

Wholesale Water Rate Outlook for the Fiscal Year Beginning July 1, 2024

June 5, 2024



Topics that will be covered in today's presentation

- Spotlight on recent DEP highlights
- **Rate proposal**
- Public hearings and contact information for public testimony

Spotlight on recent DEP highlights



DEP's 2023 water quality report highlighted the quality and safety of the City's drinking water

THE NEW YORK CITY 2023 DRINKING WATER QUALITY TESTING RESULTS

Detected Conventional Physical and Chemical Parameters
This table summarizes the monitoring results for all detected parameters in 2023

PARAMETER	NYSDOH MCL (Highest Level Allowed)	EPA MCLG (Ideal Goal)	# SAMPLES	RANGE	AVERAGE	MCL VIOLATION	LIKELY SOURCES IN DRINKING WATER
Alkalinity (mg/L CaCO ₃)	-		308	14 - 74	22	No	Erosion of natural deposits
Aluminum (µg/L)	50 - 200 ⁽¹⁾		309	8 - 57	15	No	Erosion of natural deposits
Barium (mg/L)	2	2	309	0.01 - 0.04	0.02	No	Erosion of natural deposits
Bromide (µg/L)	- ⁽²⁾		8	8 - 35	20	No	Naturally occurring
Calcium (mg/L)	-		309	5 - 26	7	No	Erosion of natural deposits
Chloride (mg/L)	250		308	10 - 71	19	No	Naturally occurring; road salt
Chlorine Residual, Free (mg/L)	4 ⁽³⁾		15,217	ND - 1.3	0.5	No	Water additive for disinfection
Chromium (µg/L)	100	100	309	ND - 2	ND	No	Erosion of natural deposits
Color - distribution system (color units - apparent)	-		13,894	3 - 350	7	No	Presence of iron, manganese, and organics in water
Color - entry points (color units - apparent)	15		1,320	3 - 11	6	No	Presence of iron, manganese, and organics in water
Copper (mg/L)	1.3 ⁽⁴⁾	1.3	309	ND - 0.053	0.007	No	Corrosion of household plumbing; erosion of natural deposits
Corrosivity (Langelier index)	- ⁽⁵⁾		279	-2.77 to -1.19	-2.22	No	
Fluoride (mg/L)	2.2	4	2,166	ND - 0.8	0.7	No	Water additive which promotes strong teeth; erosion of natural deposits
Hardness (mg/L CaCO ₃)	-		308	17 - 102	26	No	Erosion of natural deposits
Hardness (grains/gallon[US]CaCO ₃) ⁽⁶⁾	-		308	1 - 6	2	No	Erosion of natural deposits
Iron (µg/L)	300 ⁽⁷⁾		309	ND - 108	31	No	Naturally occurring



DEP Scientists continuously sample and conduct analyses for hundreds of water quality parameters

HOW TO READ THE NEW YORK CITY 2023 DRINKING WATER QUALITY TESTING RESULTS

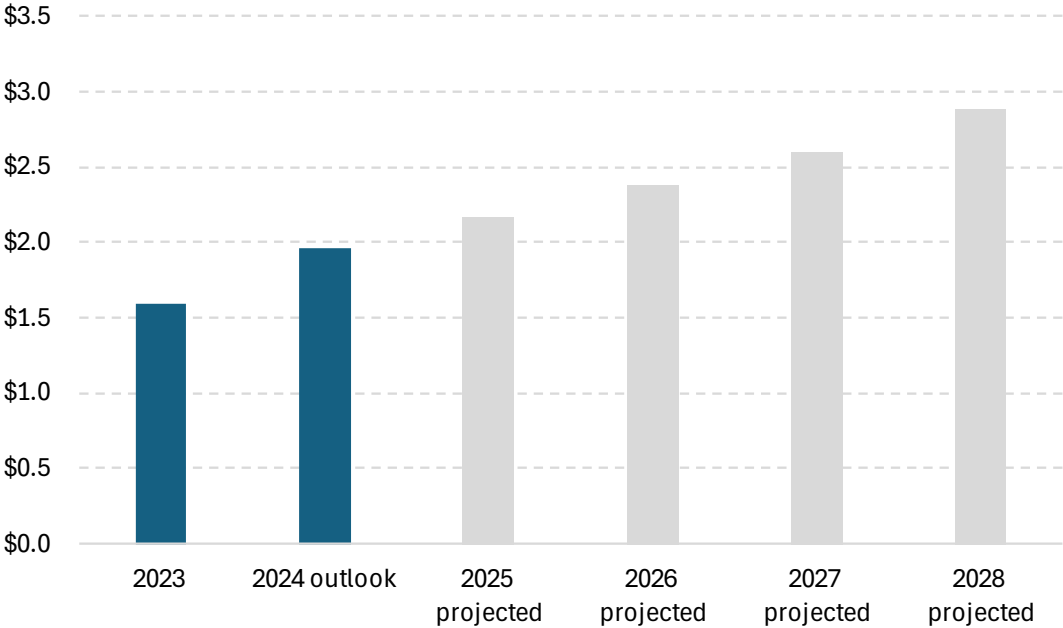
The following section of this report compares the quality of your tap water to federal and state standards for each parameter (if applicable). The monitoring results show that New York City's drinking water continues to be of excellent quality.

