

Water and Wastewater Rate Outlook for the Fiscal Year Beginning July 1, 2023

May 1, 2023

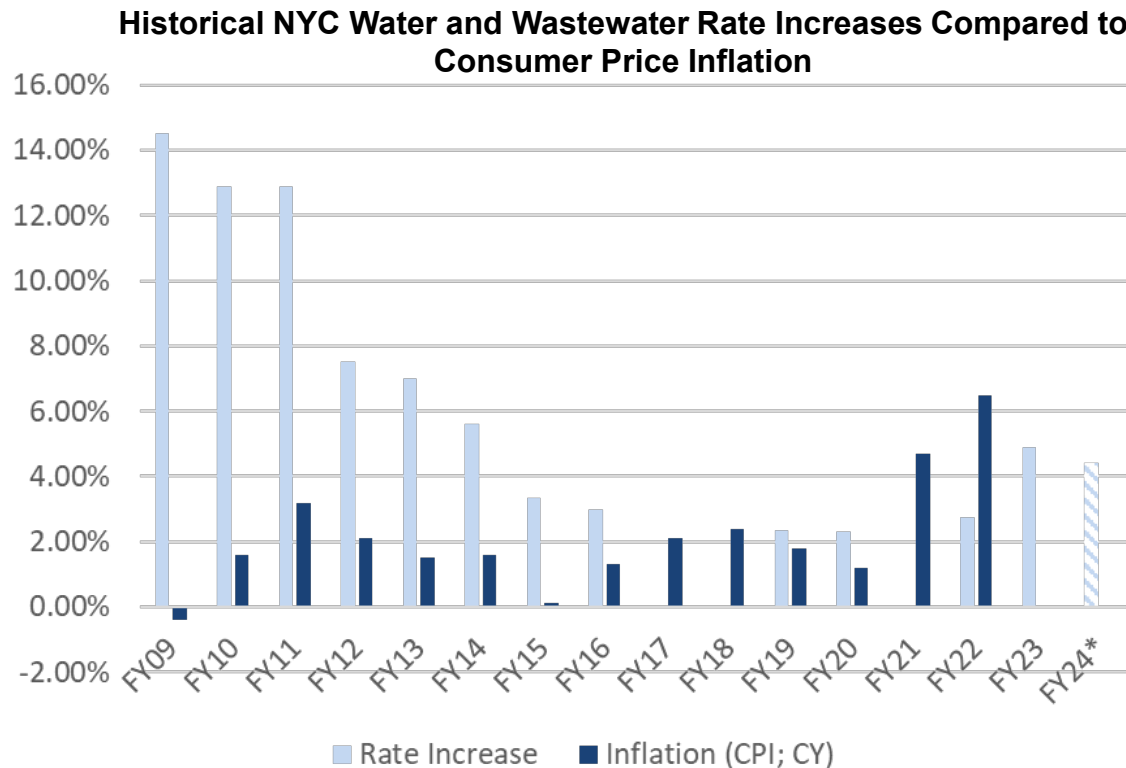
Rate proposal and customer programs update



DEP is recommending a 4.42% rate increase for Fiscal Year 2024

- Proposing a **4.42% rate increase** for customers in New York City
- Re-authorizing the Board's core customer programs at current funding levels
- No rental payment requests have been made for Fiscal Year 2024
- Extend the target date for administrative compliance with all requirements of the Multi-family Conservation Program until June 30, 2024

The moderate size of the proposed rate increase is underwritten in part by the effectiveness of DEP's alternative collection strategy, including receipts from the customer amnesty program



The proposed rate increase:

- Is less than the 4.6% general inflation rate seen in the greater New York City area in the 12-months to March 2023
- Is below the recent 4.9% electricity rate increase, and the 7.7% natural gas rate increase, seen in the energy utility sector
- Enable the system to achieve key financial metrics necessary to support strong bond ratings
- Help address the impacts of rising interest rates and inflation on the cost of providing utility service to customers
- Support hiring and retention initiatives to return headcount to budgeted levels

