

Water and Wastewater Rate Outlook for the Fiscal Year Beginning July 1, 2023

May 30, 2023

Agenda

- What happens when you pay your bill?
- Keeping rate hikes low by finding funds
- Rate proposal and customer program reauthorization
- Public hearings and contact information for public testimony

What happens when you pay your bill?



The city that never sleeps

DEP's **5,500 employees** work to provide the City with reliable water and wastewater service **24 hours a day, 365 days a year** to protect your health and the environment by ensuring that New Yorkers have a reliable source of high-quality drinking water and that wastewater is treated properly.

Paying your bill helps make that possible by funding maintenance, upgrades, and repairs to almost **15,000 miles of water and sewer mains**, **19 reservoirs**, **12,000 rain gardens**, **14 water resource recovery facilities**, and **96 pump stations**.



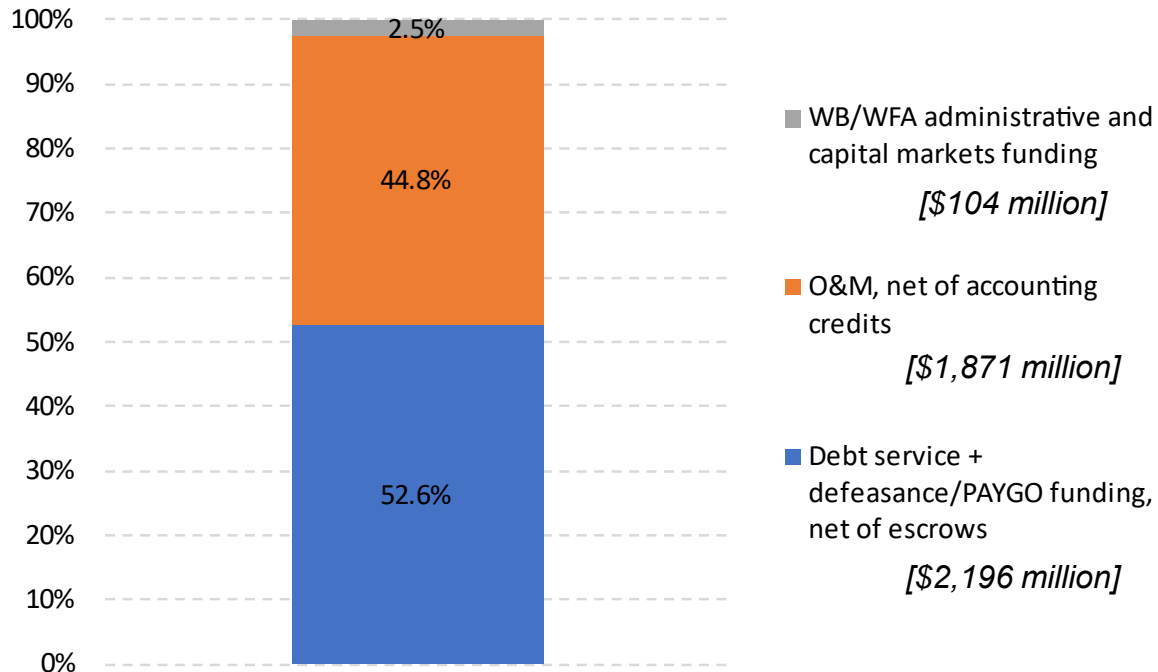
Investing in the next generation

Bill payments are invested back into our complex network of infrastructure so we can:

