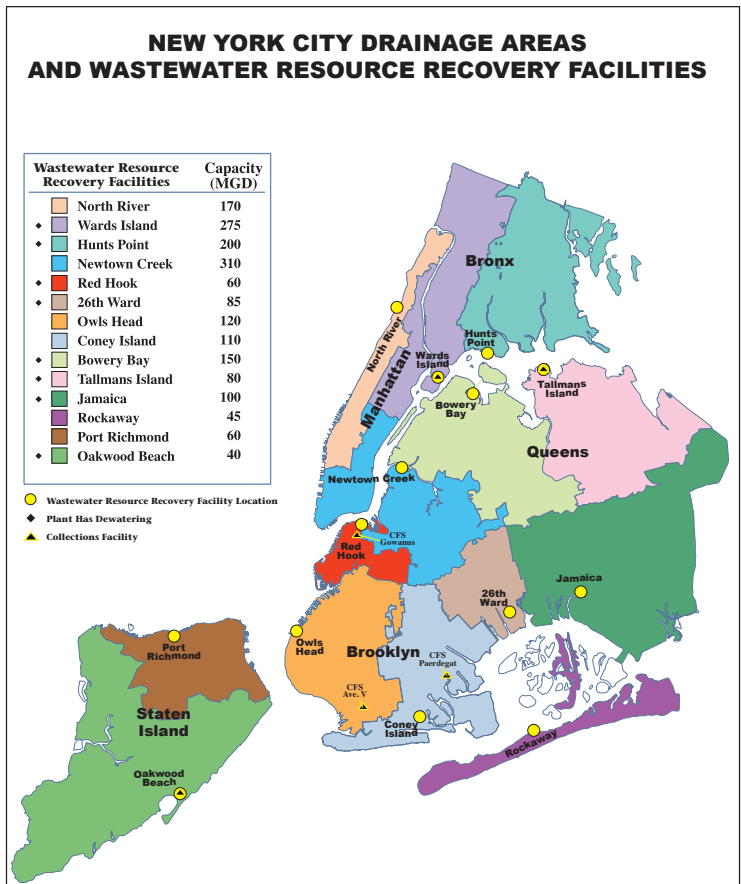
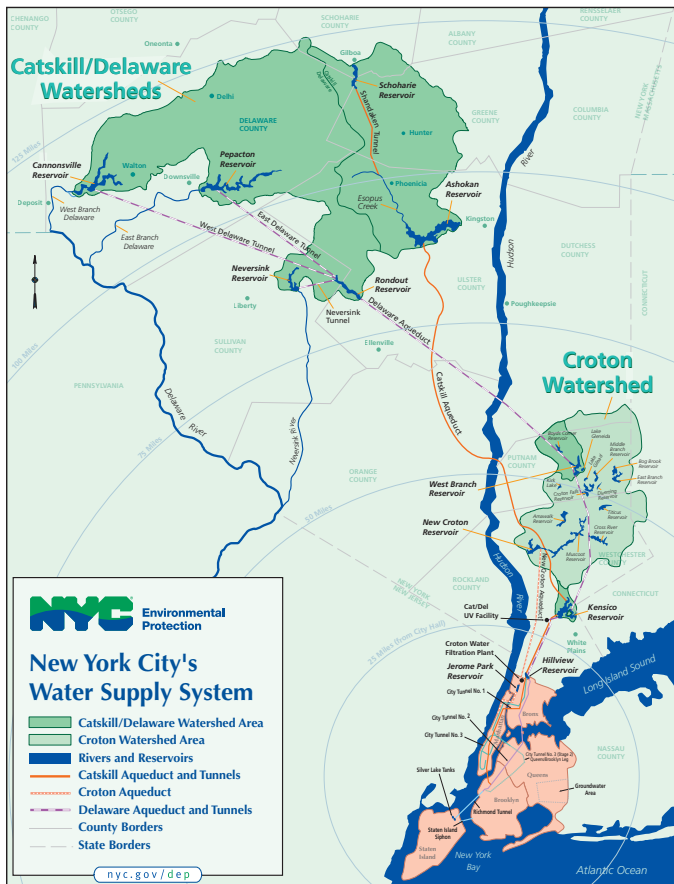
Revenue from rates charged for service covers the System’s capital and operating expenses. Most properties are charged a metered water rate based on consumption. Approximately 3% of accounts are billed on the basis of non-volumetric flat rates, billing programs that are available in most cases only after installing water efficiency improvements. Wastewater charges for meter-billed and flat-rate properties are assessed at 159% of water charges.

