

NEW YORK CITY WATER AND WASTEWATER RATE REPORT: PROPOSED RATES TO TAKE EFFECT JULY 1, 2021

MAY 2021



NEW YORK CITY
**WATER
BOARD**

The New York City Water Board (the “Board”) has prepared this information booklet to inform the public on its rate proposals that would take effect on July 1, 2021 and provide information on the financial condition of the water and wastewater system (the “System”).

New York City’s System is among the largest in the world. The water supply system delivers more than one billion gallons of high quality drinking water every day to more than 8.3 million people in New York City (the “City”) and approximately one million residents in the counties north of the City. The City’s fourteen Wastewater Resource Recovery Facilities (WRRFs) treat roughly 1.2 billion gallons of wastewater daily. The City’s water and sewer infrastructure plays a critical role in promoting public health and the City’s economic vitality.

The City anticipates a growing population and expanding economic base in the years ahead. To accommodate this growth, uphold the high quality and integrity of the City’s drinking water, and ensure the long term viability of the System, the de Blasio Administration is committed to protecting the City’s water and wastewater infrastructure.

Revenue from rates charged for service covers the System’s capital and operating expenses. Most properties are charged a metered water rate based on consumption. Approximately 4% are billed on the basis of flat-rate charges; a billing program available in most cases only after installing water efficiency improvements. Wastewater charges for meter-billed and flat-rate properties are levied at 159% of water charges.

NEW YORK CITY WATER BOARD

The New York City Water Board’s mission is to establish rates for and distribute the collected revenues of the Water and Sewer System of the City of New York, proactively considering the optimal level to achieve efficient financing of the System’s infrastructure and sustainable provision of high-quality service at a fair price to our customers.

Water Board Members:

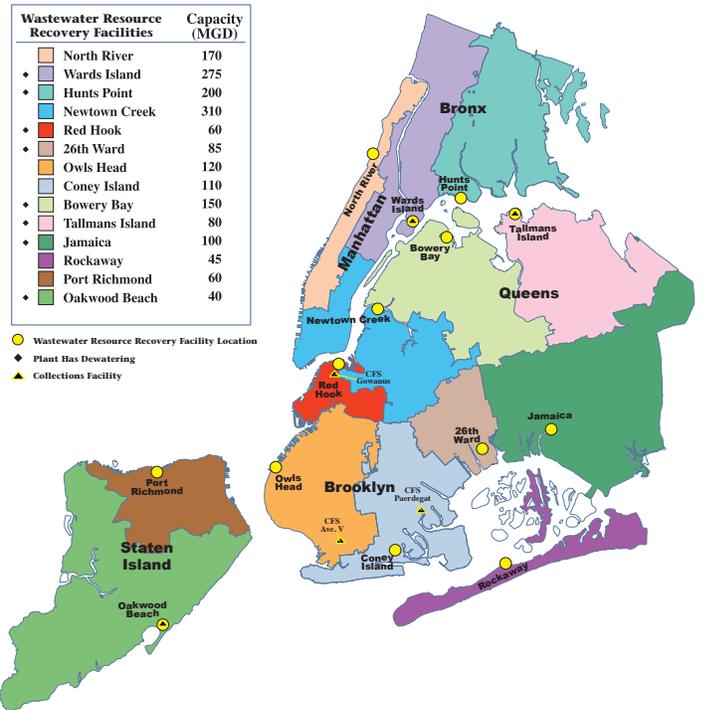
- Alfonso L. Carney, Jr., Chair
- Evelyn Fernandez-Ketcham
- Adam Freed
- Jonathan E. Goldin
- Jukay Hsu
- Arlene M. Shaw



NEW YORK CITY DRAINAGE AREAS AND WASTEWATER RESOURCE RECOVERY FACILITIES

Wastewater Resource Recovery Facilities	Capacity (MGD)
North River	170
Wards Island	275
Hunts Point	200
Newtown Creek	310
Red Hook	60
26th Ward	85
Owls Head	120
Coney Island	110
Bowery Bay	150
Tallmans Island	80
Jamaica	100
Rockaway	45
Port Richmond	60
Oakwood Beach	40

- Wastewater Resource Recovery Facility Location
- ◆ Plant Has Dewatering
- ▲ Collections Facility



