



# Wholesale Water Rate Outlook for the Fiscal Year Beginning July 1, 2025

May 30, 2025

# Agenda

- **DEP overview and agency updates**
- Financial overview and rate proposal
- Public hearings and contact information for public testimony and concluding remarks

# DEP delivers 1.1 billion gallons of water per day to its wholesale and retail customers, with nearly all of the activity funded by customer bill payments

- The utility works 24 hours a day, 365 days a year to protect public health and the environment by ensuring that the system's customers have a reliable source of high-quality drinking water
- Substantially most of the funding to run the City's water system is obtained from customer bill payments
- Timely customer payments and appropriate rate changes help to ensure that the system has the required funding to meet its needs

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**NYC**  
Environmental  
Protection

Property Owner: Town of Southeast  
Service Address:

### Your Water & Wastewater Bill - Dated on 2/18/2021

How much do I owe?	
Your previous charges - Reflects payments before 2/18/2021	
Prior Balance	\$998.55
Payments	-\$300.00
Your new charges & credits	
Start Read: 0 End Read: 700	\$111.55
<b>Total Due</b>	<b>\$810.10</b>
<b>Due Date</b>	<b>3/18/2021</b>
Annual interest charge of 5.00% will apply to unpaid charge past the due date. Please see the next page for detailed information.	
<b>Save Trees, and Some Money Too!</b>	
Enroll in our monthly eBilling option to receive a \$10 credit after 3 consecutive months of enrollment.	

Billing Information:	
Account:	9002000020001
Amount due:	\$810.10
Due date:	3/18/2021
BBL:	

How much water do I use?

No historical consumption data available to be shown.

Messages from DEP

Contact Us:  
By Web: [nyc.gov/dep](http://nyc.gov/dep) (click "Contact Us")  
By Phone: (718) 595-7000  
By E-mail: [customerservice@dep.nyc.gov](mailto:customerservice@dep.nyc.gov)

Keep this portion for your records. If paying in person, please bring the entire letter to our customer service center.  
Please detach and return this portion with your mailed payment.

**NYC**  
Bureau of Customer Services  
28-17 Junction Blvd.  
Flushing, NY 11373-5108  
Environmental  
Protection

9002000020001 D

Town of Southeast  
1 Main St  
BREWSTER, NY 10609

000900200002000102182021000000810104

Billing Information:	
Account:	9002000020001
Amount due:	\$810.10
Amount Enclosed:	\$
Please make check or money order payable to NYC Water Board. Send your payment in the enclosed envelope to:	
NYC Water Board, P.O. Box 11863 Newark, NJ 07101-8163	

# DEP continued delivering high-quality water during 2024

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- During 2024, DEP supplied New Yorkers with **high-quality** drinking water, consistent with federal and state health and safety standards.
- DEP conducts **tens of thousands** of tests of the system's water supply to ensure water quality.



# Operating a large combined utility involves a budget that is projected to reach \$4.6 billion in Fiscal Year 2026, across all utility components

\$ in millions	Fiscal Year 2025 Outlook	Fiscal Year 2026 Preliminary Forecast
Utility operation and maintenance expenses, net of under-spending	\$1,884	\$2,058
Debt service, net of rollforward amounts and investment earnings	1,928	1,901
Capital market funds/PAYGO	325	225
Water Board and Water Authority administrative expenses	159	126
Rental payment	289	304
<b>Projected expenses to fund from system revenues</b>	<b>\$4,585</b>	<b>\$4,615</b>

## **DEP's capital budget is paired with its operating and maintenance budget, together comprising two of the utility's core financial components**

