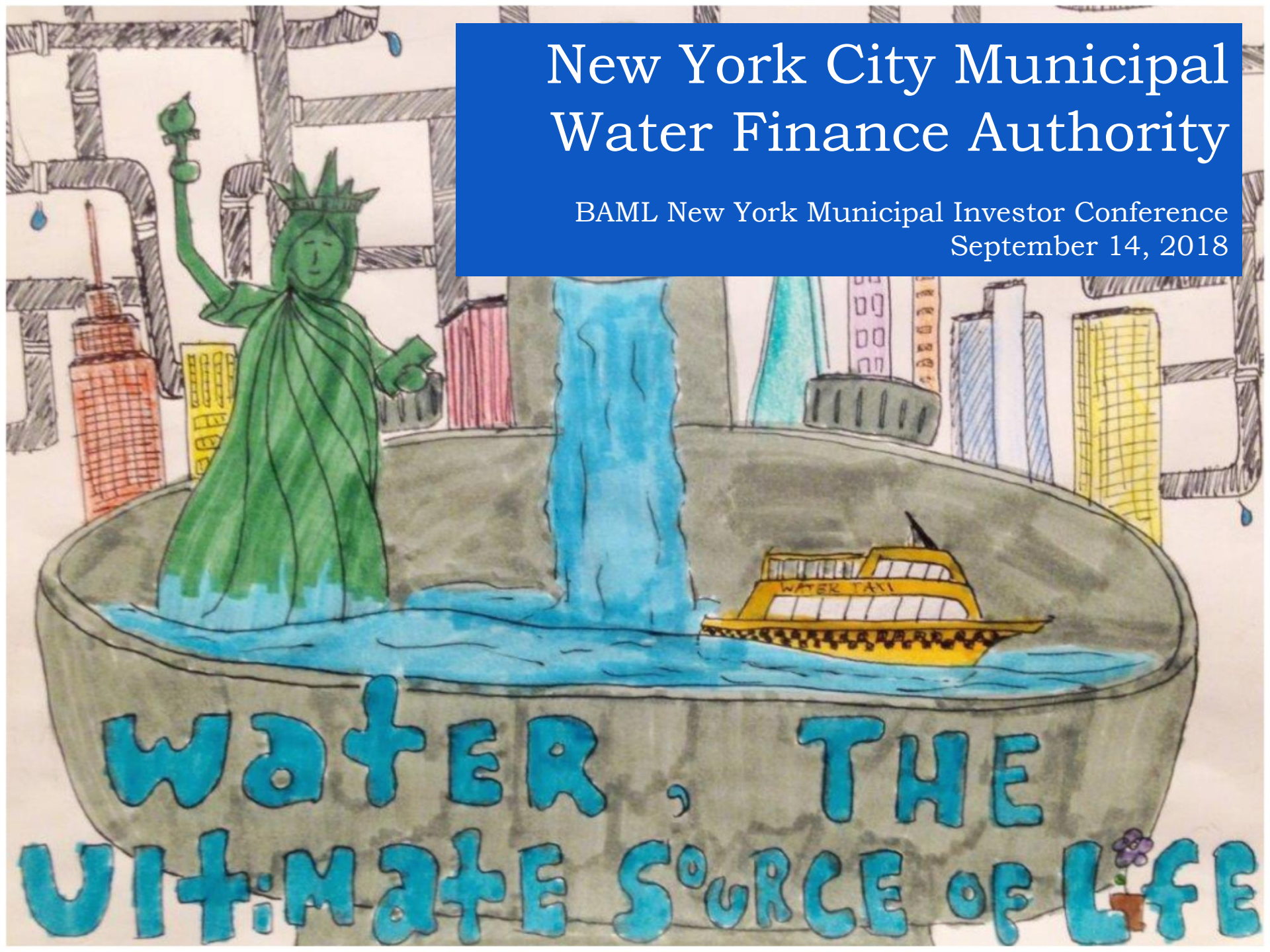


New York City Municipal Water Finance Authority

BAML New York Municipal Investor Conference
September 14, 2018



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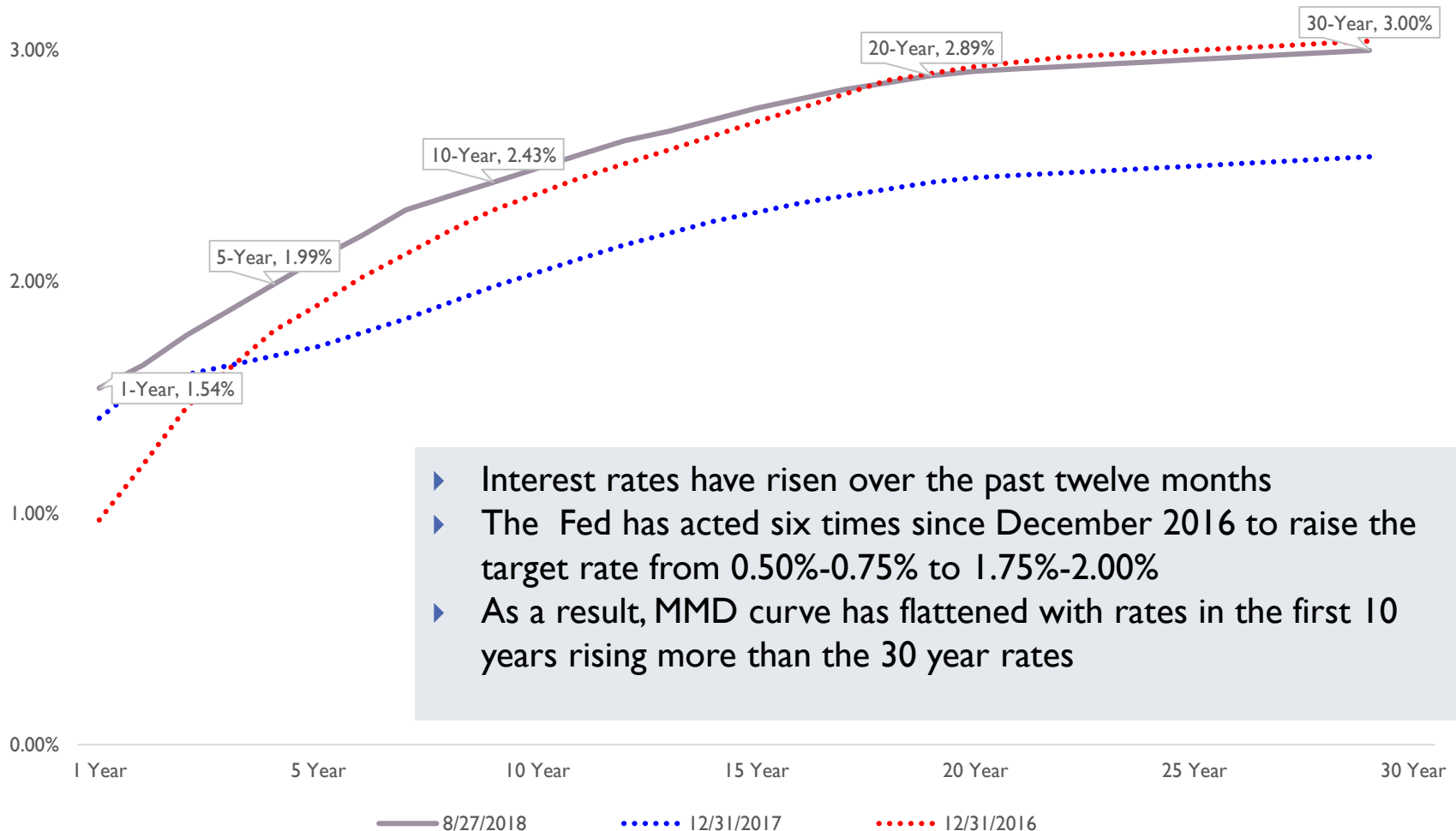
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Cover Art: Submitted by Anita L, Brooklyn Technical High School, for the NYC Department of Environmental Protection's 2017 Water Resources Art & Poetry Contest.

