



DEP Presents Fiscal Year 2013 Water Rate Proposal

7% Proposed Increase is the Lowest Increase in Seven Years; Proposal Includes First-Ever Cap on Rental Payment

Environmental Protection Commissioner Carter Strickland today proposed a 7% increase in the Fiscal Year 2013 (FY13) water rate to the New York City Water Board. The 7% rate increase proposed for FY13 is a 25% reduction from the 9.3% rate increase that was projected at the time the FY12 rate was proposed. It is the lowest such increase in seven years and the third year in a row that the increase has come in significantly below the previous year's projection. The rate proposal also includes a pilot program to cap the rental payment at the FY11 annual rate of \$196 million, adjusted yearly for inflation, for the next three fiscal years. This step will save approximately \$98 million through FY15.

"Reliable, clean water is the essential ingredient to any city, and New Yorkers can be assured that our investments to protect and provide NYC Water to more than nine million New Yorkers will keep our economy growing for future generations," said Commissioner Strickland. "Our proposed 7% rate increase is the lowest increase in seven years and shows that DEP is doing everything in our power to try and keep rates in check while still delivering a product that city residents can take pride in every time they turn on the tap. Though any rate increase is difficult in these economic conditions, we are clearly moving in the right direction.

"In the past three years alone, DEP has instituted three successive rounds of budget tightening measures that have cut more than 15% off our operating costs. That has helped keep the costs we can control down and to fund new needs, such as our green infrastructure program and staffing for multi-billion dollar facilities like the Croton Water Filtration Plant and the Ultraviolet Disinfection Facility. We are also in the midst of our Operational Excellence program to target an additional \$100 million in annual, recurring cost reductions; under that program, we have already achieved nearly \$5 million in savings in FY13. Additionally, for the first time ever, the city has agreed to institute a pilot program to cap the rental payment. Over the next three years, this pilot will save \$98 million that can be used to offset future rate increases and for other programs. These steps that DEP has taken are clearly paying off.

“Unfortunately, we are still in the position of having to raise rates in order to cover our expenses, particularly the debt service that is the primary driver behind recent water rate increases. Since 2002, debt service payments have increased by 176%, from \$496 million to \$1.37 billion, as a result of approximately \$15 billion in unfunded federal mandates that translate to higher rates. And that trend isn’t completely finished as debt service is projected to increase by an additional \$107 million, or 8%, in 2012.

“However, we have started to turn the corner. In the past year, DEP has successfully convinced our regulators to defer or eliminate more than \$5 billion in unfunded mandates. We will continue to advocate aggressively to further remove costly burdens that put enormous pressure on our 836,000 customers, specifically when such mandates do not achieve significant health benefits for the public.”

DEP has taken a number of steps to help mitigate the trend of increasing debt service in the future through innovative planning and consistent advocacy. DEP has reached an agreement with the state to implement a groundbreaking green infrastructure plan that will eliminate or defer \$3.4 billion in capital commitments; and convinced the federal government to delay until 2023 a mandate to build a \$1.6 billion cover on the Hillview Reservoir in Westchester to protect water quality in a way that could be done at a fraction of the cost. DEP will continue to stress that this project should be eliminated outright. Because of these and other initiatives, only 20% of the preliminary four-year capital plan is for mandated projects, a reversal of the past decade’s trend. Focusing on non-mandated capital priorities that DEP sets—rather than one-sized-fits-all mandates set in Washington, D.C.—will keep capital costs better under control and ensure that DEP is investing ratepayer dollars in projects that provide the greatest benefit to our drinking water and harbor water quality.

The significantly lower-than-projected rate proposal was also the result of a number of operational factors: DEP initiated three successive years of budget reductions—8% in FY11, 4% in FY12 and 4% in FY13—that have been used to self-fund other critical needs and reduce overall operations and maintenance costs; roughly \$4.8 million in savings in FY13 has already been achieved through the Operational Excellence program, which aims to reduce operational costs of more than \$100 million annually; and revenue is 1% above original projections in part because the installation of wireless meter readers in more than 95% of DEP’s 836,000 accounts has decreased estimated bills.

For the first time ever, DEP will pilot a program to cap the rental payment at the FY11 rate of \$196 million annually, adjusted yearly for inflation, for the next three years. This equates to a projected savings of \$14 million in FY13, \$32 million in FY14, and \$52 million in FY15. The returned funds will be used to mitigate future rate increases and invest in other programs like green infrastructure. Many municipal water and wastewater systems make payments to their

general funds for city services, such as police, fire and sanitation—and the size of DEP's payment, even before this pilot, is well within the normal range of what other municipalities pay. The value of the rental payment is based on annual debt service payments, and is critical to the financial stability of the system.

If the new 7% water rate increase goes into effect, based on an average consumption of 80,000 gallons per year, the typical single-family homeowner will see an increase from \$877 per year to \$939 per year for water and sewer bills – an additional \$5 per month. An average multi-family unit with metered billing will see an increase from \$571 per year for each dwelling unit to \$610 per year for each dwelling unit – an additional \$3.25/month.

DEP is responsible for proposing a water rate that meets the financial obligations necessary to provide water and wastewater services to 8.4 million New Yorkers City residents, and 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 FY13 water rate proposal: one evening hearing in Brooklyn, the Bronx, Queens, and Staten Island, and an afternoon hearing in Manhattan. The dates and locations of the hearings can be found by visiting www.nyc.gov/nycwaterboard. Following the five public hearings, the Water Board will formally adopt the FY13 water rate on May 4, 2012, and the new rate will become effective on July 1, 2012.

DEP manages the city's water supply, providing more than one billion gallons of water each day to more than nine million residents, including eight million in New York City. The water is delivered from a watershed that extends more than 125 miles from the city, comprising 19 reservoirs and three controlled lakes. Approximately 7,000 miles of water mains, tunnels and aqueducts bring water to homes and businesses throughout the five boroughs, and 7,400 miles of sewer lines and 95 pump stations take wastewater to 14 in-city treatment plants. DEP employs nearly 6,000 employees, including almost 1,000 in the upstate watershed. DEP has a robust capital program, with a planned \$13.2 billion in investments over the next 10 years that creates up to 3,000 construction-related jobs per year. This capital program is responsible for critical projects like the City Water Tunnel No. 3, which will provide crucial supply capacity to the five boroughs; the Staten Island Bluebelt program, an ecologically sound and cost-effective stormwater management system; the city's Land Acquisition Program, which protects sensitive lands upstate near the city's reservoirs in order to maintain their high water quality; and the installation of more than 800,000 Automated Meter Reading devices, which will allow customers to track their daily water use, more easily manage their accounts and be alerted to potential leaks on their properties. For more information, visit www.nyc.gov/dep, like us on Facebook at www.facebook.com/nycwater, or follow us on Twitter at www.twitter.com/nycwater.