

# **NEW YORK CITY WATER BOARD MEETING**

## **AGENDA**

Friday, June 15, 2012 - 8:30 A.M.

Location: New York City Department of City Planning  
22 Reade Street, 1<sup>st</sup> Floor, Spector Hall  
New York, New York 10007

1. Roll Call
2. Resolution: Approval of Minutes of May 4, 2012 Meeting
3. Resolution: Adoption of Fiscal Year 2013 Water Rates for Communities Outside of the City
4. Resolution: Approval of Selection of Service Line Protection Program Provider and Contract Authorization
5. Presentation: Financial Update

**NEW YORK CITY WATER BOARD**

June 15, 2012

**RESOLUTION**

**WHEREAS**, the Board has reviewed the Minutes of the previous meeting of the Board held on May 4, 2012, it is therefore

**RESOLVED**, that the Minutes of the meeting of the Board held on May 4, 2012 be, and hereby are adopted.

## NEW YORK CITY WATER BOARD

June 15, 2012

### RESOLUTION

**WHEREAS**, the Board is authorized pursuant to Section 1045-j of the New York City Municipal Water Finance Authority Act to establish rates and charges for services furnished by the Water System of the City of New York (the “City”); and

**WHEREAS**, the Board has received a report dated May 7, 2012 from the Amawalk Consulting Group LLC, Rate Advisor to the Board, on the cost of supplying water to upstate customers for the Fiscal Year 2013 rate year, and such report indicates that the anticipated unit cost of water supply service for municipalities and water districts north of the City in Fiscal Year 2013 will be \$1,332.30 per million gallons; and

**WHEREAS**, upon appropriate notice, a public hearing was held on June 11, 2012 in Valhalla, New York, concerning the proposed increase in the rates for water supply from the City system sold to users outside of the City pursuant to the Water Supply Act of 1905; and

**WHEREAS**, the Board has received a copy of the hearing transcript, and staff has recommended the proposed increase based on the cost of service evaluation in the report noted above; it is therefore

**RESOLVED**, that effective July 1, 2012, the regulated rate for water sold to users outside of the City from either the Croton or Catskill/Delaware Systems that is within the allowance quantities of water set forth in Section 24-360 of the Administrative Code of the City of New York shall be increased to \$1,332.30 per million gallons; and the rate and charge for water provided to users outside the City that exceeds the allowance quantities of water set forth in Section 24-360 of the Administrative Code of the City of New York shall be continued at a level equal to the retail metered rate effective within the City of New York, which as of July 1, 2012 shall be equal to \$4,532.09 per million gallons.

## NEW YORK CITY WATER BOARD

June 15, 2012

### RESOLUTION

**WHEREAS**, pursuant to Section 1045-g(5) and (8) of the New York City Municipal Water Finance Authority Act (the "Act"), the Board is authorized to enter into contracts and to retain private contractors to assist the Board in carrying out its responsibilities; and

**WHEREAS**, under the terms of the terms of the Lease Agreement between the City and the Board, the City has leased to the Board all of its rights, title and interest in the water and sewer system (the "System") of the City; and

**WHEREAS**, the Board's primary duty under the Act is to establish and collect water and wastewater rates and charges in an amount sufficient to place the System on a self-sustaining basis; and

**WHEREAS**, the Lease Agreement provides that the New York City Department of Environmental Protection ("DEP") will administer, operate, maintain and repair the System; and

**WHEREAS**, each property owner in the City is responsible for maintaining his/her water service line beginning at the connection to the water main in the street and continuing to the building line and sewer service line from the building line to the connection to the city sewer, private sewer, private drain or approved outlet; and

**WHEREAS**, failure of a service line may threaten City infrastructure and is unpredictable, resulting in expensive repairs for which individual property owners may not be prepared to respond quickly or with full knowledge of how to remedy the situation; and

**WHEREAS**, the Board is of the opinion that there could be significant benefits of a service line protection program for the City's water and sewer customers and that such a program would be in the best interest of the City, as the expeditious repair of leaking and broken service lines under the program would help prevent damage to City infrastructure, reduce

response costs for the city, limit damage to homes, and enable City resources to be used more efficiently; and

**WHEREAS**, in the interest of minimizing City and customer risks associated with water and sewer service lines, the Board and DEP seek to procure the services of a company that will offer service line protection policy services; in March 2011, Board staff issued a Request for Expressions of Interest of said services; and on December 2, 2011, Board staff commenced a competitive solicitation process for said services with the advertisement of a Request for Proposals (“RFP”) in the City Record, the New York Daily News, and on the Board’s website; and

**WHEREAS**, four conforming technical proposals and cost proposals were received for consideration and review; and

**WHEREAS**, a Technical Evaluation Committee (“the Committee”), consisting of five qualified persons, rated and ranked each technical proposal and statement of qualifications received in accordance with the criteria stated in the RFP; and

**WHEREAS**, the three proposing teams, which the Committee ranked most highly based on the technical proposal and qualifications criteria set forth in the RFP, were invited to interview with the Committee; and