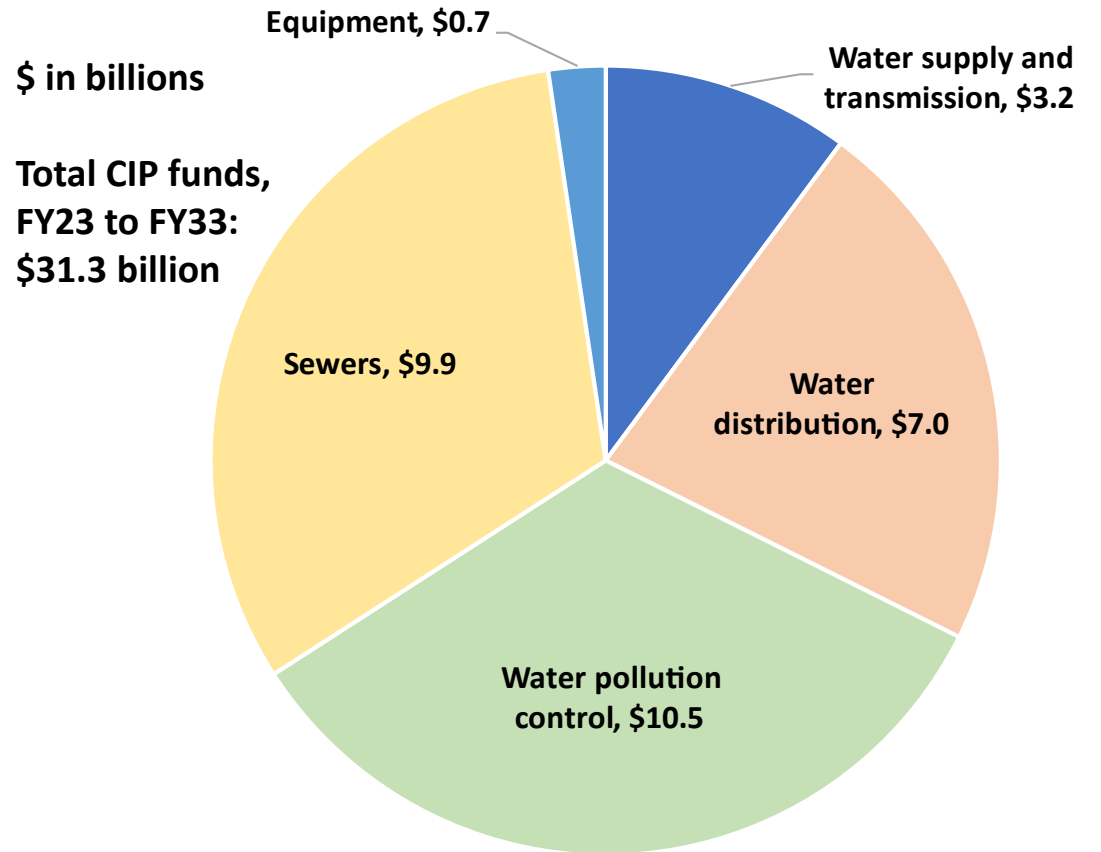
- ✓ **Keep the Water Running**
We deliver one billion gallons of fresh, clean drinking water to more than 8.3 million New Yorkers every day and another 1 million customers north of the City.
- ✓ **Protect the Harbor**
New York's surrounding waterways are cleaner than they have been in more than a century, thanks in large part to improvements we've made in treating more than 1.2 billion gallons of wastewater daily and capturing stormwater before it ever enters our sewer system.
- ✓ **Plan for the Future**
As we face a changing climate, we are working hard to implement innovative new solutions for stormwater capture, resource recovery, and water conservation.

More than half of water bill revenues fund debt service on DEP's capital investments in our water and wastewater system

Projected Use of System Funds for Fiscal Year 2024



Capital Improvement Program, Fiscal Years 2023 to 2033



Source: capital funds are presented on an all-funds basis, including City and Federal source funds
 Source: 10-Year Executive Capital Plan for Fiscal Year 2023 to 2033; NYC Municipal Water Finance Authority official statement dated March 9, 2023

Major projects are progressing, including completion over the next year of the Rondout-West Branch Bypass Tunnel to repair the Delaware Aqueduct

- Core construction work on the bypass tunnel was completed in calendar year 2022
- The closure of the Delaware Aqueduct is expected to occur in October 2023 and to last for a 5 to 8 month time period
- Total remaining capital plan commitments of \$108 million in the FY23 to FY33 capital plan forecast years
- The largest repair project in New York City's history, representing a strong collaboration between DEP, DDC, numerous partner City agencies, and the engineering-construction industry

Tunnel Boring Machine "Nora"



