

New York City Water Board

Measurement Report Fiscal Year 2015

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 2015 cash receipts totaled \$3.809 billion, which is 5.3% above the \$3.619 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.

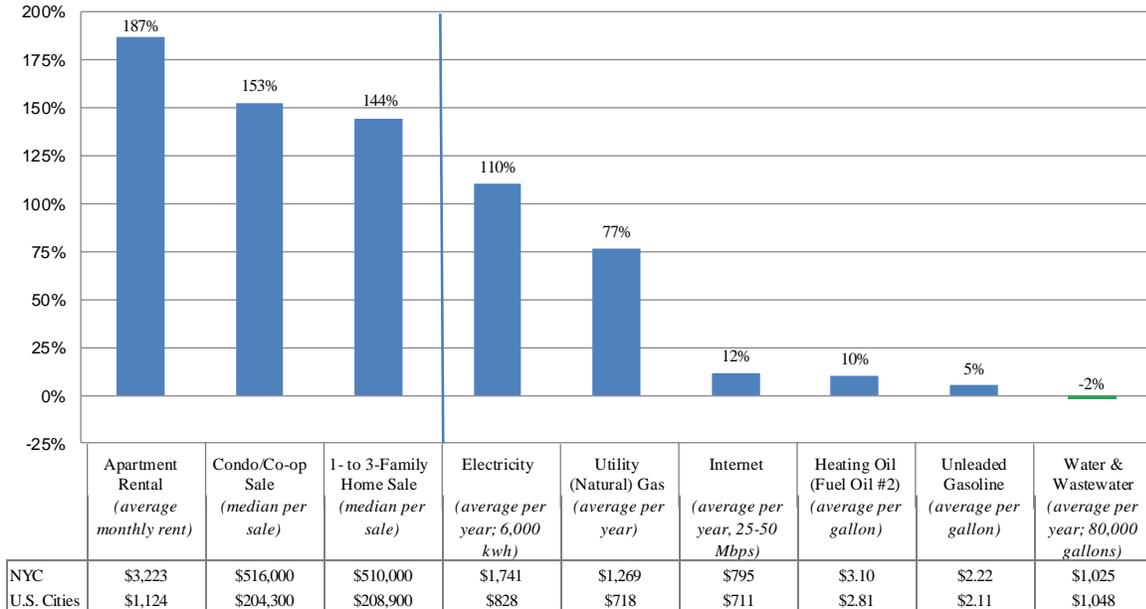
Measurement: How do water and sewer rate increases compare to other consumer cost increases?

The water and sewer rate increase of 2.97% that was adopted in May 2015 is less than the 5.3% increase in the average Consumer Price Index (CPI) of water and sewerage maintenance in U.S. cities, but it is greater than the average U.S. city 0.2% CPI increase for all items.¹ The Board's water and sewer rate increase was necessary to provide adequate funding for the System to comply with regulatory mandates.

¹ 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 2015.

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 below the national average, while other costs of living are higher than the national average.²

% Difference in Consumer Costs, NYC vs. U.S.



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

Average water and sewer consumption across single-family homes and multi-family dwellings is estimated to be approximately 67,890 gallons per year. At fiscal year 2016 rates, the related annual charges of \$896 represent 1.7% of the 2014 median household income of \$52,996 in New York City³. The median household income in New York City increased by 1.5% from 2013 to 2014.

² The Wall Street Journal and New York Times (apartment rental); The Real Estate Board of New York and National Association of Realtors (condo/co-op and 1-3 family home sale); Consolidated Edison and U.S. Bureau of Labor Statistics “BLS” (electricity); National Grid and American Gas Association (natural gas); The Open Technology Institute (internet); New York State Energy Research and Development Authority and U.S. BLS (heating oil); U.S. BLS (gasoline); NYC FY 2015 Water and Wastewater Rate Report (water & wastewater).

³ U.S. Census Bureau, American Community Survey; includes data as of 2014 that was released September 2015.

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

The Rent Guidelines Board 2015 Price Index states that water and sewer charges represent 7.8% of apartment buildings’ total operating charges.⁴ To note, apartment buildings’ charges do not usually include electricity charges for individual dwelling units, as such charges are billed directly to those units. The 2.97% water and sewer rate increase for fiscal year 2016 is greater than the New York City Rent Guidelines Board’s 2015 increase of 0.5% 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 2015, 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 2015 and the projected expense allocations for Fiscal Year 2016 are adequate for the continued reliable operation of the System. The Capital Improvement Program (the “CIP”) for Fiscal Years 2015-2025 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.”⁵

⁴ New York City Rent Guidelines Board – 2015 Price Index of Operating Costs, April 16, 2015.

⁵ Letter of AECOM USA, Inc., Consulting Engineers dated May 20, 2015, which is incorporated in Appendix A of the New York City Municipal Water Finance Authority Official Statement for the Fiscal 2015 Series HH Bonds.