

From: NYC Environmental Protection Press Office

Sent: Friday, April 08, 2016 11:22 AM

Subject: DEPARTMENT OF ENVIRONMENTAL PROTECTION PROPOSES FISCAL YEAR 2017 WATER RATE

FOR IMMEDIATE RELEASE: April 8, 2016

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No. 24

DEPARTMENT OF ENVIRONMENTAL PROTECTION PROPOSES FISCAL YEAR 2017 WATER RATE

2.1% proposed increase is lowest increase in 16 years thanks to cost controls, refinancing of debt and continued reduction of the rental payment

Will fund critical drinking water and wastewater projects as part of DEP's Fiscal Year 2017 \$3.2 billion capital budget

As many as 120,000 low-income, senior, and disabled customers to receive financial assistance

Minimum charge to be frozen for the third consecutive year at \$1.27 per day, resulting in roughly 25% of all single-family homeowners, many of whom are seniors, seeing no rate increase

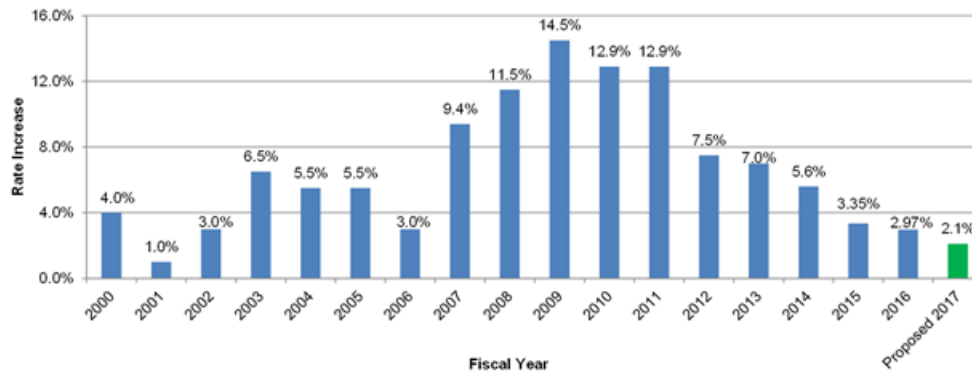
The New York City Department of Environmental Protection (DEP) today proposed a 2.1% increase in the Fiscal Year 2017 (FY17) water rate to the New York City Water Board, representing the lowest increase in 16 years. Factors that allowed DEP to slow the growth in the proposed rate, while ensuring funds are available to advance all major programs on schedule in FY 17, include internal cost controls, interest rate savings, and the Administration's ongoing reduction of the rental payment. The proposal also includes affordability programs for low-income homeowners and multi-family housing properties that are expected to benefit as many as 120,000 customers and 40,000 units, respectively. In addition, the proposal recommends freezing the minimum charge at \$1.27 per day for the third consecutive year for the more than 150,000 customers who use fewer than 100 gallons per day, which a quarter of all single-family homeowners do, many of them seniors.

"By implementing effective cost controls, refinancing higher interest debt, and reducing the rental payment, we are able to fully fund the City's critical drinking water and wastewater systems while delivering the lowest rate increase in sixteen years," said **DEP Commissioner Emily Lloyd**. "In addition, we are extending savings to as many as 120,000 low-income, senior, and disabled customers, as well as providing bill credits to keep up to 40,000 multi-family housing units affordable."

Council Member Costa Constantinides, Chair of the Council Environmental Protection Committee said, "This year's water rates mark the lowest rate increase in 16 years. The financial assistance programs for low-income homeowners will go a long way toward helping over 100,000 families. Creating incentives to reward building owners who make long

term commitments to affordability is a welcome addition, and I commend the Mayor for this program. I look forward to hearing more from our city residents at the many upcoming hearings on these proposals and getting their input."

"For years, rising water rates placed an unfair burden on low-income, senior and disabled New Yorkers, so it is a huge relief to see hundreds of thousands of these residents receiving bill credits," said **Council Member Donovan Richards**. "The fact that these savings also include fully funding the City's drinking water and wastewater systems is a testament to the leadership and responsible decision-making of Commissioner Lloyd. I'd like to thank her and the DEP staff for keeping these New Yorkers in mind when planning out this year's budget."