NEW YORK CITY
WATER BOARD

The New York City Water Board’s mission is to establish rates for and distribute the collected revenues of the Water and Sewer System of the City of New York, proactively considering the optimal level to achieve efficient financing of the System’s infrastructure and sustainable provision of high-quality service at a fair price to our customers.

Water Board Members:

Alfonso L. Carney, Jr., Chair
Evelyn Fernandez-Ketcham
Adam Freed
Jukay Hsu
Arlene M. Shaw
Daniel Zarrilli



Water Board Rate Adoption Process

- ▶ The Department of Environmental Protection, working in partnership with the City's Office of Management and Budget (OMB), projects the water system's operating and maintenance expenses, which OMB then certifies in an annual communication to the Board based on the Mayor's Executive Budget.
- ▶ The New York City Municipal Water Finance Authority projects debt service on bonds issued to finance water and wastewater capital projects and certifies the annual debt service to the Board.
- ▶ The system's consulting engineer certifies that the annual expenses and capital investment are reasonable and appropriate to maintain the viability of the system.
- ▶ The system's rate consultant certifies that revenues are sufficient to cover expenses, that the proposed rate structure will support the revenue requirement, and that the proposed policies will advance the Board's mission.
- ▶ The Board holds a public hearing in each borough of the City. (See schedule below.)
- ▶ At its Annual Meeting, the Board adopts an Annual Budget based on the estimated expenses that have been certified to it and adopts a rate. The Board must adopt a rate that will produce sufficient revenues to fund the estimated expenses, and is tasked with equitably and affordably allocating the cost of water and wastewater service across the City's large and diverse property base.

CALENDAR OF EVENTS LEADING UP TO THE START OF THE NEXT FISCAL YEAR

Event	Date	Location	Time
DEP rate proposal to Water Board	Friday May 3	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	9:15 a.m.
Staten Island Public Hearing	Tuesday May 28	Bernikow JCC of Staten Island 1466 Manor Road, Staten Island	6:00 p.m.
Manhattan Public Hearing	Wednesday May 29	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	2:00 p.m.
Queens Public Hearing	Wednesday May 29	JFK Jr. School 57-12 94th Street, Queens	6:00 p.m.
Bronx Public Hearing	Thursday May 30	Mercy College 1200 Waters Place, Bronx	6:00 p.m.
Brooklyn Public Hearing	Tuesday June 4	Saint Francis College 179 Livingston Street, 5th Floor, Brooklyn	6:00 p.m.
Water Board meets to vote on budget and final rate	Thursday June 13	Manhattan, location to be confirmed	9:15 a.m.

DEP INFRASTRUCTURE INVESTMENT OVERVIEW

Rondout-West Branch Tunnel

The work on the Rondout West Branch tunnel is a state of good repair project to provide for reliable water supply through the Delaware Aqueduct, as sections of the Rondout West Branch leg of the Aqueduct are repaired, including the replacement of the below-Hudson River section of the tunnel with a new bypass tunnel. Core construction work on the bypass tunnel was completed in calendar year 2022. The connection of the bypass tunnel and temporary close of the below-Hudson tunnel is expected to commence in October 2024 and to last for an 8 month time period, during which time the bypass tunnel will be connected to the unimpacted sections of the Rondout-West Branch Tunnel. Water will be conveyed through the system from all three watersheds during the repair work, through the Catskill Aqueduct and Croton system, and through sections of the Delaware Aqueduct not under repair.

Total remaining capital plan commitments for the project of \$94 million are included in the capital plan.