The following tables reflect the compliance monitoring results for all regulated and non-regulated parameters, the number of samples collected, the range of values detected, the average of the values detected, and the

Construction work continues to be at DEP’s core, and the agency is on track to reach \$3 billion of capital commitments as part of a \$29 billion capital program

Capital Improvement Program Fiscal Years 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

Historical and forward-looking cash spending on construction and capital equipment purchases (dollars in billions)

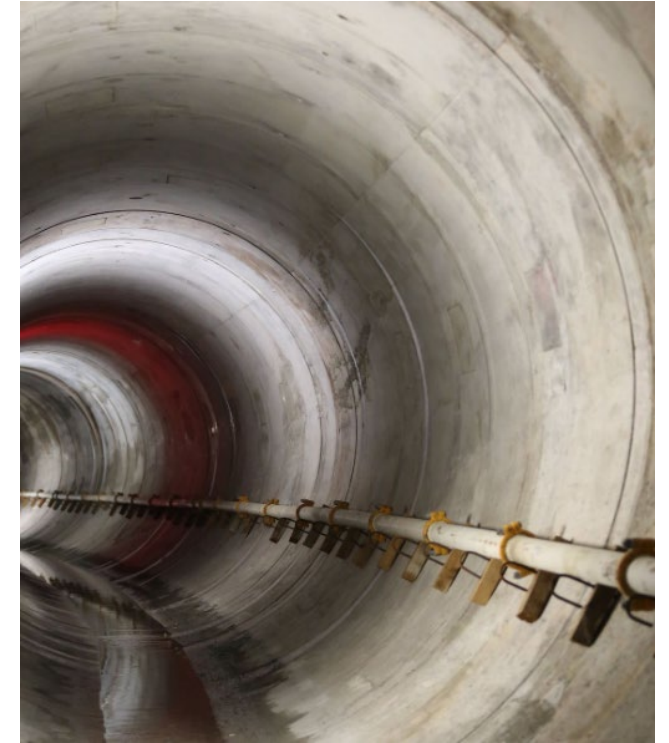
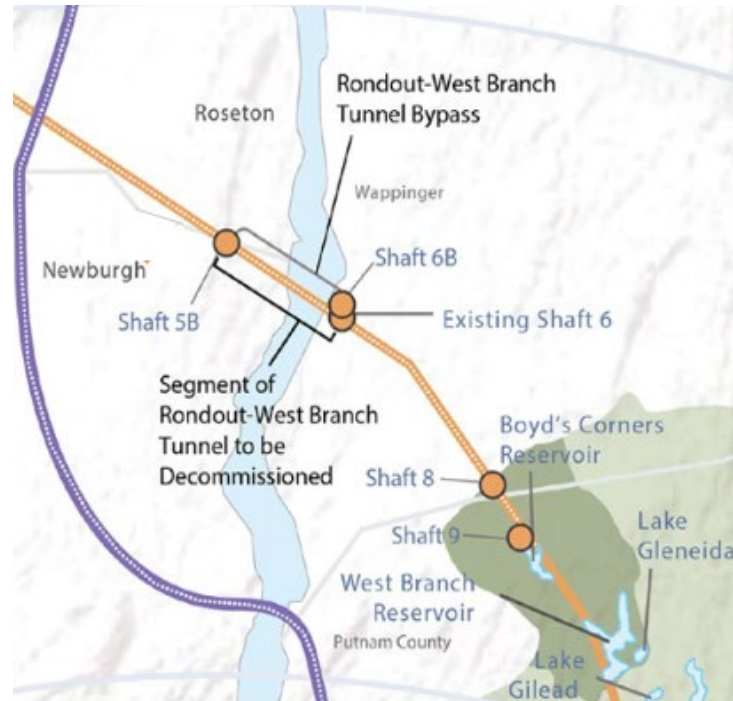