WHAT THE PROPOSED RATE WOULD MEAN FOR AN AVERAGE CUSTOMER:

If the 2.1% water rate increase is adopted by the Board:

- A typical single-family homeowner will see an increase from \$1,055/year to \$1,078/year for water and sewer bills – an increase of just \$1.85/month (based on an average consumption of 80,000 gallons of water per year).
- A typical multi-family unit with metered billing will see an increase from \$686/year/unit to \$700/year/unit – an increase of just \$1.20/month (based on an average consumption of 52,000 gallons of water per year).

ADDITIONAL RATE PROPOSALS:

DEP is proposing a number of progressive changes to the water and wastewater rate schedule for FY17 to help ensure affordability for its most vulnerable customers:

- **Expansion of low-income assistance program.** The Home Water Assistance Program currently provides an annual credit to 51,700 low-income, senior, and disabled homeowners who qualify for the federal Home Energy Assistance Program or the NYC Department of Finance’s Senior Citizen Homeowners' Exemption or Disabled Homeowners' Exemption. Last year, the City provided an average credit of \$116 to 51,700 homeowners. In FY17, the value of the annual credit will be increased by the general rate increase, and the program will be extended to as many as 68,000 additional senior homeowners who make less than \$50,000 per year based on income eligibility confirmed by DOF.

- **Multi-family Water Assistance Program.** Multi-family residential properties will be eligible for a \$250 credit per residential unit if they meet affordability criteria (i.e., the average rent or maintenance is affordable at 30% or less of income for the average household making below 60% of Area Median Income) and execute an affordability agreement containing a minimum of at least fifteen remaining years with NYC Department of Housing Preservation and Development (HPD) or NYC Housing Development Corporation (HDC). This program will provide a total of \$10 million of assistance to properties serving as many as 40,000 units, while helping to incentivize affordability.
- **Freezing the minimum charge.** Customers who use less than approximately 95 gallons per day are billed at the minimum water charge of \$1.27 per day, including wastewater charges. DEP proposes to freeze the minimum charge for the third consecutive year at the FY14 rate, benefitting 150,000 homeowners – many of whom are seniors -- who, combined, will see savings of \$1.4 million. For customers billed based on the minimum charge, the annual water and sewer bill is only \$464 per year.
- **Time extension for the Multi-family Conservation Program (MCP).** Properties that were automatically enrolled in MCP will be given until December 31, 2016 to come into compliance with MCP metering and high-efficiency requirements, and the penalty for non-compliance will be reduced to an incremental 10% of the building’s unit charges.

“Water is a significant operating expense for low-income, rent-restricted properties operating on thin margins,” said **HPD Commissioner Vicki Been**. “This new Multi-Family Affordable Housing Credit will help owners of qualifying buildings avoid the need to make difficult choices between deferring maintenance and increasing rents, and it supports the City’s efforts to make all of the buildings we finance more sustainable through measures to promote water conservation and energy efficiency. We are excited to work with DEP to extend this relief to the buildings that need it most, protecting the long-term affordability and health of our housing stock.”

“One of the biggest challenges to affordable housing is confronting rising operating costs without passing those burdens on to low and moderate income tenants in the form of rent increases or deferred maintenance,” said **HDC President Gary Rodney**. “By discounting the rates for water utilization at eligible projects, DEP will help us meet that challenge creatively, efficiently, and sustainably. I thank Commissioner Lloyd and her staff at DEP for this contribution to affordable housing, and for their partnership in good government.”

THE PROPOSED RATE INCREASE IS THE LOWEST IN 16 YEARS BECAUSE:

The Rental Payment is being reduced for the benefit of water and sewer ratepayers.

- The City reduced the Fiscal Year 2016 (FY16) Rental Payment by \$82 million, and the FY17 rental payment will be reduced by \$122 million. This Administration has committed to fully phasing out the Rental Payment by returning an additional 10 percent each year.

DEP has reduced costs.

- Operations and maintenance expenses for FY16 are \$126 million below projections. Expenditures on needs like contracts, energy and fuel oil, and real estate taxes on watershed lands were not as high as anticipated, adding additional one-time savings. DEP will continue to identify one-time and recurring savings.