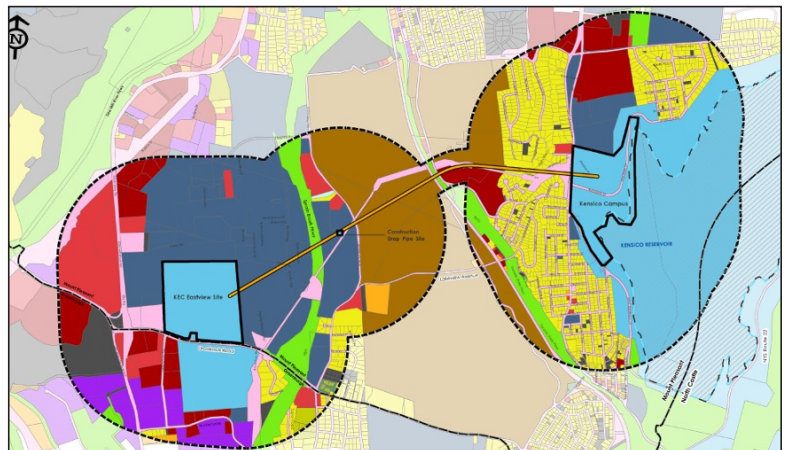
Rondout-West Branch bypass tunnel

Kensico water tunnel

The Kensico-Eastview Connection is a \$1.9 billion project that centers around the construction of a new water tunnel between Kensico Reservoir and DEP's existing water treatment facility in Westchester County.

Kensico Reservoir and the water treatment plant work along with sections of the Catskill and Delaware Aqueducts to transport and treat water originating in the west of the Hudson river watersheds across the Hudson, through Westchester County, and into New York City. The new tunnel will provide water conveyance capacity that by itself would exceed the City's daily water demand and match the daily water supply from a single supply source to the treatment plant's designed throughput capacity.

The final environmental impact statement was completed in October 2023 and construction work will be commencing in 2024. Shoreline stabilization of the reservoir is also a project priority.



Kensico-Eastview connection tunnel diagram



Staten Island bluebelt

Bluebelts

Bluebelts serve different purposes, including capturing and retaining stormwater, managing water levels in existing waterbodies, and providing a habitat for vegetation and wildlife. DEP's bluebelt program is an innovative approach to managing stormwater and flooding throughout Staten Island, where more than 75 different bluebelt projects are part of the wastewater system's design.

The New Creek bluebelt covers a 94 acre section of Staten Island that drains a watershed area within the borough of 2,249 acres. Construction of the project was a positive example of governmental cooperation, with funding jointly provided by DEP, the City's Department of Transportation, and the U.S. Department of Housing and Urban Development, with project management assistance from the City's Department of Design and Construction.

Water Tunnel No. 3

The extension of the Manhattan leg of water tunnel number 3 into Queens and Brooklyn is a water supply reliability project to create an additional and newer water conduit. Shaft-related construction work is anticipated to be complete by 2027, with final completion and operational readiness expected in 2032. Total remaining capital plan commitments of \$421 million for Stage 2 of the project are included in the capital plan.



Tunnel No. 3 shaft construction



Hillview Reservoir

Hillview Reservoir

As part of a 2019 agreement with federal regulators, DEP agreed to make certain improvements to Hillview Reservoir in order to ensure water quality and facility soundness. The improvements include constructing a new on-site facility to manage the water treatment processes employed at the Reservoir, including space to store water treatment supplies and to collect measurements from the reservoir, as well as the construction of a second on-premise facility to administer flow control. DEP is in discussions with construction market participants about proposals to construct the buildings that would comprise the water treatment facility. The improvements to Hillview Reservoir would ensure DEP's compliance with the 2019 consent decree and 2022 modifications to the agreement , and involve more than \$1 billion of project funding.

Gowanus Canal

DEP is standing by a nearly \$2 billion commitment to address flooding in the Gowanus Canal area, with the project already underway. Addressing combined sewer overflows in the Gowanus Canal area due to old drainage infrastructure is a longstanding DEP priority.

Following an extensive planning and public comment process, groundbreaking at the project site took place in early 2023, followed by initial construction of the first of the underground sections of the project in September 2023, involving construction of an underground concrete wall to support soil removal. With design work on the two retention tanks substantially complete, DEP is working with outside vendor firms to arrange for the excavation and the foundation laying of each of the two tanks.