Markets: Higher Rates and Flatter Yield Curve

Historical MMD Curves



- ▶ Interest rates have risen over the past twelve months
- ▶ The Fed has acted six times since December 2016 to raise the target rate from 0.50%-0.75% to 1.75%-2.00%
- ▶ As a result, MMD curve has flattened with rates in the first 10 years rising more than the 30 year rates

NYW: Repositioning Debt Portfolio To Address Market Environment And Optimize Risk/Reward

Interest Rate Risk

- ▶ Paused Commercial Paper program
- ▶ NYW retains appetite for variable-rate exposure, but for longer-dated maturities
- ▶ Continue strategy of refunding short-dated VRDBs and “recycling” bank capacity to longer-dated new money maturities

Portfolio Diversification

- ▶ NYW continues to diversify portfolio by utilizing new credit providers and structures
 - ▶ ICBC-backed Variable Rate Demand Bonds (priced yesterday)
 - ▶ Privately-placed Index Rate Bonds – FRN-like structures. No CCAs
- ▶ Maintain First Resolution Lien as “gilt-edged” credit for any contingencies; Second Resolution credit enjoys broad acceptance and low borrowing rates
- ▶ EFC conduit issuance provides additional flexibility and diversification

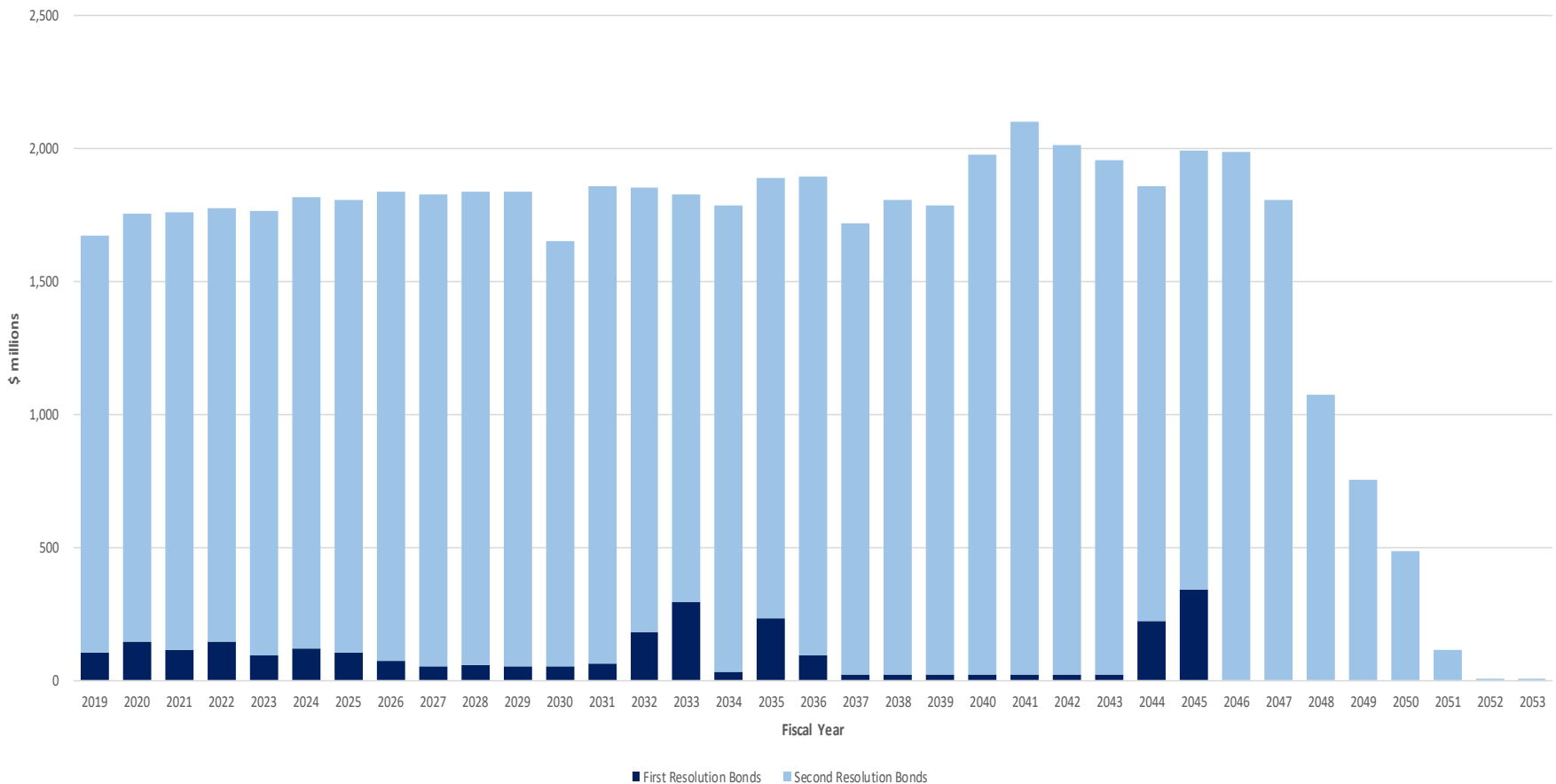
Strategic Cash Management

- ▶ Utilize year-end cash balances to defease bonds
 - ▶ Achieve debt service savings
 - ▶ Strategic selection of defeasance candidates used to sculpt debt service profile and create optionality for future transactions (by tenor, coupon, call date etc)
- ▶ Issuance of BANs to EFC and subsequent take-out reduce negative carry

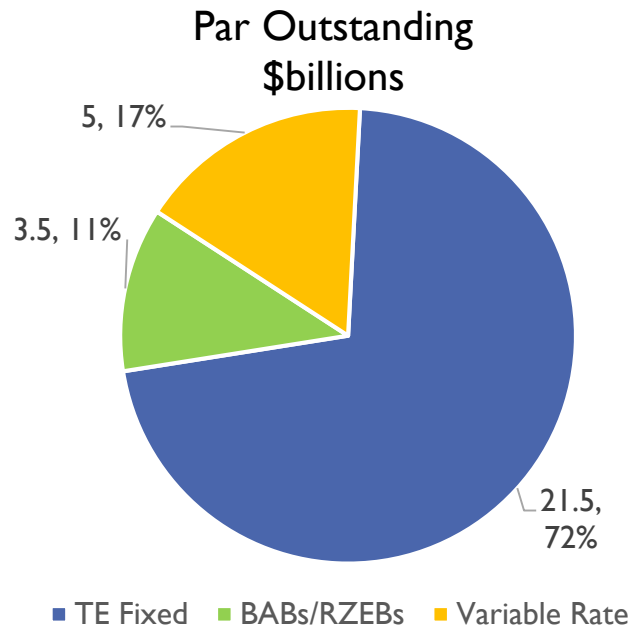
Debt Service Profile Provides Flexibility

▶ Refundings and defeasances can be used to sculpt future debt service and manage rate increases

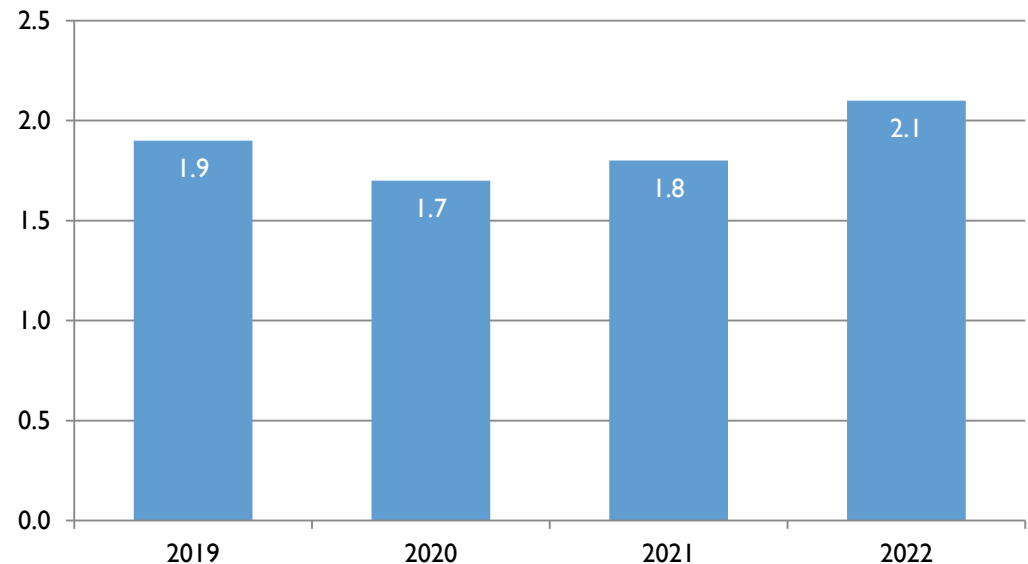
▶ Recent bond issuances have been structured with short calls to increase optionality



