

# **NEW YORK CITY WATER BOARD**

**NYC Water Board Public Hearing**

**June 2, 2021**

2 [START RECORDING]

3 MR. MICHAEL DELOACH: Thank you for joining  
4 us this evening to hear the presentation, and to  
5 those that might provide testimony, whether  
6 verbally or in writing. This is a public  
7 hearing of the New York City Water Board on the  
8 topic of water rates and billing policies for  
9 the upcoming fiscal year 2022 beginning July 1,  
10 2021. As we did last year, we'll be holding the  
11 Board's events in a virtual conference hall  
12 format to facilitate communication in light of  
13 the pandemic. We'd ask that everyone please  
14 place their phone on mute in order to limit the  
15 background noise. I've placed several documents  
16 in the official record including a Notice  
17 appointing me as the Hearing Officer, verified  
18 copies of the public notices placed in  
19 newspapers, a draft of the rate schedule that  
20 lists the rates and billing policies for the  
21 coming year, the public information booklet  
22 described in the proposed rates, and copies of  
23 the written testimony received by the Board so  
24 far. The draft rate schedule and the public  
25 information booklet are available on the Board's

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2 website, as is a copy of the presentation of the  
3 hearing today. This meeting is being recorded,  
4 and once prepared an audio recording and  
5 transcript of the meeting will be made available  
6 on the Board's website at NYC.gov/nycwaterboard.  
7 For members of the public who have difficulty  
8 hearing there is a real-time text captioning  
9 feature to follow along with the meeting.  
10 You'll find instructions at the Water Board's  
11 homepage by clicking the media materials link  
12 located under the announcements section. This  
13 link is also provided on the public announcement  
14 posted on the Board's website. The agenda for  
15 today includes two sections. First, the  
16 Department of Environmental Protection will make  
17 their presentation explaining approved water  
18 rates for the fiscal year beginning July 1,  
19 2021, as well as billing policy modifications.  
20 Then members of the public will have an  
21 opportunity to make a statement. If you're  
22 interested in testifying you just speak directly  
23 after the presentation. We have several members  
24 of the Water Board with us today, as well as  
25 from the Department of Environmental Protection.

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2 We have Chief Financial Officer Joseph Murin and  
3 the Board's Treasurer Omar Nazem. Finally, I'll  
4 add that if you're currently experiencing any  
5 issues with the bills, you can always reach  
6 customer service at (718) 595-7000 or by  
7 emailing the Board directly at NYCwaterboard  
8 nycwaterboard@dep.NYC.gov, and we'll go  
9 [background noise]. Before we get started--

10 [Crosstalk]

11 MR. ALFONSO L. CARNEY, JR: Before we get  
12 started there's somebody who's phone is not on  
13 mute. If you would mute yourself [background  
14 noise].

15 MR. DELOACH: I'm unmuted. I was going to  
16 say Chair and members of the Board, does anybody  
17 want to make any statement before we go to the  
18 presentation?

19 MR. CARNEY: Mr. Deloach, thank you. This is  
20 Al Carney. First of all, I want to thank all of  
21 the members who are on the call for being with  
22 us tonight. I want to thank the staff; a number  
23 of staff people have joined us tonight. Most  
24 particularly I want to thank our guests, those  
25 people who are on the call just to hear what's

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1  
2 going on, particularly those people who are on  
3 the call because they have written testimony or  
4 plan to offer oral testimony during the  
5 proceeding. I think it's important to note that  
6 the Department of Environmental Protection has  
7 made a recommendation to this Board. This Board  
8 is no way bound by that recommendation, and  
9 until these proceedings have ended, I want to  
10 make the point that we have not made any  
11 determination. There have been no sessions in  
12 which we discussed the proposed rate increase,  
13 and they will not make any of those decisions.  
14 We maintain independence until we have a chance  
15 to get together to sit and talk with each other  
16 and to determine what it is that this Board  
17 believes it's important to do this year. With  
18 that, I'll ask whether there are any other  
19 members who are on the call who would like to  
20 offer a comment. Hearing none, Michael, if you  
21 would have the floor.