The agency achieved 103% of its capital contracting goal in FY 2023, committing \$2.4 billion to new contracts

Notes: capital funds are presented on a City-funded basis
Sources: NYC DEP Budget Office, NYC Municipal Water Finance Authority

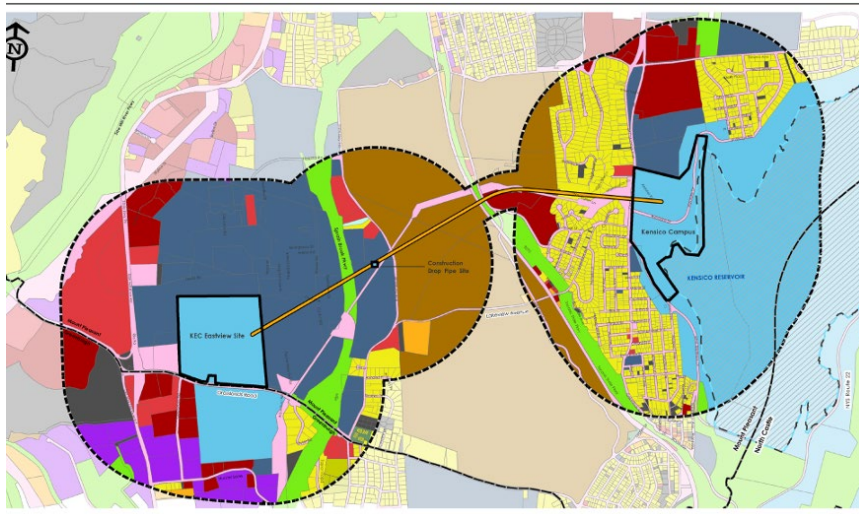
Work on the Rondout-West Branch Bypass Tunnel is complete, and preparatory work for the Delaware Aqueduct repair is underway for a temporary repair shutdown later this year

- 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 section 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 closure of the Rondout West Branch sections of the Aqueduct is expected to commence in October 2024 and is expected 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 \$95 million are included in the capital plan