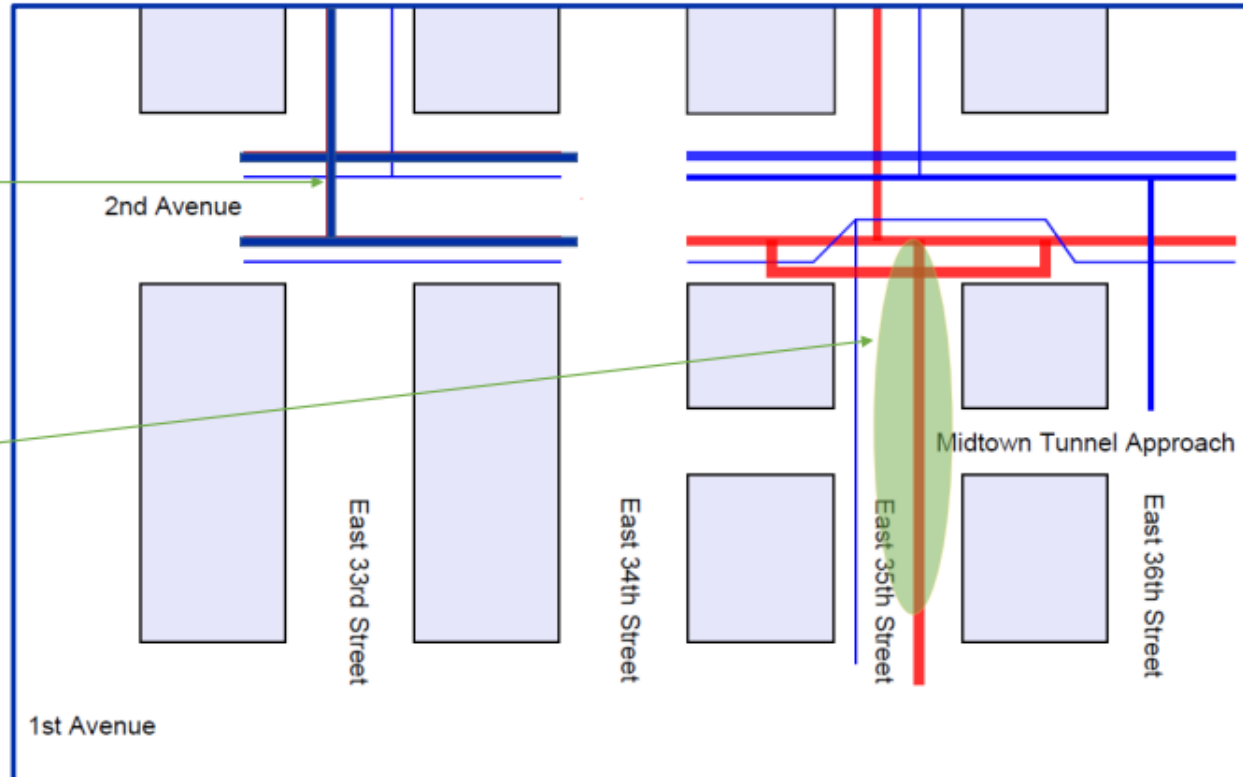
The Queens-Brooklyn Section of Water Tunnel Number 3 remains fully-funded in the current capital plan, with work underway toward operational readiness in 2032

- Water supply reliability project will create an additional water supply conduit into Queens and Brooklyn
- Drilling and blasting work underway at two new shaft sites
- Concrete and structural steel installation work is also underway
- Total remaining capital plan commitments of \$416 million in the FY23 to FY33 capital plan forecast years



\$53 million of water main improvements on Second Avenue in the East 30s began earlier this year, with completion expected before the end of 2024

