



# FY17 Water Rate Proposal to the New York City Water Board

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First Deputy Commissioner Steven Lawitts

April 8, 2016

Recent events around the world have highlighted the critical role of safe drinking and harbor water.



## Obama Declares State Of Emergency Over Flint's Contaminated Water



**MULTIPLE DAMS FAIL IN RAGING WATERS**  
**DEADLY STORM LEAVES THOUSANDS WITHOUT POWER**

October 2015  
South Carolina

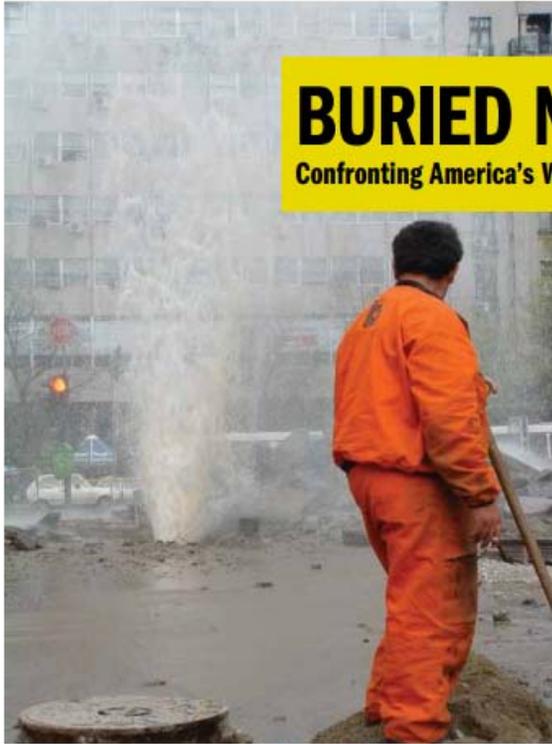
The New York Times

*Filthy Rio de Janeiro Water a Threat at 2016 Olympics*



# BURIED NO LONGER:

Confronting America's Water Infrastructure Challenge



American Water Works  
Association

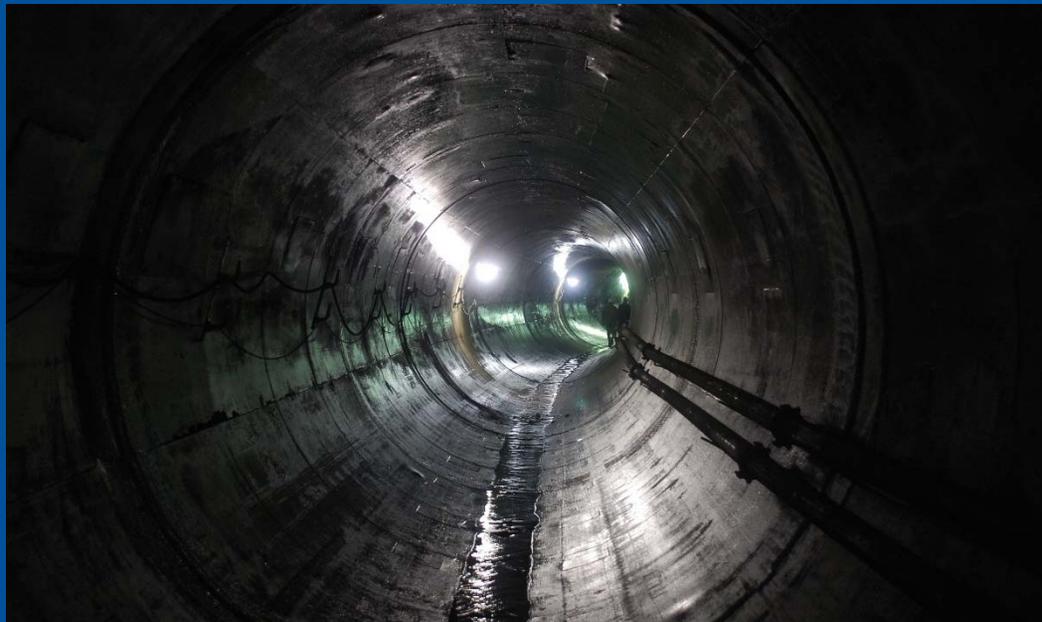
The Authoritative Resource on Safe Water®

*“Investment needs  
for buried water  
infrastructure will  
total more than  
**\$1.7 trillion**  
nationwide by  
2050.”*

DEP is well positioned to continue providing world-class drinking and wastewater services to New York City.

Over the past 15 years, DEP has invested \$29.5 billion in water and wastewater infrastructure on projects such as...

