



Wholesale Water Rate Outlook for the Fiscal Year Beginning July 1, 2026

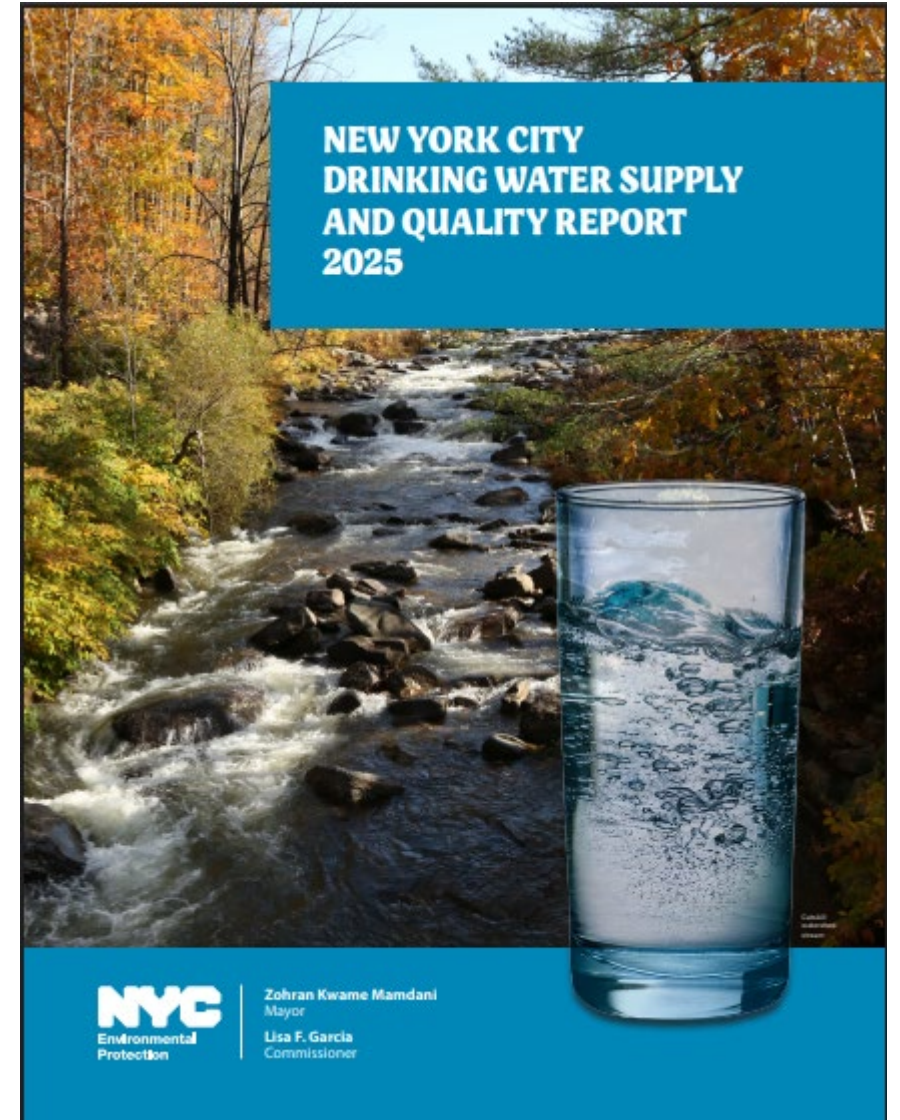
June 1, 2026

Agenda

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

DEP has continued delivering high-quality water during FY 2026

- DEP continues to supply New Yorkers with high-quality drinking water, consistent with federal and state health and safety standards
- Last year, during Fiscal Year 2025, the City supplied more than 402 billion gallons of water, with average daily consumption of 1.1 billion gallons
- Wholesale water sales continue to account for 10-11% of the demand on the City's water supply system
- DEP conducts extensive testing, to ensure the quality of the water in the City's water system



DEP welcomed Lisa F. Garcia as Commissioner in February



- Environmental lawyer who has advocated for environmental and climate justice for over 20 years, representing both grassroots organizations and public agencies at all levels of government.
- Former EPA Regional Administrator overseeing environmental policy for New York, New Jersey, Puerto Rico, the US Virgin Islands, and tribal nations.
- Former Chief Advocate for Environmental Justice and Indian Nations at New York State Department of Environmental Conservation.
- Led the Climate Solutions Lab at GRIST Magazine and worked at the environmental law nonprofit Earthjustice.

