

**NEW YORK CITY
WATER AND WASTEWATER
RATE REPORT: PROPOSED RATES TO
TAKE EFFECT JULY 1, 2022**

MAY 2022

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, 2022 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 8.8 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 Adams 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 3% 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.

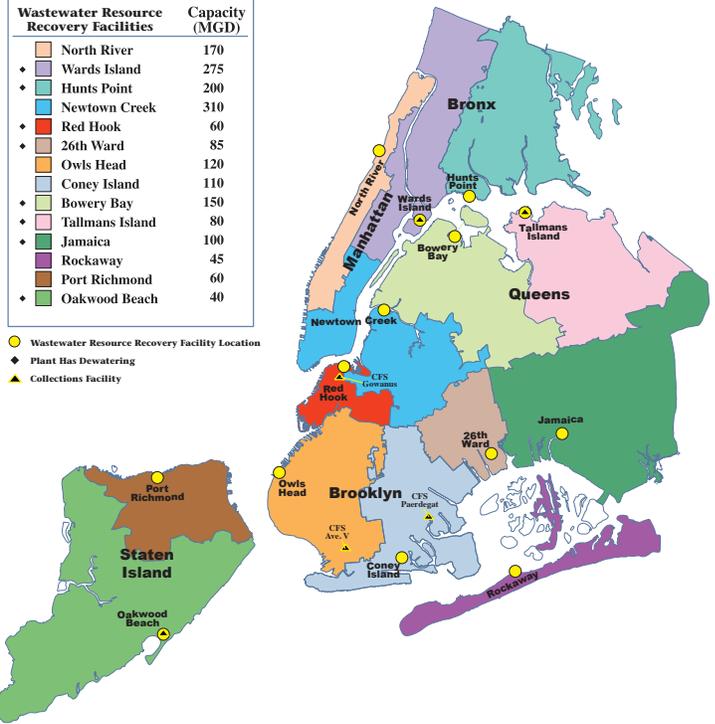
Water Board Members:

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



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



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

Event	Date	Location	Time
DEP rate proposal to Water Board	Friday April 29	Conference call Phone: 347-921-5612 Code: 487 747 206 #	2:30 p.m.
New York City Public Hearings – daytime	Wednesday May 25	Conference call Phone: 347-921-5612 Code: 835 020 477 #	2:00 p.m.
New York City Public Hearings – evening	Thursday May 26	Conference call Phone: 347-921-5612 Code: 941 587 106 #	6:00 p.m.
Water Board meets to vote on budget and final rate	Wednesday June 1	Conference call Phone: 347-921-5612 Code: 427 762 372 #	1:00 p.m.

Rate Proposal - Highlights (Rates Effective 7/1/2022)

- Increase in-City water rates by 4.90% 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 credit amount of water per day
- Home Water Assistance Program: continuation for a second year of 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: extending expanded program size into a second year, allowing up to 48,000 affordable apartments to receive a \$250 per apartment bill credit
- Deferral through June 30, 2023 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.
- Clarification of requirements to obtain customer billing treatment under the Board's Cap on Metered Charges.
- Clarification that unmetered water rates are not available to properties that are newly constructed or substantially renovated, apart from properties billed under the Multi-family Conservation Program rate.