Croton Water  
Filtration Plant  
*\$3.2 billion*



City Water  
Tunnel No. 3  
*\$4.5 billion*



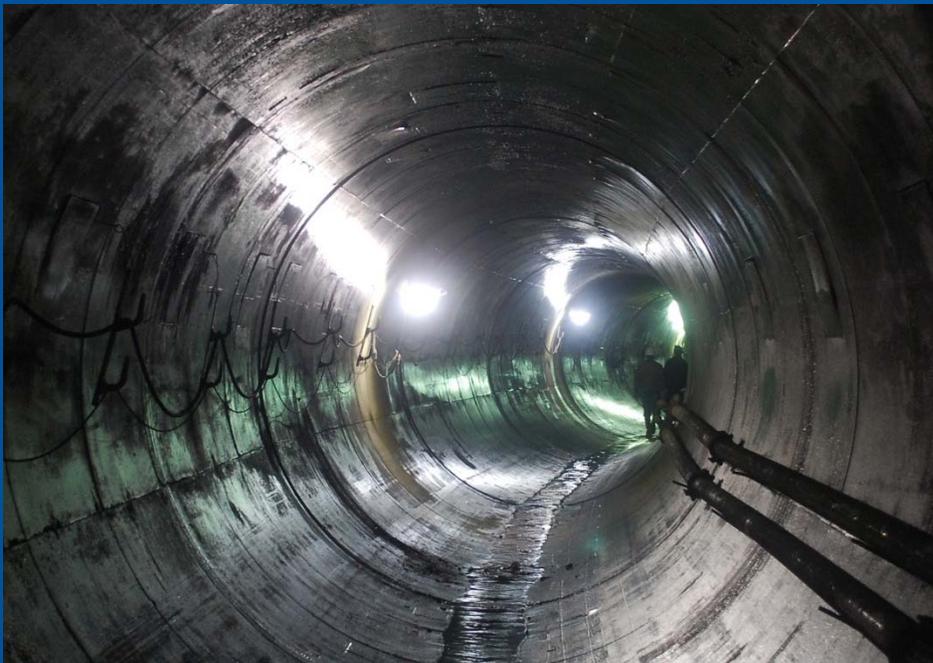
Newtown Creek  
Wastewater  
Treatment Plant  
Upgrades  
*\$5 billion*

Flushing Creek  
CSO facility  
*\$291 million*



Over the next decade, DEP will invest \$16.8 billion in water and wastewater infrastructure system-wide.

Delaware  
Aqueduct Repair  
*\$1 billion*



City Tunnel No. 3  
*\$357 million*



Southeast Queens  
Program  
*\$1.5 billion*

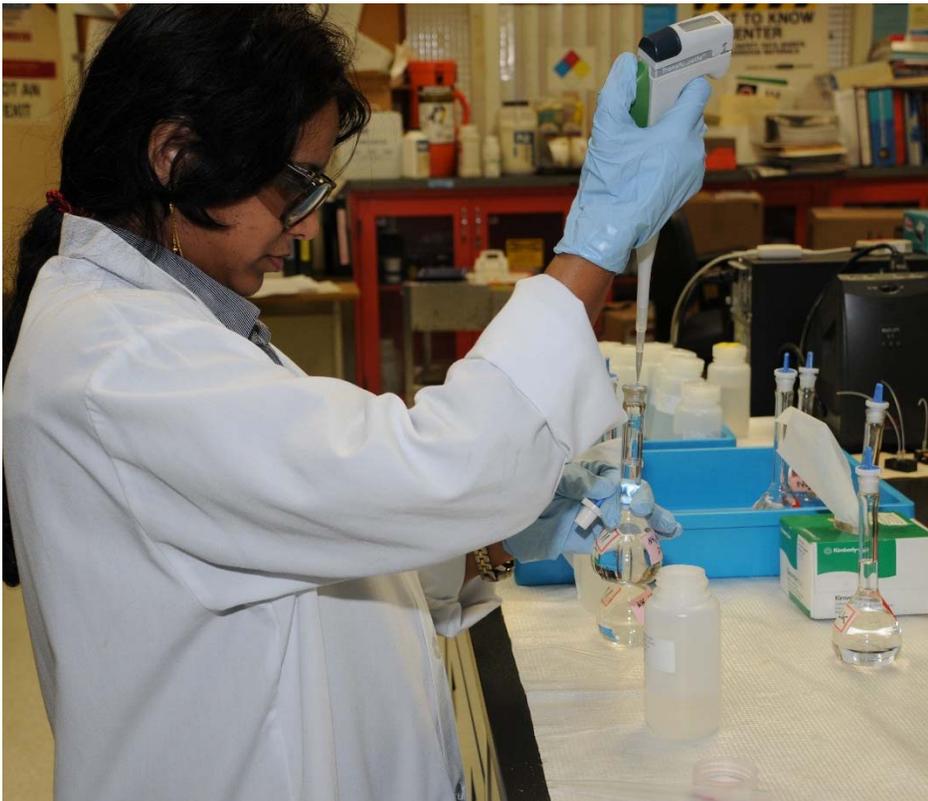
Green  
Infrastructure  
*\$947 million*



All of this built infrastructure is  
complemented by 24/7  
monitoring and maintenance  
of our systems.

