



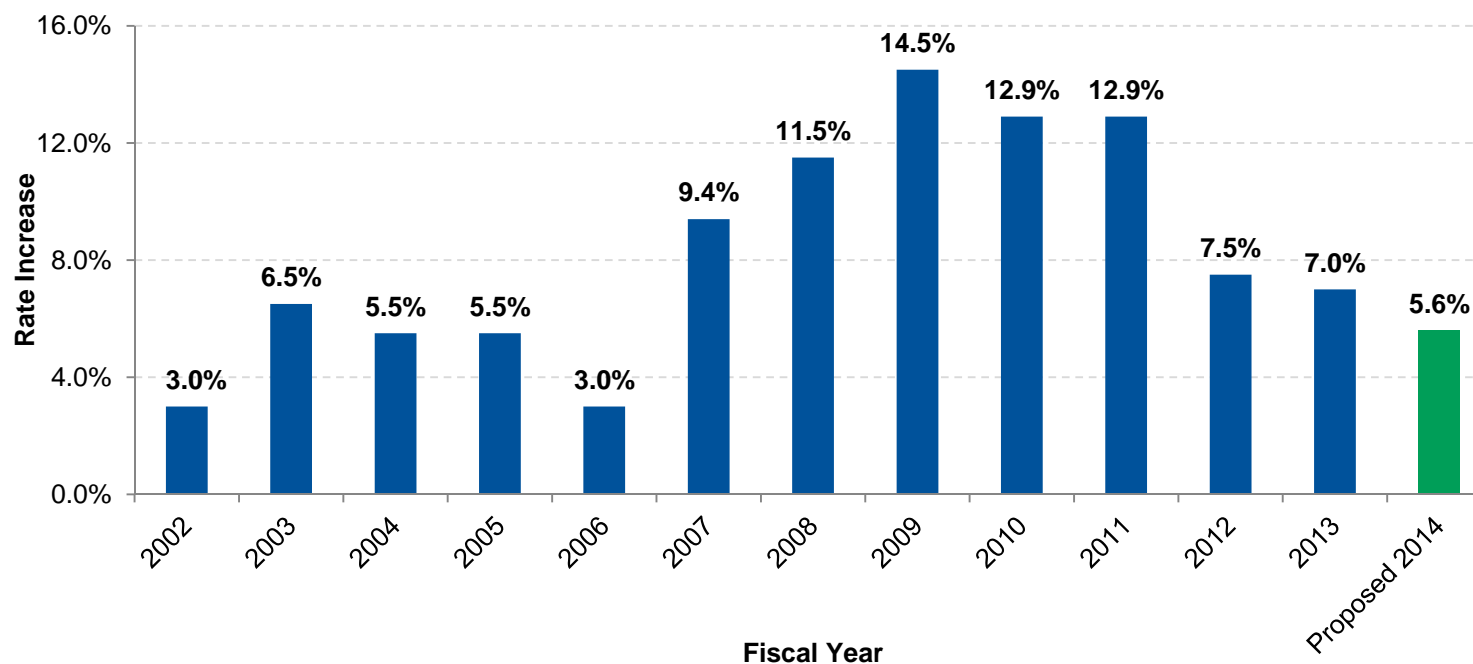
# **FY 2014 Water Rate Proposal to the New York City Water Board**

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April 5, 2013

# FY 2014 Rate Proposal Summary

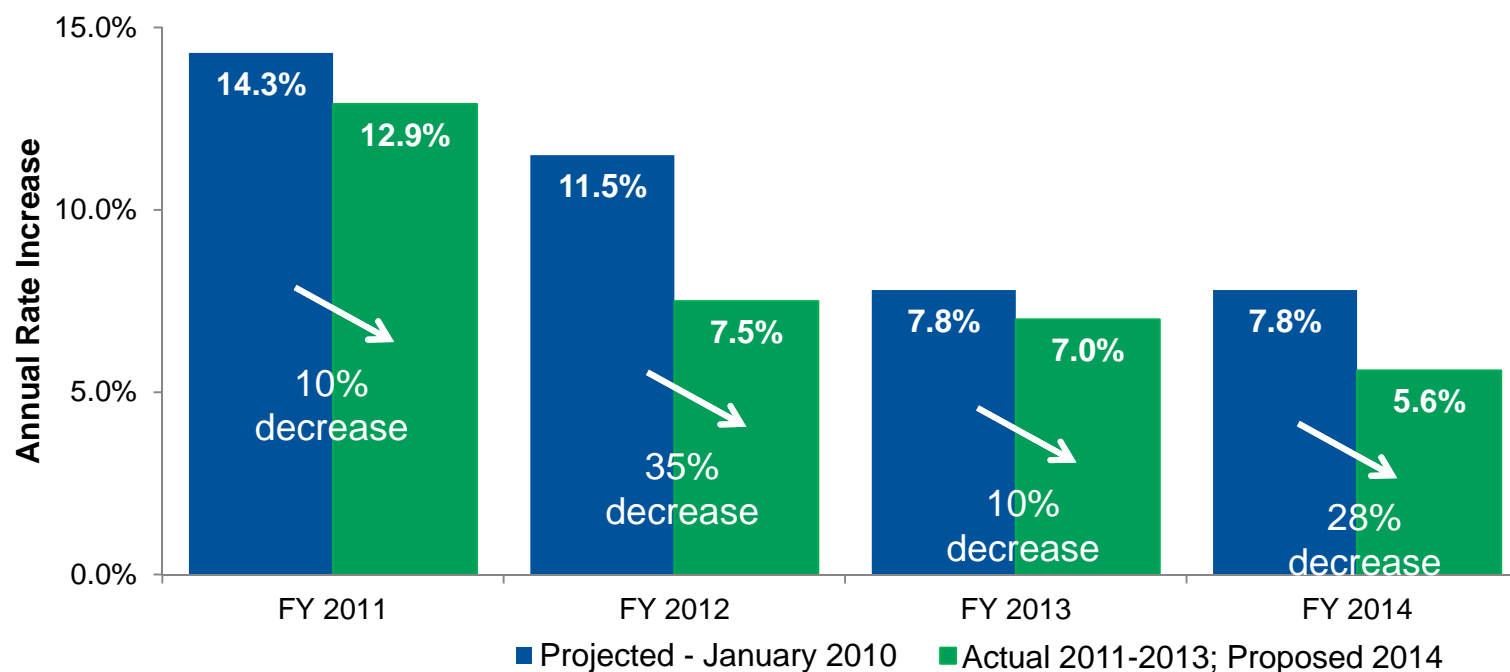
- Proposing **5.6%** rate increase
- Lowest since FY 2006, eight years ago



Water and Sewer Charges	FY 2013	FY 2014 (5.6% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.78	\$9.27 (\$0.49)
Average Annual Single Family Charge (80,000 gal)	\$939	\$991 (\$52)
Average Annual Multi-family Metered Charge (52,000 gal)	\$610	\$644 (\$34)
Multi-family Conservation Program – Residential Unit	\$894	\$944 (\$50)