Water Board Rate Adoption Process

- The New York City Municipal Water Finance Authority projects debt service on bonds issued to finance water and wastewater capital projects and certifies the annual debt service to the Board.
- The City Office of Management and Budget projects the System's operating and maintenance expenses and certifies the annual amount to the Board based on the Mayor's Executive Budget.
- The System's consulting engineer certifies that the annual expenses and capital investment are reasonable and appropriate to maintain the viability of the System.
- The System's rate consultant certify that revenues are sufficient to cover expenses.
- Rates that will satisfy the revenue requirements of the System and policies that will advance the Board's mission are presented to the Board.
- The Board holds a public hearing in each borough of the City. (See schedule below.)
- At its Annual Meeting, the Board adopts an Annual Budget based on the System's expenses that have been certified to it and adopts a rate. The Board must adopt a rate that will produce sufficient revenues to fund the System's expenses.

WATER BOARD RATE ADOPTION SCHEDULE	
MAY 10	Rate Proposal to Water Board
JUNE 1	Daytime in-City Public Hearing (information below)
JUNE 2	Evening in-City Public Hearing (information below)
JUNE 14	Water Board Meeting to Adopt FY 2022 Budget and Rates Time: 9:00 am Phone #: (347) 921-5612 Access code: 323 706 678 #
JULY 1	New Rates Become Effective

SCHEDULE OF PUBLIC HEARINGS

There are only two in-City hearings this year, since will be conference calls

Tuesday, June 1, 2021, 12 pm

Phone number: (347) 921-5612

Access code: 107 181 687#

Wednesday, June 2, 2021, 6 pm

Phone number: (347) 921-5612

Access code: 875 205 402#

Rate Proposal - Highlights (Rates Effective 7/1/2021)

- Increase in-City water rates by 2.76% from current levels
- No change to the minimum service charge, which will remain at \$0.49 per day for water, for customers using 90 or fewer gallons of water per day
- Home Water Assistance Program: expanded bill credit amount of \$145 per eligible account, and an expanded pool of eligible recipients up to 96,000 eligible accounts
- Multi-family Water Assistance Program: expanded program size, allowing up to 48,000 affordable apartments to receive a \$250 per apartment bill credit
- Deferral through June 30, 2022 of the 10% surcharge on certain properties automatically enrolled in the Multi-family Conservation Program that have not yet demonstrated administrative compliance with the program's terms.
- Re-statement of the Board's requirement for assessing interest charges on overdue water and wastewater bills, in accordance with New York State Law and based on interested rates established in the City by the City Council under the advisement of the New York City Banking Commission.
- Modifications to the provisions of the Comprehensive Water Reuse and Private Wastewater Treatment Plant billing discounts.