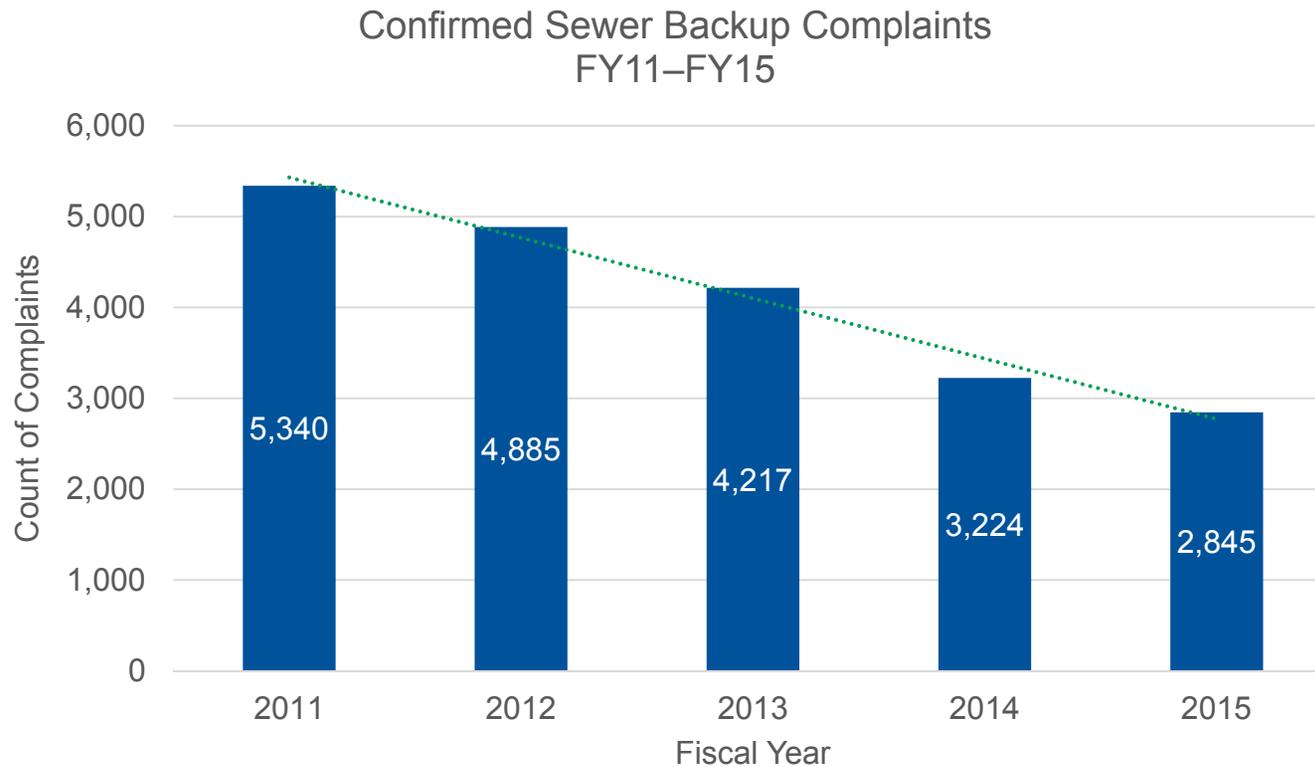
# Monitoring

Every year, DEP performs 500,000 drinking water quality analyses and 600,000 harbor water quality analyses.



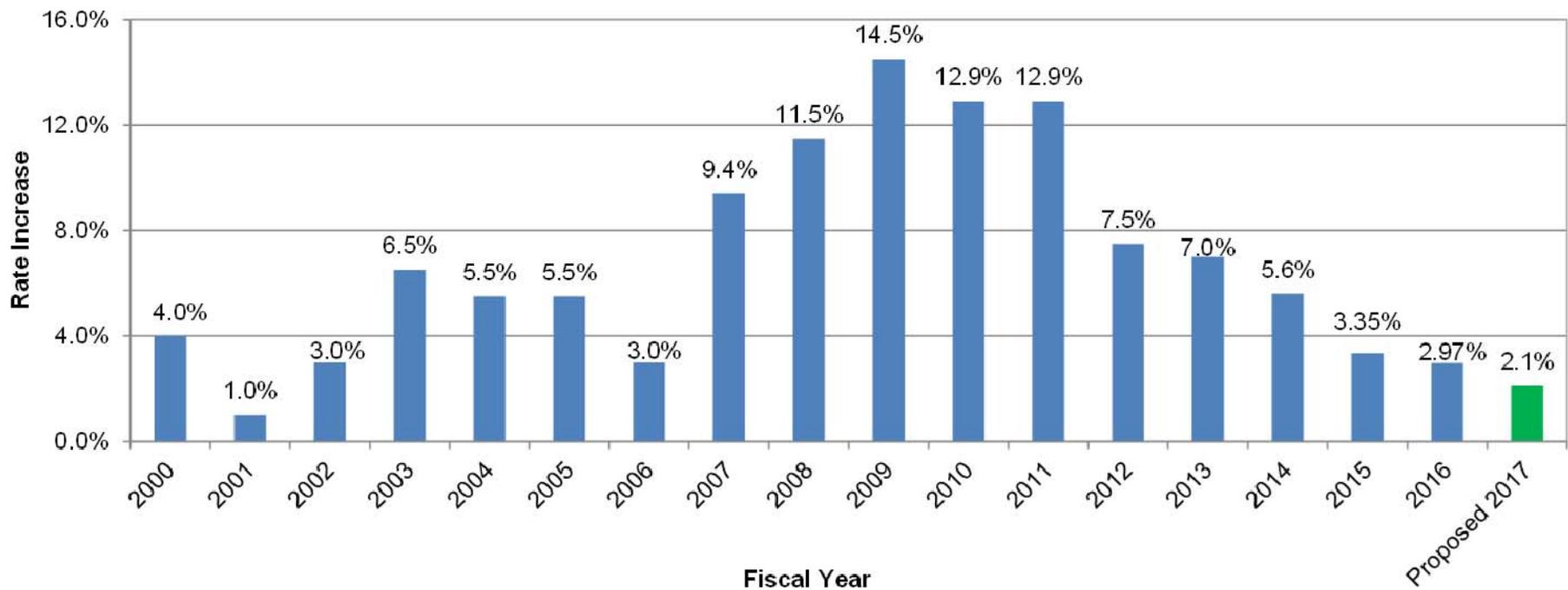
# Maintenance and Operations

Proactive maintenance and careful operation of our system have led to a substantial decrease in sewer backups over the past five years.