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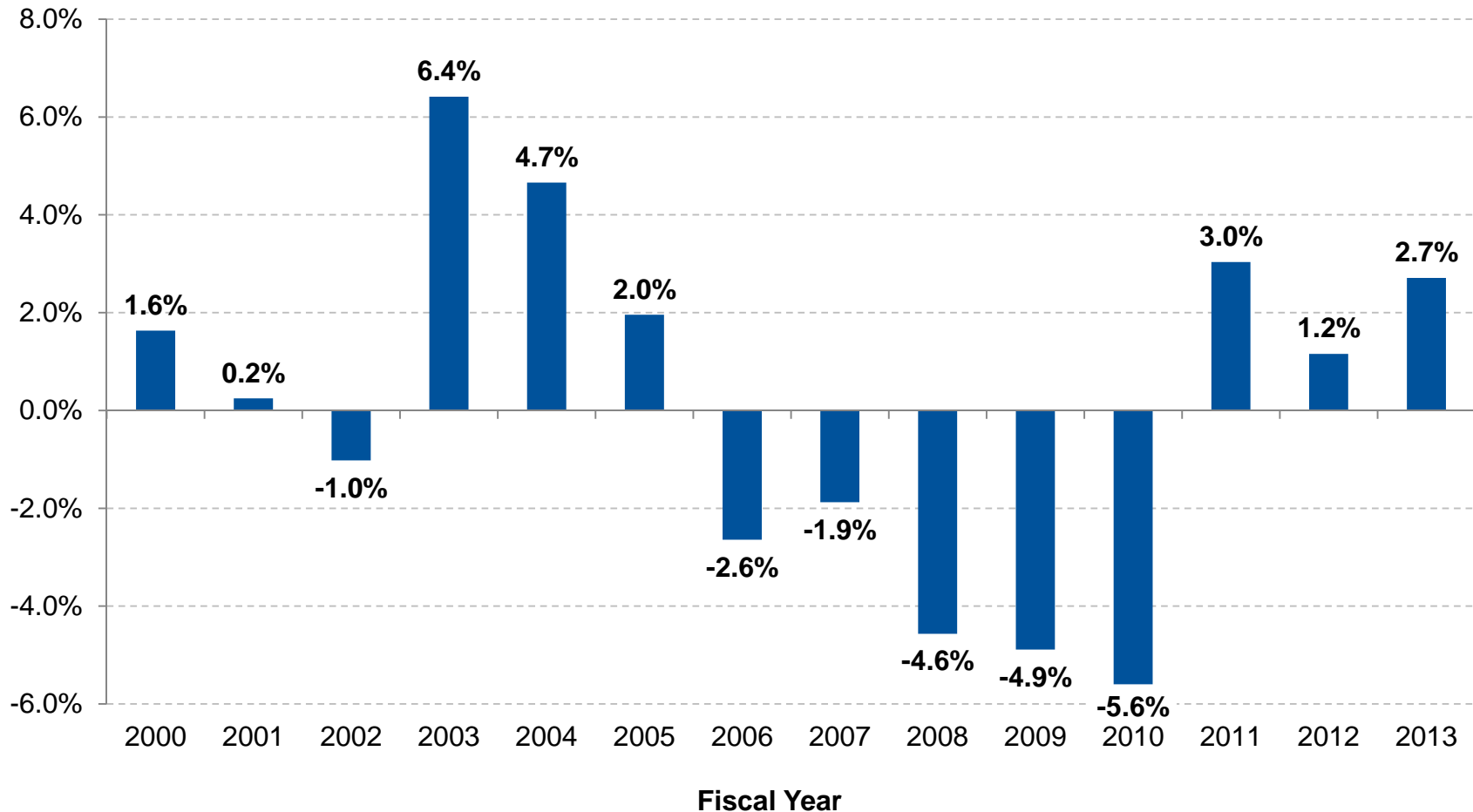
- Proposing **5.6%** rate increase
- 28% lower than 2010 projection of FY 2014 rate increase due to four primary factors:
  - Strong revenues due to 96% completion of wireless meter reading device initiative
  - Low interest rates that have resulted in debt service of \$147M less than projections
  - Regulatory advances that have enabled us to better control our capital budget
  - Operational cost savings, including a 4% budget reduction and the *OpX* program



# Historical Revenue

- At the end of March, revenues were \$67M or 2.7% ahead of plan
- This is only the third time in eight years that revenues have been ahead of plan

**Fiscal Year Revenue Relative to Plan\***

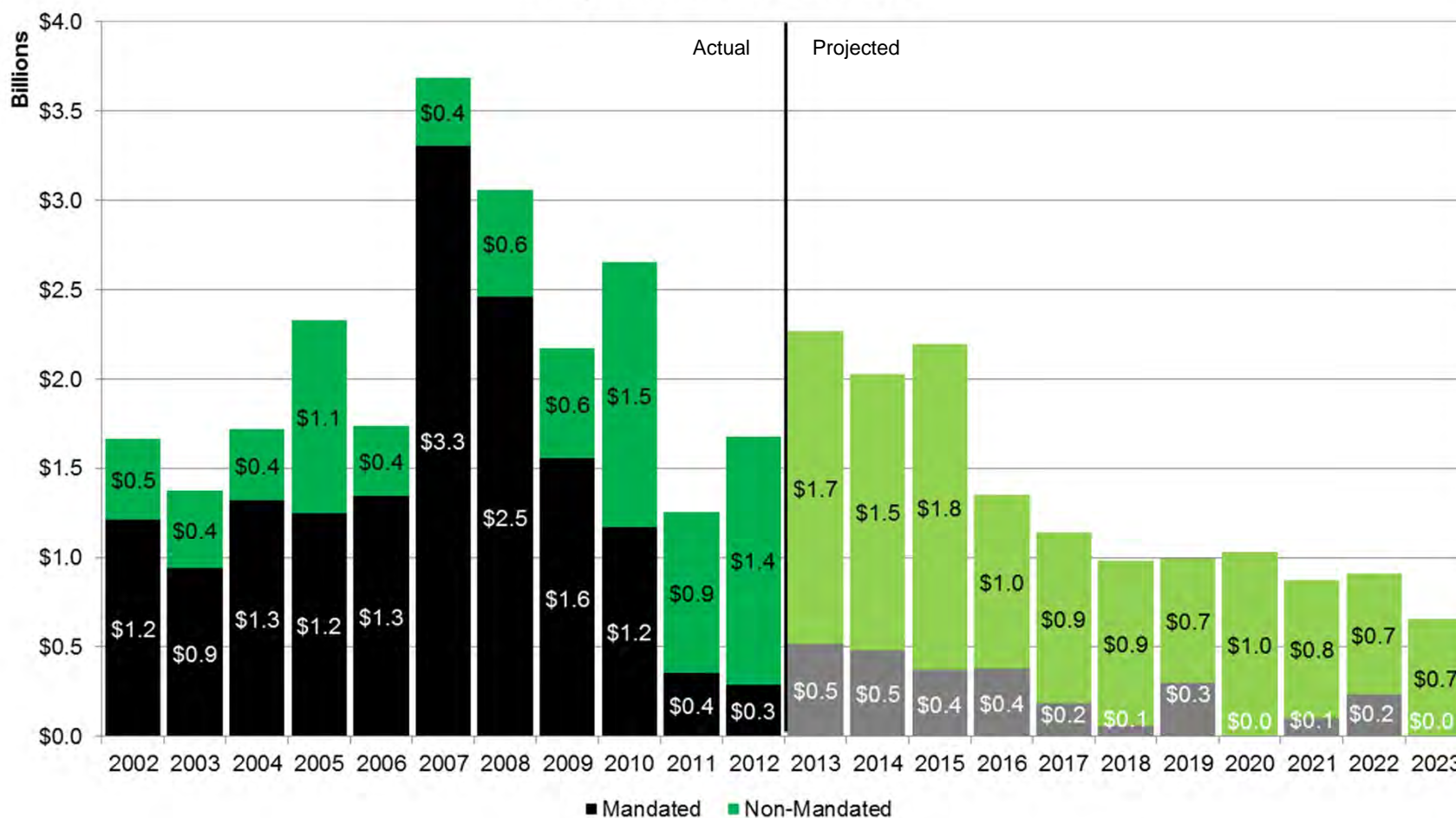


\*Reflects Fiscal Year to Date revenues from July through March

# Capital Outlook

- From FY 2002 to 2012, \$15.2B (65%) of capital commitments were mandated
- DEP has been successful working with regulators to reduce future mandates, and the capital spending projections have fallen, along with required rate increases
- \$2.6B (18%) of the FY 2013 to FY 2023 Capital Improvement Plan is mandated