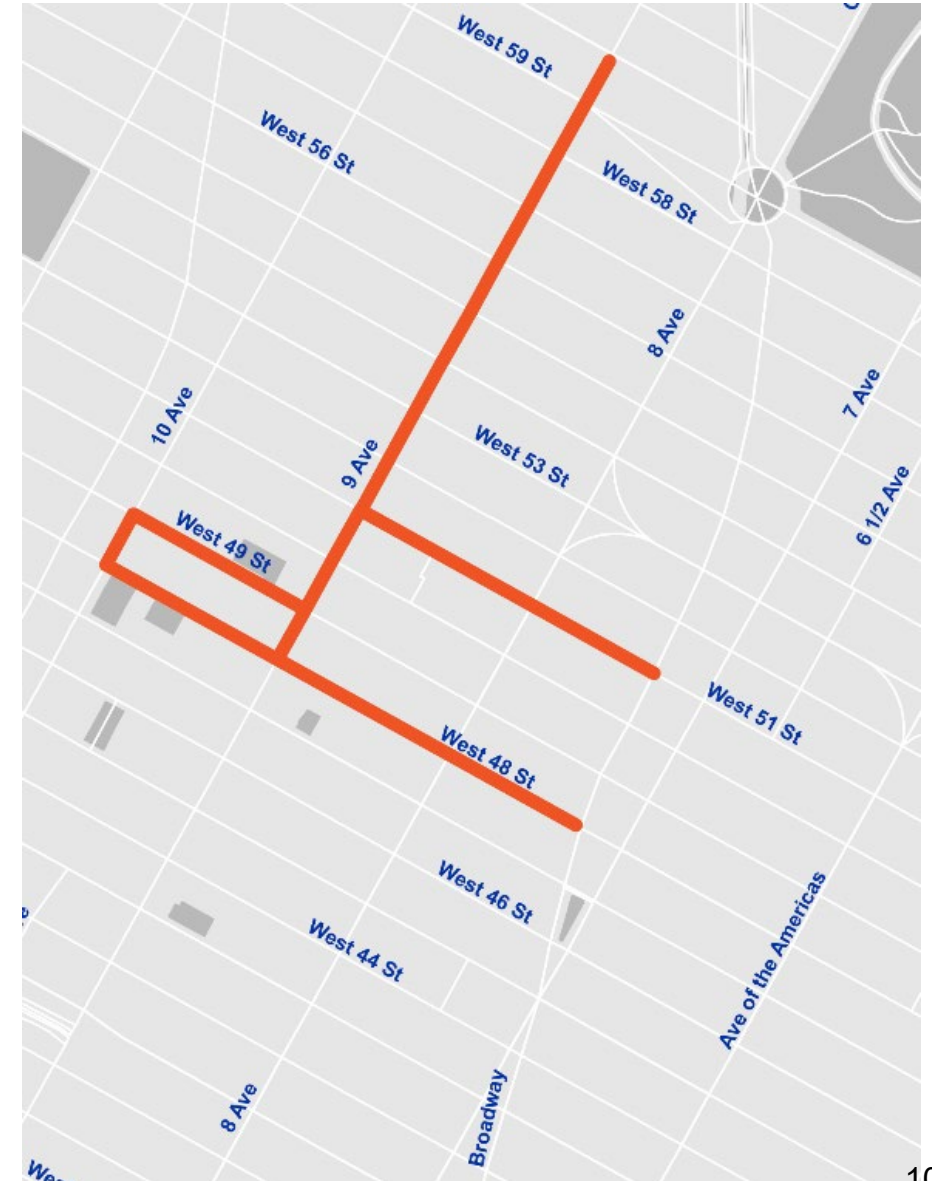
48" trunk water main improvements commenced in January 2023, with work at this section of the project site expected to be completed before the end of 2024



- The water main improvements support ongoing infrastructure improvements throughout the borough, and will provide an upgraded connection to Water Tunnel No. 3 via Shaft 32B
- The work is being performed in partnership with the City's Department of Design and Construction, as well as the Department of Transportation

DEP was a core project partner in the \$231 million upgrade to the water and transit assets along Ninth Avenue and other points in Manhattan that opened earlier this year

- DEP, working in partnership with several other City agencies, upgraded old, large diameter water mains in four sections of Manhattan
- The upgraded large diameter mains replaced old mains that, in some instances, were more than 100 years old, with new, 4' wide diameter water mains
- In addition to the water supply improvements along and adjacent to Ninth Avenue, DEP's projects involved the construction of connections to Water Tunnel No. 3 in three other areas of Manhattan, including the West 60s between Ninth and Eleventh Avenues, the Lower East Side along Grand Avenue, and along Eighth Avenue in the West Village
- The project was completed concurrently with a DOT pedestrian access project, part of DOT's Super Sidewalks initiative



Keeping rate hikes low by finding funds



DEP and Water Board programs are directly helping ratepayers who are suffering economic hardships

- **The Amnesty Program** has resulted in nearly **\$90 million** in additional revenue receipts, and saved customers more than **\$19 million** in interest; the program remains open to all property owners through May 31, 2023
- **DEP's marketing of the NYS Low Income Household Water Assistance Program** has resulted in **\$24 million** of savings for New York City residents, while **NYC LIHWAP Plus Program** participants have also saved an additional **\$5 million**
- **The Affordable multi-family property program** offered by the Water Board has delivered **\$2.2 million** of savings to 41 properties, with another 60 properties potentially eligible to receive an additional **\$2.6 million** of benefits
- **Together**, these programs have generated the first sustained reduction in DEP's delinquent accounts receivable since the COVID-19 pandemic
- DEP began issuing water shut-off notices to a small number of customers in May, beginning with a small number of accounts with high value properties and large overdue balances
- To date, all accounts facing water shut-offs have either made payments, which have totaled more than **\$1.2 million** through mid-May, or been removed due to a senior citizen exemption

The Amnesty Program and increased enforcement have reduced accounts receivable by an amount approaching \$90 million, which reduces the required FY 2024 rate increase

Guidelines and Frequently Asked Questions
+

Amnesty Look Up Tool

Simply insert your account number below, view your options and click any option to make a payment.