To continue to support these efforts,  
DEP proposes a **2.1% increase**  
for the FY17 water rate –  
the lowest increase in 16 years.

# Proposed FY17 Rate Increase Lowest in 16 Years



# Average Annual Increases

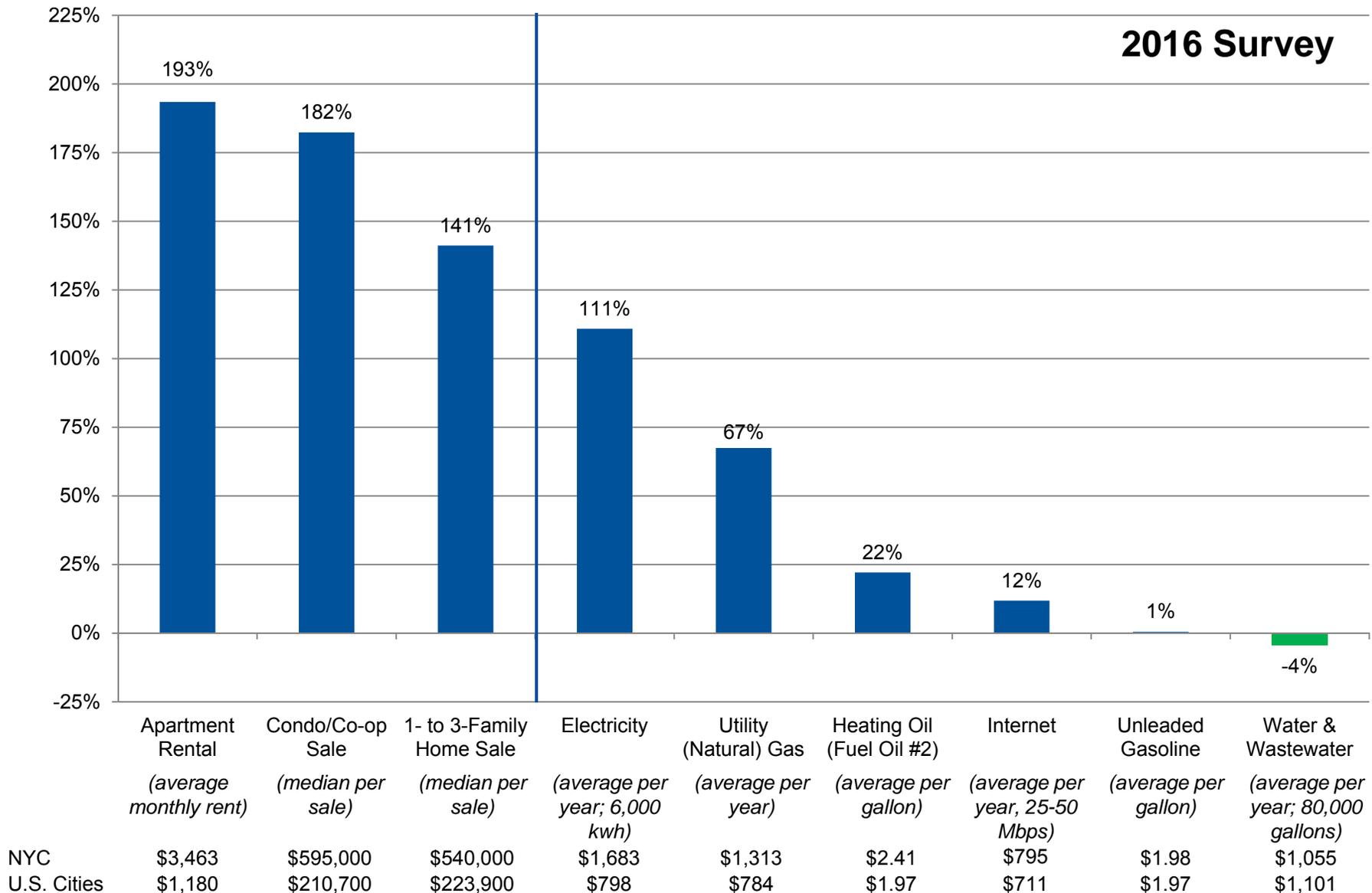
<b>Water and Sewer Charges</b>	<b>FY16</b>	<b>FY17</b>	<b>Change</b>
Combined Water & Sewer Rate per Gallon	\$0.0132	\$0.0135	+ \$0.0003
Average Annual Single Family Charge (80,000 gal)	\$1,055	\$1,078	+ \$23
Annual Minimum Bill (~95 gallons per day)	\$464	\$464	--
Multi-family Conservation Program – Residential Unit	\$1,005	\$1,026	+ \$21

Unlike nearly every other household expense, water and wastewater services in New York City are below the national average.