**WHEREAS**, the Committee determined that the proposal and presentation by American Water Resources, Inc. (“AWR”), was the most highly-rated on technical approach and qualifications and, after consideration of the cost proposals, determined that its cost proposal was fair and reasonable; and

**WHEREAS**, in accordance with the Water Board’s Policy on the Procurement of Goods and Services, in particular, Section 4 (selection based on the best combination of technical merit and price) and Section 5.i (prior approval of contracts where the cumulative value exceeds \$100,000), the Board finds the selection of AWR appropriate; it is, therefore,

**RESOLVED**, that the Executive Director is hereby authorized and directed to execute an agreement with AWR to provide a service line protection program to the Board, for a five-year term, with two additional five-year extensions at the Board's option, upon such terms and conditions as the Executive Director may deem reasonable and appropriate; and be it further

**RESOLVED**, that the total compensation for services performed, shall be determined based on the participation rate of Board customers. Including all expenses, such compensation shall not be more than the premiums charged to Board customers, which will be established in the Board's annual Water and Wastewater Rate Schedule.



# Financial Update

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June 15, 2012

# Revenue Collections - FY 2012



## Revenue Collections vs. Plan (\$M)

	FY 2012 Collections	Prorated FY 2012 Plan	Difference in Amount	Percentage Difference
July - August	\$1,033	\$1,040	-\$7	-1%
September	\$200	\$191	\$9	5%
October	\$194	\$205	-\$11	-5%
November	\$209	\$191	\$17	9%
December	\$175	\$185	-\$10	-5%
January	\$217	\$192	\$25	13%
February	\$190	\$177	\$14	8%
March	\$190	\$199	-\$9	-5%
April	\$205	\$196	\$9	5%
May	\$201	\$205	-\$4	-2%
June (9 collection days)*	\$95	\$95	\$0	1%
<b>Total</b>	<b>\$2,909</b>	<b>\$2,876</b>	<b>\$34</b>	<b>1%</b>

	FY 2012 Plan through June	Amount Uncollected (YTD)	June Plan	Amount Uncollected (June)	Percentage Uncollected (June)	Per Day Collections to Make Plan
Total*	\$3,002	\$92	\$220	\$125	57%	\$10

Data as of June 14, 2012

\*June Plan amount excludes City and NYCHHC Charges of \$103M

# Revenue Collection – Historical Comparison

- ❖ Revenue collections are 1% ahead of plan. This is the second time in seven years that collections have been ahead of plan towards the end of the fiscal year