Operating a large combined utility involves a budget that is projected to approach \$5 billion in Fiscal Year 2027, across all utility components

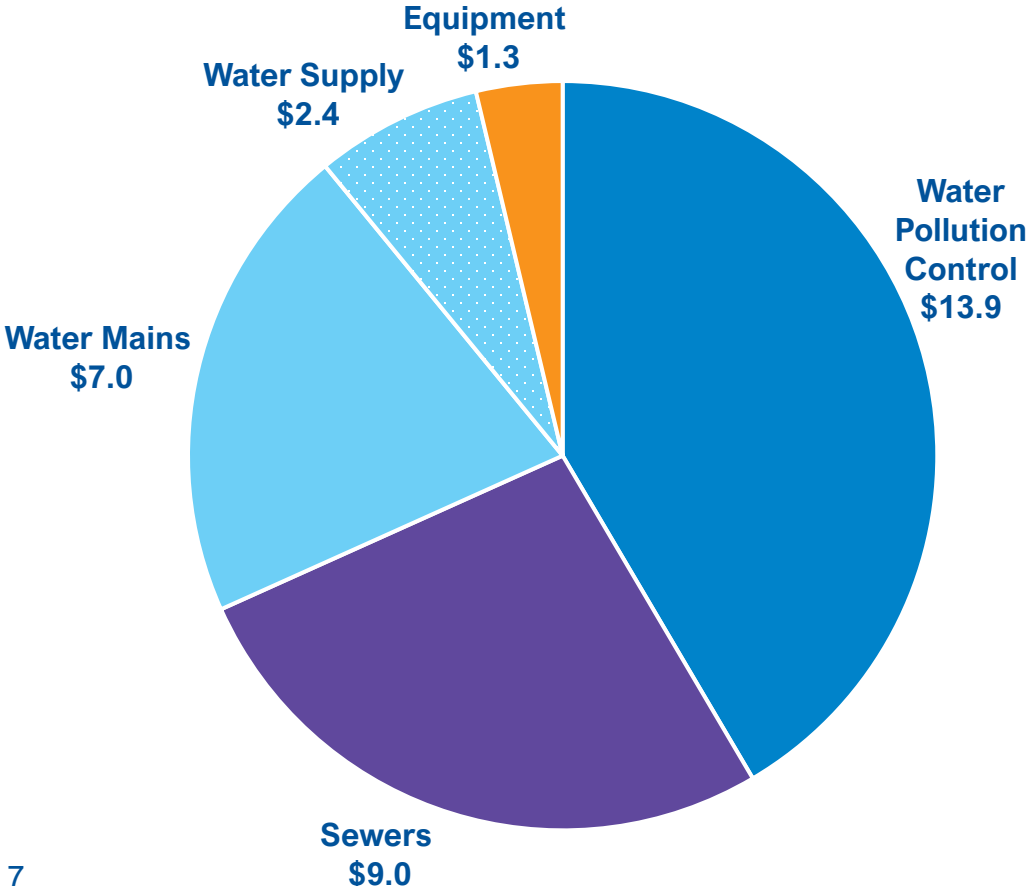
\$ in millions	Fiscal Year 2026 Outlook	Fiscal Year 2027 Preliminary Forecast
Operations and Maintenance Expenses	\$2,056	\$2,116
Capital Debt Net Payments	1,933	2,127
Cash Resources Used for Capital Construction or Debt Management	225	225
Water Board and Water Authority Expenses	160	170
Rental payment to the City	283	312
Total Projected Expenses	\$4,657	\$4,950

