

## New York City Water Board

### Measurement Report – Fiscal Year 2016

**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 2016 cash receipts totaled \$3.853 billion, which was 4.5% above the \$3.687 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 proposed water and sewer rate increase of 2.1% for Fiscal Year 2017<sup>1</sup> is less than the 4.1% 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 0.7% CPI increase for all items.<sup>2</sup>

As shown in the graph below, which compares costs of living in New York City versus the national average, water rates in Fiscal Year 2016 in New York City were below the national average, while other costs of living were higher than the national average.<sup>3</sup>

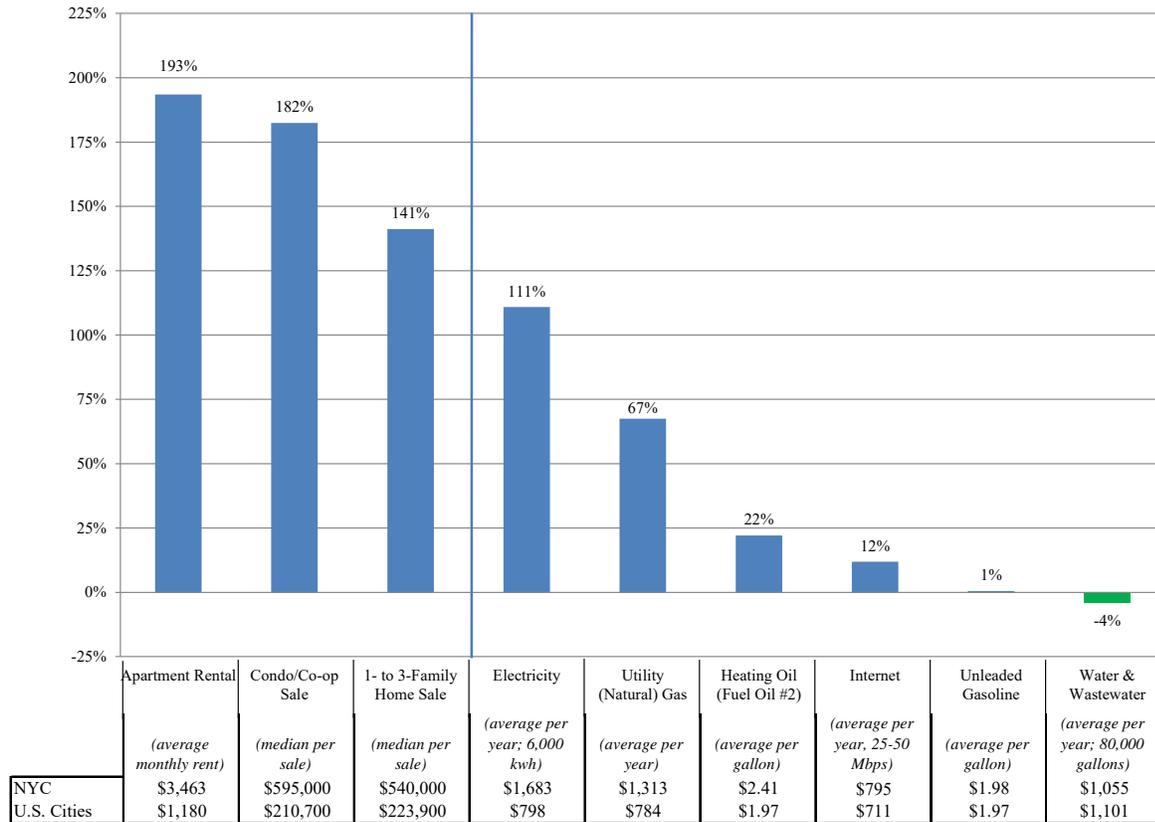
---

<sup>1</sup> Due to pending litigation, the fiscal year 2017 Rate Schedule has not been effectuated.

<sup>2</sup> 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 2016.

<sup>3</sup> Wall Street Journal and Boston Business Journal (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

**% 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 the proposed Fiscal Year 2017 rates, the related annual charges of \$914 represent 1.6% of the 2015 median household income of \$55,752 in New York City<sup>4</sup>. The median household income in New York City increased by 5.2% from 2014 to 2015.

Labor Statistics “BLS” (electricity); National Grid and American Gas Association (natural gas); New York State Energy Research and Development Authority and U.S. BLS (heating oil); The Open Technology Institute (internet); U.S. BLS (gasoline); NYC FY 2017 Water and Wastewater Rate Report (water & wastewater).

<sup>4</sup> U.S. Census Bureau, American Community Survey; includes data as of 2015 that was released September 2016.

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

The Rent Guidelines Board 2016 Price Index states that water and sewer charges represent 7.7% of apartment buildings’ total operating charges.<sup>5</sup> 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 2.1% proposed water and sewer rate increase for Fiscal Year 2017 is greater than the New York City Rent Guidelines Board’s 2016 decrease of 1.2% 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, and during the year, Moody’s Investor Service upgraded the Authority’s Second General Resolution Bonds from Aa2 to Aa1. At the end of Fiscal Year 2016, the Authority’s bonds were rated as follows:

	General Resolution	Second General Resolution
Fitch, Inc.	AA+	AA+
Moody’s Investors Service, Inc.	Aa1	Aa1
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 2016 and the projected expense allocations for Fiscal Year 2017 are adequate for the continued reliable operation of the System. The Capital Improvement Program (the “CIP”) for Fiscal Years 2016-2025 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.”<sup>6</sup>

<sup>5</sup> New York City Rent Guidelines Board – 2016 Price Index of Operating Costs, April 14, 2016.

<sup>6</sup> Letter of AECOM USA, Inc., Consulting Engineers dated March 1, 2016, which is incorporated in Appendix A of the New York City Municipal Water Finance Authority Official Statement for the Fiscal 2016 Series CC-1 Bonds.