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Res. No. 191

Resolution calling on the New York State Legislature to pass, and the Governor to sign, S.9456, which would make the Council of the City of New York responsible for determining annual rental payments charged to the New York City Water Board

By Council Member Gennaro

Whereas, The New York City Water Board ("Water Board"), a body established by state law and headed by seven members who are appointed by the Mayor of New York City ("NYC" or the "City"), is responsible for setting water and sewer rates sufficient to cover the costs of operating and financing the City's water and sewer systems; and

Whereas, Shortly after the Water Board was created in 1984, it entered into an agreement to lease the City's water and sewer systems; and

Whereas, Pursuant to the lease agreement between the Water Board and the City, the Water Board must pay an annual rental payment to the City for leasing the water and sewer systems, but only to the extent requested by the City in each fiscal year; and

Whereas, This rental payment, when requested, is paid for with funds collected from ratepayers that would otherwise be used to maintain and improve the City's water and sewer infrastructure or offset rate increases in future years; and

Whereas, The rental payment does not go towards water service but rather towards the City's general fund, which is used to pay for the City's regular operations; and

Whereas, According to news reports, the original purpose of the rental payment scheme was to compensate the City for the cost of water- and sewer-related debt it had incurred prior to leasing the water and

sewer systems to the Water Board; and

Whereas, This rationale for the rental payment is no longer justified, as nearly all of the original water and sewer general obligation bonds have reportedly matured; and

Whereas, In 2016, former Mayor Bill de Blasio announced that his administration would no longer request the rental payment from the Water Board, in part to reduce the cost of water and sewer service to ratepayers, and since then, the rental payment generally has not been requested, except for in fiscal years 2020 and 2021, when the payment was requested to help deal with the fiscal stress caused by the COVID-19 pandemic; and

Whereas, Despite this recent precedent and the anachronistic nature of the rental payment, Mayor Eric Adams plans to charge the Water Board with $1.4 billion in rental payments for fiscal years 2024 through 2028; and

Whereas, In part so that the Water Board can afford this rental payment, the Department of Environmental Protection ("DEP") recommended to the Water Board that beginning on July 1, 2024, water and sewer rates increase by 8.5%, which is double the rate increase adopted by the Water Board in 2023 and would be the highest rate increase in the last 14 years; and

Whereas, This rate hike may not cover the entirety of the $1.4 billion in rental payments, which has raised concerns that DEP may be forced to postpone necessary capital projects, thereby increasing the likelihood of disruptions in water service and critical breakdowns; and

Whereas, The City is in an affordability crisis and should be trying to lower, not raise, the cost of living for its residents, which includes water and sewer costs; and

Whereas, The Council for Community and Economic Research's Cost of Living Index, which considers factors such as housing, utilities, groceries, transportation, and health care, finds that Manhattan and Brooklyn, respectively, have the highest and fifth highest cost of living of 276 surveyed U.S. urban areas, with the cost of living in Manhattan being 2.3 times greater than the national average; and

Whereas, The Mayor's request for a rental payment functions as a regressive tax, as low-income New Yorkers pay a greater share of their income for water and sewer service than wealthier New Yorkers; and

Whereas, The average single family homeowner in NYC pays $1,088 annually for water and sewer service and DEP's proposed rate hike would increase that amount by $93; and

Whereas, S.9456, introduced by New York State Senator Jessica Scarcella-Spanton, would grant the NYC Council the exclusive authority to annually determine whether to charge the Water Board a rental payment and the amount thereof; and

Whereas, Entrusting the NYC Council with the decision of whether to charge a rental payment would increase public oversight of the Water Board's financial management, and in turn prevent unnecessary increases to water rates and deferrals of essential maintenance to the City's water and sewer infrastructure; and

Whereas, Although S.9456 would not prohibit the City from charging a rental payment, requiring the NYC Council to determine whether to charge a rental payment may increase the payment's visibility and potentially allow residents to provide their concerns with the payment and its effect on water and sewer rates through public testimony; now, therefore, be it

Resolved that the Council of the City of New York City calls on the New York State Legislature to pass, and the Governor to sign, S.9456, which would make the Council of the City of New York responsible for determining annual rental payments charged to the New York City Water Board.

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