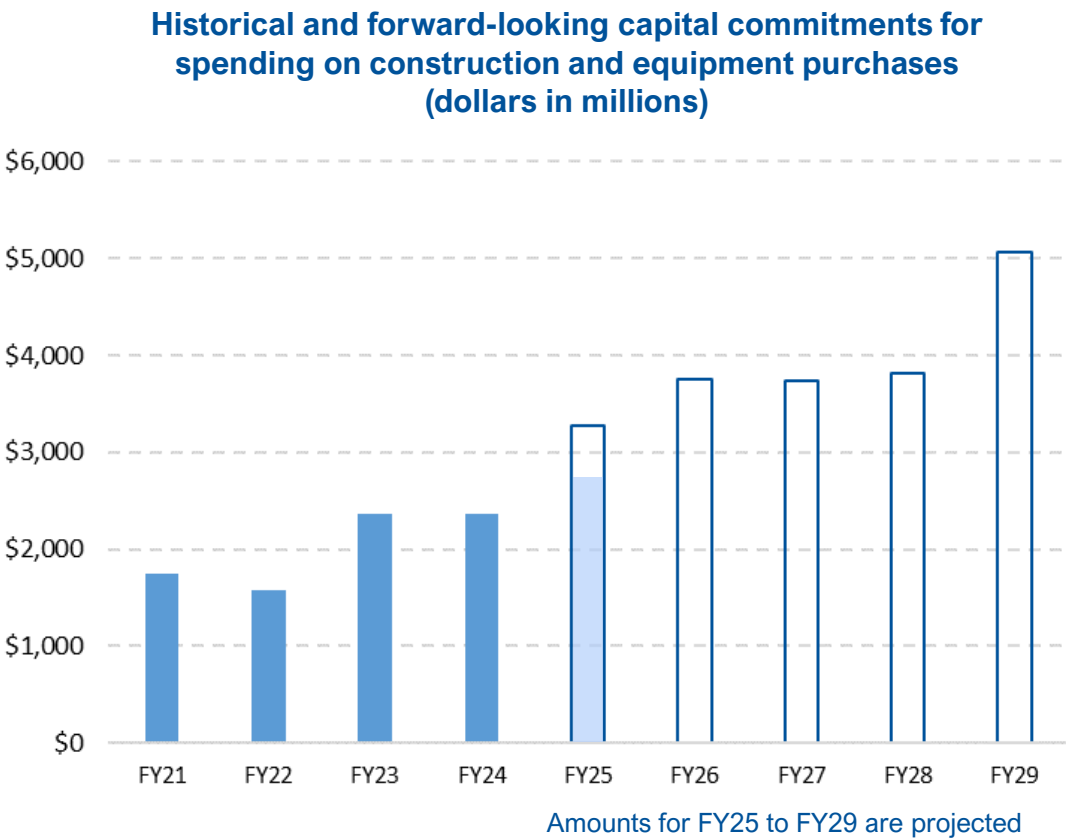
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- The water supply components of DEP's \$2.1 billion operating and maintenance budget for the upcoming year include funding for all essential operational and maintenance areas
- In addition, the O&M budget includes funding for initiatives in strategic priority areas for the utility, such as funds for work involving water supply resiliency and augmentation and expenditures for inputs to the system's water treatment processes
- Other key spending areas include information technology investments designed to bolster cyber-security and support advances in operational efficiency