With the number of estimated bills and bill disputes down, revenue collections are higher than planned.

- Strong collections are due, in large part, to DEP's substantial completion of the installation of the wireless meter reading system. (Over 820,000 automated meter reading devices have been installed on 97% of properties citywide.) This has resulted in an 83% reduction in estimated bills since 2009 and a 62% reduction in billing disputes since 2011, which have been accompanied by improved revenue collection since bills are reflective of actual readings.
- Positive FY15 financial results yielded \$101 million of additional carried-forward revenue for FY16.

Debt service savings have been achieved in the low interest rate environment.

- Actual debt service payments are \$121 million lower than projected for FY16 due to continued low interest rates.
- Since 2011 the Water Finance Authority has taken advantage of lower rates in the financial markets to refinance and buy back \$11.1 billion of higher-cost debt, achieving more than \$5.4 billion of debt service savings.

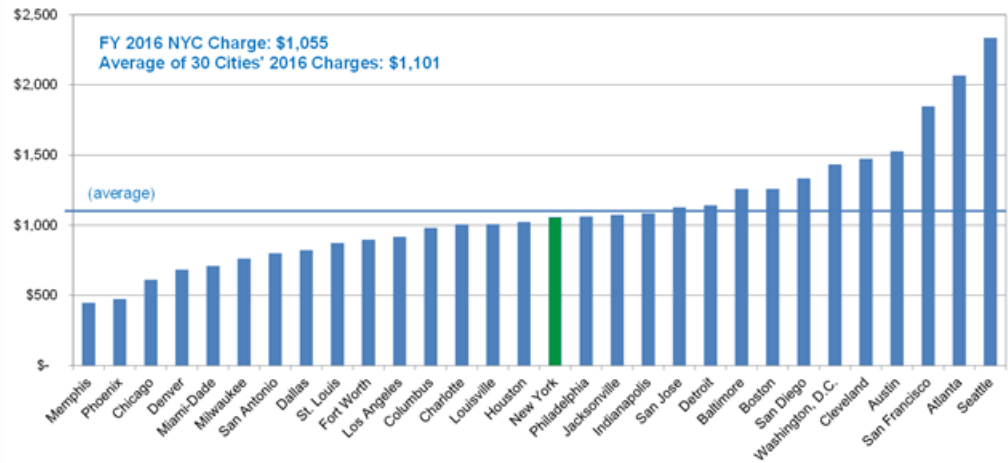
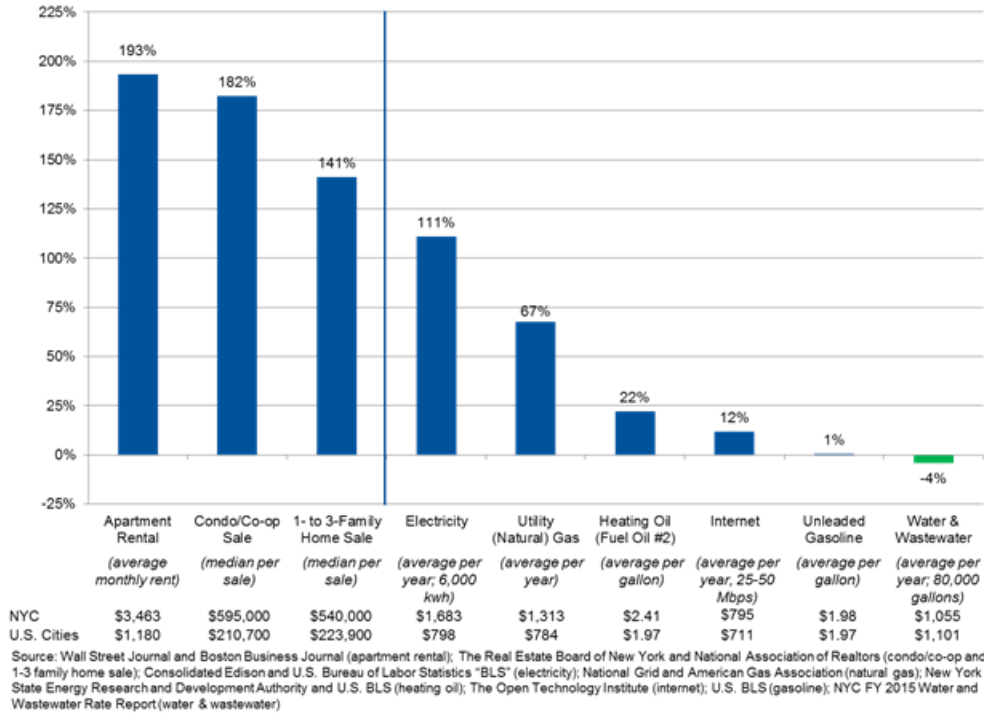
Regulatory and policy advances have enabled DEP to better manage its capital costs.