## Year-to-Date Collections vs. Plan

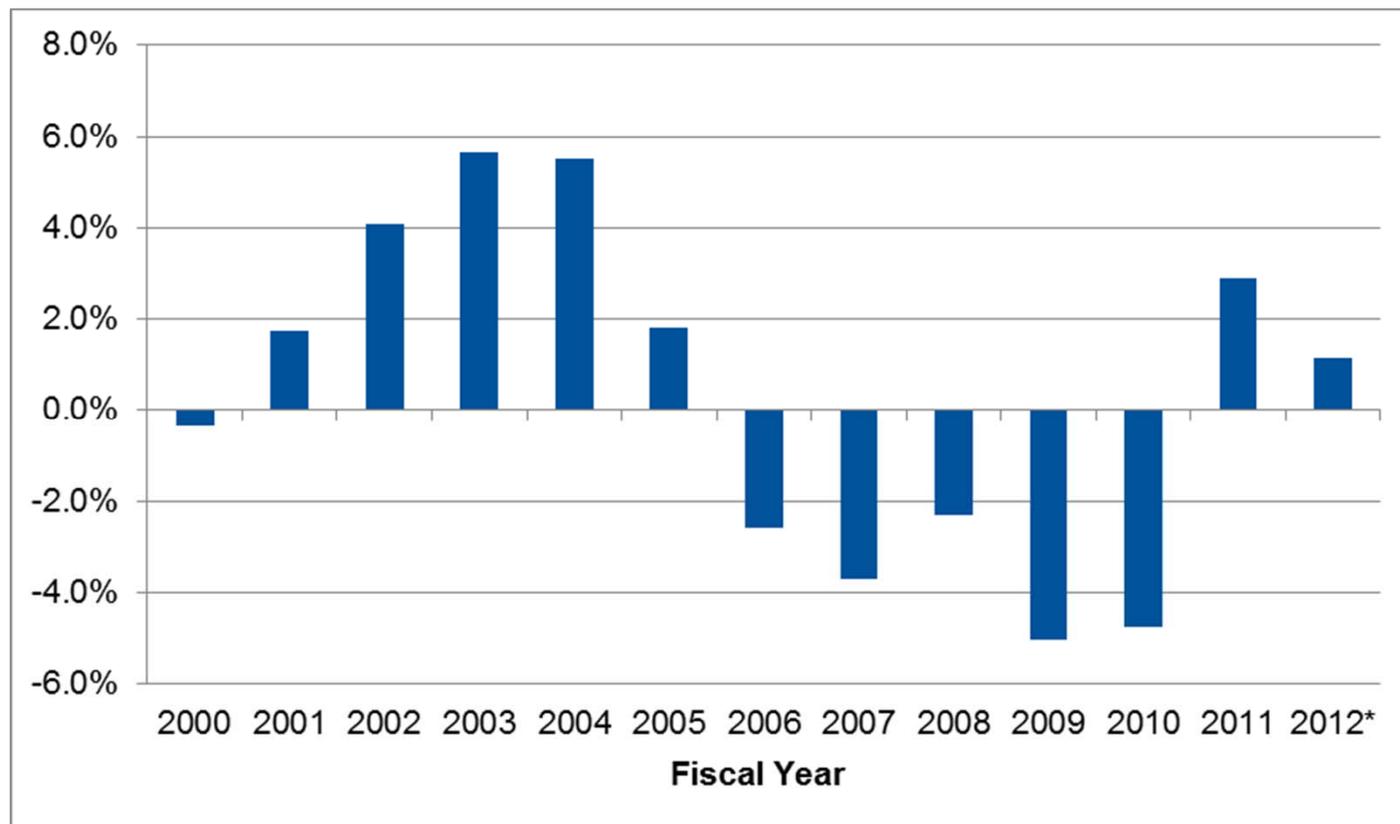


Chart includes fiscal year data through the end of June for 2000 to 2011

\* 2012 includes collections through the first 9 collection days of June

# Lien Sale

- ❖ Lien sale authorization was extended March 2011, and two lien sales have occurred in FY 2012
- ❖ The second FY 2012 Lien Sale took place May 25, 2012

	FY 2012 Lien Sale 1		FY 2012 Lien Sale 2		% Change	
	BBL Count	Lien Amount	BBL Count	Lien Amount	BBL Count	Lien Amount
90-Day Notice	16,686	\$164,656,405	15,449	\$150,779,801	-7%	-8%
60-Day Notice	12,871	\$125,808,281	10,643	\$92,705,003	-17%	-26%
30-Day Notice	10,377	\$106,818,554	7,529	\$63,557,634	-27%	-40%
10-Day Notice	9,180	\$97,784,971	2,943	\$22,031,363	-68%	-77%
Regular Sale	1,128	\$11,488,511	890	\$8,281,003	-21%	-28%
Subsequent Sale	653	\$4,606,323	N/A**	N/A	N/A	N/A
<b>Total Sold</b>	<b>1,781</b>	<b>\$16,094,834</b>	<b>890</b>	<b>\$8,281,003</b>	<b>-50%</b>	<b>-49%</b>
<b>Percentage Sold</b>	<b>11%</b>	<b>10%</b>	<b>6%</b>	<b>5%</b>	<b>-46%</b>	<b>-44%</b>

FY 2012 Lien Sale 2 Payments Received	# of Accounts	% of Total	Paid Amount	Outstanding Payment Agreement	Average Paid Amount	Average Agreement Value
Accounts with Full Payments	5,104	32%	\$41,771,658	-	\$8,184	-
Accounts with Payment Agreements	2,250	14%	\$5,525,668	\$24,577,750	\$2,456	\$10,923
Accounts with Partial Payments	1,513	10%	\$5,906,564	-	\$3,904	-
<b>Total Accounts Paid/in Agreements</b>	<b>8,867</b>		<b>\$53,203,891</b>	<b>\$24,577,750</b>	<b>\$6,000</b>	<b>\$2,772</b>
Accounts Receiving 90-day Notices	15,865		\$150,779,801			

Data as of May 25, 2012. All numbers are subject to change pending final verification

\*\*The subsequent sale is scheduled to take place June 30, 2012

# Revised Payment Agreement: Down Payments

- ❖ Since the new payment agreement rules were implemented in January 2012, 58% of all customers who entered into a payment agreement did so *without* making a down payment
- ❖ The average down payment was 4% of outstanding charges

Duration (Years)	Number of Agreements	Agreement Amount (m)	Average Down Payment
0 to 1	568	\$3.2	13%
1 to 2	805	\$3.2	10%
2 to 3	713	\$3.5	8%
3 to 4	361	\$1.9	11%
4 to 5	1,431	\$11.8	6%
5 to 6	176	\$0.9	5%
6 to 7	142	\$0.8	7%
7 to 8	127	\$0.8	5%
8 to 9	65	\$0.4	4%
9 to 10	3,287	\$45.2	2%
<b>Total</b>	<b>7,675</b>	<b>\$71.7</b>	<b>4%</b>

# In-City Distribution

- ❖ For the first eleven months of FY 2012, DEP distributed 2.4% less water to customers than during the same period of FY 2011, but 0.1% more than in FY 2010