# Following a significant funding expansion earlier in 2025, DEP’s 10-year capital improvement plan reached \$33 billion

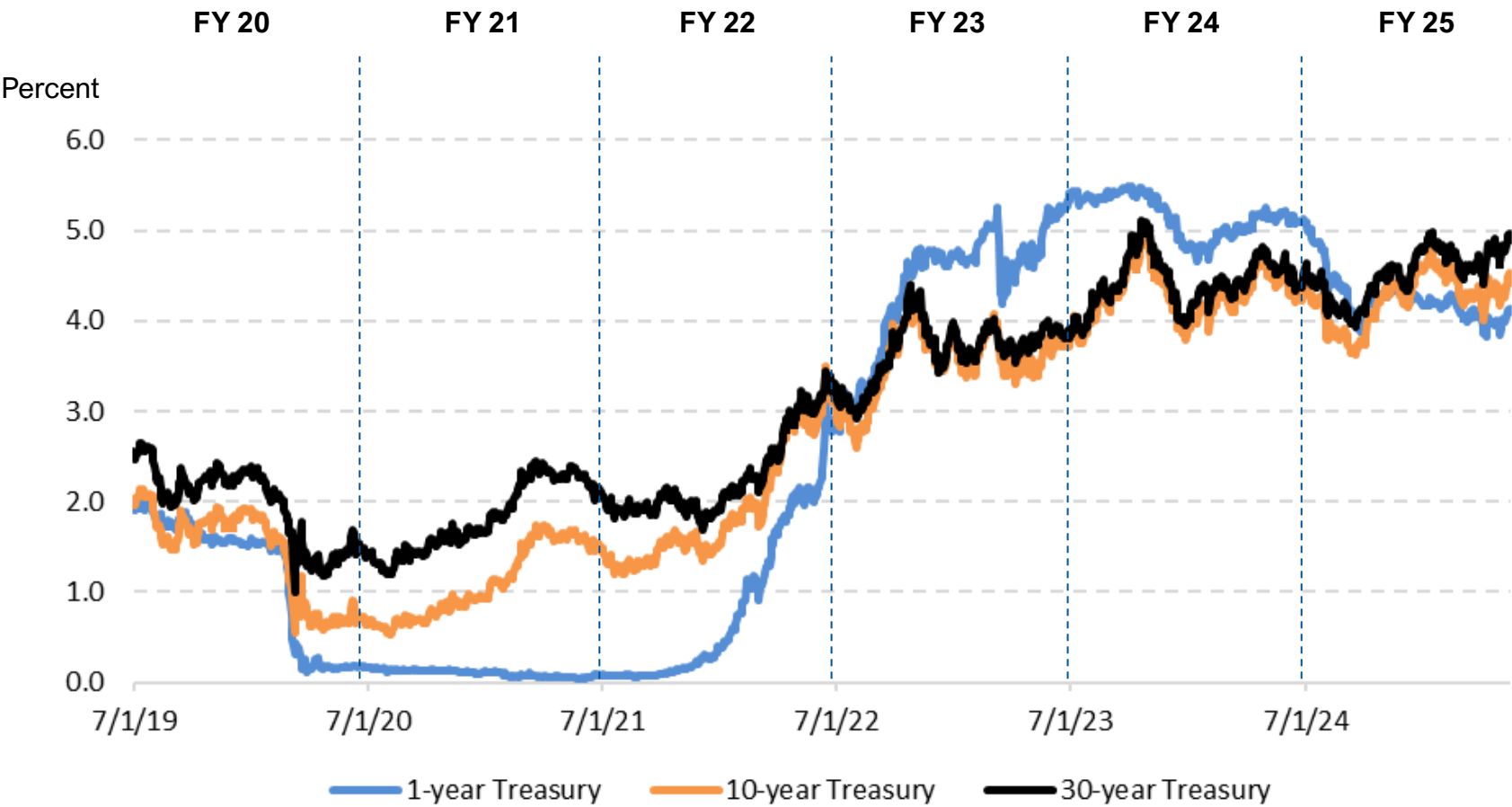
Capital Improvement Program Fiscal Years 2026 - 2035	Dollars in billions
Sewers	\$8.9
Water pollution control	14.0
Water distribution	7.0
Water supply and transmission	2.2
Equipment	1.2
Total	\$33.3

- Capital spending and the related debt service allocable to water supply investments are reflected in the wholesale rate calculation
- Since many wholesale customers work in or regularly visit the City, the other components of the capital plan also directly benefit most wholesale customers



Notes: capital funds are presented on an all-funds basis  
Sources: NYC DEP Budget Office, NYC Municipal Water Finance Authority

# Market rates for debt capital remain higher than in earlier years, making DEP’s mostly bond-financed capital construction work more expensive