An expanded capital investment program and system O&M investments are among the costs of service that a rate increase for FY 2024 would fund

Dollars in millions

	Projected Variance FY23 to FY24
O&M and City allocations, including O&M Reserve Fund	\$ 108
Debt service, prior to carryforward	\$ 297
Water Board and Water Authority budgets	\$ 4
PAYGO/defeasance, net of escrow releases	\$ 72
Projected increase to costs of service requiring funding from revenues	\$ 481
FY 2022 year-end balance compared to budget forecast	\$ 178
Projected variance to FY 2023 budget of revenues and investment income	\$ 204
Allowance for conservation and non-recurring revenue sources	<u>(69)</u>
Estimate of revenue requirement attributable to rate increase	\$ 168

- The proposed rate increase would increase projected FY 2024 revenues to above \$4.2 billion, a revenue level that would be sufficient to fund the projected increase in FY 2024 system costs of service
- Additional debt service costs in FY 2024 include an estimated increase of more than \$200 million due to an expanded capital spending program and higher market interest rates
- Increased O&M costs of more than \$100 million include \$74 million for collective bargaining agreements covering the 2021 to 2027 contract years, \$9 million for additional water and wastewater chemical treatment costs, and \$5 million for billing software system development and support
- The Delaware Aqueduct shutdown, along with the related funding, was moved from FY23 to FY24, with the one-time costs attributable to the shutdown assumed to occur during FY 2024

Residential customers with average levels of water use will see a small increase to their monthly bills

Annual water and wastewater charges	FY 2023	Proposed FY 2024	Monthly Increase
Average Single-Family Charge (70k gallons per year)	\$1,041	\$1,088	\$3.84
Average Multi-Family Metered Charge (52k gallons per year)	\$773	\$808	\$2.85
Multi-Family Conservation Program (per residential unit)	\$1,134	\$1,184	\$4.18
Minimum Charged Properties (using less than 90 gallons per day)	\$463	\$463	\$0.00

Note: representative charges are calculated using projected actual billing rates, rounded to two decimal places; year-over-year change in illustrative billed amounts may be slightly different than 4.42% due to rounding to two decimal places

DEP recommends that the Board continue its \$30 million customer program budget, which would extend the Board's 50% program budget increase

	Pre-Expansion Annual Program Budget	50% Program Expansion, Proposed to Extend into FY 2024	Proposed Continuation of Expansion Budget in FY 2024
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 credit 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 into FY 2024	\$30 million

Note: budgeted funds available for the Leak Forgiveness Program are an estimate; program funding can be increased based on availability of a pool of qualifying program applicants

Residential use charges will remain lower than in other large cities

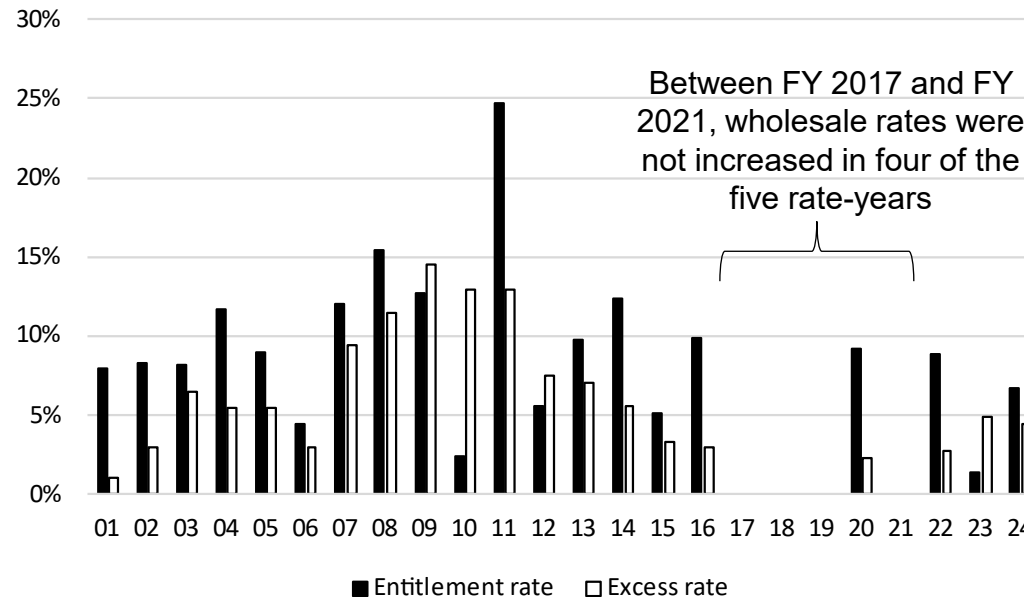
Typical Annual Residential Water Charges