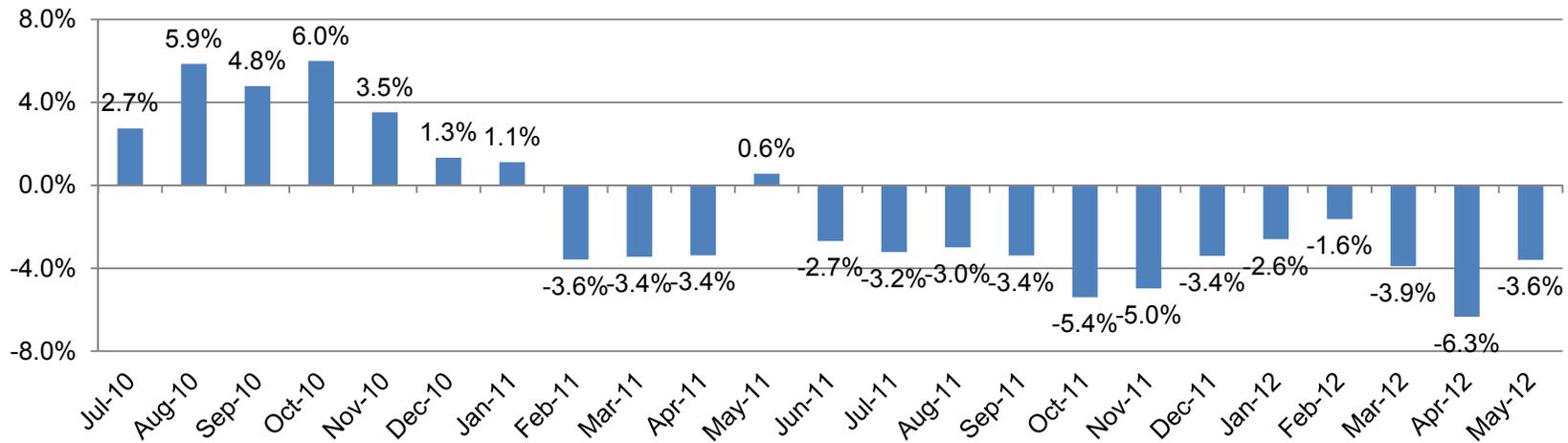
## Millions of Gallons of Water Distributed – Year-Over-Year Comparison



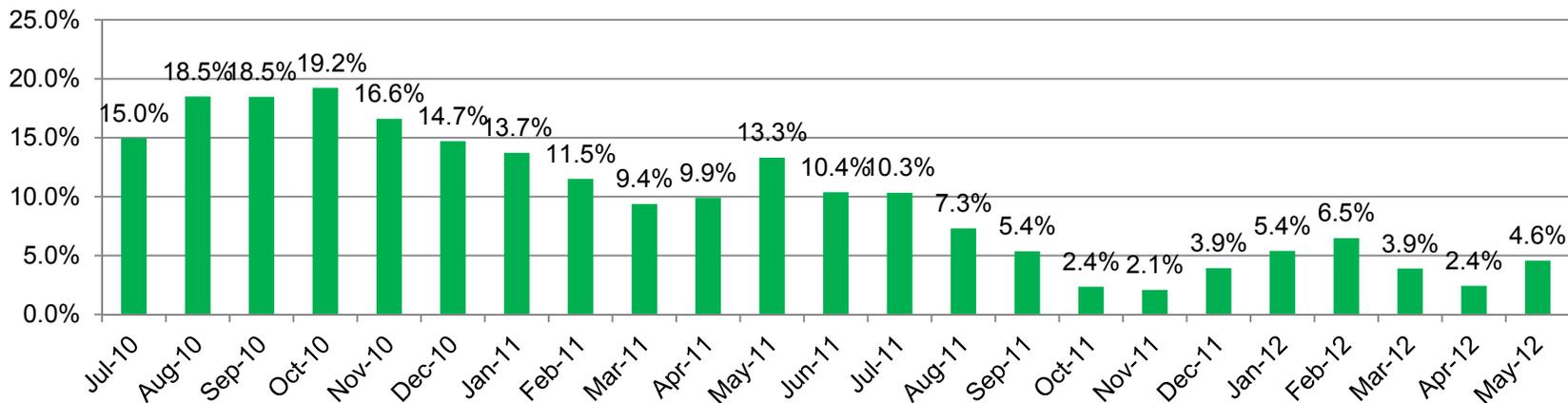
# Change in Metered Consumption

## “Same-customer Sales” Year-over-year Comparison

1. Year-over-year changes in billed consumption for FY 2012 have been negative, partially due to a reversion to more normal summer temperatures



2. Year-over-year changes in total billed dollar amount for FY 2012 have been positive, primarily due to the 7.5% rate increase