- Through the NYC Municipal Water Finance Authority, DEP borrows most of the funding for capital projects by selling bonds in the debt capital markets
- The realized cost of debt capital remains significantly higher than the rates that prevailed during the pandemic and recovery
- Long-term benchmark Treasury rates increased during FY25, compared to the rates prevailing in the first quarter of the fiscal year

*The interest rate savings available from refinancing old debt are currently lower than in earlier years, and rate volatility along with higher market interest rates has resulted in costs that are closer to forecast amounts than during earlier budget cycles*



# The proposed rate increase will help to maintain the water system’s strong financial fundamentals which are evaluated by credit rating agencies

The City’s water system issues debt in its own name and enjoys high credit ratings

	Moody’s	S&P	Fitch
Senior debt	Aa1	AAA	AA+
Junior debt	Aa1	AA+	AA+

Credit ratings are supported by factors that include:

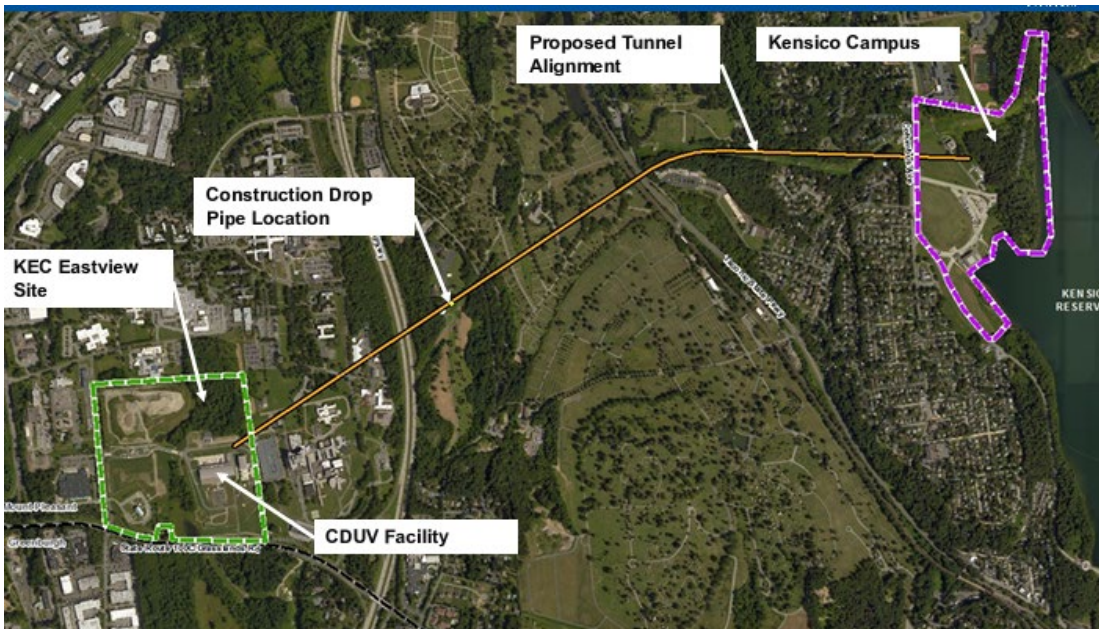
- Legal structure that balances bondholder protections with ensuring sufficient funds for operational and construction purposes
- Practice of pre-funding part of annual debt service costs for future fiscal years
- Required role for a consulting engineer and revenue consultant
- Quality of the City’s administrative, technical, and financial management

Credit rating agencies are cautious, and monitor issuers for signs of positive or negative change

- Large balance of existing water and sewer debt – approximately \$34 billion
- Debt service coverage ratios comparing outstanding debt to revenues, or comparing revenues to annual debt service, need to be consistent with rating agency criteria and similarly rated systems
- Economic fundamentals such as City labor market health, private sector industry composition, tourist numbers, and property market dynamics all have bearing on how water and sewer bonds are rated