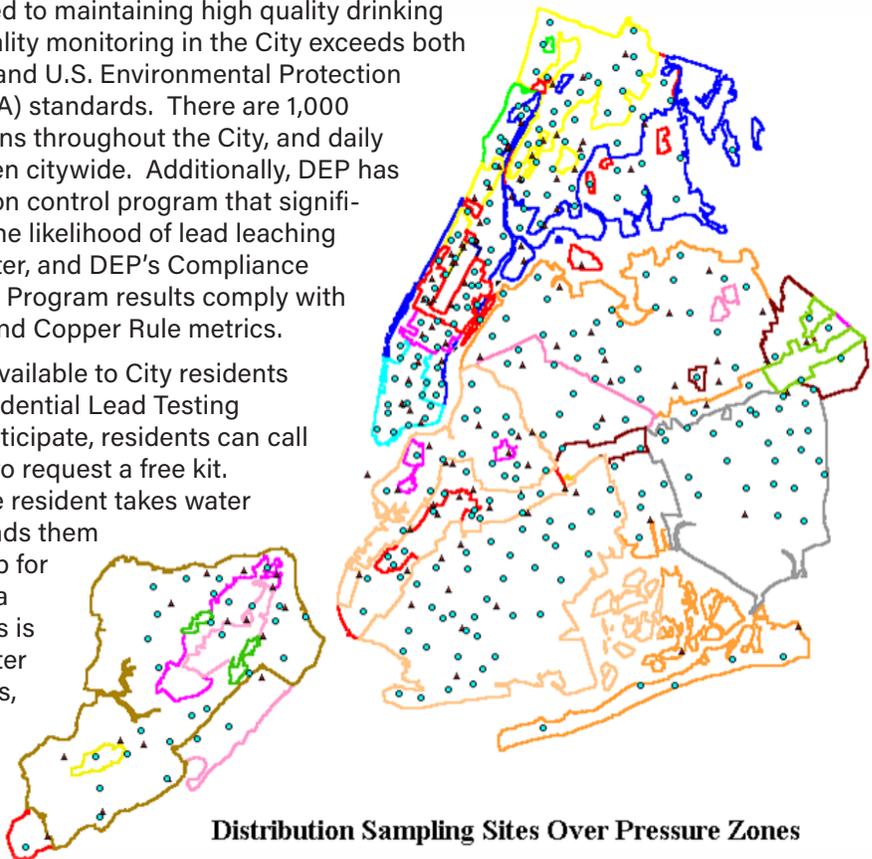


Water Sampling Station

WATER QUALITY

DEP is committed to maintaining high quality drinking water. Water quality monitoring in the City exceeds both New York State and U.S. Environmental Protection Agency (U.S. EPA) standards. There are 1,000 sampling locations throughout the City, and daily samples are taken citywide. Additionally, DEP has a robust corrosion control program that significantly reduces the likelihood of lead leaching into drinking water, and DEP's Compliance Lead Monitoring Program results comply with U.S. EPA Lead and Copper Rule metrics.

Lead testing is available to City residents via the Free Residential Lead Testing Program. To participate, residents can call 311 or go online to request a free kit. Using the kit, the resident takes water samples and sends them directly to the lab for testing. The data from the samples is submitted to water quality regulators, and the results are shared with the resident.



Distribution Sampling Sites Over Pressure Zones

To request a free kit, call 311 or visit nyc.gov/apps/311.

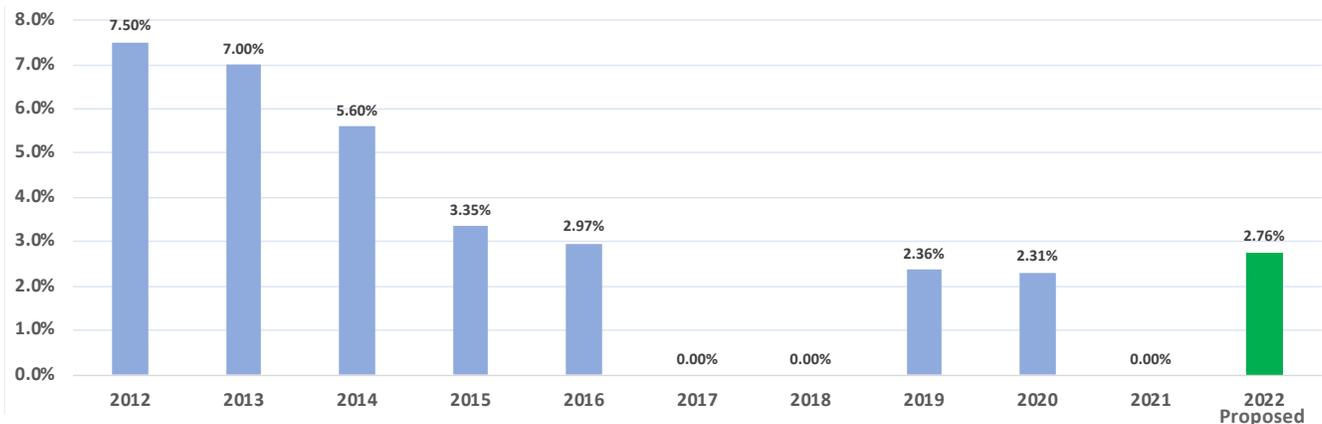
System and Water Rates Outlook

DEP and the Water Board generally seek to increase water and wastewater rates in line with increases to the costs they incur in running the City's water and wastewater system. The major categories of costs incurred include personnel expenses, energy and chemical costs, property taxes on landholdings outside of the City, and interest and principal costs on debt issued by the system. In recent years, the rate increases have generally been in the low single digit percentage range, and there have been several years without any rate increase implemented. DEP and the Water Board's need to seek rate increases also depends on the system's overall revenue picture.

