



ISSUES FACING NEW YORK CITY’S AGENCIES: DEPARTMENT OF ENVIRONMENTAL PROTECTION

Overview

The New York City Department of Environmental Protection (DEP) manages the City’s water supply, and reduces air, noise, and hazardous materials pollution. Each day it delivers more than 1 billion gallons of drinking water, treats 1.3 billion gallons of wastewater, and maintains a network of over 7,400 miles of sewer pipes. DEP’s budget totals \$1.6 billion in fiscal year (FY) 2022, and capital commitments are projected to total \$24.3 billion in City funds from FY 2021 through 2031. The City’s water and sewer infrastructure (the “System”) is primarily funded through revenue it collects from user fees. While DEP is responsible for operating and maintaining the System, the Municipal Water Finance Authority (MWFA) issues the bonds to finance capital needs, and the New York City Water Board sets the user rates. Fees cover operations and maintenance costs, debt service, and a rental payment that the Water Board pays to the City.

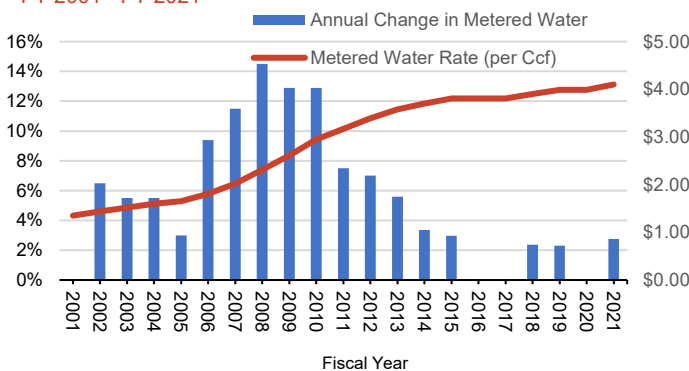
Pandemic Impact on Agency Operations

The MWFA reports that drinking water quality, water supply, and wastewater treatment were not impacted by COVID, but the pandemic has negatively affected revenues. The System’s total operating revenues declined by nearly \$164 million (4.3 percent) from FY 2019 to FY 2021. The City also requested base rental payments of \$128 million and \$137 million in FYs 2020 and 2021, respectively, for budget relief after not requesting the payment for fiscal years 2017 through 2019.

ISSUES FACING THE AGENCY

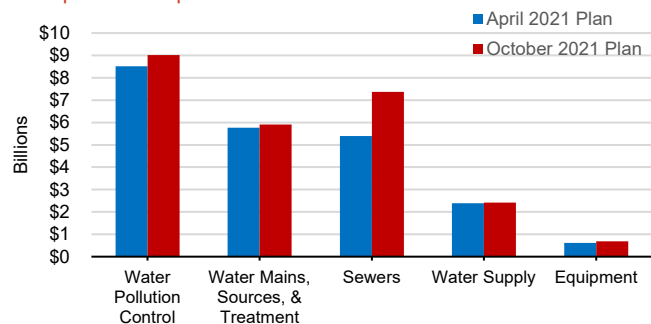
- **User Rates:** After years of sustained growth stemming from higher debt service and operating costs, rate increases slowed in recent years (see Figure 1). This was due in part to the City not requesting the Water Board’s base rental payment. The City assumes higher revenue from water and sewer fees beginning in FY 2022, and rates may increase further if the City turns to this source for additional budget relief. As of February 2021, the City ranked 10th for Single Family Residential, 15th for Commercial, and 20th for Industrial user charges when compared to 30 large cities in the United States.
- **Extreme Weather:** In response to the effects of Hurricane Ida last year, the City created a new taskforce and released a [blueprint](#) to prepare for and respond to extreme weather. DEP collaborated in this effort, and was tasked to work with other agencies to improve stormwater drainage and incorporate projected future rainfalls into planning by 2025. \$2.1 billion of resiliency-related funding was added to DEP’s capital budget as part of the FY 2022 capital plan released October 2021 (see Figure 2), including \$1.8 billion for sewer improvements.

FIGURE 1
NYC Annual Water Rate Change and Water Rates
FY 2001 - FY 2021



Source: New York Municipal Water Finance Authority Offering Statements

FIGURE 2
NYC DEP FY 2021 - FY 2031 Capital Commitments
Comparison of April 2021 and October 2021 Plans



Source: NYC Office of Management and Budget