## Capital Commitments



# Regulatory and Policy Initiatives

- Addressed billions of dollars in unfunded Federal mandates, including:
  - Eliminated or deferred \$3.4B for handling combined sewer overflows by replacing costly gray infrastructure projects with green infrastructure projects in amended consent order with NYS Department of Environmental Conservation
  - Deferred \$1.6B construction of Hillview Reservoir cover; evaluating alternative of incremental monitoring

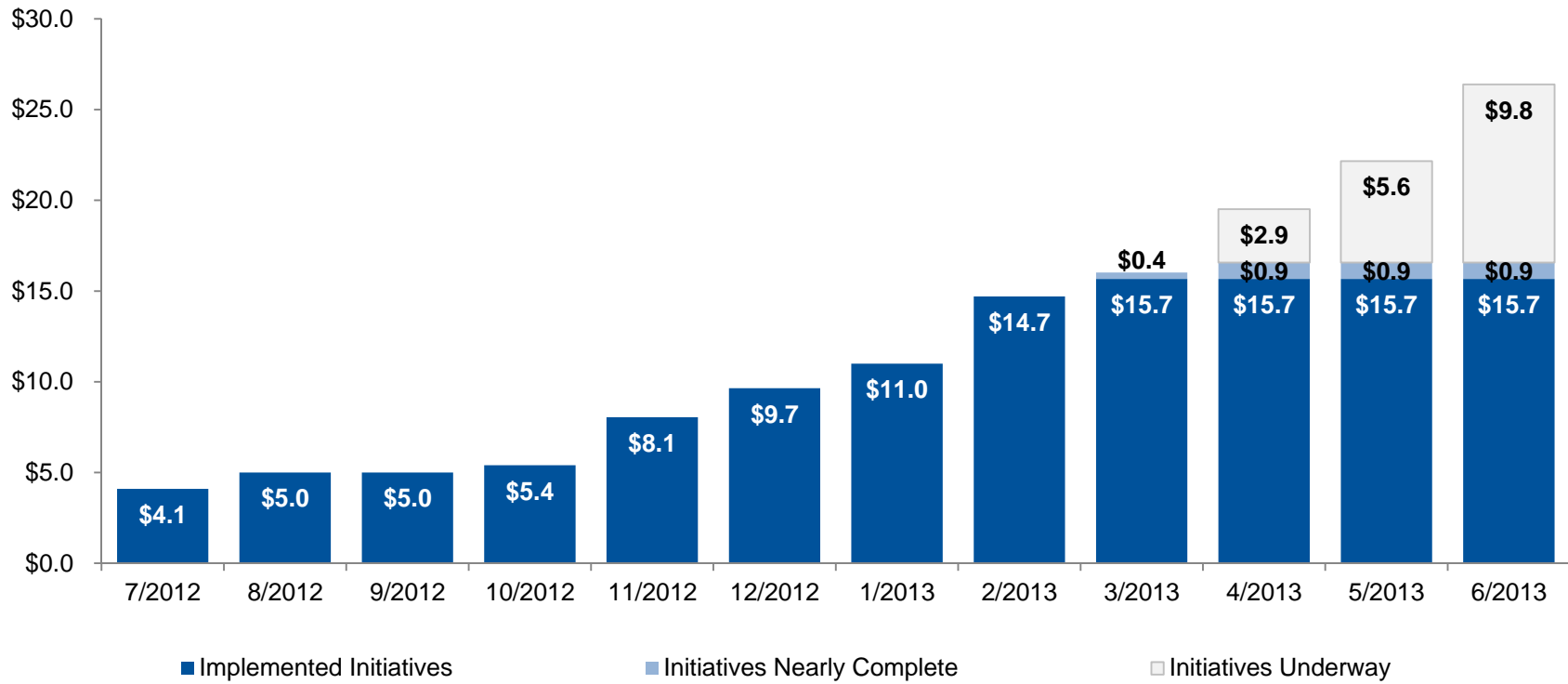


# Rate Mitigation – Cost Savings

- Undertook extensive *OpX* program to review DEP operations
  - 15 *OpX* initiatives implemented through March 2013 are projected to save \$15.7M per year
- Implemented a 4% budget reduction to save \$37M, including *OpX* initiatives
  - Achieved chemical savings of \$5.7M from re-negotiation of contracts, process changes or reduction in quantities, such as for fluoride dosage
  - Citywide fleet consolidation resulted in \$1.6M of lease savings from vacating Review Avenue garage
  - Increased workforce effectiveness: re-aligned duties, reduced positions and reallocated personnel, resulting in \$4.5M of savings
  - Contracted in positions, saving \$1M from wastewater sampling and floatables contracts

# OpX – Impact Projections

**Annual Impact of OpX Initiatives**  
(*\$ in millions*)



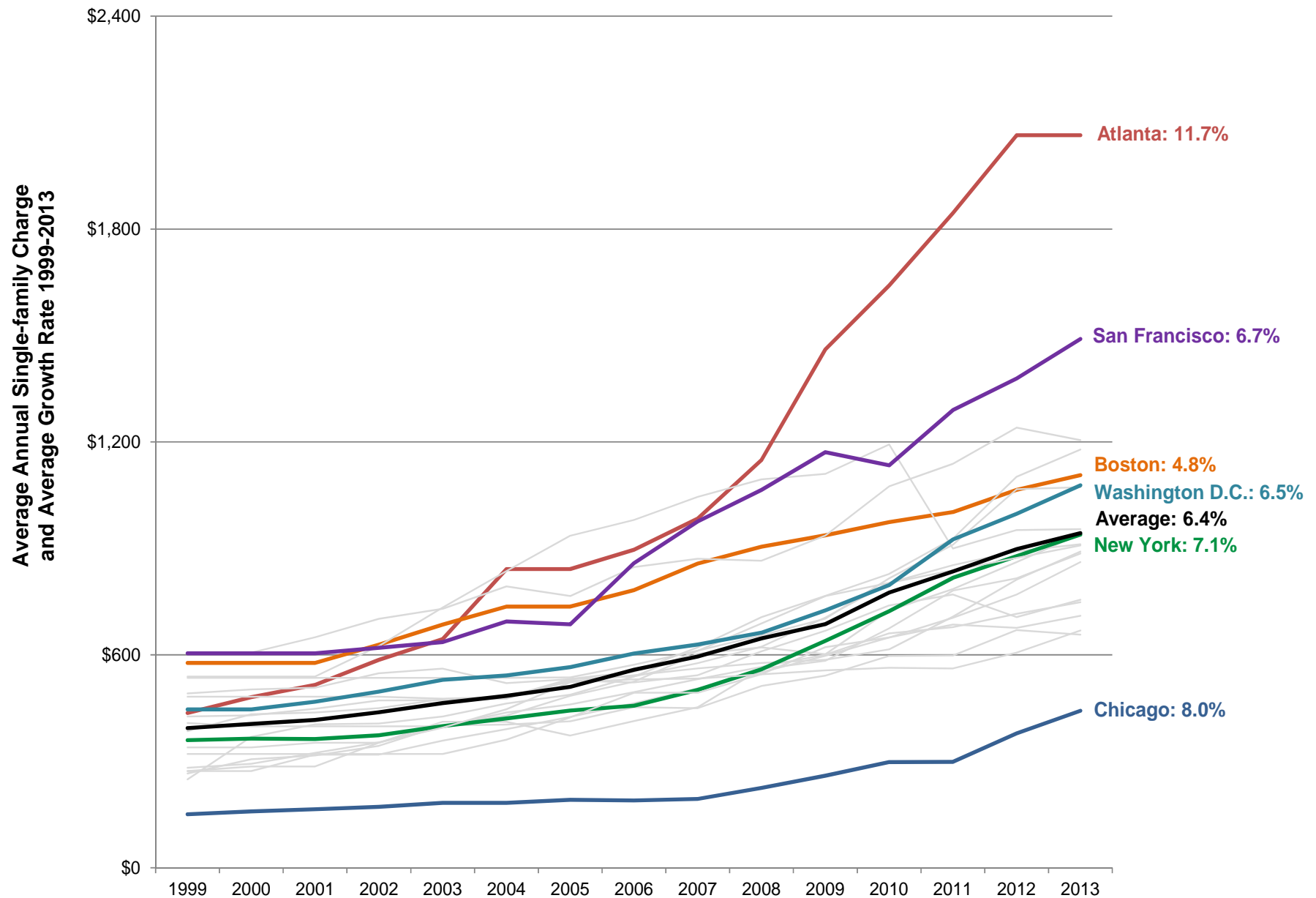
March to June 2013 numbers are preliminary