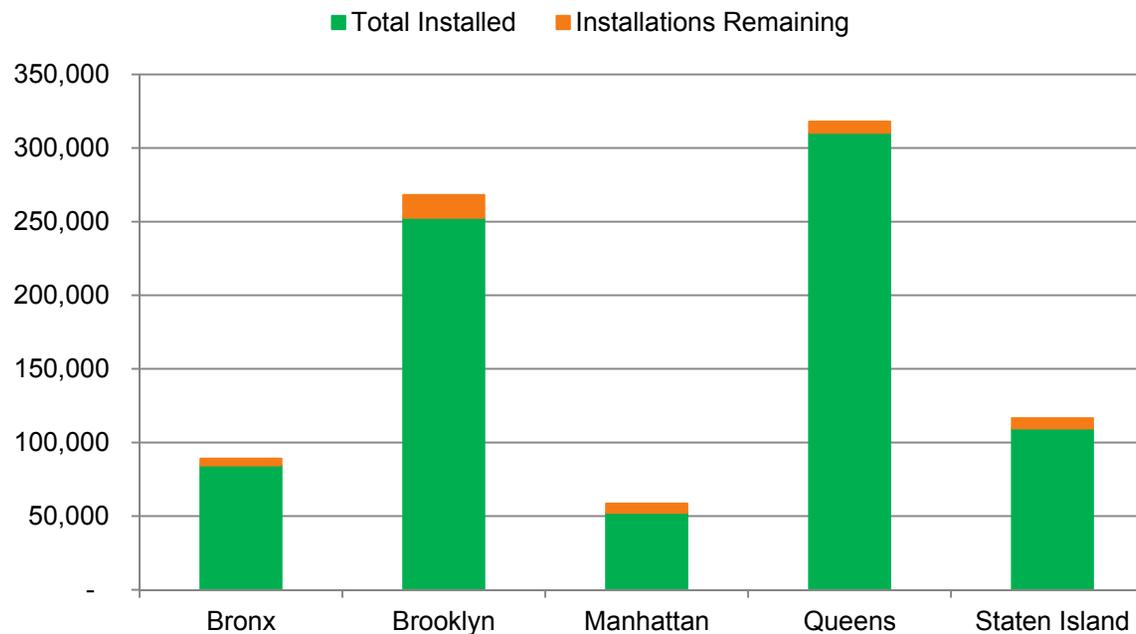


Data as of June 1, 2012

# AMR Installation Summary

**Progress Towards Goal:** DEP has installed wireless meter reading devices on 95% of meters Citywide. Queens is the most built-out borough with 98% of accounts' devices installed