22 MR. DELOACH: Great. Thanks, Chair. Now  
23 we're going to hear a presentation from Joseph  
24 Murin, our Chief Financial Officer. Joe?

25 MR. JOSEPH MURIN: Thank you, Michael. This

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1 is Joe Murin. I'm going to be referring to the  
2 presentation, as Michael noted, that is on the  
3 Water Board's website, and I'll be starting on  
4 Slide #2 which is the agenda for today. We'll  
5 be updating on Department of Environmental  
6 Protections operations and capital projects.  
7 We'll provide a financial and capital market  
8 update. We'll go through the proposed water and  
9 waste water rates to be effective July 1, 2021,  
10 and we'll go through the proposed rated schedule  
11 policy update [background noise] FY '22 budget  
12 outlook. Going to Slide 3, - - DEP operations  
13 in the last year. Water and waste water  
14 services were maintained throughout the pandemic  
15 without interruption or impact to water quality.  
16 DEP is following CDC guidelines around workplace  
17 safety protocols. DEP personnel able to work in  
18 remote digital format were assigned to remote  
19 work, and other personnel implemented social  
20 distancing, onsite temperature checks, and use  
21 of PPE at the worksites. After reaching a peak  
22 80% of office employees in remote work format,  
23 the DEP workforce began returning to worksites  
24 the week of May 3rd. On a typical day, a rate

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1  
2 70% of DEP personnel are onsite. Some pandemic  
3 measures remained in place including a  
4 moratorium on water shutoffs and digital work  
5 permits, as well as a pause on certain filing  
6 deadlines such as billing appeals. Going to  
7 Slide 4, I won't go through the list, but it  
8 does provide a detail of some of the capital  
9 projects that we did either initiate or complete  
10 during the past fiscal year. I'll pick up a few  
11 of the highlights such as completion of the  
12 Pugsley Creek Clean-up in the Bronx for \$106  
13 million, flood mitigation, infrastructure,  
14 construction, and - - and 3,000 green  
15 infrastructure assets for \$222 million, and the  
16 Delaware Aqueduct Bypass Tunnel final liner  
17 insulation in New York in Orange County, which  
18 the total project cost is going to be \$1  
19 billion. Going to Slide 5, I'm going to turn  
20 the presentation over to Omar Nazem, the Board's  
21 Treasurer.

22 MR. OMAR NAZEM: Hello, everyone. On Slide  
23 5 we have a short update on the Board's  
24 operating revenues, which is at the time line,  
25 in a sense the most fundamental financial

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2 statistic we track at the Board since that's the  
3 money that comes in to fund all the expenses,  
4 like - - utility - - funding our balance sheet.  
5 The numbers I'm talking about here are through  
6 almost the end of May, so 11 months of our June  
7 30th fiscal year. The key point to communicate  
8 is that revenues were lower than they were this  
9 time last year by about 5.5%. It's a \$194  
10 million variance down that we're showing.  
11 Again, by this time \$3 billion and change year-  
12 to-date revenues. So, it is lower, and that is  
13 a symptom of two things. One is higher  
14 delinquencies as customers are deferring paying  
15 their bills given all the hardships everyone is  
16 well aware of due to the pandemic on the one  
17 hand, and on the other hand we have lower water  
18 usage by our metered bill customers, which is  
19 most of them, and that means there's less  
20 revenue, the bill of a customer using less  
21 water. Since our metered bill customer's bill  
22 is simply the amount of water used times the  
23 rate. The combination of two has left us at  
24 somewhat lower revenue than we had this time  
25 last year. Now, the Board when it adopted its