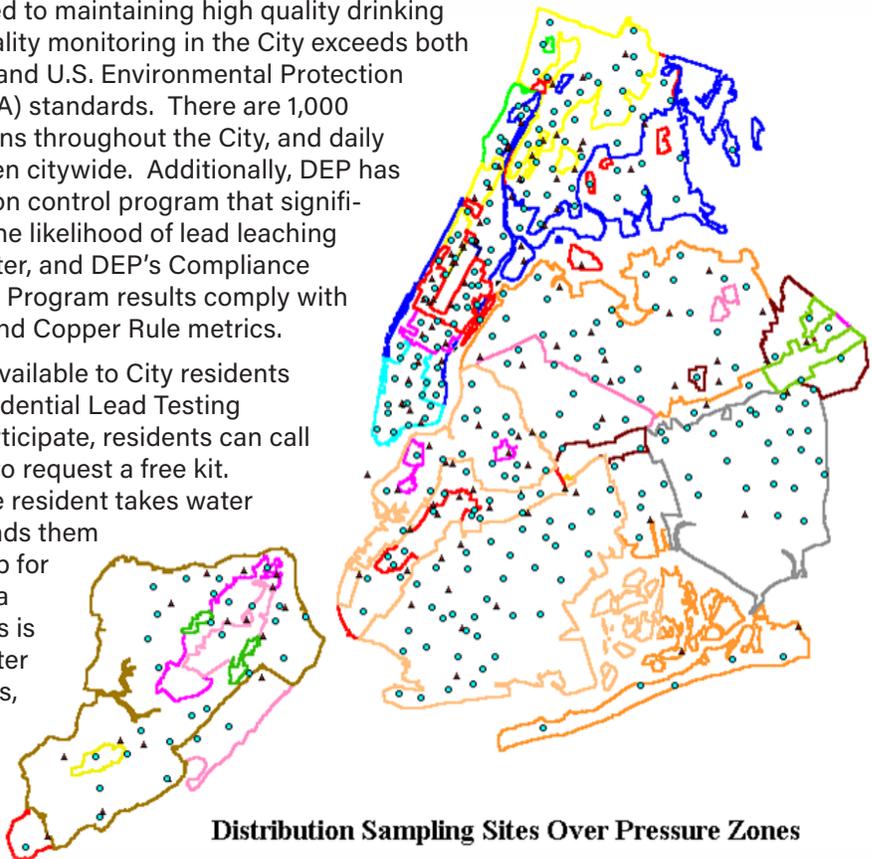


Water Sampling Station

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.

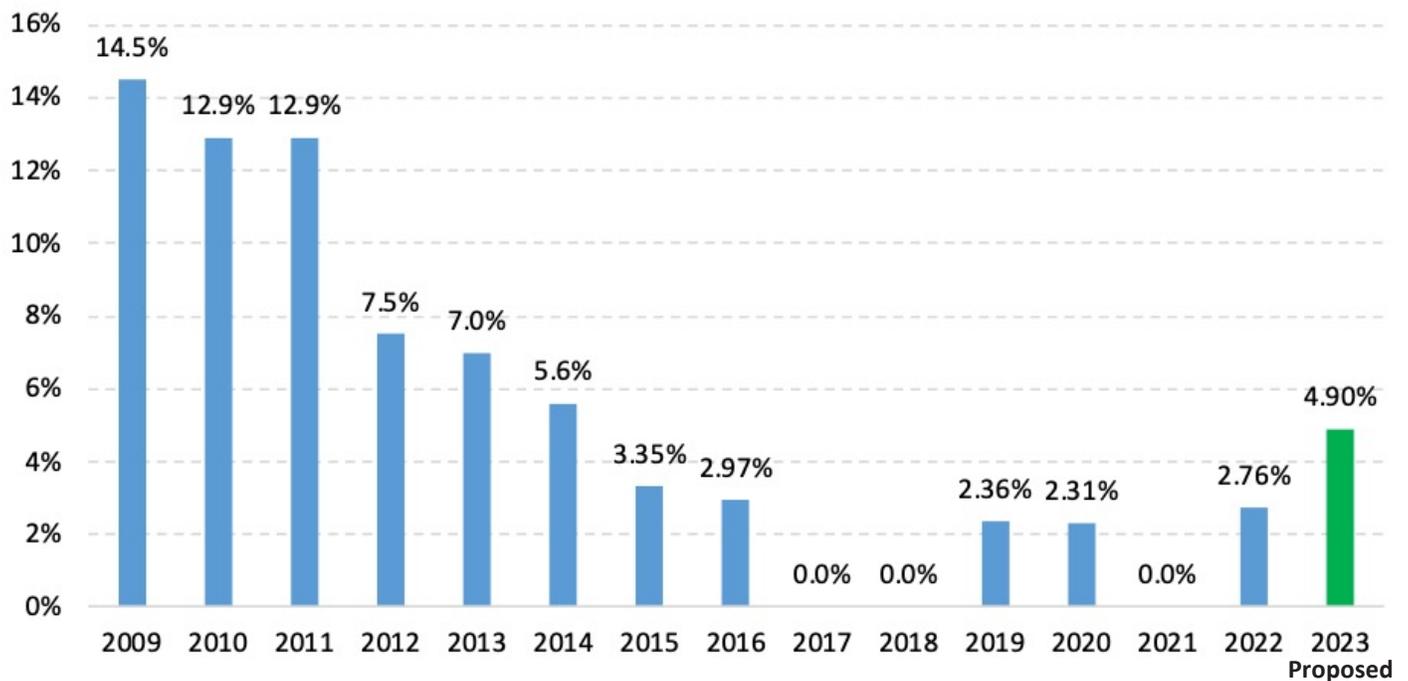
System and Water Rates Outlook

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.

