

New York City Water Board

Measurement Report Fiscal Year 2013

Performance Goal: Set rates at a level for which revenue collections will satisfy revenue requirements of the System.

Measurement: Were the fiscal year's revenue requirements met?

Yes, in fiscal year 2013 cash receipts totaled \$3.375 billion, which is 4.4% above the \$3.233 billion revenue requirement.

Performance Goal: Effectively seek input on System rates.

Measurement: Did the Board conduct effective rate hearings at times and locations that facilitated broad public participation?

Yes, the Board conducted six rate hearings at convenient times for customers; one hearing was held in each of the five boroughs, and one hearing was held north of the City for upstate customers.

Performance Goal: Establish rates that are fair and affordable.

Measurement: How do water and sewer rate increases compare to other consumer cost increases?

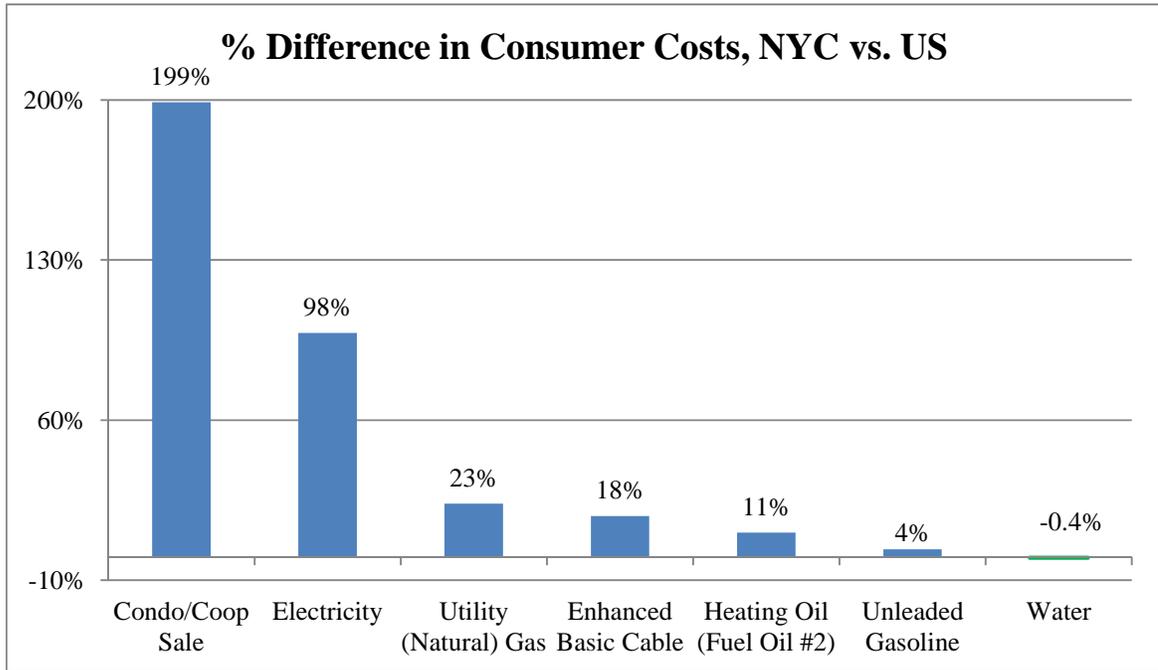
The water and sewer rate increase of 5.6% that was adopted in May 2013 exceeds the Consumer Price Index increases of 2.1% for all items¹ and 5.1% for water and sewerage maintenance.² This water and sewer rate increase was necessary to provide adequate funding for the System to comply with regulatory mandates.

As shown in the graph below, which compares costs of living in New York City versus the national average, water rates in New York City are lower than the

¹ United States Department of Labor, Bureau of Labor Statistics; Consumer Price Index for New York-Northern New Jersey-Long Island Area, All Urban Consumers; includes data as of July 2013.

² United States Department of Labor, Bureau of Labor Statistics; Consumer Price Index for U.S. City Average, All Urban Consumers; includes data as of July 2013.

national average, while other costs of living are higher than the national average.³



Measurement: How do water and sewer charges track as a percentage of household income?

Average water and sewer charges across single-family homes and multi-family dwellings of \$841 per year at the fiscal year 2014 rates represent 1.7% of the 2012 median household income of \$50,895 in New York City⁴. The median household income in New York City increased by 2.9% from 2011 to 2012.

Measurement: How do water and sewer charges track as a percentage of a building’s total operating costs?

The Rent Guidelines Board 2013 Price Index states that water and sewer charges represent 10.3% of buildings’ total operating charges.⁵ To note, buildings’ charges do not usually include electricity charges for individual dwelling units, as such charges are billed directly to those units. The 5.6% water and sewer rate

³ The Real Estate Board of New York and National Association of Realtors (condo sale); New York State Energy Research and Development Authority and Bureau of Labor Statistics (electricity and fuel oil #2); U.S. Bureau of Labor Statistics (utility natural gas and unleaded gasoline); FCC and company websites (enhanced basic cable); NYC FY 2014 Water and Wastewater Rate Report (water).

⁴ U.S. Census Bureau, American Community Survey; includes data as of September 2012.

⁵ New York City Rent Guidelines Board – 2013 Price Index of Operating Costs, April 18, 2013.

increase for fiscal year 2014 is slightly less than the New York City Rent Guidelines Board’s 2013 increase of 5.9% in the price index of operating costs for apartment buildings.

Performance Goal: Establish rates at a level that provides for sustainable, high-quality delivery of water and sewer services.

Measurement: Have rates resulted in sufficient, stable and predictable revenue streams that have enabled favorable financing terms and allowed for operations and maintenance of the System at a level that will ensure the System’s long-term sustainability?

Yes; the New York City Municipal Water Finance Authority issues all of the debt for the System. The Authority's bonds continue to be highly rated by all three primary rating agencies. At the end of fiscal year 2013, the Authority’s bonds were rated as follows:

	General Resolution	Second General Resolution
Fitch, Inc.	AA+	AA+
Moody’s Investors Service, Inc.	Aa1	Aa2
Standard & Poor’s Rating Services	AAA	AA+

According to AECOM, the System’s engineering consultant, “The condition of the System continues to receive the highest rating of our three rating categories (adequate). The expense allocations for Fiscal Year 2014 and the projected expense allocations for Fiscal Year 2015 are adequate for the continued reliable operation of the System. The Capital Improvement Program is responsive to the long-term operating requirements of the service area. Current staffing levels of the System are sufficient for proper operation and maintenance. Additional staffing needs have been identified for future facilities.”⁶

⁶ Letter of AECOM USA, Inc., Consulting Engineers dated September 9, 2013, which is incorporated in Appendix A of the New York City Municipal Water Finance Authority Official Statement for the Fiscal 2014 Series AA Bonds.