Besides creating storage for combined sewage and rainwaters, the project will create 3.6 million acres of new public space in the community.



Gowanus Canal Combined Sewer Overflow Facility

Rate Proposal - Highlights (Proposed Rates Effective 7/1/2024)

- ▶ A proposed increase to in-City water rates of 8.5% from current levels, providing the system the revenues it needs to operate, while preserving the core rate affordability and supporting the Water Board's dual commitment to operating in a financially self-sustaining manner while sponsoring customer affordability initiatives
- ▶ No change to the minimum service charge, which will remain at \$0.49 per day for water, for customers demonstrating highly efficient water use levels
- ▶ Home Water Assistance Program: continuation for an additional program year of the expanded bill credit amount of \$145 per eligible account, and an expanded pool of eligible recipients up to 96,000 eligible accounts
- ▶ Multi-family Water Assistance Program: extending expanded program size into an additional program year, allowing up to 48,000 affordable apartments to receive a \$250 per apartment bill credit
- ▶ Deferral through June 30, 2025 of the surcharge on certain properties enrolled in the Multi-family Conservation Program that have not yet demonstrated administrative compliance with the program's terms

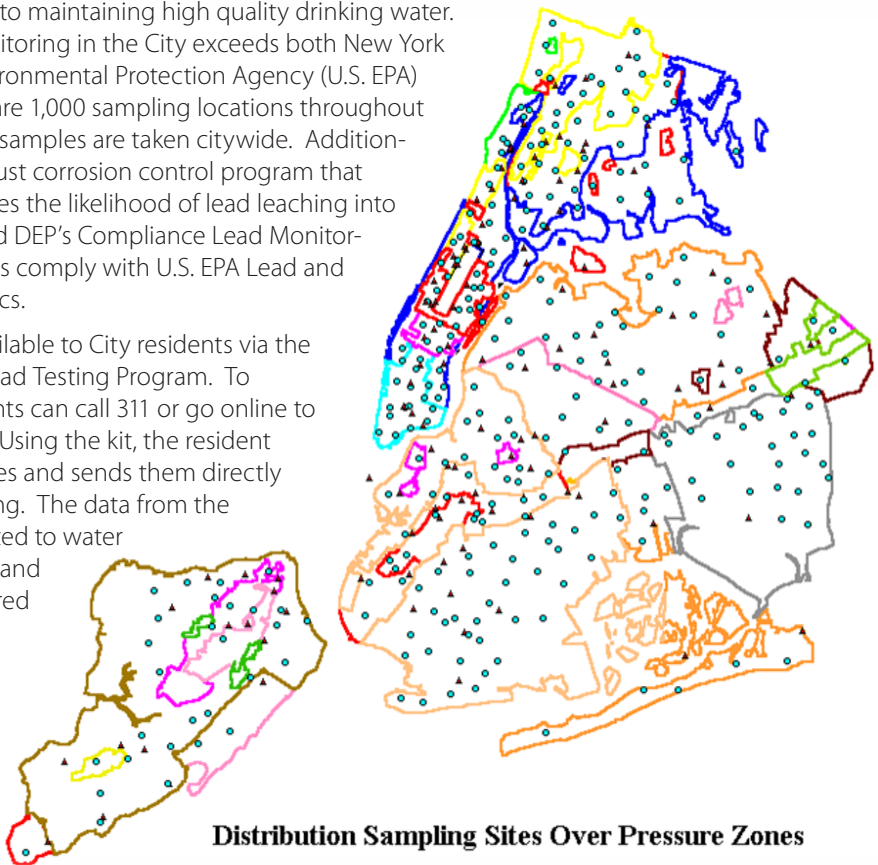


Water Sampling Station

WATER QUALITY

DEP is committed to maintaining high quality drinking water. Water quality monitoring in the City exceeds both New York State and U.S. Environmental Protection Agency (U.S. EPA) standards. There are 1,000 sampling locations throughout the City, and daily samples are taken citywide. Additionally, DEP has a robust corrosion control program that significantly reduces the likelihood of lead leaching into drinking water, and DEP's Compliance Lead Monitoring Program results comply with U.S. EPA Lead and Copper Rule metrics.