Enter Your Account Number: Search

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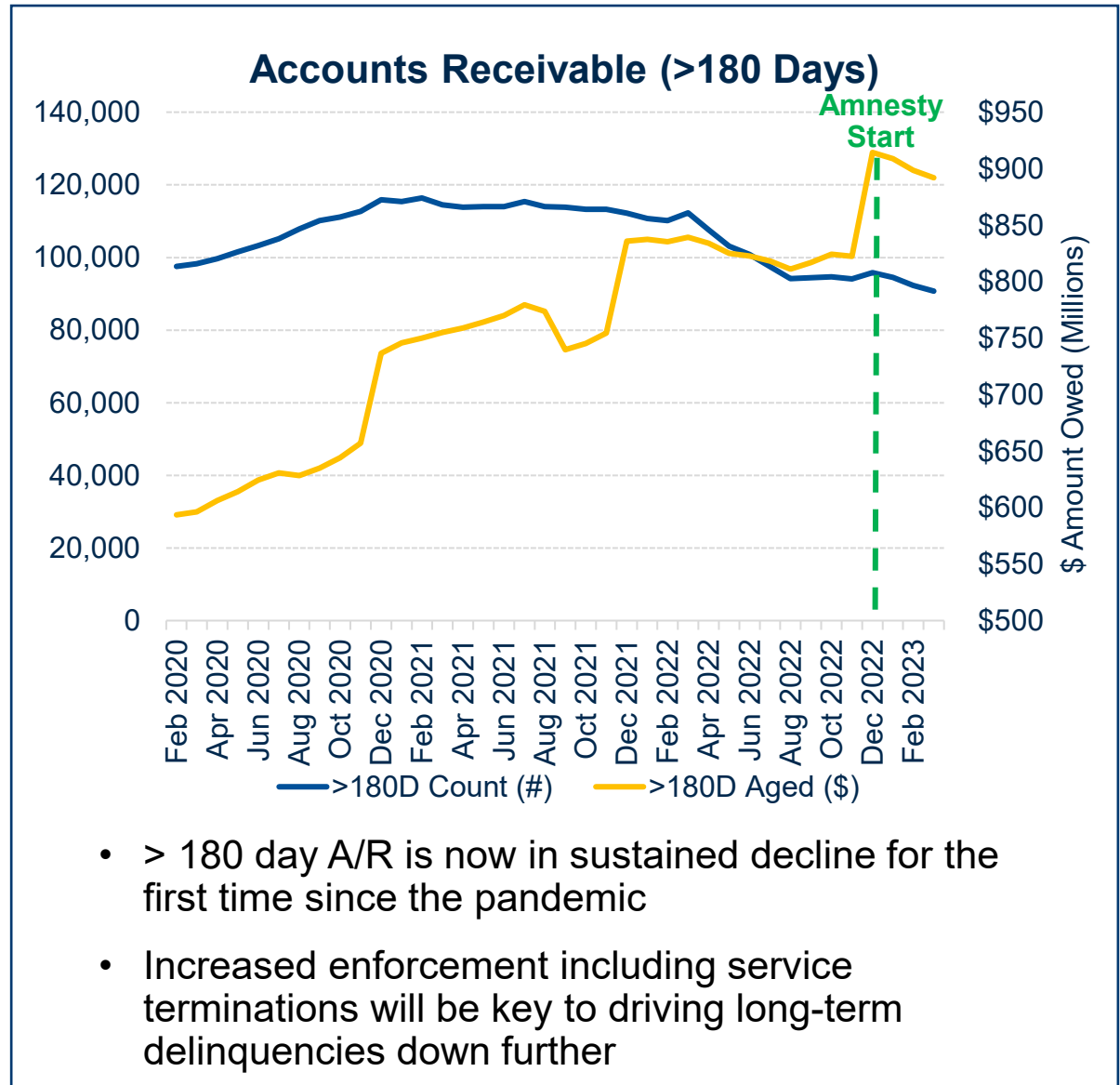
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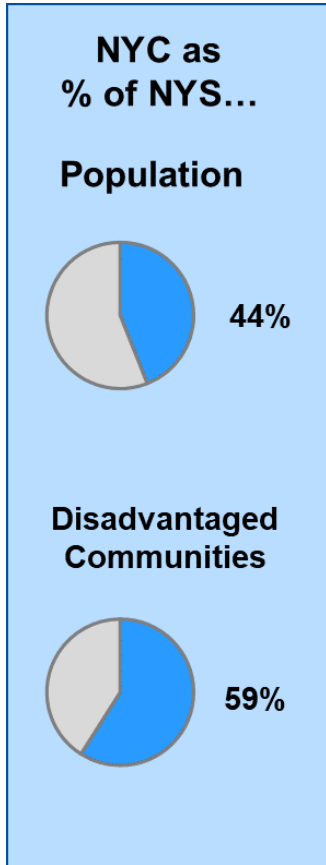
- The amnesty program is easily accessible via an online tool
- Customers may also participate by calling the Call Center or visiting an in-person office