## Wireless Meter Reading Device Installations

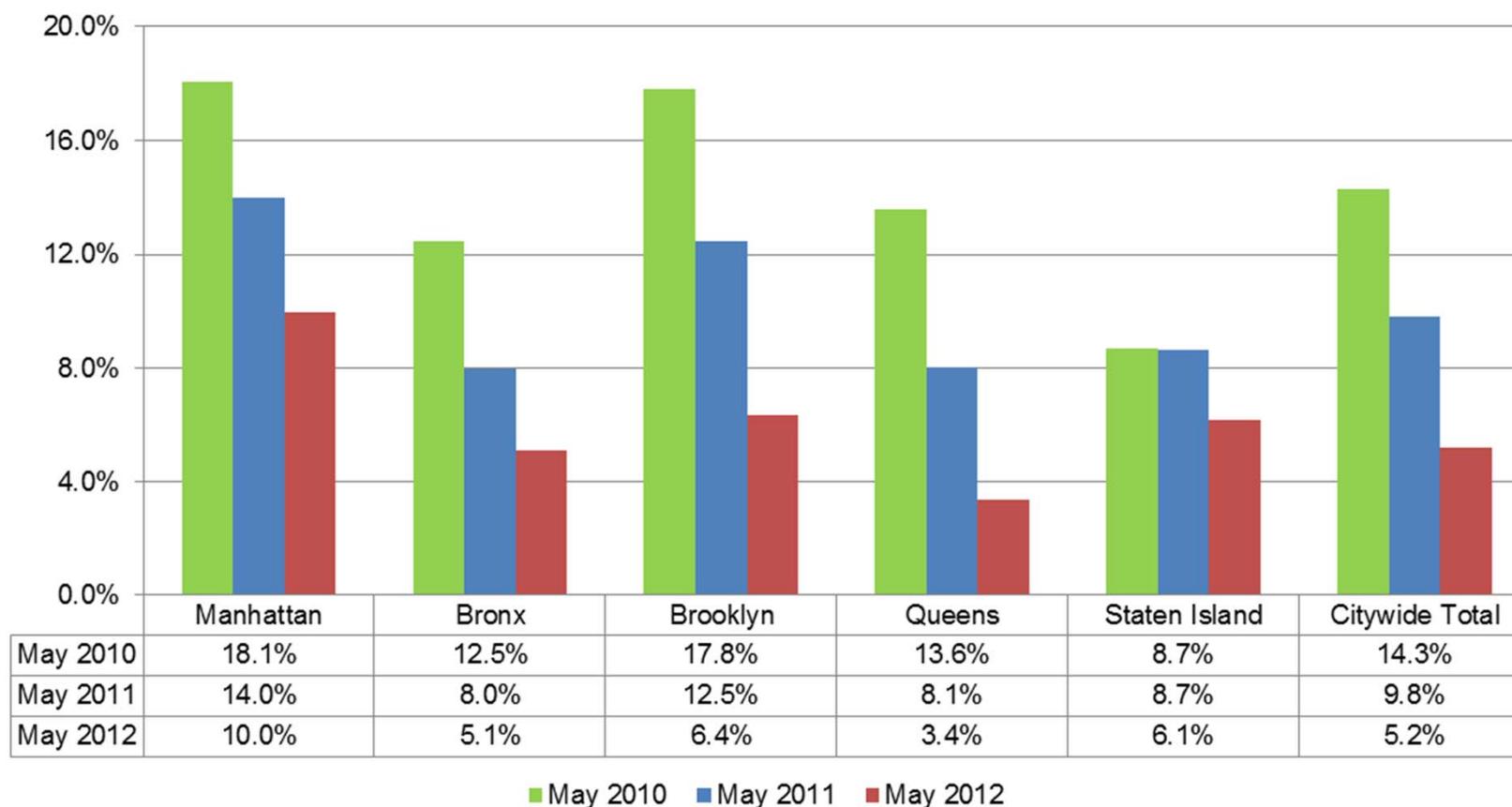


	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Citywide Total
<b>Total Installed</b>	84,428	252,581	52,213	310,301	109,559	809,082
<b>Borough Target</b>	89,039	268,112	58,605	317,980	116,544	850,280
<b>% of Target Installed</b>	95%	94%	89%	98%	94%	95%

# Estimated Bills: Before and After AMR

- ❖ Citywide, the percentage of estimated bills in May has dropped 64% since 2010

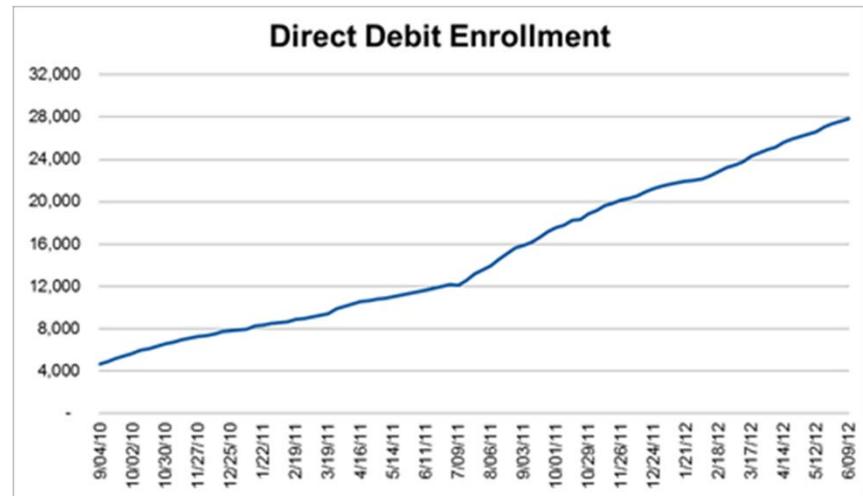
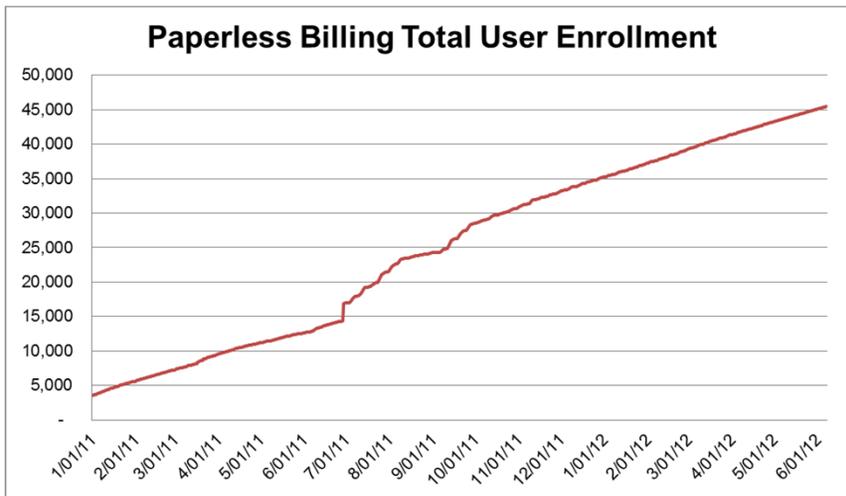
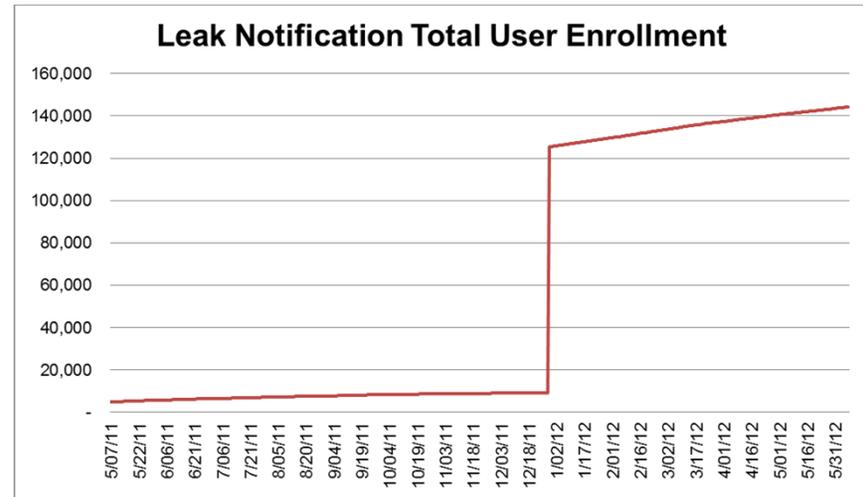
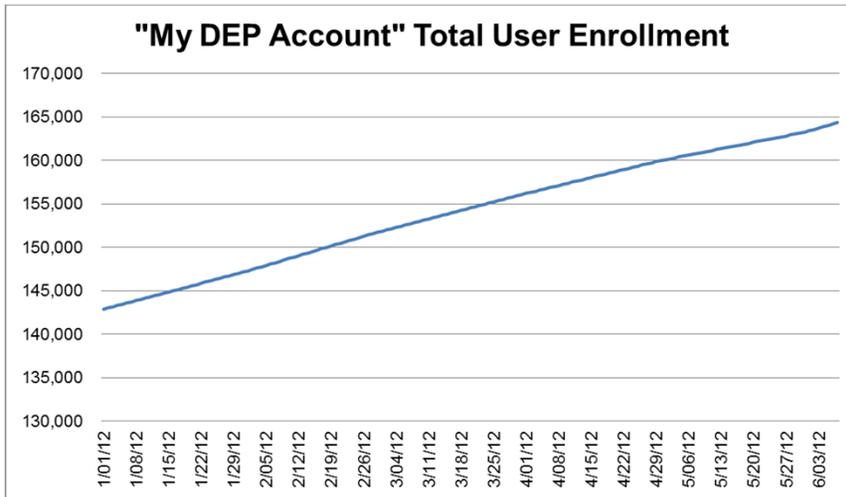
## Estimated Bills: May 2010 through 2012