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2 budget for the year was well aware they would  
3 have some headwinds for this year, and they  
4 adopted a budget for forward year that was on a  
5 revenue basis nearly 13%, lower than the fiscal  
6 year 2022 budget. So, - - but compared to how  
7 we thought the year could have done, it's good,  
8 it's still less revenue, but it is better than  
9 the cautious budget the Board had adopted last  
10 year. I say all that just to emphasize that  
11 although the pandemic is slowly passing and  
12 people are getting vaccinated, there are still  
13 substantial financial uncertainties the Board  
14 and the systems faced, particularly the speed of  
15 the recovery as activity resumes and visitors  
16 return to the city, we hope all that develops  
17 and plays out. The other statistic I'll flag -  
18 - why I'm sounding a note of caution. If you  
19 look at the delinquencies I mentioned, and - -  
20 180-day delinquencies, not simple, shorter-term  
21 technical delinquency. Delinquencies are up  
22 about 27% through the end of April compared to  
23 last year, which is nearly 16,000 additional  
24 newly delinquent accounts. So, a large spike.  
25 My modest view of it, you have manageable

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1 reduction - - reasons for caution, and this is  
2 months and year-end. I'm going to turn to Slide  
3 6 now. I'll go quickly through 6 because it  
4 expands on something I referenced already in the  
5 previous slide. Most of our customers are meter  
6 billed, so how much water they're using is a big  
7 driver of revenues. If you look at what's  
8 happened segment by segment, it's interesting,  
9 and it kind of matches your intuition of what's  
10 happened. More residential customers are using  
11 more water, multi-families are using somewhat  
12 less, and the commercial sector is way down.  
13 So, overall you're down about 5% in terms of  
14 water use year over year, and that is a revenue  
15 headwind - - . Slide 7. This is a bit of a  
16 wordy slide and has some technical contents in  
17 it, so I'll just abbreviate it. The idea of  
18 this slide is that the system raises the money  
19 it needs to build construction projects by  
20 selling bonds to financial investors via Wall  
21 Street banks. That's an important thing because  
22 it means that the costs of a construction  
23 project is not just the cost of construction,  
24 it's engineering and architecture firms and  
25

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2 construction laborers. It's also what interest  
3 rate costs are in the debt market. So, we pay  
4 close attention to where interest rates are, and  
5 the taxes in that market. And that was an  
6 important thing to pay attention to last year in  
7 2020 because when the pandemic was in its early  
8 accelerating phase in March and April, tax-  
9 exempt market conditions were quite volatile,  
10 and borrowing costs shot up a lot during that  
11 time. But they came back down to more normal  
12 levels by the middle of calendar 2020, and today  
13 they're back at what we would consider normal,  
14 manageable levels. Our ability to issue debt is  
15 unaffected. We continue to get issued sizeable  
16 amounts of debt at good rates. Our credit  
17 rating is still strong. The outlook is still  
18 positive. All that - - . But all those good  
19 things, and certainly the bad was the  
20 uncertainty we had back in the spring, that  
21 everyone had back in the spring of last year.  
22 For [background noise] I'll hand it back to Joe.

23 MR. MURIN: Thank you, Omar. We're now  
24 going to Slide 6 which is the system's 10-year  
25 capital investment plan. This is representation

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of what is in the capital budget for the fiscal years 2022 through 2031, which is \$20.4 billion. On that it's about \$7.5 billion, about a third, is for waste water treatment and management at our waste water treatments plants and the ancillary equipment related to them. There is about a quarter of the budget, \$5 million, for sewer replacements and expansions. There's another just about \$5 million for water distribution, which is our dams and other upstate assets. There's just under \$2.5 million for water supply and transmission; that's for water distribution and for in-city water mains. Then there's a portion for equipment, \$600 million, which is for IT, facilities, and other related to the equipment to support the system. Moving on to Slide 9, this is the proposed rate that we have put before the Board for their consideration; it's 2.76%. It shows how that rate compares to the other proposed rates, or the actuated rates, over the past just about 10 years now. I will also note, which we'll go into a little further, there are enhancements to some of the affordability programs that the

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2 system offers to those customers that are most  
3 in need. Moving on to Slide 10, this goes to  
4 indicate what the impact of the proposed rate  
5 increase of 2.76% would be on typical bills.  
6 For the average single family which uses about  
7 70,000 gallons per year, they would see an  
8 increase of their bill from approximately \$967 a  
9 year to \$994. That translates to just about  
10 \$2.22 a month. For a multi-family user which  
11 uses much less, those are multi-resident  
12 apartments, condos, co-ops, those would see a  
13 monthly increase about \$1.65. For those billing  
14 customers on a multi-family contribution  
15 program, their monthly bill would be estimated  
16 to go up by \$2.42. I will note that the minimum  
17 charge is being frozen again for this year.  
18 Moving on to Slide 11, I'll turn it back over to  
19 Omar about the affordability programs.