Significant amounts of federal funding are becoming available for environmental and climate purposes, and DEP is aggressively seeking to access a fair share of the funds

Bipartisan Infrastructure Law (BIL)	Inflation Reduction Act (IRA)	NYS Environmental Bond Act
<i>Federal</i>	<i>Federal</i>	<i>State</i>
<p>New Funding \$43 billion through Clean Water and Drinking Water SRFs</p> <ul style="list-style-type: none"> • \$23 billion in general funding • \$15 billion for lead service line replacement • \$5 billion for emerging contaminants <p>More Generous Terms</p> <ul style="list-style-type: none"> • Nearly half of supplemental SRF funding directed to principal forgiveness and grants • Single largest investment in water ever made by federal government 	<p>Select New Funding</p> <ul style="list-style-type: none"> • Coastal Resilience: \$2.6 billion • Urban and Community Forestry: \$1.5 billion • Environmental and Climate Justice Block Grants: \$3 billion • Green and Resilient Retrofit Program: \$1 billion <p>New Incentives</p> <ul style="list-style-type: none"> • Clean Energy Production and Investment Tax Credits with direct payments <p>EJ Focus</p> <ul style="list-style-type: none"> • Part of Justice40 Initiative 	<p>New Funding</p> <ul style="list-style-type: none"> • Climate Change Mitigation: \$1.5 billion • Restoration and Flood Risk Reduction: \$1.1 billion • Water Quality Improvement and Resilient Infrastructure: \$650 million • Open Space Land Conservation and Recreation: \$650 million • Unallocated: \$300 million <p>EJ Focus</p> <ul style="list-style-type: none"> • At least 35% of total funding towards disadvantaged communities (DACs)

Efforts to obtain inter-governmental funding include initiatives to address structural disadvantages New York City faces when seeking grant funds



	Program	NYC Max Eligibility % of NYS Grants*	NYC Max Eligibility % of NYS Loans	DAC limitation
Federal (BIL)	Clean Water General Supplemental Funding	0% (\$0 / \$111M)	0% (\$0 / \$116M)	<i>DOH and EFC "hardship policy" restricts funding across BIL programs to eligible Disadvantaged Communities (DACs), defined as municipalities with populations <300,000</i>
	Clean Water Emerging Contaminants Funding	0% (\$0 / \$23M)	<i>n/a – all grants</i>	
	Drinking Water General Supplemental Funding	0% (\$0 / \$43M)	0% (\$0 / \$28M)	
	Drinking Water Emerging Contaminants Funding	16% (\$5 / \$31M)	<i>n/a – all grants</i>	
	Drinking Water Lead Service Line (LSL) Replacement Program**	18% (\$10 / \$57M)	30% (\$14 / \$47M)	
State	Water Infrastructure Improvement Act (WIIA)	2% (\$6.5 / \$279M)	<i>n/a – all grants</i>	

*Funding amounts are from Intended Use Plans (IUP) for federal FY23 for BIL programs and 2022 for WIIA

**NYC submitted \$57 million in projects for LSL replacement but municipality cap limits funding to \$24 million/year.

Rate proposal and customer program reauthorization



DEP's billing and alternative collection strategies and its careful expense management enable a moderate rate increase at a time when many costs remain elevated due to 2021-22 inflation