# One of the system's largest capital projects currently underway is the \$1.9 billion Kensico-Eastview connection tunnel, a watershed region project designed to expand the capacity of City assets to convey water for treatment and consumption

- The Kensico-Eastview Connection project centers around the construction of a new water tunnel between Kensico Reservoir and DEP's existing water treatment facility in Westchester County
- The initial stage of the work began in Fiscal Year 2024, with the tunneling stage of the project commencing at the start of Fiscal Year 2025



- The new tunnel will run approximately 500 feet below ground and will provide significant additional water conveyance capacity
- The \$1.9 billion of capital funding for the KEC work also includes shoreline stabilization of the reservoir, as well as additional reservoir improvements, with completion of the project expected in 2035



# The City responded decisively to drought conditions earlier in the fiscal year, with water supply continuing without interruption

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- Between November 2024 and January 2025, the City's water supply system was under drought alert conditions for the first time in over 20 years.
- Construction activity and reservoir management was adjusted to accommodate changing conditions
- DEP is reassessing its drought response plans to incorporate lessons learned around interagency coordination and ensure the agency is well-positioned to respond to future drought conditions, should they emerge again



*Ashokan Reservoir: Typical Conditions vs. Drought Conditions*

## **In an important system infrastructure update, DEP intends to develop a new contract for final connection of the Delaware Aqueduct bypass tunnel**

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- The project was paused during the fiscal year due to the 2024 drought and the terms of the existing construction contract
- Given the need for a new contract, continued concerns about lower-than-average precipitation, and plans to upgrade pumps in the aqueduct, the final connection is not expected to be completed until after 2027
- In the meantime, DEP is moving forward with a new procurement and contract to complete the final connection
- The change to the timing of the construction will not impact the availability of water supply

# Agenda

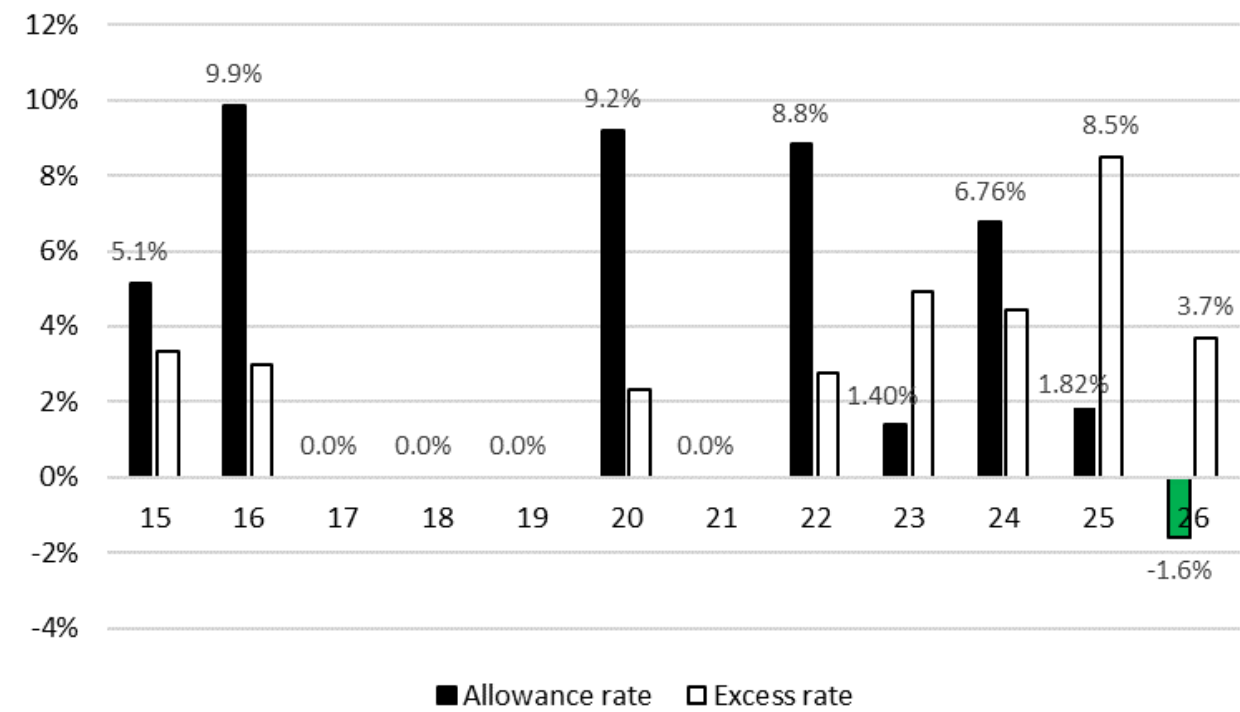
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Debt issuance attributable to the capital-intensive nature of the water system and property taxes are more than half of the costs allocated to the rate for allowance quantity purchases

