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Testimony of Brian Cain, Assistant Director, New York City Independent Budget Office on
Water Board Rental Payments
Before the New York City Council Committee on Environmental Protection, Resiliency, and Waterfronts

Good afternoon, Chair Gennaro and members of the Environmental Protection, Resiliency, and Waterfronts Committee. I am Brian Cain, Assistant Director of Housing, Environment, and Infrastructure at the New York City Independent Budget Office (IBO). IBO is an independent, non-partisan City agency that conducts fiscal and policy research for the City. I am joined here today by my colleague, Jordan Paige, Lead Environmental Budget and Policy Analyst.

In October 2024, IBO published a [report](#) examining how the City sets water rates and bills property owners. Our research found that the City’s practice of requesting rental payments from the Water Board indirectly leads to additional costs for property owners and renters. The original justification for this payment is no longer applicable, raising the question of whether the rental payment should continue.

Rental Payment

In the 1980s, water bill revenue was removed from the general fund and moved to the control of the Water Board to be used exclusively for water system maintenance, operations, and the debt service on new Water Finance Authority bonds.

Water Board Rental Payments	
Fiscal Year	Rental Payment (in millions)
2011	\$205
2012	\$196
2013	\$207
2014	\$214
2015	\$205
2016	\$137
2017	\$0
2018	\$0
2019	\$0
2020	\$128
2021	\$137
2022	\$0
2023	\$0
2024	\$145
2025	\$289
2026	\$303 (projected)
2027	\$315 (projected)
2028	\$363 (projected)
2029	\$393 (projected)

SOURCE: IBO analysis of Office of Management and Budget data.
NOTES: The 2026 through 2029 rental payments are the amounts requested by the City, as reflected in the City’s January 2025 Preliminary Budget (released January 2025). All prior year amounts reflect the actual payments in those years.

This agreement granted the Water Board permission to use the City's water and sewer system. However, the City retained the right to request an annual payment to pay off pre-existing debt related to the water system, which was still held by the City. This pre-existing debt was fully paid off in 2005.

Since 2005, the rental payment has become a mechanism to move revenue from the water system to the City's general fund as a source of additional revenue. Once in the general fund, there is no requirement to use it on City water system maintenance. The rental payment can be spent at the discretion of the administration on any mayoral priority.

In recent years, the City's request for payment has varied.

- Referring to City fiscal years here, every year from 1985 through 2015, mayoral administrations requested the full rental payment.
- In 2016, when the City saw particularly strong revenue collections, the de Blasio administration decided to pause the rental payment, requesting a partial payment in 2016, and no payment for the next three years.
- When the City faced financial uncertainties during the pandemic in 2020 and 2021, the de Blasio administration requested partial rental payments.
- Under the Adams administration, there were no rental payments in 2022 and 2023. The rental payments were resumed midway through 2024. At that time, the Adams administration requested a partial rental payment of \$145 million, citing financial pressure on the City's budget due to rising costs of caring for asylum seekers. [IBO's revenue and expense forecasts](#), however, painted a less dire financial picture than the administration's.
- The Adams administration plans to charge the maximum annual rental payment from 2026 through 2029, at over \$300 million each year.

Rates set by the Water Board must cover the cost of maintenance, operations, and the rental payment when it's requested. The 2025 water bill rate increase was approximately 3% higher due to the administration requesting a rental payment from the Water Board. These rate increases are seen directly by property owners when they receive their water bill. Rate increases also indirectly



impact residents of rental, condo, and coop apartment buildings, because water bill increases may be partially passed on to residents.

The City paid off debt related to the water system in 2005, so all rental payments since then have been unrestricted contributions to the general fund. Whether or not the City will request the rental payment lends to uncertainty in the Water Board's rate setting process each year and can increase costs for city residents.

IBO would like to thank you for this opportunity to testify, and we welcome any questions.