# Difference in Consumer Costs, NYC vs. U.S.

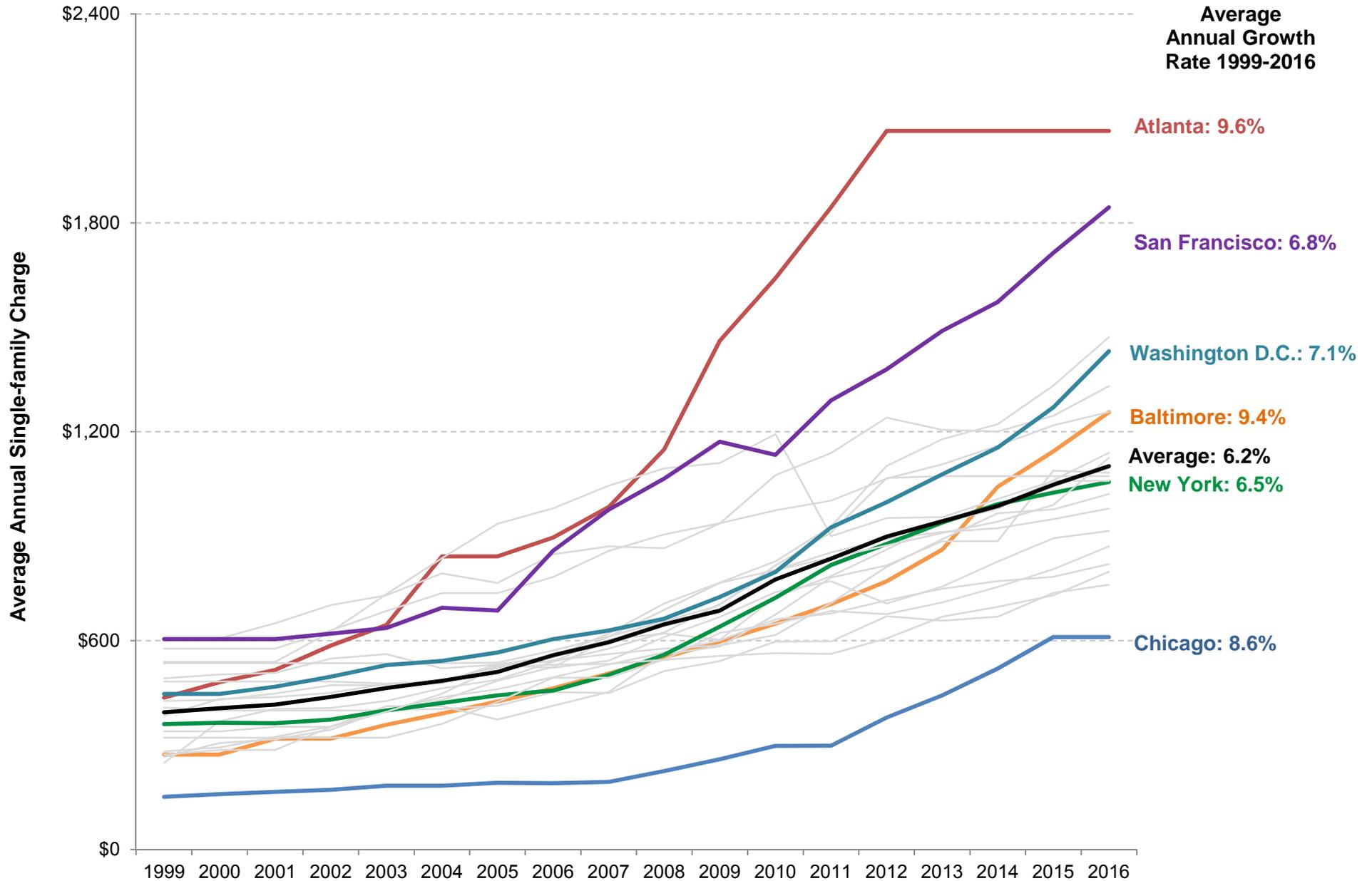


2016 Survey



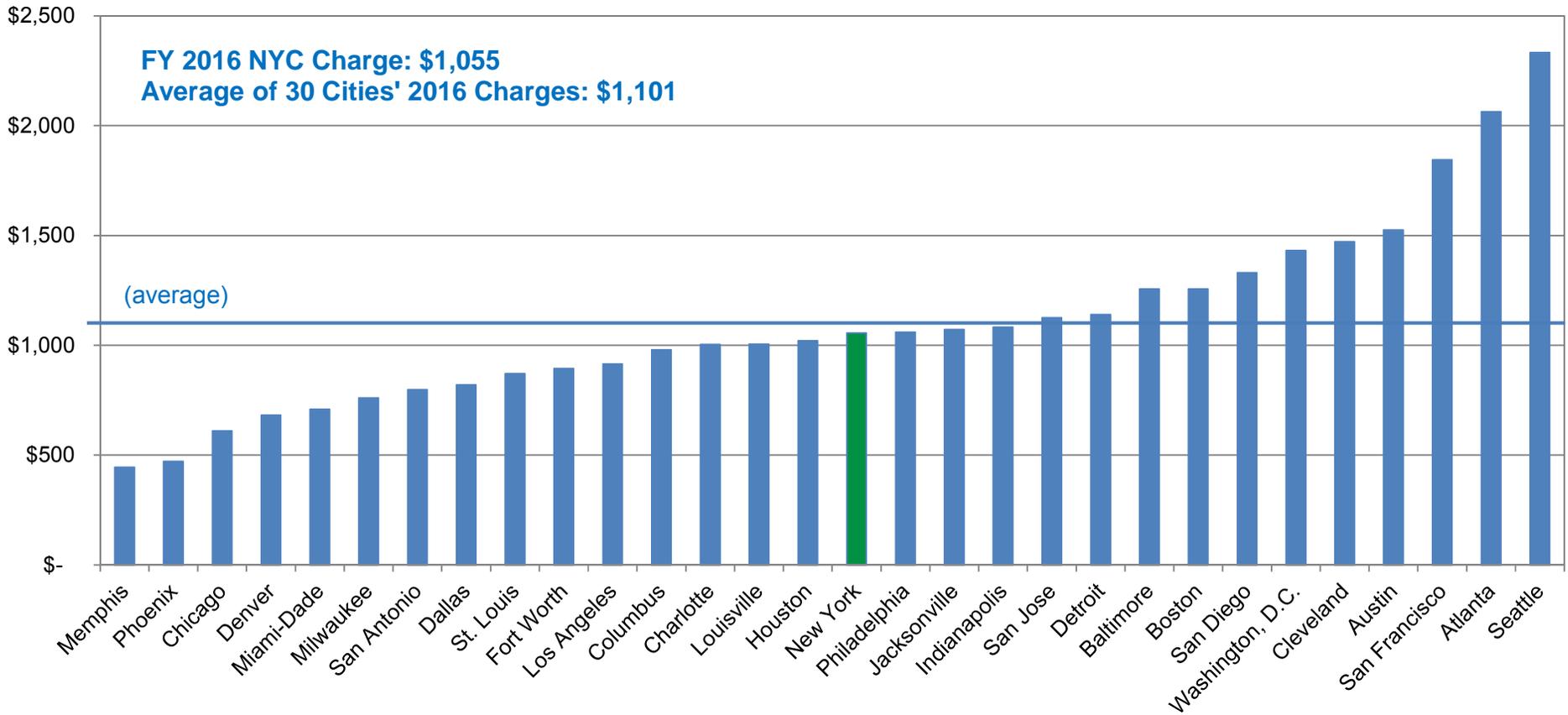
Source: Wall Street Journal and Boston Business Journal (apartment rental); The Real Estate Board of New York and National Association of Realtors (condo/co-op and 1-3 family home sale); Consolidated Edison and U.S. Bureau of Labor Statistics "BLS" (electricity); National Grid and American Gas Association (natural gas); New York State Energy Research and Development Authority and U.S. BLS (heating oil); The Open Technology Institute (internet); U.S. BLS (gasoline); NYC FY 2016 Water and Wastewater Rate Report (water & wastewater)

# Rate Trends in Major Cities



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

# Average Annual Residential Charges



Based on consumption of 80,000 gallons per year and rates in effect as of February 2016

The FY17 water rate proposal also includes:

## Freezing the Minimum Charge

*149,000 properties billed on the minimum charge will not see a rate increase for the third consecutive year*

## The Leak Forgiveness Program

*5,350 customers have received  
\$5.5 million in leak forgiveness,  
an average of \$1,035 per customer*

## The Service Line Protection Program

*210,900 customers have enrolled in this program and saved more than \$50 million in repair costs to date*

## Expanding the Home Water Assistance Program (HWAP)

*As many as 120,000 low-income, senior, and disabled homeowners will automatically receive a \$118 credit*

## Creating a New Multi-family Water Assistance Program

*Up to 40,000 newly created or preserved affordable units would be eligible for a \$250 credit*

*Property owners would be required to maintain the affordability of the units for at least 15 years*

## Revised Deadline and Penalties for Non-compliant Buildings in the Multi-family Conservation Program

*Extends grace period for  
10,000 properties by an additional six months  
and reduces penalty to 10%*

A 2.1% rate increase proposal was  
made possible by...

## Strong Revenues

*FY16 revenues are  
\$109 million ahead of plan*

## Low Interest Rates

*Debt service in FY16 is projected to be \$121 million less than expected, and we were able to buy back expensive old debt to achieve \$1.4 billion in savings over the lifespan of the debt*