Lead testing is available to City residents via the Free Residential Lead Testing Program. To participate, residents can call 311 or go online to request a free kit. Using the kit, the resident takes water samples and sends them directly to the lab for testing. The data from the samples is submitted to water quality regulators, and the results are shared with the resident.



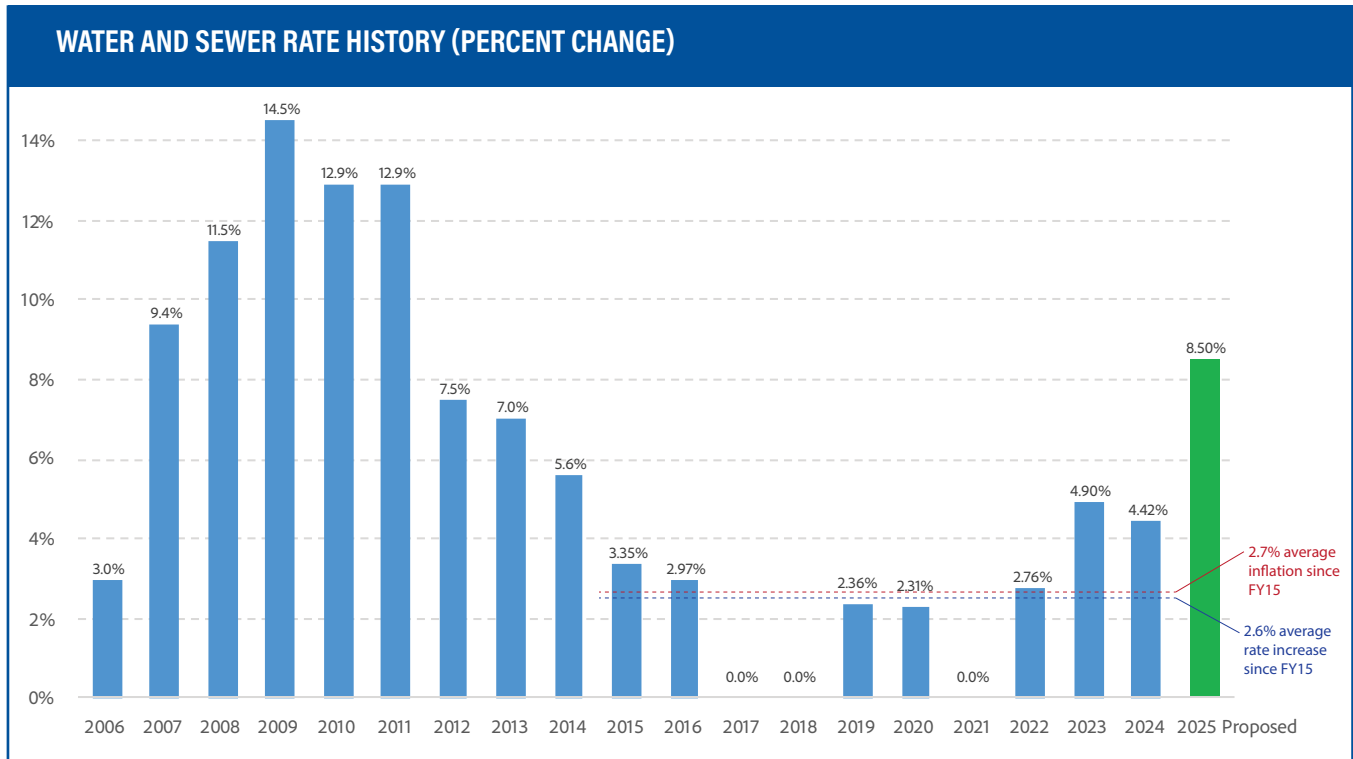
Distribution Sampling Sites Over Pressure Zones

To request a free kit, call 311 or visit nyc.gov/apps/311.