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

- 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 high chemical costs involving water quality, the cost of regulatory compliance which ensure that the City's water quality is consistent with the latest Federal and New York State water quality standards, and costs involving the ongoing repair work on the Delaware Aqueduct
- DEP is also continuing its spending on information technology investments, including continued investments in cybersecurity assets, and computer and management information systems, in addition to upgrades to the agency's customer billing system

DEP is continuing to invest in the system's asset base, with the 10-year capital improvement plan exceeding \$33 billion

DEP's \$33.5B Capital Improvement Plan FY26-FY35 (\$ billion)



- The \$33.5 billion capital improvement plan allocates funding to all parts of the City's water and sewer system, including areas of critical priority
- The water supply-related component of the capital plan includes \$2.4 billion of funds, with allocations to the construction and improvements currently underway involving the City's Eastview water treatment facility, as well as investment in the City's reservoirs and budgeted funds to comply with the Filtration Avoidance Determination

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

Market interest rate of 30-year U.S. Treasury bonds



- 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 cost of debt capital remains higher than the rates prevailing during the pandemic and recovery
- Although FY 2026 has seen lower short-term rates than during FY 2025, long-term benchmark Treasury rates have increased this year compared to FY 2025 (4.8% vs. 4.6%)

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:

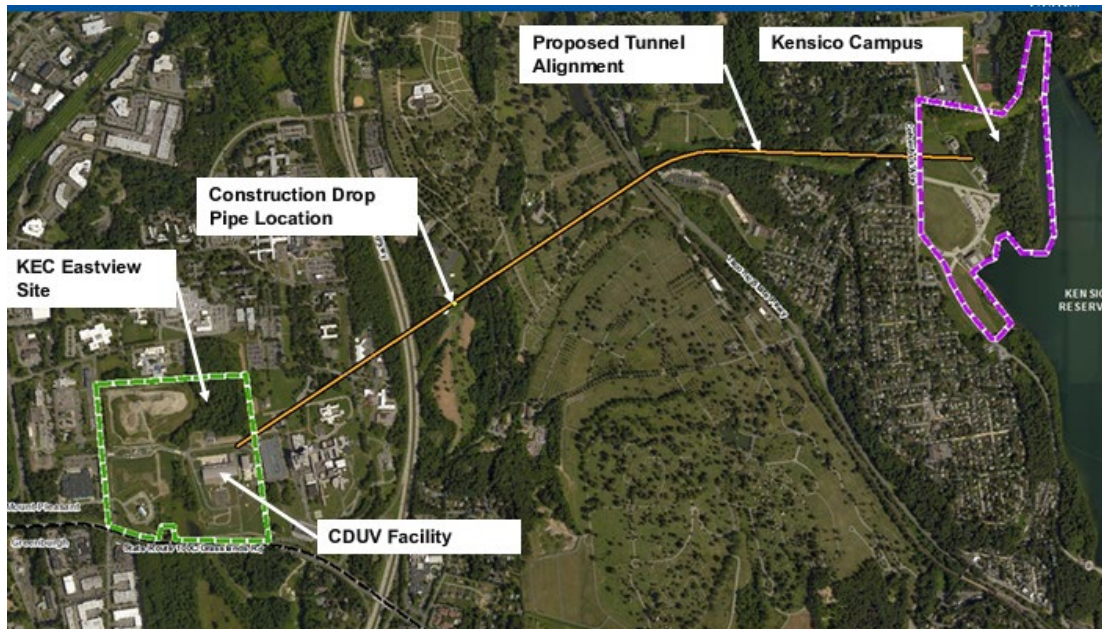
- Legal structure that balances bondholder protections with ensuring sufficient funds for operational and construction purposes
- Practice of pre-funding part of annual debt service costs for future fiscal years
- Required role for a consulting engineer and revenue consultant
- Quality of the City’s 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 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
- New York State permitting was secured in February 2026, ensuring the safe storage and treatment of wastewater related to the construction



- The new tunnel will run approximately 500 feet below ground and will provide significant additional water conveyance capacity
- The \$1.1 billion of capital funding for the KEC work will assist in improving the asset, including shoreline stabilization of the reservoir and additional reservoir improvements, with completion expected in 2035