The Covid-19 pandemic has led to lower system revenues, as the result of both lower water consumption and higher customer bill delinquencies, as customers have deferred paying their bills due to loss of income or other hardship during the pandemic.

DEP and the Board's budgets tend to increase over time, as the general level of costs increase, and the system's capital budget grows, driven by the upgrading or replacement of aging system infrastructure assets, the need to hire and train new personnel, new technologies, and regulatory requirements, among other factors.

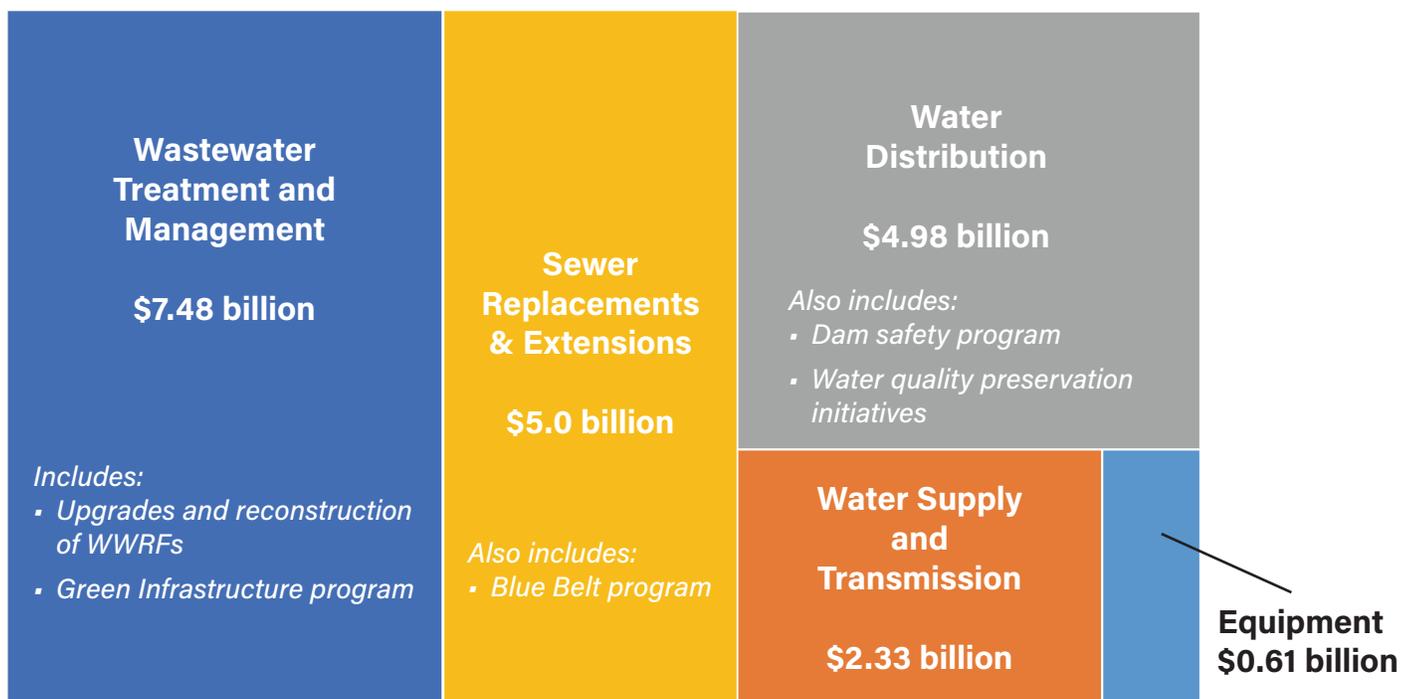
WATER AND SEWER RATE HISTORY (PERCENT CHANGE)



ANNUAL WATER AND WASTEWATER CHARGES	FY 2021	FY 2022 (Rates Effective 7/1/2021)	Monthly Increase
Average Single Family Charge (70,000 gallons per year)	\$967	\$994	\$2.22
Average Multi-family Metered Charge (52,000 gallons per year)	\$718	\$738	\$1.65
Multi-family Conservation Program Charge (Per Residential Unit)	\$1,052	\$1,081	\$2.42
Minimum Charge (using less than 90 gallons per day)	\$464	\$464	\$0.00