- Over the past ten years, 55% of DEP's capital spending has been for projects mandated by federal and state regulators. While these were necessary investments for the long-term protection of the City's water supply, being required to build them all at once during a heated construction market inevitably drove up capital program costs.
- DEP has been successfully working with regulators to smartly manage future mandates, which will be reflected in the upcoming Ten Year Capital Plan:
 - DEP signed a consent order with the New York State Department of Environmental Conservation (DEC) in 2012 that allowed for a more cost-effective green/grey infrastructure approach to reducing CSOs and the elimination or deferral of large gray infrastructure (such as tanks and tunnels) for some waterbodies. Since then, DEP has committed \$235 million to implement green infrastructure in the combined sewer areas and expects to commit another \$947 million in the coming ten years. To date, DEP has built or planned more than 3,000 green infrastructure assets (including bioswales, rain gardens, porous pavement, and green roofs), managing over 300 impervious acres.
 - Under an administrative consent order with DEC, DEP is developing long-term control plans for combined sewer overflows in ten waterbodies, as well as a citywide plan for the East River and open waters. \$1.9 billion is set aside in the capital budget to fund these programs.
- DEP has also been at the forefront of developing policies related to sustainability, including a system-wide Water Demand Management Plan that aims to reduce

consumption by 5% by 2021. The plan includes offering vouchers for toilet replacements, reducing water use in City parks by installing activation buttons on more than 400 spray showers, and replacing bathroom fixtures in 500 City schools.

NYC WATER RATES ARE BELOW THE AVERAGE OF LARGE U.S. CITIES

While other costs in NYC are higher for residents, NYC water rates are below the average for the thirty largest U.S. cities.



THE PROPOSED WATER RATE INCREASE ENSURES FUNDS WILL BE AVAILABLE TO ADVANCE ALL CRITICAL DRINKING WATER AND WASTEWATER CAPITAL PROJECTS ON SCHEDULE, INCLUDING:

- New clean-burning cogeneration engines for the North River Wastewater Treatment Plant
- Site acquisition and engineering for the shafts to service the Brooklyn/Queens leg of City Water Tunnel No. 3
- Rehabilitation of the dam at Ashokan Reservoir
- Gowanus Canal Combined Sewer Overflow Retention Tanks
- Construction of new sewers and water mains in all five boroughs

RATE HEARINGS

The Water Board is responsible for establishing the rate following the proposal and subsequent public hearings. The New York City Water Board has scheduled five public hearings for the upcoming FY17 water rate proposal:

Staten Island

Thursday, May 5 at 7:30 p.m.
Wagner College, Spiro II
631 Howard Avenue

Manhattan

Friday, May 6 at 1:30 p.m.
22 Reade Street
Spector Hall, 1st Floor

Queens

Monday, May 9 at 7:00 p.m.
Christ the King High School, CLN Center
68-02 Metropolitan Avenue

Bronx

Tuesday, May 10 at 7:00 p.m.
Hostos Community College, Savoy Building, 2nd Floor
120 East 149th Street

Brooklyn

Wednesday, May 11 at 7:00 p.m.
St. Francis College, Founders Hall
180 Remsen Street

Information on the hearings can also be found by visiting nyc.gov/waterboard. Following the five public hearings, the Water Board will consider and vote on the FY17 rates on May 20, 2016, and the new rates will become effective on July 1, 2016.

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