# OpX – Implemented Initiatives

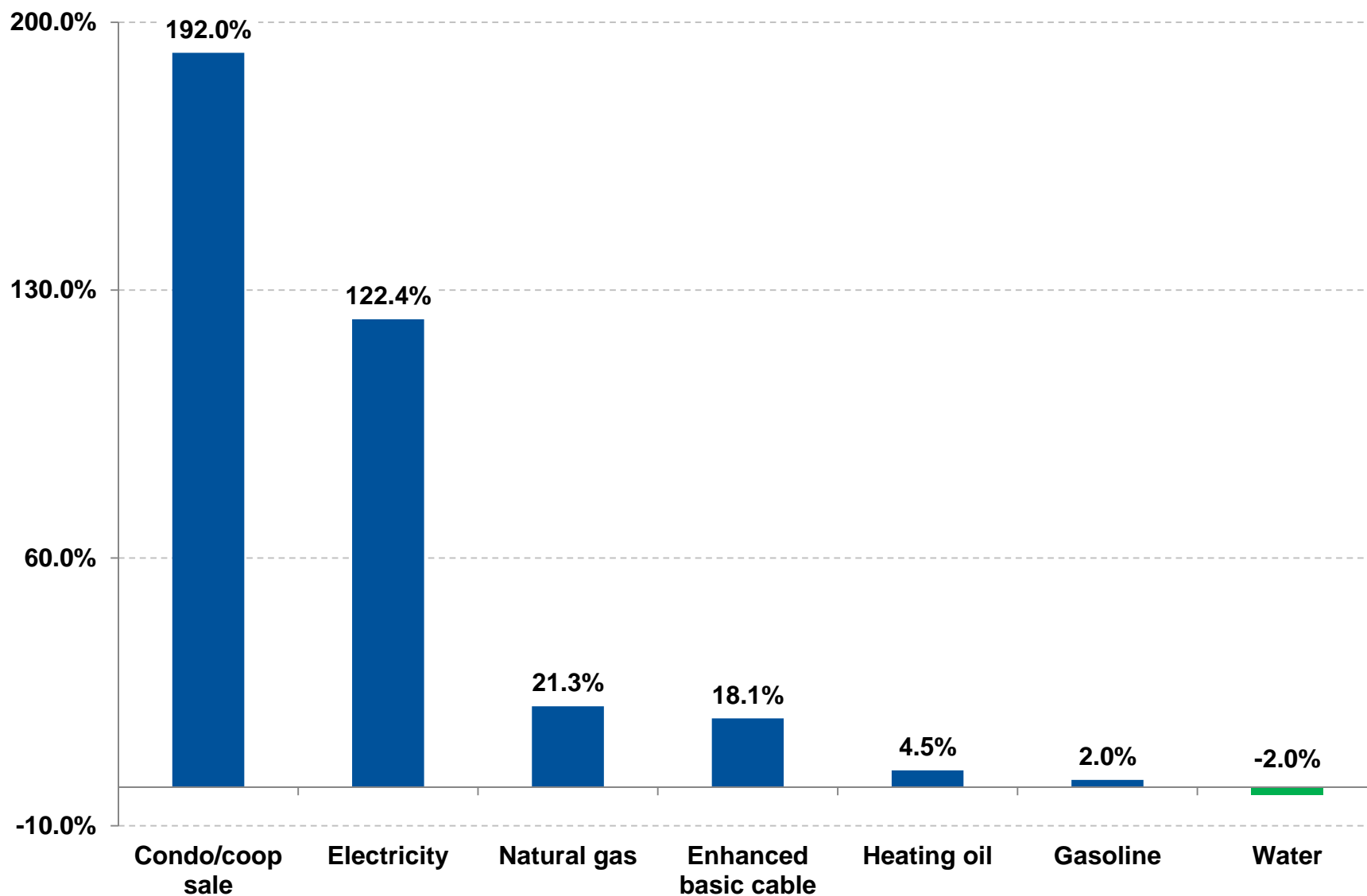
Bureau	Initiative	Annual Impact (\$M)
Central Functions	Reprice/rebid chemicals contracts (chlorine, fluoride, glycerin, sodium hypochlorite)	\$4.32
	Reprice floatables O&M contract	\$0.17
	Eliminate non-critical unused wireless devices	\$0.50
BWS	Reduce fluoride dosing	\$0.95
	Reduce Croton consent decree monitoring	\$0.17
	Reduce septic system inspection	\$0.15
	Optimize cleaning at Kingston facility	\$0.05
	Optimize operation of HAZMAT program	\$0.20
	Wastewater treatment plant (WWTP) optimization	\$0.29
	Consolidate 7-8 existing BWS East-of-Hudson reporting locations into 1 or 2 locations	\$0.16
	Optimize operations organization structure (SCADA)	\$0.10
	Recoup DEP costs from programs with revenues dedicated to City's general fund	\$1.41
BWSO	Reduce caustic dosing to offset fluoride pH	\$0.40
BWT	Reduced positions due to improved efficiencies in maintenance and operations at in-City WWTPs	\$3.80
BCS	Complete over 1,000 large meter replacements	\$3.00
	<b>Annual Savings for Implemented Initiatives</b>	<b>\$15.67</b>

# Rate Trends in Major Cities



All estimates based on consumption of 80,000 gallons per year

# % Difference in Consumer Costs, NYC vs. US



# DEP's Mission – Strategy 2011-2014

***Our mission is to protect public health and the environment by supplying clean drinking water, collecting and treating wastewater, and reducing air, noise, and hazardous substances pollution.***

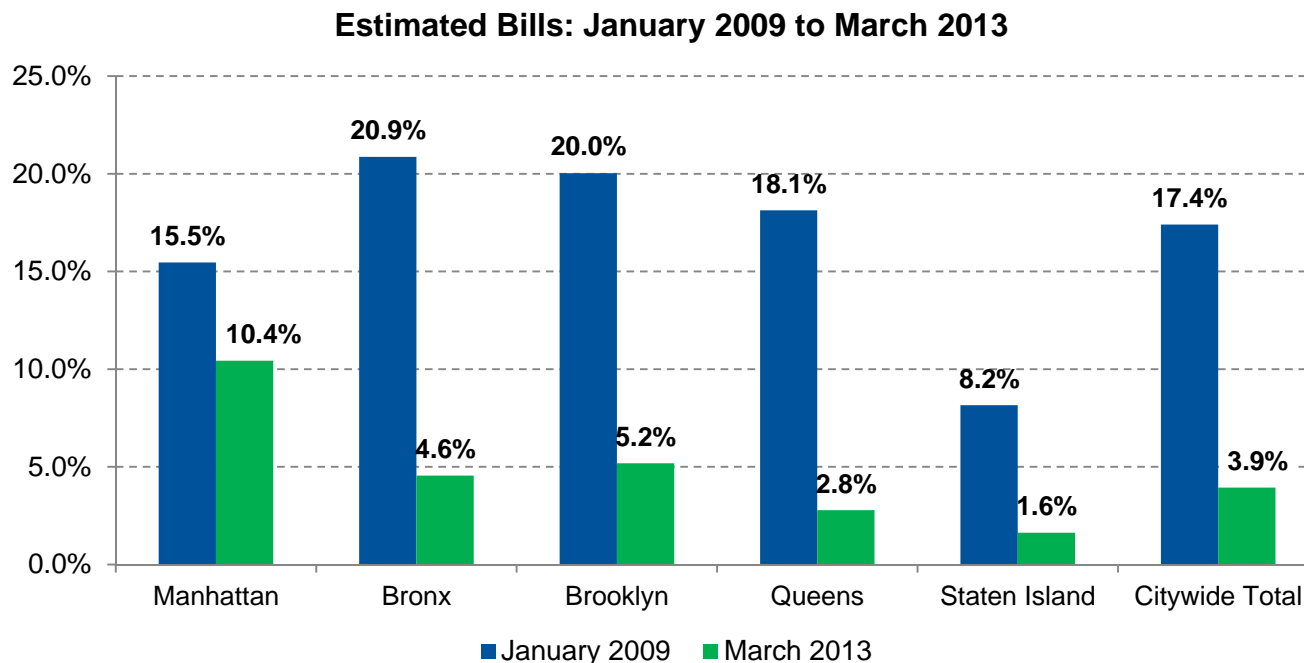
- *Strategy 2011-2014* set forth 100 strategies and initiatives to achieve this mission in four core areas:
  - Serving nine million customers
  - Operating the safest, highest-performing water utility at the lowest possible cost
  - Building capital projects on time and on budget
  - Delivering clean waters, clean air and a sustainable quality of life for all New Yorkers
- Of the plan's 100 initiatives, **87 have been partially or fully achieved**, and the remaining 13 are on track