	New York City	30 Large City Average ¹	NYC vs. Average
Based on 70k gallons per year	2019	\$945	-15.5%
	2020	\$967	-17.6%
	2021	\$967	-20.5%
	2022	\$994	-21.2%
	2023	\$1,041	-20.5%
	2024	\$1,088	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

DEP recommends that the Board also increase water rates for wholesale customers in Fiscal Year 2024

- In addition to supplying water to the City's residents, DEP supplies water to the water utilities that serve another one million residents who live north of the City, mainly in Westchester County
- These local water utilities are allowed to purchase water from City sources pursuant to State law, from water supply assets located outside of the City and that pass through the area en route to the City, under a DEC-regulated rate framework
- Requesting the Board consider an allowance quantity **rate increase of 6.76%** for wholesale customers north of New York City
- A typical end consumer's water bill would increase by \$0.82 per month, or \$9.85 per year
- Recommended rate increase for amounts in excess of the allowance quantity of up to 4.42%, in line with the proposed in-City rate increase



Public hearings schedule and contact information for public testimony



Calendar of events leading up to the start of the next fiscal year

Event	Date	Location	Time
DEP rate proposal to Water Board	Monday May 1	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	9:15 a.m.
Staten Island Public Hearing	Wednesday May 24	Bernikow JCC of Staten Island 1466 Manor Road, Staten Island	6:00 p.m.
Queens Public Hearing	Thursday May 25	JFK Jr. School 57-12 94th Street, Queens	6:00 p.m.
Manhattan Public Hearing	Tuesday May 30	NYC OMB 255 Greenwich St., 8th floor conf. room Manhattan	2:00 p.m.
Brooklyn Public Hearing	Wednesday May 31	Saint Francis College 179 Livingston Street, 5th Floor, Brooklyn	6:00 p.m.
Bronx Public Hearing	Thursday June 1	Mercy College 1200 Waters Place, Bronx	6:00 p.m.
Upstate Rate Public Hearing in Valhalla, Westchester	Wednesday May 31	NYC DEP 465 Columbus Avenue, Valhalla, NY	11:00 a.m.
Water Board meets to vote on budget and final rate	TBC, 2nd week of June	TBC	TBC

Recap and thank you

- In-city proposed rate increase of 4.42% beginning July 1, 2023
- Wholesale proposed allowance rate increase of 6.76%
- Public hearings will take place throughout the boroughs following the traditional in-person hearing format between May 24 and June 1, followed by a Board meeting and vote in mid-June
- Westchester County hearing on Upstate rates scheduled for May 31
- Testimony, comments, or questions regarding the proposed rate, the hearings, and any prepared testimony, as well as requests to register to speak at the hearings, should be directed to:

NYC Water Board

Preferred contact methods:
nycwaterboard@dep.nyc.gov
718-595-3591

If by mail:
59-17 Junction Boulevard
8th Floor
Flushing, NY 11373

Questions?