# DEP Online Initiatives



DEP Online Services	My DEP Account		Direct Debit Users	Paperless Billing Users	Leak Notification Users
	Total Enrollees	Total Accounts			
Enrollees	164,356	212,987	27,857	45,481	144,201



Data as of June 7, 2012

# Direct Debit & Paperless Billing Enrollment

❖ The 2% discount program will expire June 30, 2012

## Direct Debit & Paperless Billing 2% Discount Enrollment

	Wk of 6/25/2011 & FY 2011 Totals		Wk of 6/9/2012 & FY12 Totals
Total Enrolled	11,981	 11 months of FY 2012 Enrollment	27,857
Total Payments Received This Week	789		1,203
Value of Payments Received This Week	\$582,982		\$827,680
Discount Paid This Week	\$11,656		\$16,548
Cumulative # of Payments Received	26,882		70,259
Cumulative Amount of Payments Received	\$18,852,353		\$67,659,887
Cumulative Discount Paid	\$383,202		\$1,352,851

# FY 2012 Debt Issuance

- ❖ \$3.0 billion of bonds issued by Water Finance Authority so far in FY 2012, including \$1.3 billion of refunding bonds
- ❖ Have taken advantage of low market rates in issuance to date

Bond Series	Par Amount	Net True Interest Cost	Use of Funds	Type
Fiscal 2012 Series AA	\$ 450,900,000	4.53%	New Money/Refunding	Tax-Exempt Fixed Rate
Fiscal 2012 Series A	\$ 200,000,000	VAR <sup>(1)</sup>	New Money	Tax-Exempt Adjustable Rate
Fiscal 2012 Series BB	\$ 450,000,000	4.77%	New Money	Tax-Exempt Fixed Rate
Fiscal 2012 Series CC	\$ 350,000,000	4.54%	New Money	Tax-Exempt Fixed Rate
Fiscal 2012 Series DD	\$ 50,000,000	2.65%	New Money	Tax-Exempt Fixed Rate
Fiscal 2012 Series EE	\$ 522,505,000	3.84%	New Money/Refunding	Tax-Exempt Fixed Rate
Fiscal 2012 Series B	\$ 325,000,000	VAR <sup>(1)</sup>	New Money	Tax-Exempt Adjustable Rate
Fiscal 2012 Series 2 & 3	\$ 669,375,000	0.76% <sup>(2)</sup>	Refunding	EFC Tax-Exempt Fixed Rate
Proposed Fiscal 2012 Series FF & GG	\$ 700,000,000	6.75% <sup>(3)</sup>	New Money/Refunding	Tax-Exempt Fixed Rate
<b>Total</b>	<b>\$ 3,717,780,000</b>			

<sup>(1)</sup> Variable rate average through May 31, 2012 was 0.19%, excluding liquidity and remarketing expenses totaling approximately 0.47%

<sup>(2)</sup> Net of EFC interest subsidy

<sup>(3)</sup> Budgeted rate

# Phase I Actions and Findings

- ❖ The six-month diagnostic Phase 1 included full analysis of improvement opportunities available to DEP; \$5M in annual savings already implemented

## What we did in Phase 1

- Performed site assessment of treatment plants, pump stations, reservoirs, repair yards, etc.
- Observed ~800 person-hours of work
- Reviewed more than 35 contracts
- Conducted negotiation training for DEP and DCAS staff
- Analyzed recorded consumption of ~15,300 meters
- Conducted interviews and workshops with leadership, supervisors, and field staff