**STRATEGY**  
**2011-2014**



# Customer Service

- Substantially completed AMR installation
  - 77% reduction in estimated bills since 2009; only 3.9% estimated Citywide
  - 16% reduction in billing disputes since 2008
- Enrolled 171,000 customers in Leak Notification Program; \$31M in leak-related charges avoided by more than 37,000 customers
- Launched the Service Line Protection Program
  - 78,400 customers have signed up to date



# Operations

- Investment in DEP's operations and maintenance has improved service citywide
- Compared to this time last year:
  - Leak complaints on City infrastructure are down 17.2%
  - Time to restore water after water main break is down 8.5%
  - Sewer backup resolution time is down 25.4%
  - Catch basin complaints are down 20.9%, and the resolution time is down 45.0%; eliminated catch basin repair backlog
- Delivered clean, safe drinking water throughout Hurricane Sandy



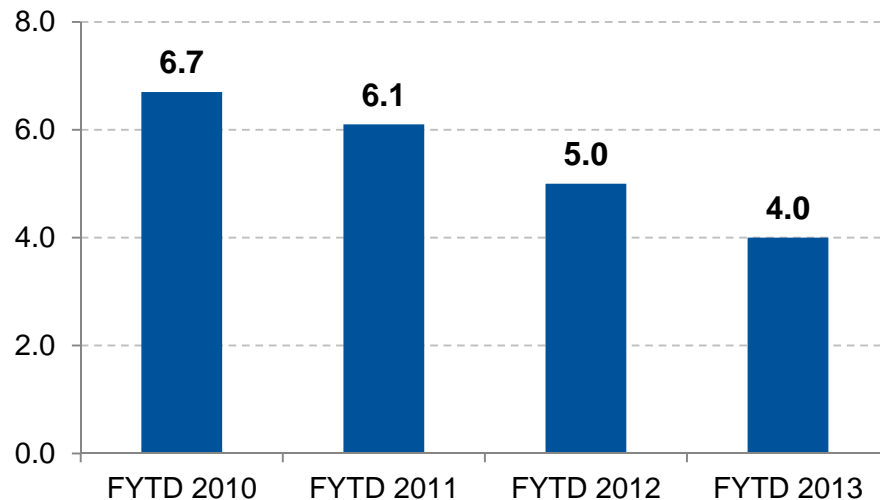
Source: DEP preliminary Mayor's Management Report metrics, February 2013



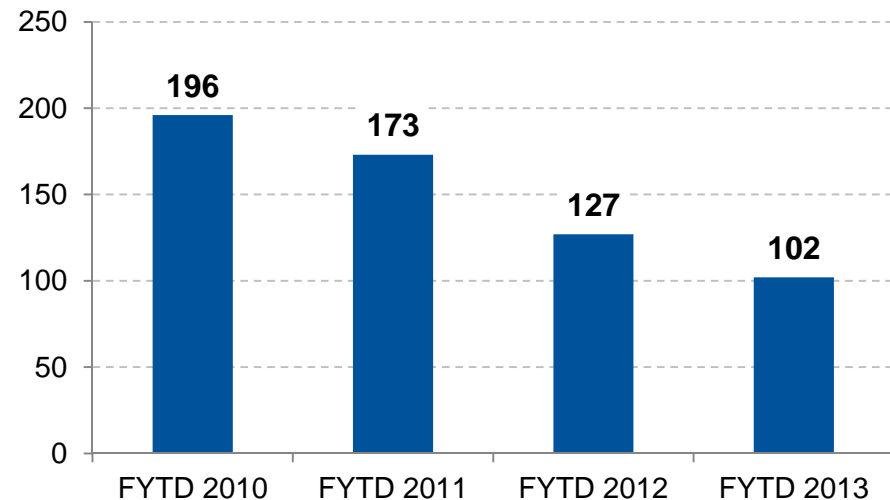
# Worker Safety

- Implemented programmatic EHS audits throughout the agency and a model of continuous improvement; number of audit findings has decreased by 90% since 2005
- Constructed a hands-on water and sewer operations training facility
- From FY 2010 to 2013, workplace injury rates\* have declined by 40% and total recordable injuries have declined by 48%
- DEP's FY 2013 year to date injury rate of 4.0 is 34% below the 6.1 average for public water and wastewater utilities\*\*

**Injury Rate\***



**Total Recordable Injuries**



Data is for the July to December period of each fiscal year

\*The injury rate calculation represents the number of reportable injuries per 100 employees over one-year period

\*\* Industry rate taken from Bureau of Labor Statistics (BLS) data for NAICS Code 2213, (Local, Government, Utilities: Water Sewage and other systems)

# Sustainability

- Signed amended consent order with NYS Department of Environmental Conservation incorporating the *NYC Green Infrastructure Plan*, which will avoid or defer \$3.4B in gray infrastructure costs
- Awarded \$6.2M in green infrastructure grants and secured an additional \$4.2M in matching funds to support private investment in green infrastructure
- Restored wetlands in Jamaica Bay, improving wildlife habitats and increasing recreational opportunities



Bioswale on Dean Street in Brooklyn



Jamaica Bay



- Four largest projects near completion:
  - Catskill/Delaware Ultraviolet Light Disinfection Facility (\$1.6B) – Online since 2012
  - Croton Filtration Plant (\$3.2B) – Plant A startup and testing Spring 2013
  - Newtown Creek Wastewater Treatment Plant (\$5.0B) – September 2013
  - City Water Tunnel No. 3 (\$4.7B) – Stage 2 Manhattan Section activation 2013



Catskill/Delaware Ultraviolet Light Disinfection Plant



Croton Filtration Plant

# DEP's Capital Priorities 2013-2023

- *Water For the Future*, including construction of shafts and tunnels for Delaware Aqueduct repair (\$1.7B)
- Asset management and state of good repair projects (\$5.1B)
- Complete sewer connections in Queens (\$513M) and Staten Island (\$473M)
- Citywide water main and sewer contracts (\$831M)
- Continue green infrastructure related projects (\$730M)
- North River cogeneration project (\$212M)
- Complete City Water Tunnel No. 3, Stage 2 Manhattan Section connections (\$208M)
- Bring Bluebelts to southeast Queens to naturally control stormwater (\$62M)