DEP is preparing for the upcoming 2027 renewal of the Filtration Avoidance Determination (FAD)

- Due in part to the City's efforts to construct a well-designed water supply system and to introduce conservation efforts, water supplied from the Catskill and Delaware watersheds is not subject to a filtration requirement
- In 2025, DEP executed an intergovernmental agreement with watershed communities, securing continued funding for key programs and committing over \$225 million to land protection through farm and forestry initiatives
- DEP convened an independent Scientific Advisory Panel to evaluate and validate risks related to the FAD
- The April 2026 publication summarizes the panel's findings, reaffirming that filtration avoidance remains a viable and responsible strategy for New York City
- DEP will continue working with state partners over the next year to advance the next 10-year renewal of the FAD

Continuing efforts to invest in, and secure, the City's watershed, DEP completed significant land purchases during Fiscal Year 2026

- DEP completed the system's high value land acquisition in the watershed region during December 2025, purchasing a 48-acre area in Westchester County near the Kensico Reservoir for \$12.6 million
- The landholding is part of the Kensico Reservoir watershed, and allows the City as the landowner to ensure that conservation and maintenance occurs in a manner that preserve water quality within the watershed
- The water in the Kensico Reservoir watershed drains into the Kensico Reservoir and becomes part of the City's water supply
- The City is a significant landholder in the watershed, with nearly 200,000 acres of land purchased pursuant to the land acquisition program that is part of the City's Filtration Avoidance Determination or that are otherwise owned by the City

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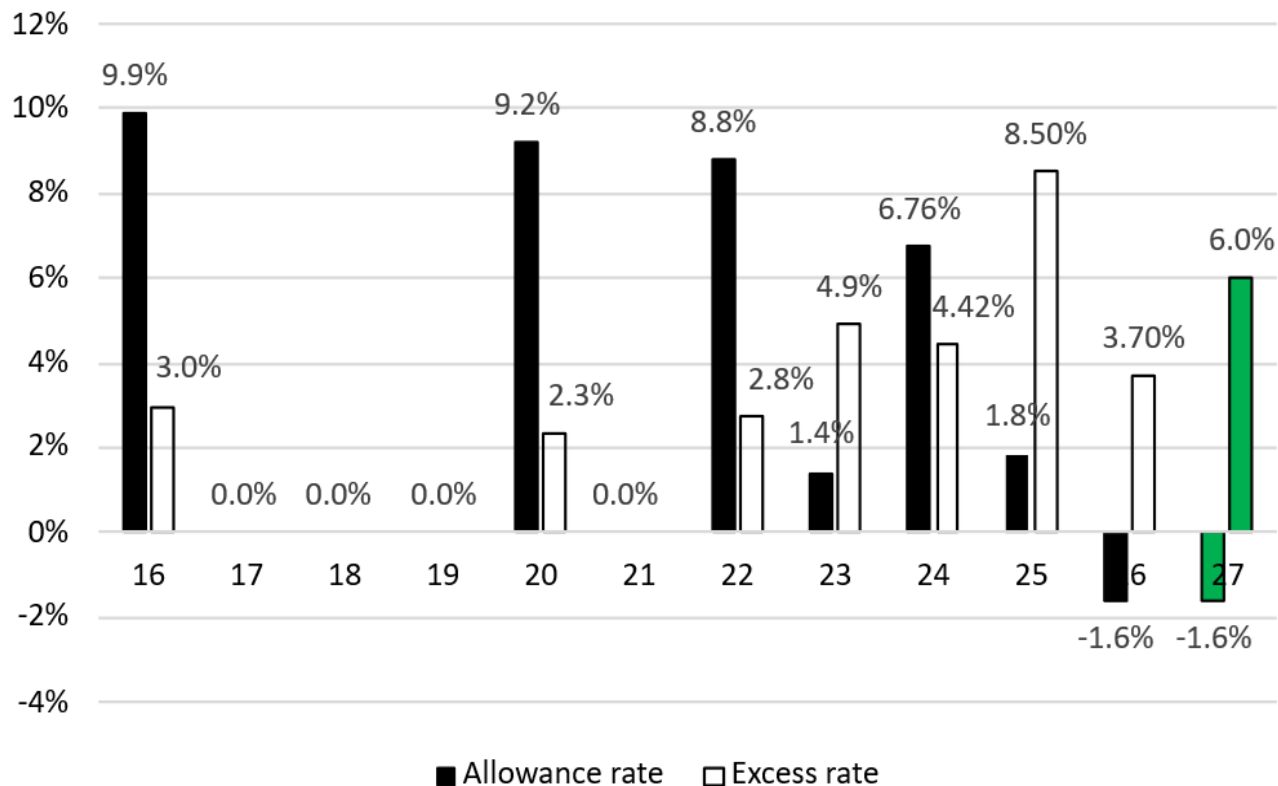
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Debt issuance attributable to the capital-intensive nature of the water system and property taxes are more than half of the costs allocated to the rate for allowance quantity purchases