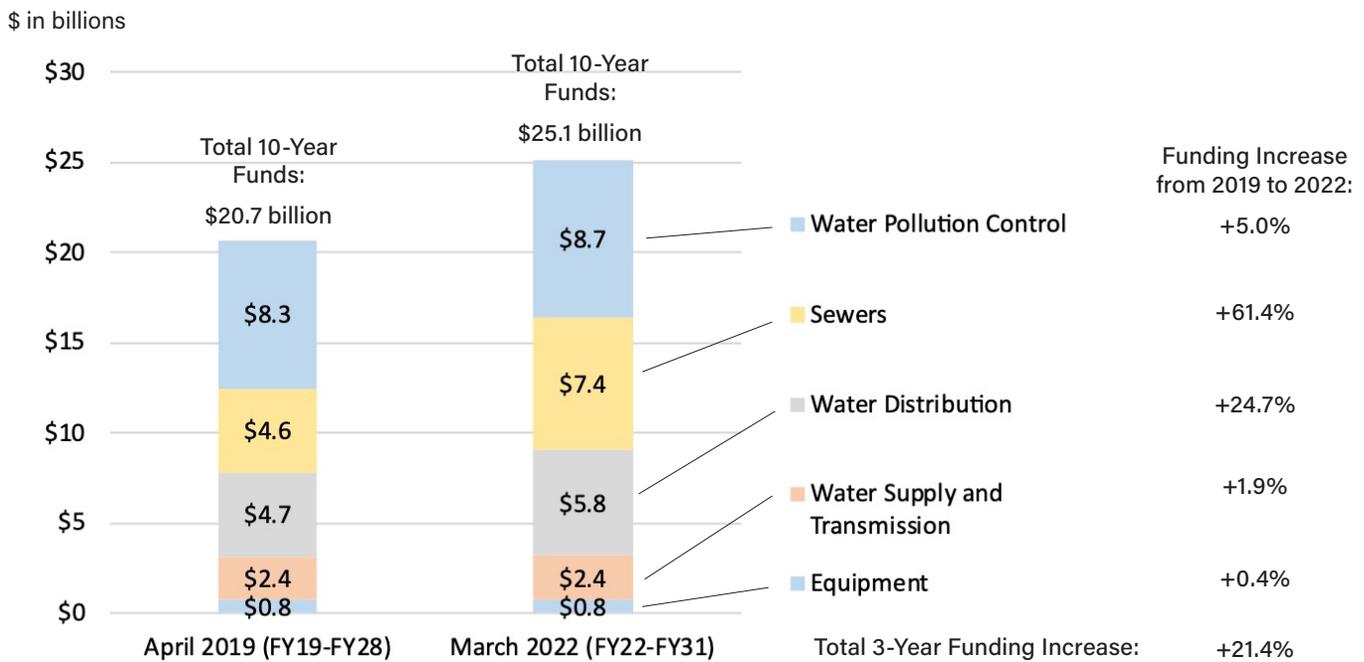
DEP and the Board's budgets tend to increase over time, as the general level of costs increase, and the system's capital budget grows, driven by the upgrading or replacement of aging system infrastructure assets, the need to hire and train new personnel, new technologies, and regulatory requirements,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

WATER AND SEWER RATE HISTORY (PERCENT CHANGE)



ANNUAL WATER AND WASTEWATER CHARGES	FY 2022	Proposed FY 2023 (Rates Effective 7/1/2022)	Monthly Increase
Average Single-Family Charge (70,000 gallons per year)	\$994	\$1,041	\$3.90
Average Multi-family Metered Charge (52,000 gallons per year)	\$738	\$773	\$2.90
Multi-family Conservation Program (Per Residential Unit)	\$1,081	\$1,134	\$4.42
Minimum Charged Properties (using less than 90 gallons per day)	\$464	\$464	\$0.00

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



Note: chart includes City funds; does not reflect additional capital project funds from Federal sources