20 MR. NAZEM: I think this was very positive  
21 and timely, given all the effects of the  
22 pandemic we've noted. But the headline of the  
23 slide is our \$20 million a year customer  
24 affordability budget is being, under the  
25 proposal, recommended to be increased by 50% to

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2 \$30 million a year, and that increase of \$10  
3 million is being spread across two of our bill  
4 credit programs. We have a third which I'll  
5 mention quickly in passing, just to advertise it  
6 more than anything, one of the programs we run  
7 is the leak forgiveness program, which is where  
8 if you own a property and there's a leak, you  
9 fix the leak, and we can see the fix based on  
10 water usage from your water meter, then we'll  
11 rebate that so you have a credit, half of the  
12 cost of the leak. It's a very popular program.  
13 4,000 properties are enrolled. The cost is  
14 about \$4 million to run. They actually don't  
15 have enough - - for the program, so more is  
16 available. It ends up being about \$4 million a  
17 year, and that program is - - stay even. The  
18 other two programs, one is the multi-family  
19 program for larger form of a multi-family  
20 property. We're expanding that program by 20%,  
21 and that's \$2 million of funding, and that's  
22 going to let us go from 40,000 apartment units a  
23 year receiving bill credits to 48,000. It'll be  
24 similar--actually, identical program in terms of  
25 last year. Otherwise we'll do a rank ordering

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of all the applicants based on the most to least affordable, looking at average rent for the property compared to median income in the area. The other program - - such as water efficiency need to be counted and the bills will still be in place, but generally the same program in terms of last year, just with that 20% funding base. The bigger change and the larger variance in terms of customer funding is the small property program, the home water assistance program. This is for Tax Class 1 properties, and the very small from Tax Class 2. So, this is still one-to-four-unit buildings, taking a little of the TC2s in as well. What we're doing there is we're dramatically expanding the eligibility. We're going to go from target 51,000 properties in the most recent fiscal year, and our aim is for 96,000 next year by opening up the category of property tax class exemptions with DAC [phonetic] and HRA that we're going to look at in terms of eligibles. So, that's one, we're almost doubling the rule of eligible. Number two, we're going to be giving everybody - - on the list - - people

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1 credit in the past years, as well as newly  
 2 eligibles, everyone, a larger bill credit. It's  
 3 going to be \$145 per customer account, for  
 4 qualified customer accounts. The credit today  
 5 is \$115.89, so this is a benefit to everybody  
 6 who newly enrolls those folks. We've been in  
 7 the program for a few years and seen the  
 8 benefit, and they too will get an expanded  
 9 economic benefit on their bills. Joe, I'll hand  
 10 it back to you for Slide 12.

12 MR. MURIN: Okay, thank you, Omar. So, the  
 13 next slide goes through how our water rates,  
 14 even with the proposed 2.76% increase, remain  
 15 affordable comparable to peers. I'll go to the  
 16 bottom of the slide where it compares for 2021.  
 17 New York City's average water rate, this is for  
 18 the single-family home, is \$967. For the 30-  
 19 largest city average that we used it's \$1,216  
 20 per year. So, we have 20% less than the average  
 21 across other large cities, and we believe even  
 22 with the increase of 2.76 we'll still be within  
 23 that range of being below the other large cities  
 24 in terms of water rates that we're charging here  
 25 in New York City. Moving on to Slide 13, I'm

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going to turn these back over to Omar, the various policy updates that we're proposing for the rate schedule.