Update on Debt Portfolio and Issuance Plans



Projected New Money Bond Issuance
\$billions



- ▶ NYW's cash & investments portfolio provides a partial asset-match to the Authority's variable-rate debt instruments – VRDBs and Index Rate Bonds

- ▶ **New Money Issuance Assumptions**
 - ▶ \$300 million per year issued to EFC at rate of 5.95%
 - ▶ NYW fixed-rate bonds to the public at rate of 6% and adjustable rate bonds at rate of 4.25%

Strong Results: Fiscal Year 2017 Highlights⁽¹⁾

Gross Revenues of
\$3.981 billion,
(+ 0.5% vs FY2016)

System Expenses
O&M of \$1.307 billion
(-4.2% vs FY2016)
Cash Defeasance of \$974.1 million
(+2.6% vs FY2016)

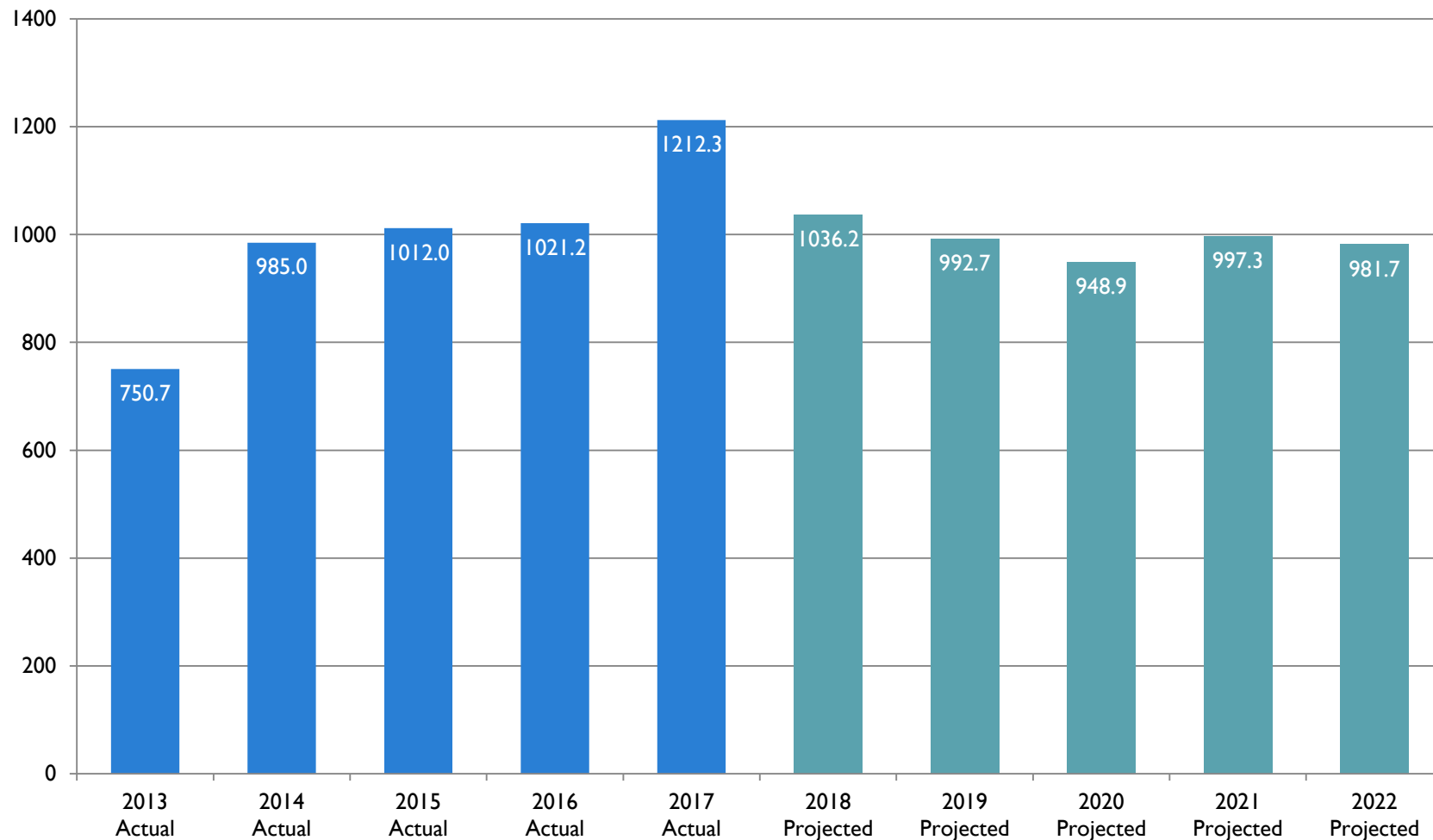
Aggregate Net Debt Service of
\$496.4 million
(-5.4% vs FY2016)