ANTICIPATED SYSTEM EXPENSES (\$ MILLIONS)	Estimated FY 2021	Preliminary FY 2022	Comments
Water Authority funds for debt service and cash-funded capital investment or defeasance of existing debt	\$1,808	\$1,771	Debt service outstanding fixed rate and variable rate bonds and net debt to fund capital investment plan
DEP operations and maintenance, net	\$1,490 (42%)	\$1,629 (46%)	FY 2021 amount is net of \$94 million offsetting credit for under-spending during FY 2020
Water Board and Water Authority combined expense budgets	\$101 (3%)	\$110 (3%)	No significant change
One-time reinstatement of rental payment to the City	\$137 (4%)	\$0 (0%)	No rental payment budgeted for FY 2022
Total projected expenses	\$3,536	\$3,510	No budget growth, due to elevated delinquencies, lower water use, and lien sale limits

TOTAL CITY CAPITAL PROJECT FUNDS, FY 2022 - FY 2031: \$20.4 BILLION



Source: NYC Municipal Water Financial Authority official statement dated March 26, 2021

WATER BOARD RATE AFFORDABILITY AND CUSTOMER ASSISTANCE PROGRAMS

	FY 2021 program Budget (per year)	Proposed Expansion	Proposed FY 2022 Program Budget (per year)
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 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	+ \$10 million additional customer affordability funds	\$30 million

TYPICAL ANNUAL RESIDENTIAL WATER CHARGES

		New York City	30 Large City Average ¹	NYC vs. Average
Based on 80k gallons per year	2016	\$1,055	\$1,101	-4.2%
	2017	\$1,055	\$1,156	-8.7%
	2018	\$1,055	\$1,205	-12.4%
Based on 70k gallons per year	2019	\$945	\$1,119	-15.5%
	2020	\$967	\$1,173	-17.6%
	2021	\$967	\$1,216	-20.5%
	2022	\$994	NA	NA

Note 1: based on rates in effect as of February of each calendar year

ANTICIPATED SYSTEM FINANCIALS FOR DEBT COVERAGE (\$ MILLIONS)

	FY 2021	FY 2022	Change
REVENUES			
Operating Revenues			
Water and Sewer User Payments	3,291	3,416	126
Upstate Revenue	80	86	6
Miscellaneous Revenue	20	21	1
Other Revenues			
Interest on Funds	25	17	-8
Federal Subsidy on Outstanding Build America Bonds	82	48	-34
Current Revenues Available for Debt Service	3,498	3,588	90
EXPENSES			
First Resolution Debt Service			
Outstanding Bonds	12	29	17
Anticipated Future Bonds	0	0	0
Total First Resolution Debt Service	12	29	17
Debt Service on Subordinated Indebtedness			
Outstanding Second Resolution Bonds issued to the public	999	1,069	70
Anticipated Future Second Resolution Bonds issued to the public	0	26	26
Interest Payments on Commercial Paper Notes	0	0	0
Outstanding Second Resolution Bonds issued to EFC	422	549	126
Anticipated Future Second Resolution EFC Bonds	0	9	9
Less: EFC Subsidy and Capitalized Interest on Subordinated Bonds	-59	-101	-42
Actual Debt Service on Subordinated Indebtedness	1,363	1,551	188
Less: Carryforward Revenues	-1,081	-986	95
Net Debt Service on Subordinated Indebtedness	282	565	283
Total Debt Service Payable from Current Revenues	294	593	300
Operating Expenses			
Authority Operations	51	54	4
Board Operations	51	56	5
DEP Operating and Maintenance	1,565	1,663	98
Other Expenses	18	18	0
Net Operating Expenses	1,685	1,792	107
Credit/Charge for Prior Year O&M Payment Reconciliation	-94	0	94
Deposits to O&M Reserve Fund	8	8	0
Rental Payment to the City of New York	137	0	-137
Funds for Defeasance or Cash Funded Capital Projects	600	325	-275
Total Expenses	2,336	2,125	-211
Cash Released from Escrow	-118	-115	3
Net Year-end Balance	986	985	-1
Total Debt Service Coverage	12x	6x	

Note: This listing is for information only and does not follow the Flow of Funds priority established under the Financing Agreement.

NEW YORK CITY
WATER
BOARD