System and Water Rates Outlook

DEP and the Water Board seek to increase water and wastewater rates in line with increases to the costs they incur in running the City's water and wastewater system. The major categories of costs incurred include personnel expenses, energy and chemical costs, property taxes on landholdings outside of the City, and interest and principal costs on debt issued by the system. In recent years, the rate increases have been in the low single digit percentage range, and there have been several years without any rate increase implemented. DEP and the Water Board's need to seek rate increases also depends on the system's overall revenue picture.

DEP and the Board's budgets tend to increase over time, as the general level of costs increase, and the system's capital budget grows, driven by the upgrading or replacement of aging system infrastructure assets, the need to hire and train new personnel, new technologies, and regulatory requirements, among other factors. DEP is currently implementing its largest-ever capital construction plan, which supports an ambitious combination of state of good repair, new construction, sustainability, and energy efficiency projects.



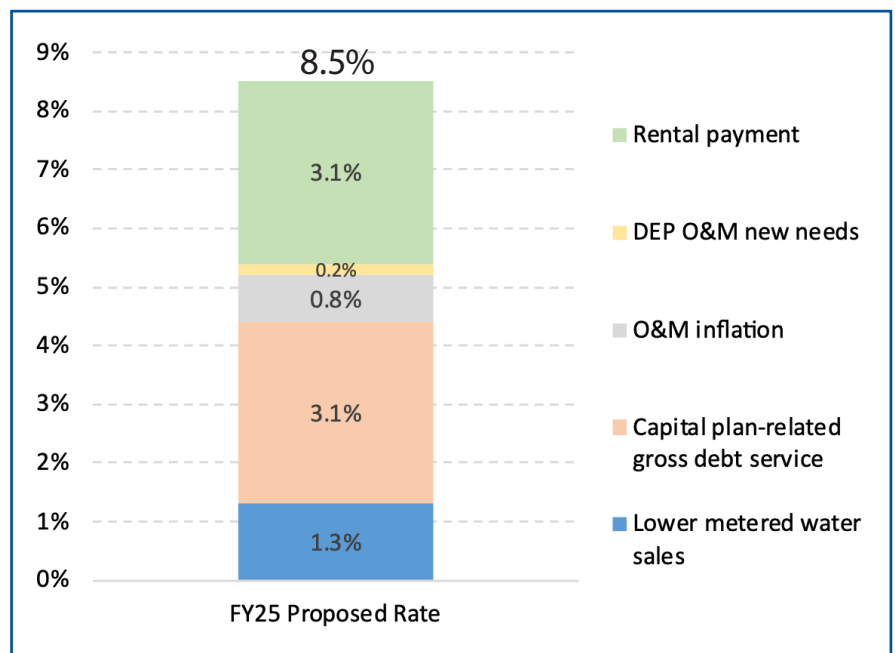
ANNUAL WATER AND WASTEWATER CHARGES	FY 2024	Proposed FY 2025 (Rates Effective 7/1/2024)	Monthly Increase
Average Single-Family Charge (70,000 gallons per year)	\$1,088	\$1,181	\$7.71
Average Multi-family Metered Charge (52,000 gallons per year)	\$808	\$877	\$5.73
Multi-family Conservation Program (Per Residential Unit)	\$1,184	\$1,285	\$8.39
Minimum Charged Properties (using less than 90 gallons per day)	\$463	\$463	\$0.00

Capital Improvement Program Fiscal Year 2024 - 2033	Dollars in billions
Sewers	\$9.2
Water pollution control	\$8.9
Water distribution	\$6.4
Water supply and transmission	\$3.7
Equipment	\$0.8
Total	\$29.0

- The Fiscal Year 2025 Executive Budget includes several priority capital construction budget additions and operation and maintenance (O&M) program and expenditure additions
- Key budget initiatives are reflected in the rate proposal
- The investments in infrastructure construction and upgrades include the following programs and initiatives:
 - Hillview Reservoir water treatment improvements
 - Customer billing and water conservation technology investments, across the metering and transmission areas
 - Costs related to the final repair work on the Delaware Aqueduct water distribution
 - Stormwater management, including four in-City pump station upgrades
 - Aggregate incremental debt service to fund the programs of \$683 million during the 10-year forecast period
- Operation and maintenance increment of \$11 million to fund new initiatives in stormwater resilience