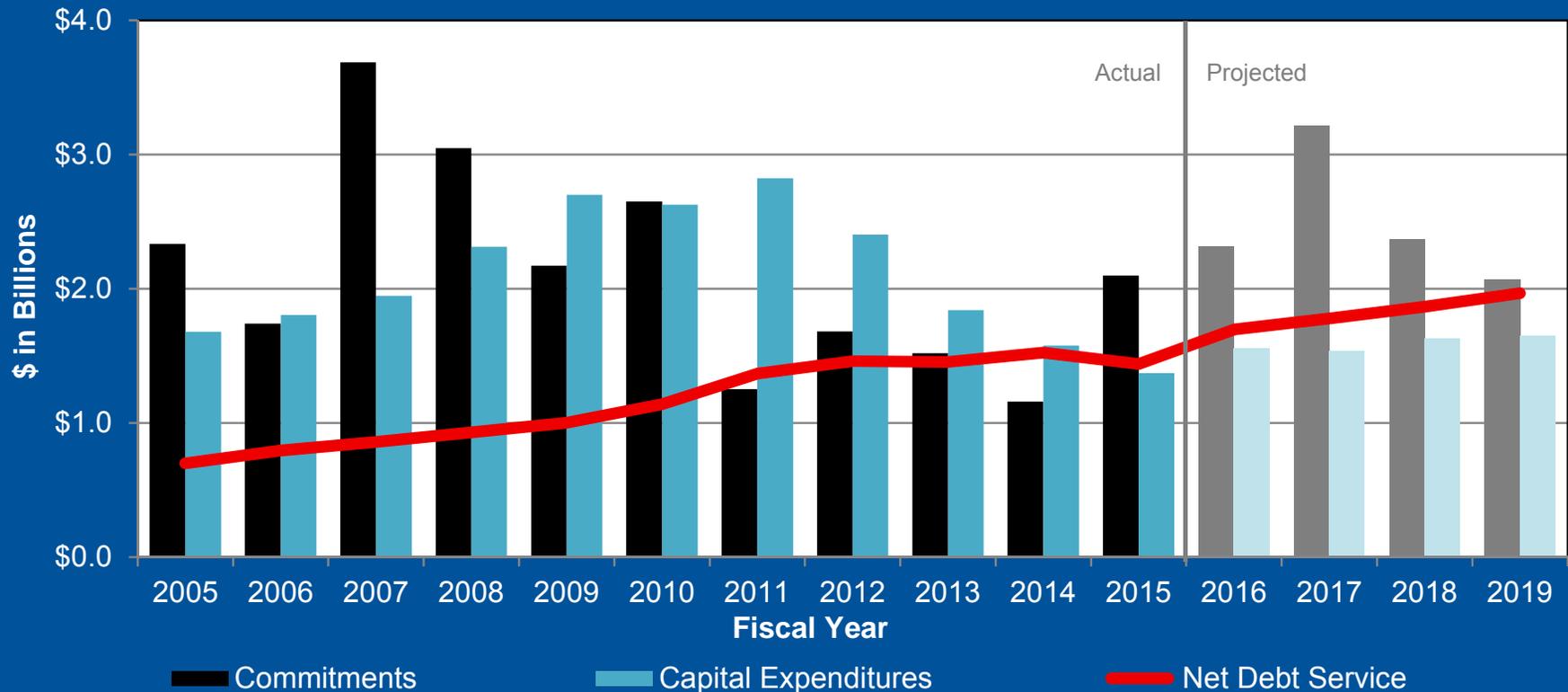
## Operations and Maintenance Savings

*FY16 operations and maintenance costs  
are projected to be \$126 million  
less than expected*

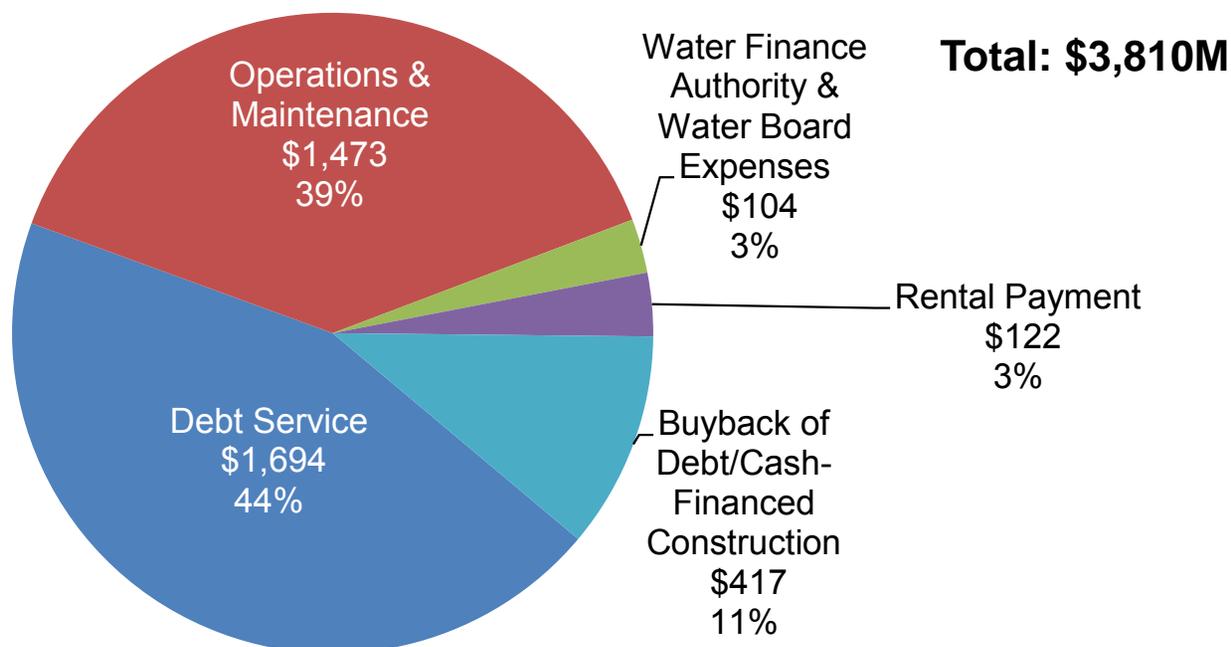
## Reduction of the Rental Payment

*Mayor de Blasio reduced the rental payment by \$82 million in FY16 and will reduce the rental payment by \$122 million in FY17*

Despite these savings, debt service continues to drive the system's revenue needs.