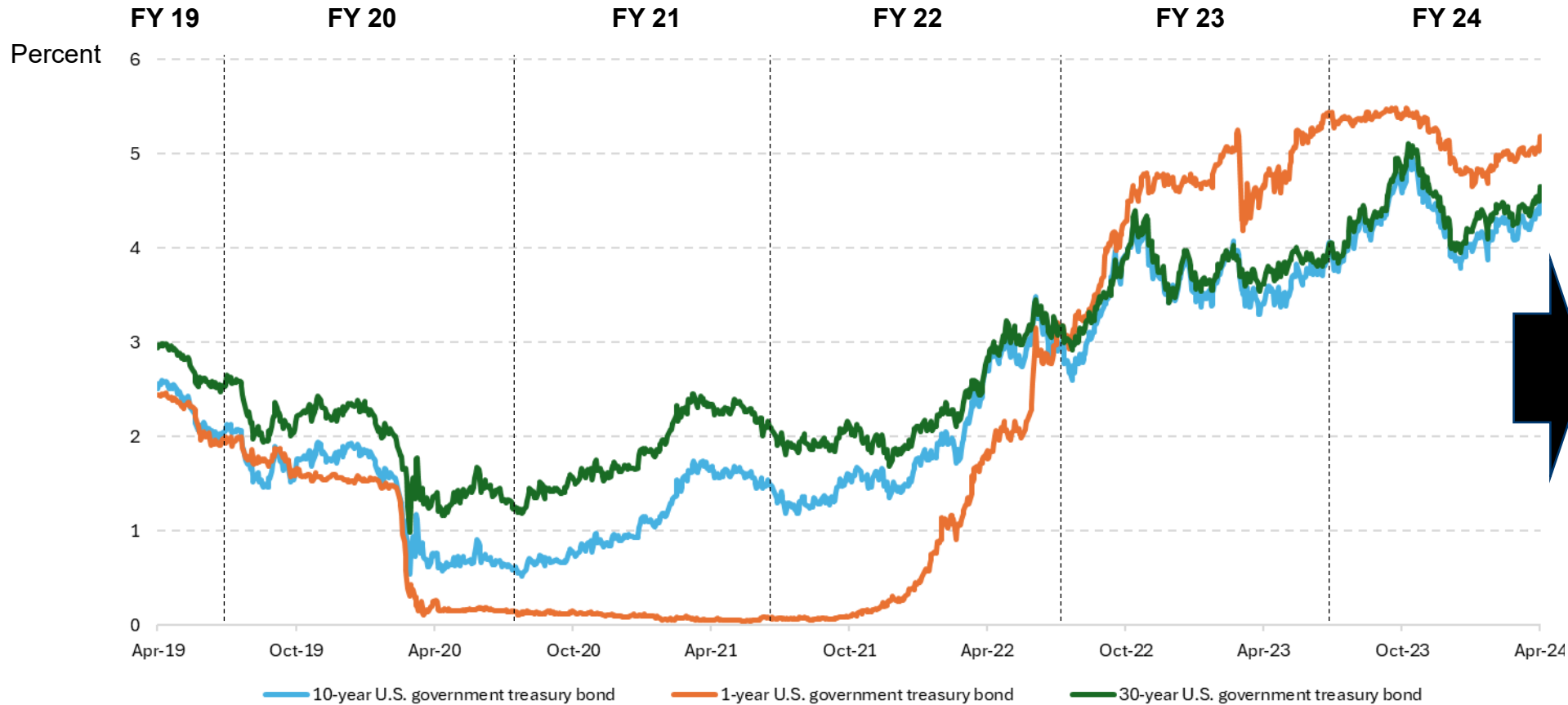
DEP's Kensico water tunnel project will add to the system's quality and will have a large economic impact in the water supply region

- The Kensico-Eastview Connection project 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 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 and involve \$1.9 billion of funding
- Final environmental impact statement completed in October 2023
- Construction work commencing in the first half of calendar 2024
- Shoreline stabilization of the reservoir is also a project priority

DEP's capital construction work is mostly financed by bonds – higher and more volatile market-wide rates increase budgetary risk and cost



- Through the NYC Municipal Water Finance Authority, DEP borrows most of the funding for capital projects by selling bonds in the debt capital markets
- The realized cost of debt capital increased significantly during FY23, with the higher borrowing costs persisting into FY24
- Benchmark Treasury rates in FY24 are about $\frac{3}{4}$ % higher than during FY23 across the 1/10/30 year maturities
- Municipal borrowing indices show a similar interest rate trend

The interest rate savings available from refinancing old debt are currently lower than in earlier years, and rate volatility along with higher market interest rates has resulted in costs that are closer to forecast amounts than during earlier budget cycles

The proposed rate increase will help to maintain the water system's strong financial fundamentals that are evaluated by credit rating agencies

The City's water system issues debt in its own name and enjoys high credit ratings

	Moody's	S&P	Fitch
Senior debt	Aa1	AAA	AA+
Junior debt	Aa1	AA+	AA+

Credit ratings are supported by factors that include:

- Legal structure that balances strong bondholder protections while ensuring sufficient funds for operational and construction purposes
- Practice of pre-funding part of annual debt service costs for future fiscal years
- Required role for a consulting engineer and revenue consultant
- Quality of the City's administrative, technical, and financial management

Credit rating agencies are cautious, and monitor issuers for signs of positive or negative change

- Large balance of existing water and sewer debt – approximately \$33 billion
- Debt service coverage based on net revenues compared to debt service, and leverage ratios based on debt compared to revenues, are in line with similarly situated issuers
- Economic fundamentals such as City labor market health, private sector industry composition, tourist numbers, and property market dynamics all have bearing on how water and sewer bonds are rated