Bluebelt



Connections to Water Tunnel No. 3

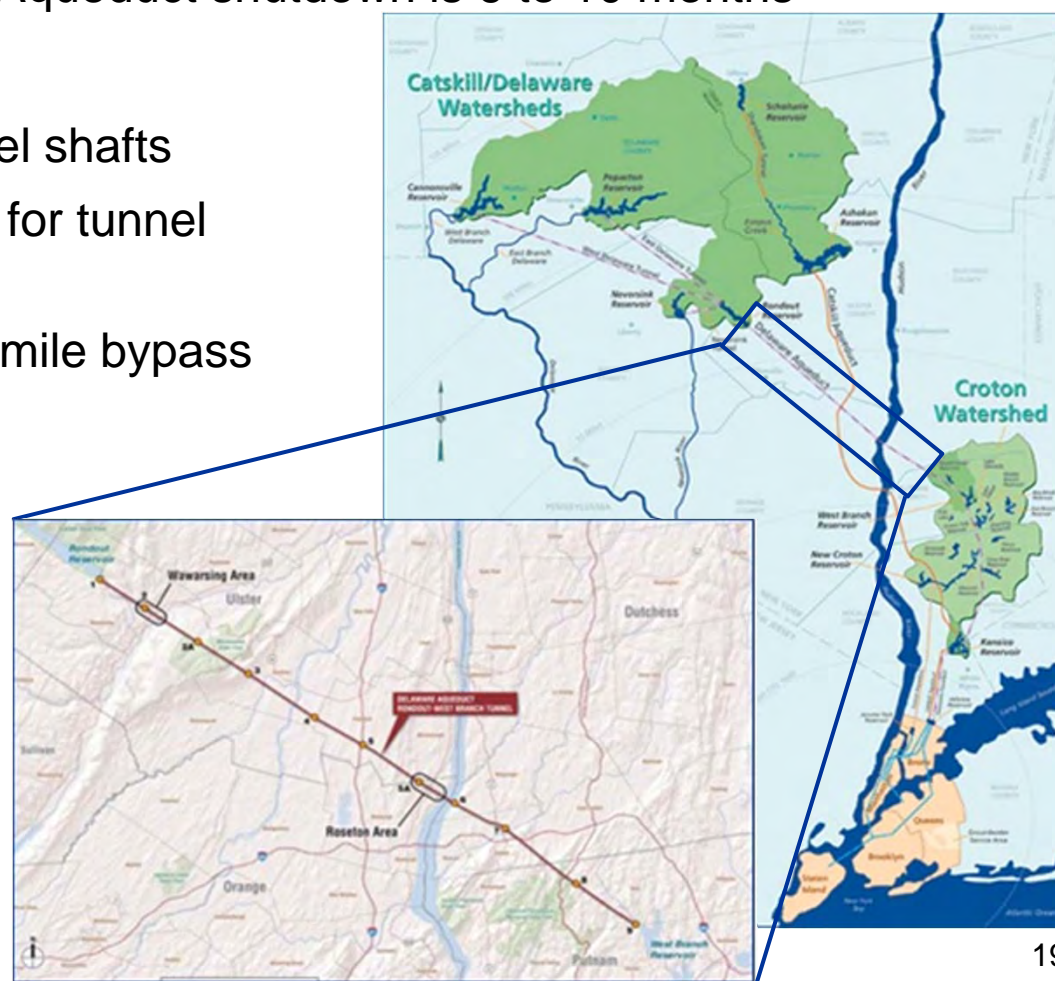


Shaft Connections for Delaware Tunnel Repair –  
*Water for the Future*



# Water for the Future

- DEP will ensure the dependability of our water by repairing leaks in the Delaware Aqueduct through the \$1.7B *Water for the Future* program
- The program concludes by connecting the Rondout-West Branch Tunnel bypass to the Delaware Aqueduct beginning in 2021
  - Anticipated duration of Delaware Aqueduct shutdown is 6 to 10 months
- In FY 2014, DEP will:
  - Break ground on the bypass tunnel shafts
  - Install discharge pipes to prepare for tunnel dewatering
  - Proceed with design work for 2.5-mile bypass tunnel
  - Plan for optimization of Catskill Aqueduct capacity
  - Initiate water conservation programs in City and upstate



# City Water Tunnel No. 3

- Work on Water Tunnel No. 3 began in 1970
- In 1988, Stage 1 was activated – a 16-mile tunnel that parallels Water Tunnel No. 1 from Hillview Reservoir into Manhattan and turns East to go into Queens
- DEP will activate the 8.5-mile Manhattan section of Stage 2 in 2013
- \$4.7B total cost: \$2.4B on Stage 1, \$1.8B on Stage 2, and \$500M on connections
- Once Manhattan Stage 2 is activated and operation is steady and the Brooklyn/Queens section is completed and activated, Water Tunnel No. 1 can be shut down for inspection and repair

**NYC**  
Environmental  
Protection

## CITY TUNNEL NOS. 1, 3

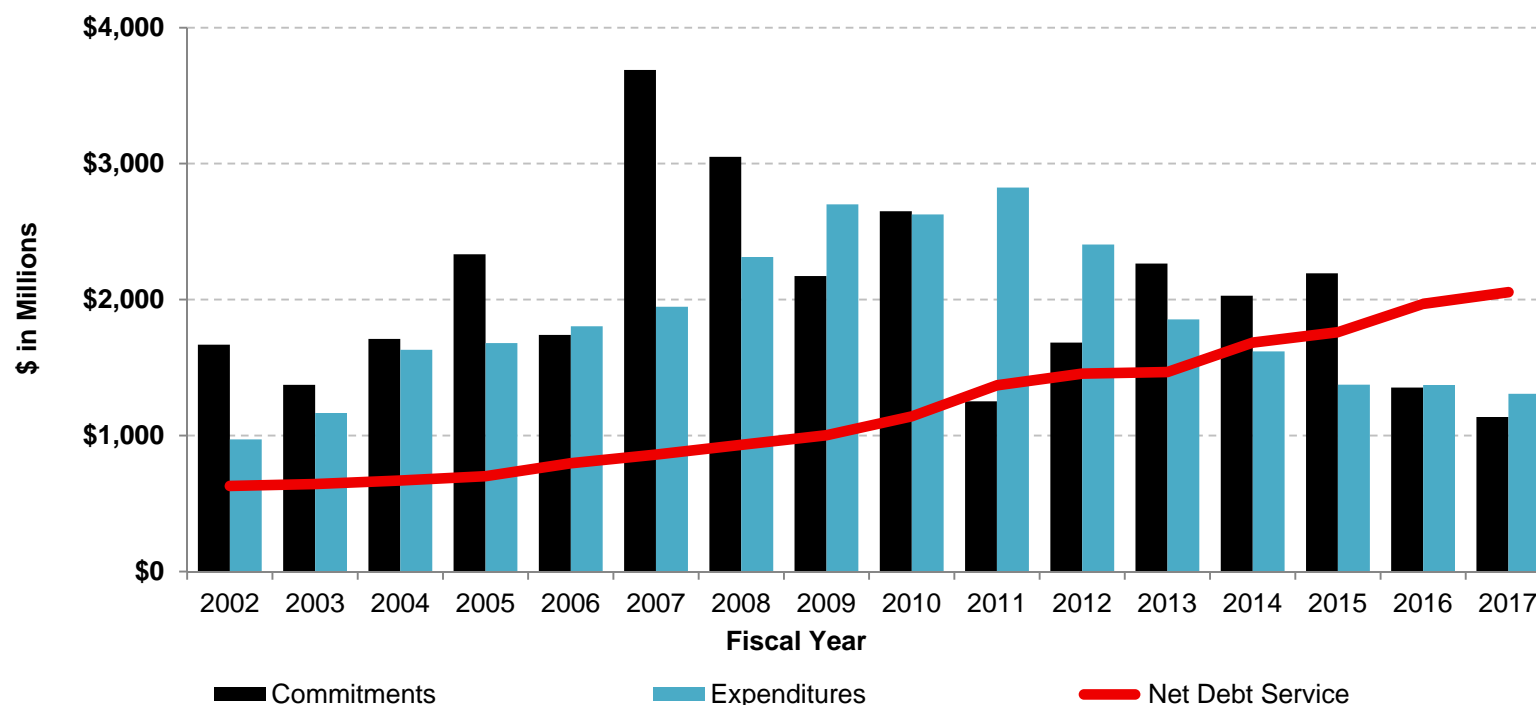
MAP SYMBOLS

- CITY TUNNEL NO. 1
- CITY TUNNEL NO. 3 (Stage 1)
- CITY TUNNEL NO. 3 (Stage 2 Manhattan)