Year-End Cash balance of
\$1.212 billion
(+18.7% vs FY2016)

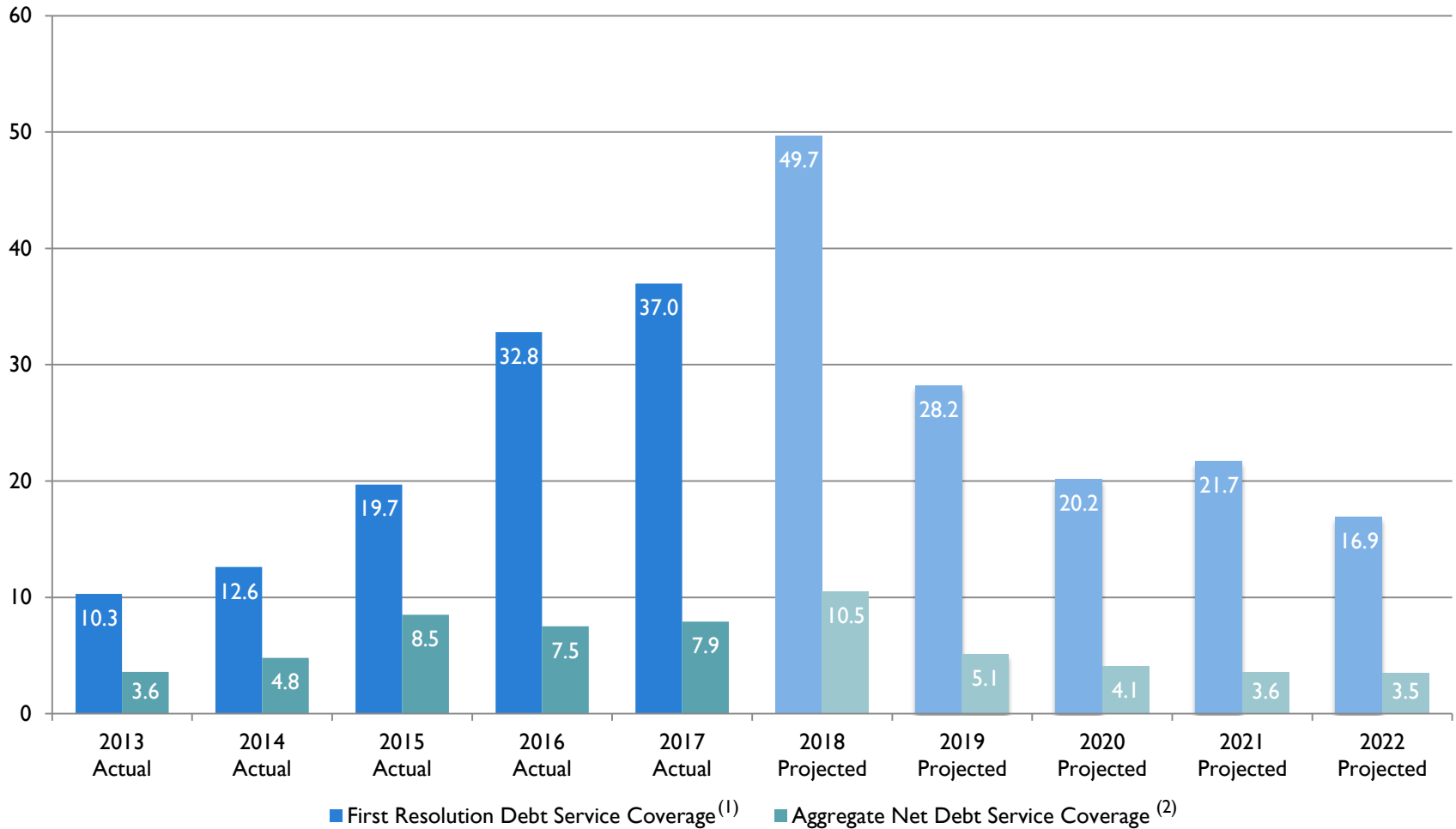
⁽¹⁾ Cash Basis

Historic and Projected Year-End Cash Balances Are in Line with Strong Financial Results

In Millions