MR. NAZEM: So, Slide 13 and the next three after this, this is the group. These are more technical rate schedule billing. I'm going to go quickly through these. If you have questions you should email or call us or look at the website, too. We have the draft of the rate schedule. Those were all the rules and amendments. We have what amounts to many administrative codes that covers water billing. There are all amendments to that doc. It's a 50-page doc. It's boring unless you do water utility billing for a living, but - - nonetheless important. Slide 13, we have a program called the multi-family conservation program. The program - - the exception to metered billing for larger, affordable properties that have water-efficient fixtures installing in more than two-thirds of the units, and they have to get them metered and not go unmetered, you get in, but they have to get a meter. If you qualify for all that you get a

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2 flat-rate bill, not a metered bill. For  
3 technical historical reason we have a small  
4 portion of accounts in this program that haven't  
5 done all the paperwork they need to do. We're  
6 going to give them one more year forbearance and  
7 paperwork. They had until June 30, 2021; we're  
8 giving them another to June 30, 2022. A very  
9 positive program just for doing a year of  
10 forbearance for small class customers, a more  
11 historical problem. You can email if you want  
12 to know more about the details on that. Slide  
13 14 is not so much a change as simply clarifying  
14 the wording in the rate schedule to restate  
15 existing law and existing policies. The basic  
16 idea her is if you don't pay your bills on time,  
17 there's a late charge, as with anything that's  
18 past due, there's an interest rate that  
19 accumulates. One interest would have to be is  
20 establishing state law that says you've got to  
21 charge the same interest over the water bills as  
22 the city of New York charges over property tax  
23 bill. So, your total - - your total is the  
24 same; it's the same thing. Now, that interest  
25 rate, or as it happens, a pair of interest

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1 rates, is on overdue property tax bills, is set  
 2 by the City Council in New York based on a  
 3 recommendation from the banking commission,  
 4 which I've got a back-and-forth relationship in  
 5 terms of how they set these things. So, all  
 6 we're doing is we're essentially saying that;  
 7 we're saying it comes from state law based on  
 8 what property taxes are in the city based on  
 9 what the City Council and Banking Commission  
 10 happen to decide for the year. The reason we  
 11 have it here is because we have an old computer  
 12 system that we sold in 1995 and it can only one  
 13 interest rate, so we had the rate schedule for  
 14 years describing actual administrative practice  
 15 succinct from state law and the Council, Banking  
 16 Commission requires, because the computer  
 17 software couldn't do more than one interest  
 18 rate. That's all changing, we've found, for a  
 19 great reason. We have a new \$20 million  
 20 computer billing system coming online this year,  
 21 2021, that they can view multiple tiers of  
 22 interest rates. I will add just something to be  
 23 aware of, it's not Water Board, per se, but the  
 24 City Council and Banking Commission are looking  
 25

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2 at a new thing which would actually be a third  
3 tier of interest rates. We're in the back and  
4 forth; we may or may not adopt that. If they do  
5 that, that's a slightly different variation of  
6 what I've described on the slide here, which is  
7 the two-tier interest rate. So, that's 14. 15  
8 and 16, the rate schedule today, we have a pair  
9 of billing incentives which are designed to  
10 motivate property owners to install green  
11 improvements to the building. One is a water-  
12 reuse system, because there's an onsite waste  
13 water treatment asset, and both cases if you  
14 install one you can get a discount. That - -,  
15 that's not new, the discounts aren't changing.  
16 What's new for both of these is we want to  
17 expand the concept of eligibility away from the  
18 single property concept. All we're going to do  
19 is - - a property gets a bill. Business  
20 accounts work the same way. Our property  
21 installs the improvement, they can come apply,  
22 if eligible, gets a discount. What we want to  
23 do with both the water and the waste water  
24 recycling assets is make it allowable so if a  
25 group of properties under a common ownership

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2 because it's part of a larger development has  
3 recycling assets that are shared by different  
4 properties, they can come as a collective and  
5 apply - - applications property by property, but  
6 we want - - . What you're seeing more and more  
7 is more of the developments will have one-to-two  
8 assets shared among seven properties, and  
9 different rates of it flowing out, flowing where  
10 the reuse goes, and some don't use it, some use  
11 it, generally that's the larger system - - we  
12 wanted to - - the rate schedule to make that  
13 allowable. So, that's really the change there.  
14 There are a couple of other technical changes  
15 too I won't go through, the rate schedule mark-  
16 up. Again, if you have questions on any of the  
17 details you're free to call or email us anytime.  
18 We can go through the minutiae with you. So,  
19 Joe, I'll turn it back to you on Page 17.