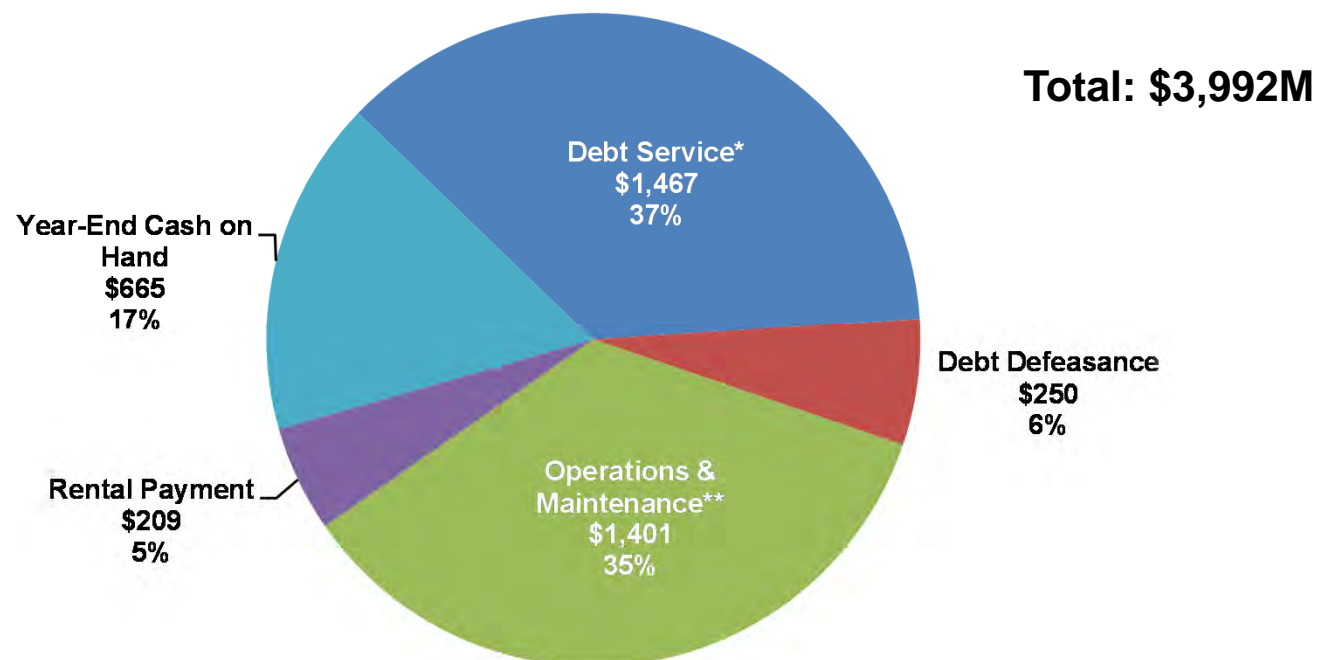


# Past Capital Costs, Current Debt Service

- DEP's capital commitments are tied to the System's debt service. Capital commitments result in expenditures; and debt is issued as expenditures are incurred
- From FY 2002 to 2013, commitments will total \$26.5B, but, on account of the lag effect, expenditures funded by debt issuance will total \$23.9B
- Annual debt service increased by 131% from FY 2002 to 2012, but the Authority has seized opportunities in the low interest rate environment to refinance and buyback \$6B of higher-cost debt in the past five years



# FY 2013 Forecast vs. Plan

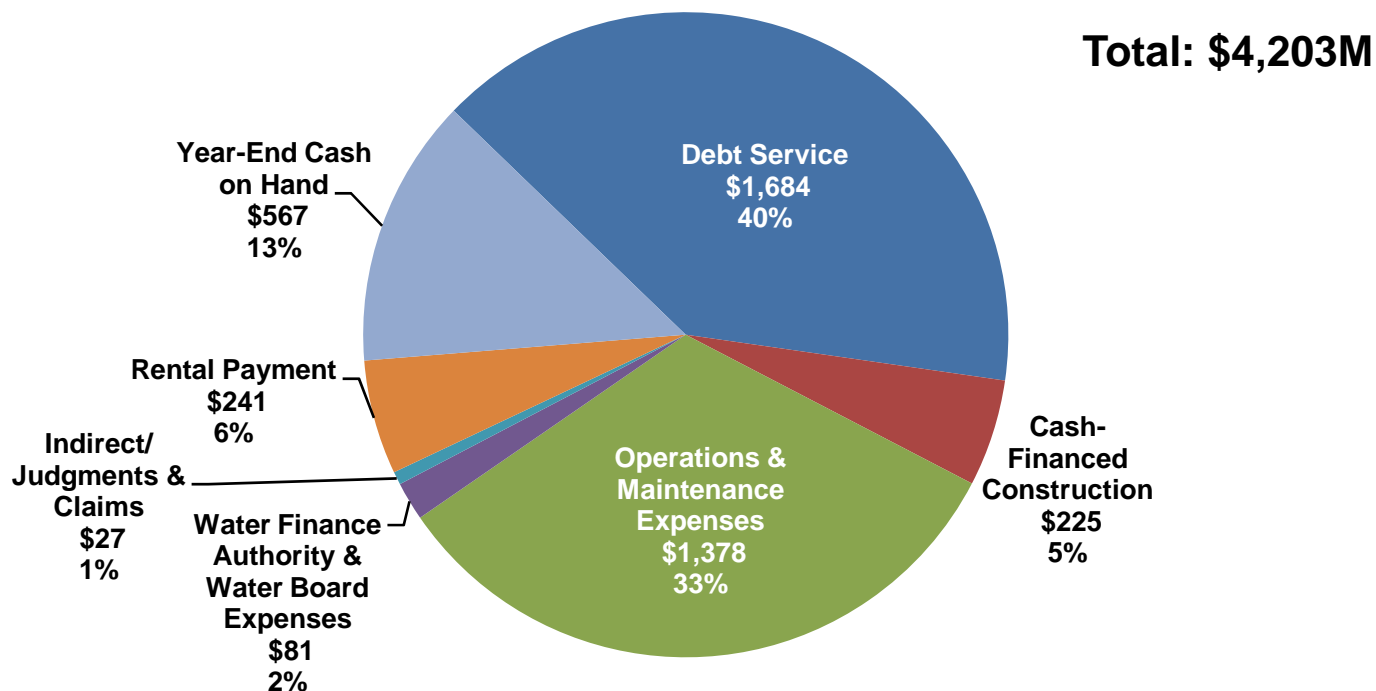


Financial Outlook through 2013 (\$M)	FY 2013 Plan	FY 2013 Forecast	Change
Revenue & Prior-year Carryforward	\$3,802	\$3,992	\$190
Debt Service*	\$1,614	\$1,467	(\$147)
Cash-Financed Construction or Debt Defeasance	\$150	\$250	\$100
Operations & Maintenance**	\$1,373	\$1,401	\$28
Rental Payment	\$231	\$209	(\$22)
Year-End Cash on Hand	\$434	\$665	\$231

\* Debt Service does not include \$250M of cash retirement of bonds in FY 2013 Forecast

\*\* Operations & Maintenance includes Water Finance Authority & Water Board Expenses and Indirect Expenses