The proposed change in rates reflects several factors:

- ▶ The need to invest in the system's O&M budget
- ▶ Debt service expenses
- ▶ Expense inflation across the budget
- ▶ Rental payment requests from the City
- ▶ Revenue forecast



WATER BOARD RATE AFFORDABILITY AND CUSTOMER ASSISTANCE PROGRAMS

	Proposed Annual Program Budget Reauthorization	Program Summary
Multi-Family Water Assistance Program (4-unit +)	\$12 million	MWAP program supports multifamily properties with long-term rental affordability agreements in place
Home Water Assistance Program (1-4 unit)	\$14 million	HWAP focuses on owner-occupied tax class one residential properties
Proposed Total Funding Reauthorization	\$26 million	The \$26 million core budget would allow the Board's bill credit portfolio to reach as many as 145,000 accounts
Leak Forgiveness Program	\$5 million	Program in line with current terms, 50% bill credit for self-reported leaks that are fixed

TYPICAL ANNUAL RESIDENTIAL WATER CHARGES

Residential use charges will remain lower than in other large cities

Based on 70k gallons per year

	New York City	30 Large City Average ¹	NYC vs. Average
2019	\$945	\$1,119	-15.5%
2020	\$967	\$1,173	-17.6%
2021	\$967	\$1,216	-20.5%
2022	\$994	\$1,262	-21.2%
2023	\$1,041	\$1,309	-20.5%
2024	\$1,088	\$1,372	-20.7%
2025	\$1,181	NA	NA

Note 1: based on rates in effect as of February of each calendar year, using rates in effect during each fiscal year to calculate representative charges

PROJECTED SYSTEM REVENUES AND EXPENSES (\$ MILLIONS)

	FY 2024	FY 2025
REVENUES		
Operating Revenues		
Receipts from Customers Located in New York City	\$3,917	\$4,211
Upstate Revenue	90	94
Miscellaneous Revenue	23	24
Other Revenues		
Interest on Funds	71	46
Federal Subsidy on Outstanding Build America Bonds	48	48
Projected Total Revenues	\$4,149	\$4,423
EXPENSES		
Schedule of Forecast Debt Service		
Outstanding 1st Resolution Bonds	17	17
Anticipated New 1st Resolution Bonds	0	0
Outstanding Second Resolution Bonds issued to the Public	1,434	1,437
Anticipated Future Second Resolution Bonds issued to the Public	7	66
Interest Payments on Commercial Paper Notes	0	9
Outstanding Second Resolution Bonds issued the Environmental Facilities Corporation ("EFC")	541	548
Anticipated Second Resolution Bonds to be issued to the Corporation	0	9
Less: EFC Subsidy and Capitalized Interest	(96)	(103)
Forecast Debt Service for Current and Upcoming Year	1,903	1,983
Offset in Part by Prior Year Revenues for Current Year Debt	(1,726)	(1,669)
Forecast Net Debt Service for Current and Upcoming Year	177	313
Operating Expenses		
Municipal Water Finance Authority Operations	51	54
Water Board Operations	58	70
Water System Component	779	781
Wastewater System Component	1,126	1,158
Allocated Central and Shared Expenses	10	10
Central Allocations for Legal Expenses and Settlements	8	8
Net Operating Expenses	2,032	2,080
Plus (Minus) Other Expense Adjustments:		
Prior Year O&M Adjustments for Over (Under) Spending	(35)	(25)
Incremental Deposits to Water Board O&M Reserve Fund	11	11
Rental Payments for System Assets Requested by the City	145	289
PAYGO or Debt Structuring Transactions	198	325
Cash Released from Escrows	(47)	0
Total Net Debt Service, Operating and Other Expenses	2,480	2,993
Projected Balance at Year-End for Next Year Debt Service	1,669	1,430
Ratio of Revenues to First Resolution Debt Service	247.8x	264.1x
Ratio of Revenues Net of Authority Operations to Total Net Debt Service	23.2x	13.9x

Note: This listing is for information only and does not follow the Flow of Funds priority established under the Financing Agreement.

NEW YORK CITY
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BOARD