Million of dollars	Forecast FY 2023	Budget FY 2024	Variance	Comment
Debt service costs on water and sewer debt	\$2,146	\$2,196	\$50	<ul style="list-style-type: none"> Includes funds for prepaying or defeasing¹ debt Projected increase of \$298 million in debt service costs reflects higher market interest rates for fixed and variable cost debt, and expanded capital program Offset by \$248 million attributable to higher prior year revenues and lower defeasance/PAYGO allocation
DEP operations and maintenance, net of accounting credit for prior-year DEP budget savings ²	\$1,755	\$1,871	\$115	<ul style="list-style-type: none"> Funds core utility services and personnel Reflects estimated fiscal year cost of \$74 million for 2021 to 2026 collective bargaining agreement Includes \$9 million of funding for chemical cost inflation and \$5 million for billing software maintenance and analytics
Water Board and Water Authority combined expense budgets	\$98	\$104	\$6	<ul style="list-style-type: none"> No significant changes
Rental payments requested by the City	\$0	\$0	\$0	<ul style="list-style-type: none"> No rental payment requested for Fiscal Years 2023 or 2024
Expenses recoverable through water and sewer revenues	\$3,999	\$4,171	\$172³	<ul style="list-style-type: none"> Budget growth in line with requested rate increase

¹ Defeasing bonds involves setting aside money sufficient to repay the remaining principal and interest owed on a bond.

² Includes \$9 million of additions to the O&M Reserve Fund in each fiscal year

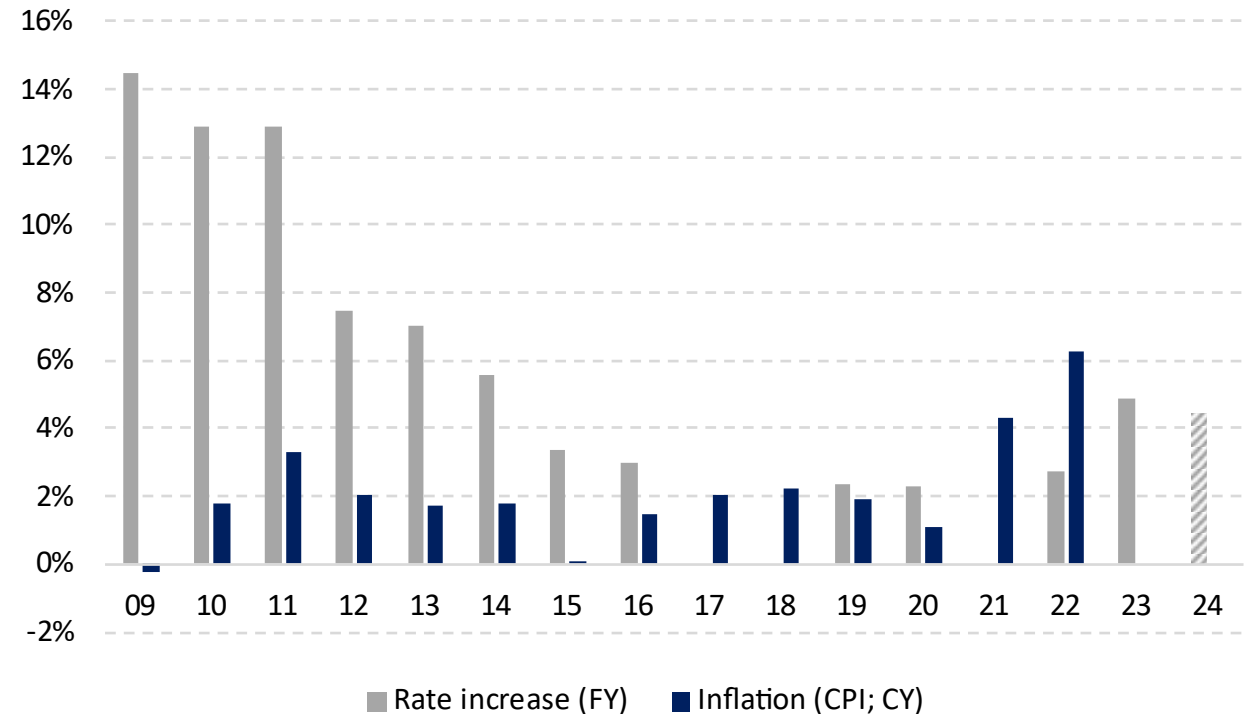
³ Decimal values do not add to the rounded integer total due to rounding

DEP is proposing a 4.42% rate increase, driven by higher borrowing costs, a larger capital program, and the need to invest in staff retention and development through the O&M budget