Aggregate Debt Service Coverage Projected To Exceed 3.5x

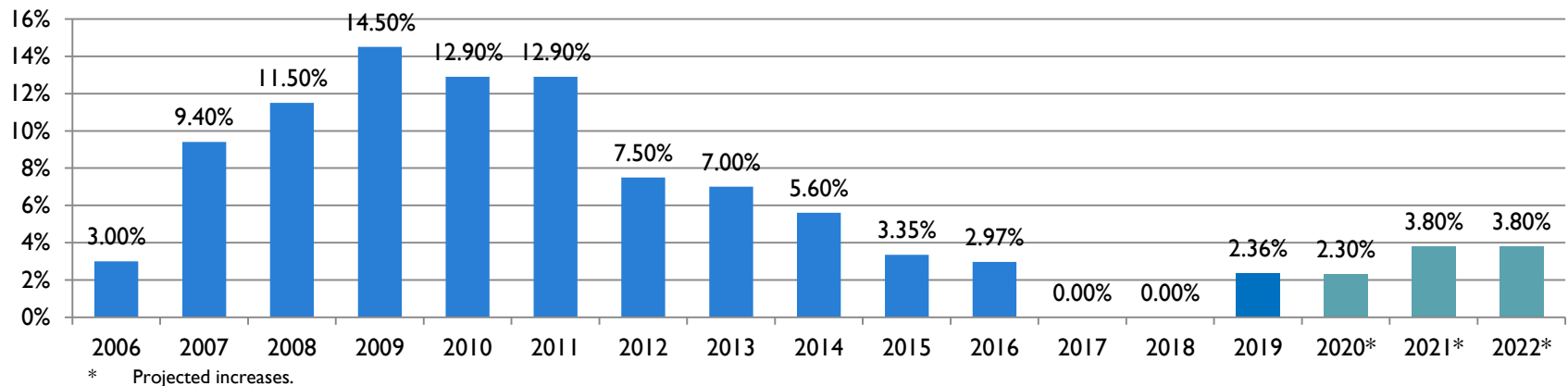


1. First Resolution Debt Service Coverage by Gross Revenues.
2. Aggregate Net Debt Service Coverage by Gross Revenues net of Authority expenses.