# Financial Outlook for FY 2014



Total System Costs (\$M)	FY 2013 Forecast	FY 2014	Change
Debt Service*	\$1,467	\$1,684	\$217
Debt Defeasance or Cash-financed Capital Construction	\$250	\$225	(\$25)
Operations & Maintenance**	\$1,401	\$1,486	\$85
Rental Payment	\$209	\$241	\$33
Year-End Cash on Hand	\$665	\$567	(\$98)
<b>Total System Costs = Revenue Requirement</b>	<b>\$3,992</b>	<b>\$4,203</b>	<b>\$211</b>

\* Debt Service does not include the \$250M used for the cash retirement of bonds in FY 2013

\*\* Operations & Maintenance is the sum of the chart's "Operations & Maintenance Expenses", "Water Finance Authority & Water Board Expenses" and "Indirect/Judgments & Claims"



# Projected FY 2014 O&M Changes



- Despite DEP's cost saving initiatives, the O&M budget is increasing by \$85M due to:
  - \$55.9M: Certain projects charged to expense budget rather than capital, including the toilet replacement program, certain FAD costs such as the septic and agriculture programs, and remediation efforts of dredging at Gowanus Canal and Flushing Bay
  - Increases to maintenance and service contracts, such as sewer dragging
  - Upstate real estate tax increase, including UV Plant
  - Agreements to fund Parks Forestry Program for Croton, and water quality consulting services

## **Items Self-Funded from O&M Reductions**

- Self-funding \$36M in new needs, such as:
  - Positions totaling \$4.9M previously paid for through the capital program now charged to the expense budget to comply with Comptroller Directive 10
  - Shaft maintenance for City Water Tunnel No. 3, Manhattan Stage 2 coming on-line



# Proposed Rate Increase

Revenue Requirement (\$M)	FY 2013 Forecast	FY 2014	Change
<b>Total System Costs</b>	<b>\$3,992</b>	<b>\$4,203</b>	<b>\$211</b>
Less: Prior-year Carryforward Revenue	\$560	\$665	\$105
Less: Upstate & Miscellaneous Revenue	\$224	\$196	(\$28)
Less: Decline in Consumption from FY 2013	\$0	(\$43)	(\$43)
<b>In-City Revenue Need</b>	<b>\$3,208</b>	<b>\$3,385</b>	<b>\$177</b>

Rate Calculation	FY 2014
Prior-year Revenue	\$3,208
Consumption Decrease	(\$43)
Net Revenue at Prior Year's Rate	\$3,165
<b>Additional Revenue Required</b>	<b>\$177</b>
<b>Rate Increase Required</b>	<b>5.6%</b>

# Rental Payment Pilot

- The Water Board leases the water and sewer system from the City and pays the City an annual rental payment that is calculated at 15% of annual debt service
- Rental Payment pilot was adopted in FY 2013 where the Rental Payment value in excess of a capped amount is returned to the System: \$12M returned in FY 2013
- Because of debt service savings in FY 2013, the gross rental payment projections have declined by \$22M from \$231M to \$209M
  - As a result, the FY 2014 return will be \$10M rather than \$32M as initially projected

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gross Rental Payment	\$196	\$208	\$209	\$241	
<b>Capped Rental Payment</b>		<b>\$196</b>	<b>\$199</b>	<b>\$205</b>	
<b>Residual Payment to be Returned</b>		<b>\$12</b>	<b>\$10</b>	<b>\$37</b>	
<b>Returned Rental Payment (1-year Lag)</b>			<b>\$12</b>	<b>\$10</b>	<b>\$37</b>

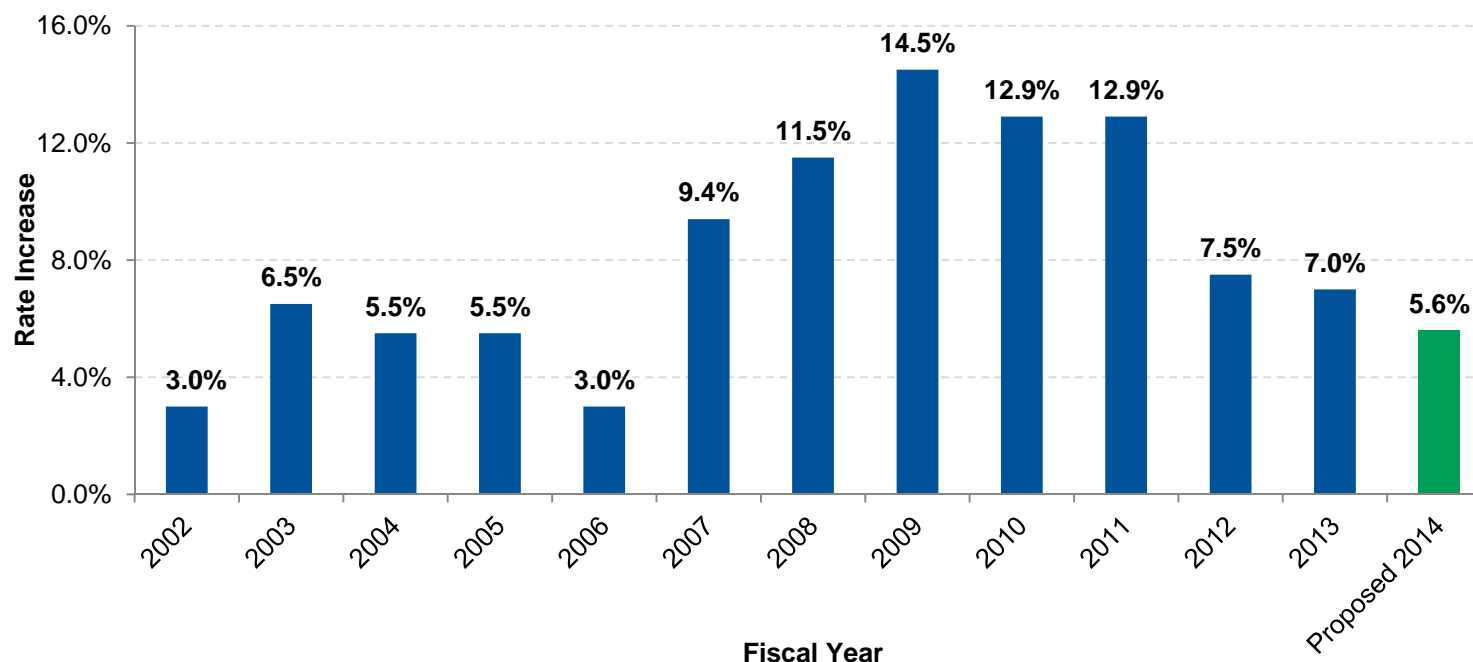
# Changes in Rate Structure, FY 2014



- Service Line Protection Program, which allows residential customers to opt-in to service contracts for water and/or sewer service line coverage, will have fees of:
  - \$4.49/month or \$53.88/year + sales tax for Water Service Line contract
  - \$7.99/month or \$95.88/year + sales tax for Sewer Service Line contract
- Properties automatically enrolled in the Multi-family Conservation Program in FY 2013 will be granted until January 1, 2015 to have a meter and AMR device installed and until June 30, 2016 to have high-efficiency fixtures installed
- Manual meter reading fee will be \$25.00 for each manual reading requested by a customer

# FY 2014 Rate Proposal Summary

- Proposing **5.6%** rate increase
- Lowest since FY 2006, eight years ago



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# Borough Rate Hearing Schedule

Borough	Date	Location	Time
Staten Island	April 29	Joan and Alan Bernikow Jewish Community Center 1466 Manor Road	7:30 pm
Brooklyn	April 30	IS 228 David A. Boody 228 Avenue S	7:00 pm
Bronx	May 1	Hostos Community College Savoy Building, 2 <sup>nd</sup> Floor 120 East 149 <sup>th</sup> Street	7:00 pm
Queens	May 2	LaGuardia Community College 45-50 Van Dam Street, Room E-242 Long Island City	7:00 pm
Manhattan	May 3	City Planning Department 22 Reade Street, Spector Hall	1:30 pm