The proposed rate increase:

- Re-authorizes the Board's core customer programs at current funding levels
- Reflects no rental payment request in current fiscal year
- Extends the target date for administrative compliance with all requirements of the Multi-family Conservation Program until June 30, 2024
- Keeps core customer programs at current funding levels
- Is less than the general inflation rate seen in the greater New York City area in the past year
- Is below the recent 4.9% electricity rate increase and the 7.7% natural gas rate increase
- Enables the system to achieve key financial metrics necessary to support strong bond ratings, which help keep rates low
- Helps address the impacts of rising interest rates and inflation on the cost of providing utility service to customers
- Supports hiring and retention initiatives to return headcount to budgeted levels

Historical NYC Water and Wastewater Rate Increases Compared to Consumer Price Inflation



Sources: U.S. Bureau of Labor Statistics, data series CUURA101SA0; Queens Chronicle, "Con Ed, State Sign Deal on Rate Increase," February 23, 2023

Residential customers with average levels of water use will see a small increase to their monthly bills

Annual water and wastewater charges	FY 2023	Proposed FY 2024	Monthly Increase
Average Single-Family Charge (70k gallons per year)	\$1,041	\$1,088	\$3.84
Average Multi-Family Metered Charge (52k gallons per year)	\$773	\$808	\$2.85
Multi-Family Conservation Program (per residential unit)	\$1,134	\$1,184	\$4.18
Minimum Charged Properties (using less than 90 gallons per day)	\$463	\$463	\$0.00

Note: representative charges are calculated using projected actual billing rates, rounded to two decimal places; year-over-year change in illustrative billed amounts may be slightly different than 4.42% due to rounding to two decimal places

Residential use charges will remain lower than in other large cities

Typical Annual Residential Water Charges

	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	NA	NA

Based on 70k gallons per year

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

DEP recommends that the Board continue its \$30 million customer program budget, which would extend the Water Board’s 50% program budget increase across the MWAP and HWAP programs

	Pre-Expansion Annual Program Budget	50% Program Expansion, Proposed to Extend into FY 2024	Proposed Continuation of Expansion Budget in FY 2024
Multi-Family Water Assistance Program (4-unit +)	\$10 million	Additional 8,000 affordable apartment unit credits, for 48,000 total credits of \$250 each	\$12 million
Home Water Assistance Program (1-4 unit)	\$6 million	Larger \$145 bill credit to all recipients, and additional 45,000 new recipients (96,000 total)	\$14 million
Leak Forgiveness Program	\$4 million	Program in line with current terms, 50% bill credit for self-reported leaks that are fixed	\$4 million
Total Affordability Programs	\$20 million	Proposal includes extending the \$10 million program funding expansion into FY 2024	\$30 million

Note: budgeted funds available for the Leak Forgiveness Program are an estimate; program funding can be increased based on availability of a pool of qualifying program applicants

Public hearings and contact information



Public hearings schedule

Event	Date	Location	Time
DEP rate proposal to Water Board	Monday May 1	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	9:15 a.m.
Staten Island Public Hearing	Wednesday May 24	Bernikow JCC of Staten Island 1466 Manor Road, Staten Island	6:00 p.m.
Queens Public Hearing	Thursday May 25	JFK Jr. School 57-12 94th Street, Queens	6:00 p.m.
Manhattan Public Hearing	Tuesday May 30	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	2:00 p.m.
Brooklyn Public Hearing	Wednesday May 31	Saint Francis College 179 Livingston Street, 5th Floor, Brooklyn	6:00 p.m.
Bronx Public Hearing	Thursday June 1	Mercy College 1200 Waters Place, Bronx	6:00 p.m.
Water Board meets to vote on budget and final rate	Tuesday June 6	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	9:15 a.m.

Rate hearing summary

- In-city proposed rate increase of 4.42% beginning July 1, 2023
- Public hearings are taking place throughout the boroughs in the traditional in-person hearing format from May 24 to June 1, followed by a Board meeting on June 6 to vote on the budget and rates
- Testimony, comments, or questions regarding the proposed rate, the hearings, and any prepared testimony, as well as requests to register to speak at the hearings, should be directed to:

NYC Water Board

Preferred contact methods:
nycwaterboard@dep.nyc.gov
718-595-3591

If by mail:
59-17 Junction Boulevard
8th Floor
Flushing, NY 11373

Questions?