\$ in millions	FY 2026	Percent
Debt service	\$323	36%
Administrative and other expenses besides personnel costs	226	25%
Personnel assigned or allocated to water supply offices and duties	177	20%
Property tax payments on property located north of the City	169	19%
Funds used to pay for construction work with cash or to restructure old debt	51	6%
Adjustments for water supply items not included in the rate calculation	-5	-1%
Phase-in reconciliation of prior year rate adjustments	-35	-4%
Expenses incurred, or allocable to, facilities and activities north of the City	\$907	100%

# DEP is proposing an allowance quantity rate decrease for wholesale customers in Fiscal Year 2026

- The proposed allowance quantity **rate decrease of -1.6%** would result in a rate of \$2,228.45 per MG
- Recommended **excess rate increase of 3.7%** for water purchased above the allowance quantity, aligned with the rate increase in-City, to \$6,599.82 per MG.



- Wholesale rates are calculated using an agreed upon methodology
- The wholesale rates reflect the price of most water supply costs for delivery to customers north of the City, and not water distribution costs
- The rates include an accounting adjustment to align budget projections with the final realized spending

# Calculation of the allowance quantity rate, based on projected Fiscal Year 2026 system-wide water consumption

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<b>Expenses incurred, or allocable to, facilities and activities north of the City</b>	<b>\$907</b>	<b>100%</b>
Forecast of water consumption north of the City (MG)	37,463	
Proposed allowance quantity water rate for FY 2026	\$2,228.45	



**Compared to current rates, the approximate annual cost of allowance quantity water to a residential customer would decline by \$2.50 to \$156 per year**

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	Residential water bills using FY 2025 NYC wholesale rates and locality rate structures for 70,000 gallons of usage per year
Cornwall on Hudson	\$840
Harrison	\$827
Mamaroneck	\$944
Mount Vernon	\$402
Newburgh	\$740
New Rochelle (Veolia)	\$1,080
Scarsdale	\$512
White Plains	\$342
Yonkers	\$461

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# Rate Setting Calendar

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Event	Date	Location
DEP rate proposal to Water Board at <b>public meeting</b>	Monday May 5 (8:30am)	255 Greenwich, 8th floor, Manhattan
Wholesale <b>public hearing</b>	Friday May 30 (11:00am)	Bernikow JCC, 1466 Manor Road, Staten Island
Water Board <b>public meeting</b> to vote on budget and final rate	Friday June 6 (8:30am)	NYC OMB, 255 Greenwich, 8th floor, Manhattan

# Recap and thank you for participating

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- Proposed allowance quantity rate change of -1.6%, and proposed excess rate increase of 3.7%, beginning July 1, 2025
- Public hearings are also taking place throughout the boroughs between May 27 and June 3, followed by a **Board meeting and vote on June 6**
- 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:

Preferred contact methods:

[nycwaterboard@dep.nyc.gov](mailto:nycwaterboard@dep.nyc.gov)

718-595-3591 (weekdays between 9:00am - 5:00pm)

If by mail:

59-17 Junction Boulevard

8th Floor

Flushing, NY 11373