



New York City Comptroller
John C. Liu

NEWS RELEASE

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Contact: Jack Ryan, (212) 669-3747

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LIU: RISING WATER RATES MAY HAVE SOAKED NEW YORKERS MORE THAN NECESSARY

Audit Finds Questionable Budgeting Badly Underestimated Incoming Revenues Even As Rates Surged

Download the Audit

NEW YORK, N.Y. — An audit by City Comptroller John C. Liu of the New York City water and sewer system found doubtful accounting and chronically low forecasts of annual revenue, that may have led to increasingly high water rates for New Yorkers. Comptroller Liu’s audit also found that the Department of Environmental Protection (DEP) failed to collect \$27 million in delinquent water and sewer bills.

Every year the NYC Water Board and the NYC Municipal Water Finance Authority (collectively NYW) forecast the amount of surplus revenue that the DEP will collect from water bills, which will go to pay for its debt obligations. Over the last four fiscal years, NYW issued extremely conservative forecasts for their surpluses, which may have caused rates to be set increasingly higher. When revenues came in, however, the actual surpluses exceeded NYW’s estimates by 24 to 41 percent, in amounts that ranged from \$71 million to \$120 million each year.

“The results of this audit indicate that rising water rates may have soaked New Yorkers more than necessary,” Comptroller Liu said. “DEP and the Water Board need stronger accounting of their revenues so that they can keep any rate increases to a minimum.”

Even as NYW publicly underestimated its revenue from water bills, it put the increasingly higher surpluses toward its projected debt obligations. For example, in FY 2010 NYW allocated a surplus of \$241.6 million toward debt and in 2013, the allocated surplus increased to \$451.8 million. NYW seems to have never considered whether the higher than budgeted surpluses revenue could have been used to limit water rate increases.

The audit also found the NYW failed to conduct proper oversight of DEP’s billing and accounting and may have underestimated DEP’s ability to collect past-due accounts—a factor that can affect the rate-setting process.

DEP Failed to Collect Millions

DEP, which processes and collects bills for NYW, failed to collect \$15 million owed during Fiscal Year 2012. In addition, DEP failed to collect an additional \$27 million from private entities located on City-owned and State-owned properties, and from Housing Development Fund Corporation cooperatives as of June 30, 2012.

Background

The New York City water and sewer system network includes more than 7,000 miles of pipes running from upstate New York to every building in New York City. Until the mid-1980's, the City funded operating expenses through its general fund and financed necessary capital investments by issuing the City's general obligation bonds. In 1984, the City obtained state approval to change the way its water and sewer infrastructure was operated and funded and created the New York City Municipal Water Finance Authority and the New York City Water Board. The Authority issues bonds to finance capital construction and infrastructure improvements. The Board leases the system from the City and sets rates to ensure the system is self-sustaining. The DEP operates the System and handles billing and collection of water and sewer charges for NYW.

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