# Financial Outlook for FY17



	FY16 Forecast	FY17	\$ Change	% Change
<b>Total System Costs (\$M)</b>				
Debt Service	\$1,578	\$1,694	\$116	7%
Buyback of Debt or Cash-financed Capital Construction	\$950	\$417	-\$533	-56%
Operations & Maintenance (O&M)*	\$1,287	\$1,577	\$290	23%
Rental Payment	\$144	\$122	-\$22	-15%
<b>Net Total System Costs</b>	<b>\$3,959</b>	<b>\$3,810</b>	<b>-\$149</b>	<b>-4%</b>
Year-End Cash on Hand	\$979	\$1,033	\$54	6%
<b>Total System Costs</b>	<b>\$4,938</b>	<b>\$4,843</b>	<b>-\$95</b>	<b>-2%</b>

\* Operations & Maintenance in the table is the sum of the chart's "Operations & Maintenance Expenses" and "Water Finance Authority & Water Board Expenses"

# Proposed Rate Increase

Revenue Requirement (\$M)	FY16 Forecast	FY17
<b>Total System Costs</b>	<b>\$4,938</b>	<b>\$4,843</b>
Less: Prior-year Carryforward Revenue	-\$1,047	-\$979
Less: Upstate & Other Non-City Revenue	-\$188	-\$194
<b>Revenue Need</b>	<b>\$3,703</b>	<b>\$3,670</b>

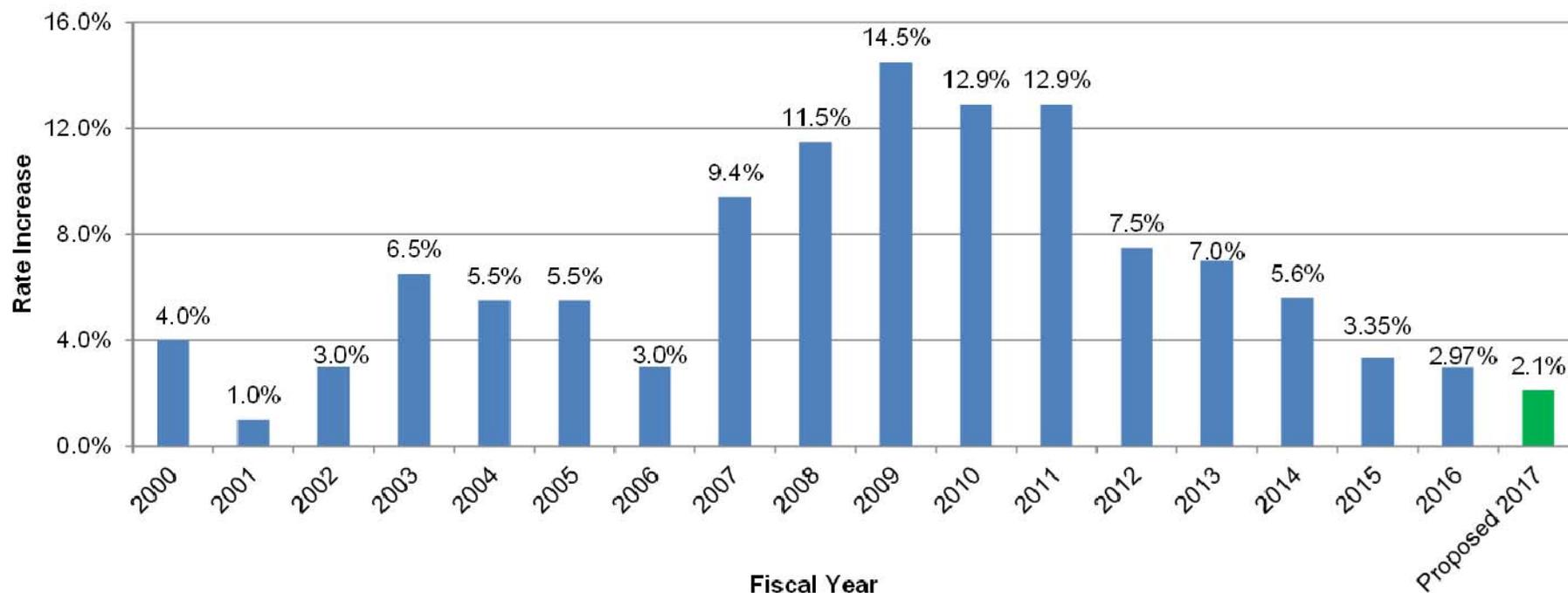
Rate Calculation	FY17
Prior-year Revenue	\$3,703
Consumption Decrease & Other Non-Recurring Revenue	-\$109
Net Revenue at Prior Year's Rate	\$3,594
Revenue Need	\$3,670
Revenue Need Less Net Revenue at Prior Year's Rate	\$76
<b>Rate Increase Required</b>	<b>2.1%</b>

# Borough Rate Hearing Schedule



Borough	Date	Location	Time
Staten Island	May 5	Wagner College, Spiro II 631 Howard Avenue	7:30 pm
Manhattan	May 6	Spector Hall 22 Reade Street	1:30 pm
Queens	May 9	Christ the King High School CLN Center 68-02 Metropolitan Avenue	7:00 pm
Bronx	May 10	Hostos Community College Savoy Building, 2 <sup>nd</sup> Floor 120 East 149 <sup>th</sup> Street	7:00 pm
Brooklyn	May 11	St. Francis College 180 Remsen Street, Founders Hall	7:00 pm

# FY17 Rate Proposal Summary



Water and Sewer Charges	FY16	FY17 (2.1% Increase)
Combined Water & Sewer Rate per hundred cubic feet (748 gallons)	\$9.87	\$10.08 (21¢)
Average Annual Single Family Charge (80,000 gal)	\$1,055	\$1,078 (\$23)
Annual Minimum Bill (~95 gallons per day or 34,400 gallons per year)	\$464	\$464 (\$0)
Multi-family Conservation Program – Residential Unit	\$1,005	\$1,026 (\$21)