NYW Update: Water Board Approved 2.36% Increase for Fiscal Year 2019

- ▶ Water Board is obligated to set rates and collect revenues sufficient to meet all requirements of the Authority
- ▶ Rates are not subject to regulatory review, except for a limited class of upstate users representing 2.2% of revenues (FY2017)
- ▶ Rates are generally set to become effective July 1, but mid-year rate increases are possible
 - ▶ Rates can be raised within 30 days
 - ▶ Increased revenues would commence approximately 30 days after a rate increase
- ▶ On June 1, 2018, the Water Board approved a 2.36% rate increase effective July 1, 2018

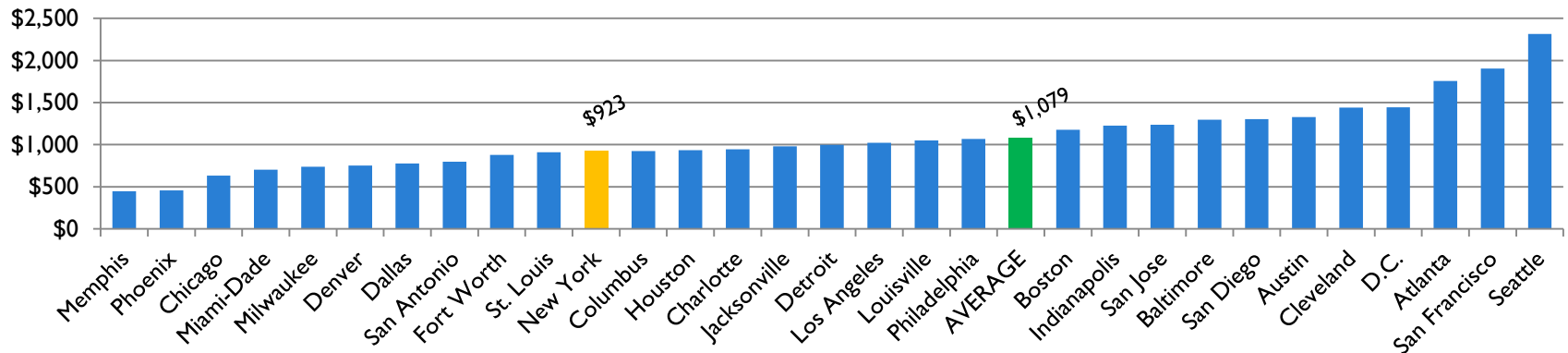
Annual Flat-Rate/Metered Water Rate Increases by Fiscal Year



NYC's Water Rates Remain Affordable and Below 30-City Average

- ▶ Rates are below the national average based on a 30-city survey.
- ▶ Feb 2018 methodology is based on 70,000 gallons of water per year for single family residential customers, compared to 80,000 gallons in prior years
- ▶ Large and stable service area includes approximately 835,000 water and sewer accounts serving approximately 8.5 million City residents and 1 million people in Westchester, Putnam, Orange and Ulster Counties in New York State.

Comparative Annual Water and Sewer Charges (Single Family Residential)



Source: Amawalk Consulting Group LLC (February 2018)

In Summary: NYW Has Exceptional Credit Strengths

Essential Service Monopoly

- ▶ Water and wastewater service is essential
- ▶ New York City Water and Sewer System (“System”) enjoys a natural monopoly

Strong Legal Protections

- ▶ Bondholders benefit from a true gross pledge of System revenues
- ▶ Revenue stream is bankruptcy-remote from New York City (“NYC” or “City”)
- ▶ The City has covenanted to operate the System regardless of reimbursement for operation and maintenance expenses

Solid Debt Service Coverage

- ▶ NYW debt service coverage ratios are projected to remain above 3.5x through FY2022
- ▶ Strong financial management and conservative financial assumptions minimize risks in debt service coverage projections

Stable Customer Base and Proven Rate-Setting Process

- ▶ Customer base is stable and diversified
- ▶ Rates are below the national average
- ▶ Well-established rate-setting process and proven willingness to raise rates