

Bond Case Briefs

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New York City Municipal Water Finance Authority, New York: Fitch New Issue Report

Very Strong Rate Flexibility, Favorable Service Area with Unique Economic Profile The water board retains the legal authority to adjust rates as needed without external oversight. Revenue defensibility is further supported by the system's monopolistic provision of water and sewer services to its favorable service area. The service area is characterized by a stable customer base, median household income that approximates that of the nation and weaker, but improving, unemployment rate relative to that of the nation. Fitch also considers the city's unique economic profile as an international center for numerous industries and an anchor for the service area. Rates are considered affordable for almost 80% of the service area population, using Fitch's standard monthly usage of 7,500 gallons for water and 6,000 gallons for sewer. Very Low Operating Cost Burden, Elevated Capital Needs In fiscal 2023, the system's operating cost burden was considered very low at \$3,497 per million gallons (mg), consistent with the operating risk assessment. The life cycle ratio was a low 37% in fiscal 2023. Capex outpaces annual depreciation, with a five-year average of 182% for the five years ended fiscal 2023. The system's capital improvement plan (CIP) for fiscal years 2024 through 2028 approximates \$15.4 billion of system funds, while associated estimated actual spending is expected to be lower, at around \$12.0 billion for the same period. Approximately 38% of the CIP is related to water pollution control projects, including plant upgrades and reconstruction. Water distribution approximates 22% of the CIP, water supply and transmission approximate 19% and sewer programs approximate 18%. Estimated capital spending averages \$2.4 billion annually during these five years, well in excess of historical depreciation, supporting a continued low life cycle ratio.

ACCESS REPORT

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