\$ in millions	<u>FY 2027</u>	<u>Percent</u>
Debt service	324.4	36.3%
Administrative and other expenses besides personnel costs	237.9	26.6%
Personnel assigned or allocated to water supply offices and duties	187.1	21.0%
Property tax payments on property located north of the City	169.0	18.9%
Funds used to pay for construction work with cash or to restructure old debt	35.0	3.9%
Adjustments for items not included in the rate calculation	-8.2	-0.9%
Phase-in reconciliation of prior year rate adjustments	-52.5	-5.9%
Expenses incurred, or allocable to, facilities and activities north of the City	<u>892.8</u>	<u>100.0%</u>

For the second year in a row, DEP is proposing an allowance quantity rate decrease for wholesale customers in Fiscal Year 2027

- 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
- Proposed allowance quantity **rate decrease of -1.59%** for wholesale customers north of NYC
- Recommended rate increase of 6.0% for water above the allowance quantity, aligned with the rate increase in-City



- The wholesale rates reflect the price of water supply costs for delivery to customers north of the City only, and not in-City water distribution or wastewater costs.
- The rate-setting methodology follows a format previously agreed to by the Board, the customers, and NYS DEC, and results are subject to DEC administrative review.
- FY2026 and FY2027 wholesale rates include a true-up for estimated forecasts from earlier years, in addition to higher projected levels of water consumption.

Calculation of the allowance quantity rate, based on projected Fiscal Year 2027 system-wide water consumption

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Forecast of water consumption north of the City (millions of gallons)	38,198.0	
Proposed allowance quantity water rate for FY 2027 (\$ per million gallons)	\$2,193.07	

Compared to current rates, the approximate annual cost of allowance quantity water to a residential customer would decline by \$2.48 to \$154 per year

	Residential water bills using FY 2026 NYC wholesale rates and locality rate structures for 70,000 gallons of usage per year
Cornwall on Hudson	\$840
Harrison	\$992
Mamaroneck	\$1,180
Mount Vernon	\$402
Newburgh	\$740
New Rochelle (Veolia)	\$1,198
Scarsdale	\$523
White Plains	\$343
Yonkers	\$479

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Rate Setting Calendar

Event	Date	Location
DEP rate proposal to Water Board at public meeting	Monday, May 11 (8:30am)	255 Greenwich, 8th floor, Manhattan
Wholesale water rate public hearing	Monday, June 1 (11:00am)	DEP Offices, 465 Columbus Ave, 2nd floor, Valhalla, NY
Water Board public meeting to vote on budget and final rate	Wednesday, June 10 (8:30am)	NYC OMB, 255 Greenwich, 8th floor, Manhattan

Recap and thank you for participating

- Proposed allowance quantity rate change of -1.6%, and proposed excess rate increase of 6.0%, beginning July 1, 2026
- Public hearings are also taking place throughout the boroughs between June 1 and June 4, followed by a **Board meeting and vote on June 10**
- 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

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

If by mail:

59-17 Junction Boulevard

8th Floor

Flushing, NY 11373