Wholesale rate proposal

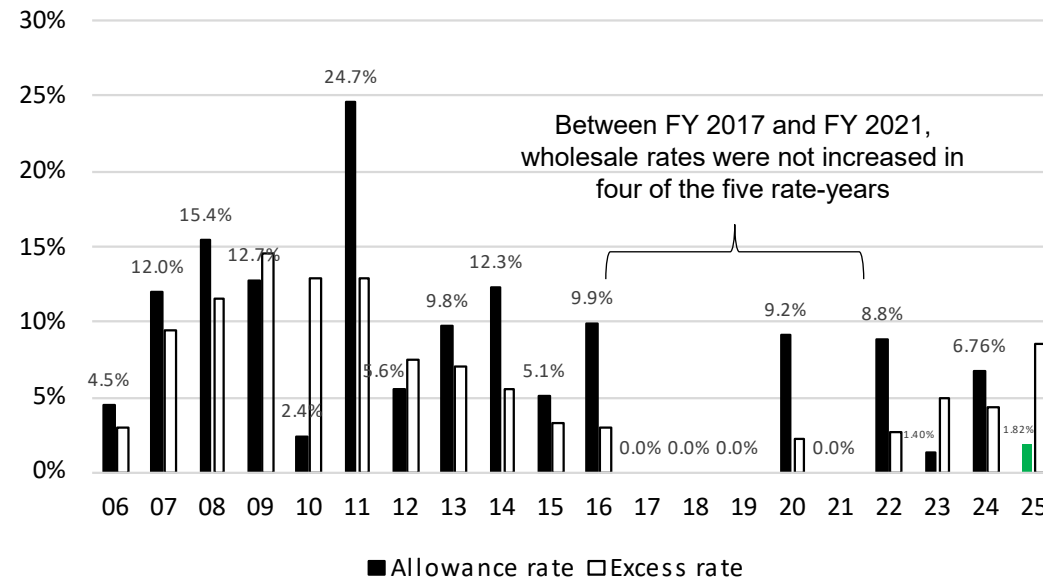


Debt issuance attributable to the capital-intensive nature of the water system and property taxes are more than half of the costs allocated to the rate for allowance quantity purchases

\$ in millions	FY 2025	Percent of Recoverable Costs
Debt service	\$300	34%
Administrative and other expenses besides personnel costs	198	22%
Property tax payments on property located north of the City	174	20%
Personnel assigned or allocated to water supply offices and duties	172	19%
Funds used to pay for construction work with cash or to restructure old debt	51	6%
Adjustments for water supply items not included in the rate calculation	(5)	-1%
Phase-in of under- or (over-) charging in previous rate years	(4)	0%
Total expenses incurred, or allocable to, facilities and activities north of the City	\$887	100%

DEP recommends that the Board also increase water rates for wholesale customers in Fiscal Year 2025

- In addition to supplying water to the City’s residents, DEP supplies water to the water utilities that serve another one million residents who live north of the City, mainly in Westchester County
- These local water utilities are allowed to purchase water from City sources pursuant to State law, from water supply assets located outside of the City and that pass through the area en route to the City
- DEP is recommending the Board increase the allowance quantity **rate by up to 1.82%** for wholesale customers north of New York City, to a rate of \$2,264.80 per million gallons
- A typical end consumer’s water bill would increase by about \$3 per year, or \$0.25 per month
- Recommended rate increase for amounts in **excess of the allowance quantity of up to 8.5%**, in line with the proposed in-City rate increase, to a rate of \$6,364.34 per million gallons



Calculation of the allowance quantity rate, based on projected Fiscal Year 2025 system-wide water consumption

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Total expenses incurred, or allocable to, facilities and activities north of the City	\$887	100%
Aggregate system water use projected for the next fiscal year	391,683	
Proposed allowance quantity water rate for FY 2025	\$2,264.80	

Contact information for further public testimony



Recap and thank you

- The Water Board is scheduled to hold its next meeting to vote on its annual budget for Fiscal Year 2025 and the proposed water rates on June 13, 2024 at 9:15 a.m., at the New York City Office of Management and Budget, 255 Greenwich Street, 8th Floor Conference Room, Manhattan, New York
- 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?