20 MR. MURIN: Okay, thank you, Omar. On Slide  
21 17 we have the preliminary Water Board financial  
22 outlook. What we have here is the estimated  
23 fiscal year 2021 expenditures, and then in the  
24 other column we have the preliminary FY '22 with  
25 expenditures. The two biggest components here,

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2 which is the Water Authority Funds for Debt  
3 Service, which is \$1.8 billion in fiscal year  
4 '21, and it's just under \$1.8 billion for fiscal  
5 year '22. So, pretty much holding flat. Then  
6 the next largest pieces is the DEP operations  
7 and maintenance expenses, which is a net number.  
8 \$1.5 billion, or just under \$1.5 for '21, and  
9 \$1.6 billion for 2022; a slight increase, and  
10 that increase looks larger than it should  
11 because there was a surplus in fiscal year '20  
12 that rolled into 2021, which allowed it to  
13 mitigate the cost for debt here. But it did not  
14 decrease those costs. The costs that we're  
15 seeing increase overall is such items as the  
16 need for Gowanus Canal remediation design, about  
17 \$10 million. \$10 million for work that has to  
18 happen at the L-10 [phonetic] treatment plant  
19 dock. \$8 million for expected increase in  
20 chlorine costs. About \$8 million in additional  
21 costs related to on the expense side for the new  
22 billing system, and then about \$6 million for  
23 maintenance of our marine fleet and our  
24 protection at the various waste water treatment  
25 plants. One item I do want to note as we get to

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the bottom is that the city rental payment, which was paid a partial payment in fiscal year 2021, there is no - - city rental payment budgeted or expected to be requested for the city for fiscal year '22. So, overall we have a flat budget going from fiscal year '21 to '22, but keep in mind that the rates are not just for the one year, but for looking forward for 10 years, so it has to encompass both anticipated increases in the out year, as well as [background noise] capital program. Moving on to the last slide, Slide 18, this is our last in-City public hearing. We do have a hearing tomorrow for the upstate rate, and the anticipated--I'm sorry, on June 14th will be the budget and rate adoption meeting by the Board where they will give consideration and determine if the rate will be adopted and any other changes that are being proposed. That's concludes the presentation. I will turn it back over to the Hearing Officer, Michael Deloach

MR. DELOACH: Thanks so much, Joe. I know we had a lot of people testify yesterday - - testimony, and I don't believe we have anybody

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2 registered to speak today, unless somebody has  
3 joined and would like to speak. Is there anyone  
4 on the call that would like to testify? Okay.  
5 We'll check on the - - and have all the copies  
6 of the written and verbal testimony for your  
7 review, and we'll turn it back over to you, if  
8 you have any closing thoughts. That would  
9 basically conclude today's hearing.

10 MR. CARNEY: Michael, thank you, and thank  
11 you Joseph and Omar for that tag-team  
12 presentation. The style works very well. Thank  
13 you very much.

14 MR. NAZEM: Thank you very much.

15 MR. CARNEY: There being no witnesses, no  
16 people offering oral testimony, I believe we may  
17 declare that this hearing is over.

18 MR. DELOACH: Great. Thank you so much,  
19 Chair. This concludes today's hearing. Thank  
20 you for everybody's time. Have a good day.

21 MR. CARNEY: Thank you all very much for  
22 being on the call.

23 [END RECORDING]



C E R T I F I C A T E

I, Gabrielle Atkinson, certify that the foregoing transcript of 6PM\_Water\_Board\_Meeting.mp3 was prepared using standard electronic transcription equipment and is a true and accurate record to the best of my ability. I further certify that I am not connected by blood, marriage, or employment with any of the parties herein nor interested directly or indirectly in the matter transcribed.

Signature:

Date: June 5, 2021**Ubiquis**

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