Source: NYC Municipal Water Finance Authority official statements dated 4/10/19 and 3/2/22

FINANCIAL OUTLOOK FOR WATER BOARD BUDGET

MILLIONS OF DOLLARS	Forecast FY 2022	Budget FY 2023	Comments
DEP operations and maintenance	\$1,657	\$1,824	<ul style="list-style-type: none"> Funds core utility services and personnel Includes enhancements and reserves
Debt service costs on water and sewer debt	\$1,487	\$1,643	<ul style="list-style-type: none"> Debt service on existing fixed rate and variable rate debt, plus debt expected to be Issued
Funds for capital market activities and PAYGO, less release of escrowed funds	\$469	\$263	<ul style="list-style-type: none"> Capital market activities Include prepaying or defeasing debt PAYGO uses available cash instead of debt to pay for construction work Escrowed amounts are the release of funds previously set aside to prepay debt
Water Board and Water Authority combined expense budgets	\$101	\$106	<ul style="list-style-type: none"> No significant changes
Accounting credit for prior-year DEP budget savings	(\$39)	\$0	<ul style="list-style-type: none"> Prior year under-spending is applied as an accounting credit to the following year's budget
Rental payments requested by the City	\$0	\$0	<ul style="list-style-type: none"> No rental payment requested for Fiscal Year 2023
Expenses recoverable through water and sewer revenues	\$3,675	\$3,836	<ul style="list-style-type: none"> Budget growth in line with requested rate increase

WATER BOARD RATE AFFORDABILITY AND CUSTOMER ASSISTANCE PROGRAMS

	Pre-Expansion Annual Program Budget	FY 2022 Program Expansion, Proposed to Extend into FY 2023	Proposed FY 2023 Program Budget
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	Proposal includes extending the \$10 million program funding expansion adopted in FY 2021 for a second program year	\$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	\$1,262	-21.2%
	2023	\$1,041	NA	NA

Note 1: based on rates in effect as of February of each calendar year, using rates in effect during each fiscal year to calculate representative charges

ANTICIPATED SYSTEM FINANCIALS FOR DEBT COVERAGE (\$ MILLIONS)

	FY 2022	FY 2023
REVENUES		
Operating Revenues		
User Payments	3,510.8	3,660.4
Upstate Revenue	81.0	85.5
Miscellaneous Revenue	20.8	21.9
Other Revenues		
Interest on Funds	13.9	20.3
Federal Subsidy on Outstanding Build America Bonds	48.4	48.3
Total Revenues	3,674.9	3,836.4
EXPENSES		
First Resolution Debt Service		
Outstanding Bonds	11.1	28.6
Anticipated Future Bonds	-	-
Total First Resolution Debt Service	11.1	28.6
Debt Service on Second Resolution Bonds		
Outstanding Second Resolution Bonds issued to the public.....	1,015.7	1,152.4
Anticipated Future Second Resolution Bonds to be issued to the public.....	-	26.8
Interest Payments on Commercial Paper Notes	-	-
Outstanding Second Resolution Bonds issued to the Corporation	532.4	551.2
Anticipated Future Second Resolution Bonds to be issued to the Corporation	-	7.4
Less: Corporation Subsidy and Capitalized Interest on FGR Subordinated Bonds	(100.7)	(101.5)
Actual Debt Service on FGR Subordinated Indebtedness	1,447.4	1,636.4
Less: Carryforward Revenues	(1,080.0)	(1,108.2)
Net Debt Service on FGR Subordinated Indebtedness	367.4	528.2
Total Debt Service Payable from Current Revenues	378.4	556.8
Operating Expenses		
Authority Operations	45.2	50.5
Board Operations	56.2	55.4
Water System	686.1	747.2
Wastewater System	944.2	1,050.4
Indirect Expense	9.9	9.9
Judgments and Claims	8.0	8.0
Net Operating Expenses	1,749.6	1,921.4
Credit/Charge for Prior Year O&M Payment Reconciliation	(38.9)	-
Deposits to O&M Reserve Fund	8.7	8.7
Base Rental Payment to the City	-	-
Net Authority Expense for the Defeasance of Debt	259.2	-
Cash Financed Capital Construction	325.0	350.0
Total Expenses	2,303.6	2,280.0
Cash Released from Escrow	(115.3)	(87.2)
Net Year-end Balance	1,108.2	1,086.7

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

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