## Already Implemented Initiatives

- Chemical usage reduction
- Manual control of aeration
- Chemical cost renegotiation with incumbent vendors

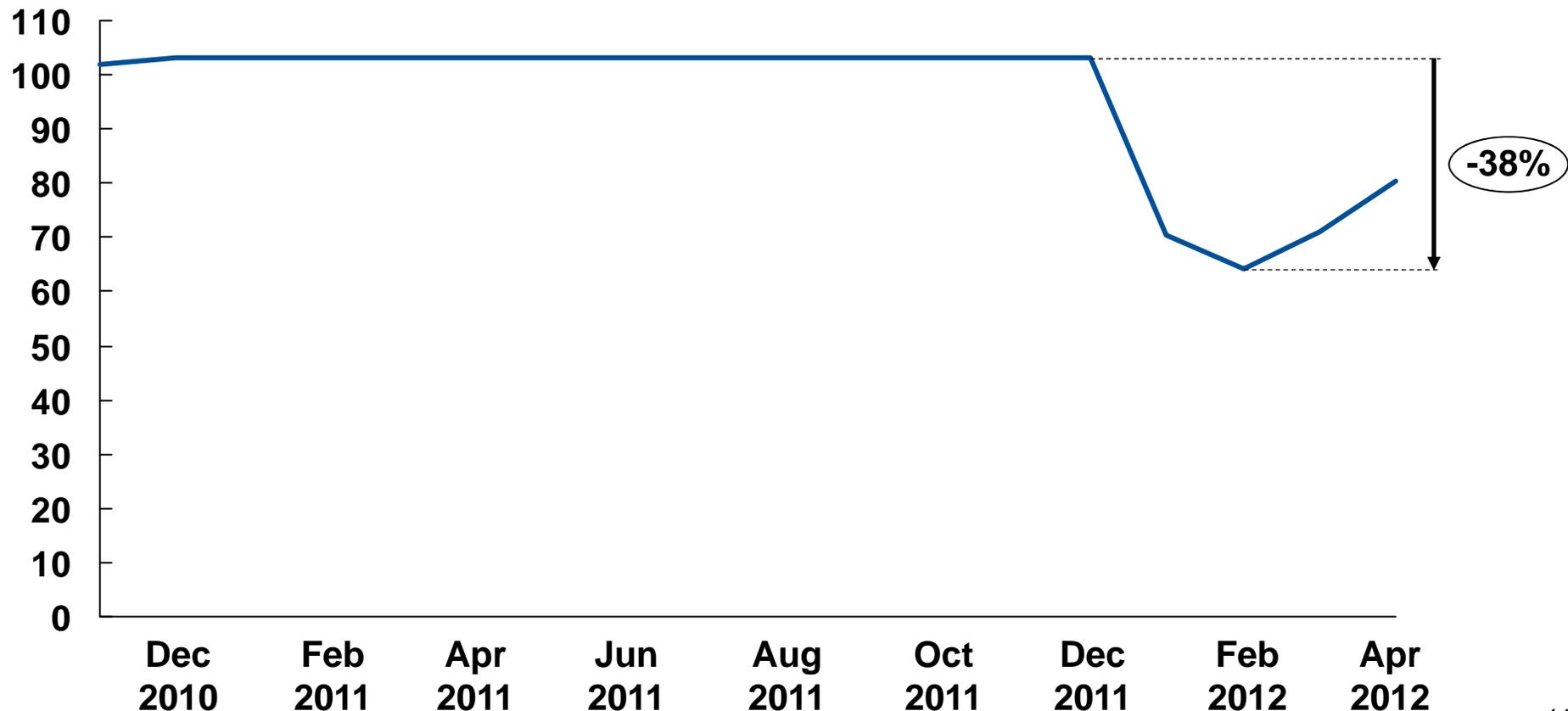
## The main initiatives to be addressed in the proposed Phase 2

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>▪ Use resources and materials efficiently and sustainably (e.g., lower energy consumption, increase energy generation and reduce the volume of sludge transported for disposal)</li><li>▪ Improve procurement process to ensure DEP pays the best price for goods and services</li><li>▪ Help DEP's workforce become more effective (e.g., through improved scheduling and equipment availability)</li></ul> | <ul style="list-style-type: none"><li>▪ Improve revenue for services rendered (e.g., expand large meter replacement program)</li><li>▪ Strengthen performance management and metrics across the organization</li><li>▪ Invest in attracting, developing and retaining talent</li></ul> |
|--|--|

# Proposed Implementation Approach

- ❖ In Phase 2, we will follow a pilot, refine, and roll-out approach for all front-line initiatives to prove concepts prior to a full roll-out
- ❖ One proposed initiative being piloted at Jamaica Bay is monitoring dissolved oxygen levels in the wastewater treatment tanks. By adjusting the volume of air blown each day, as needed to meet standards, we expect to achieve energy savings

**Volume of blown air (MCF/day); Jamaica Bay example**



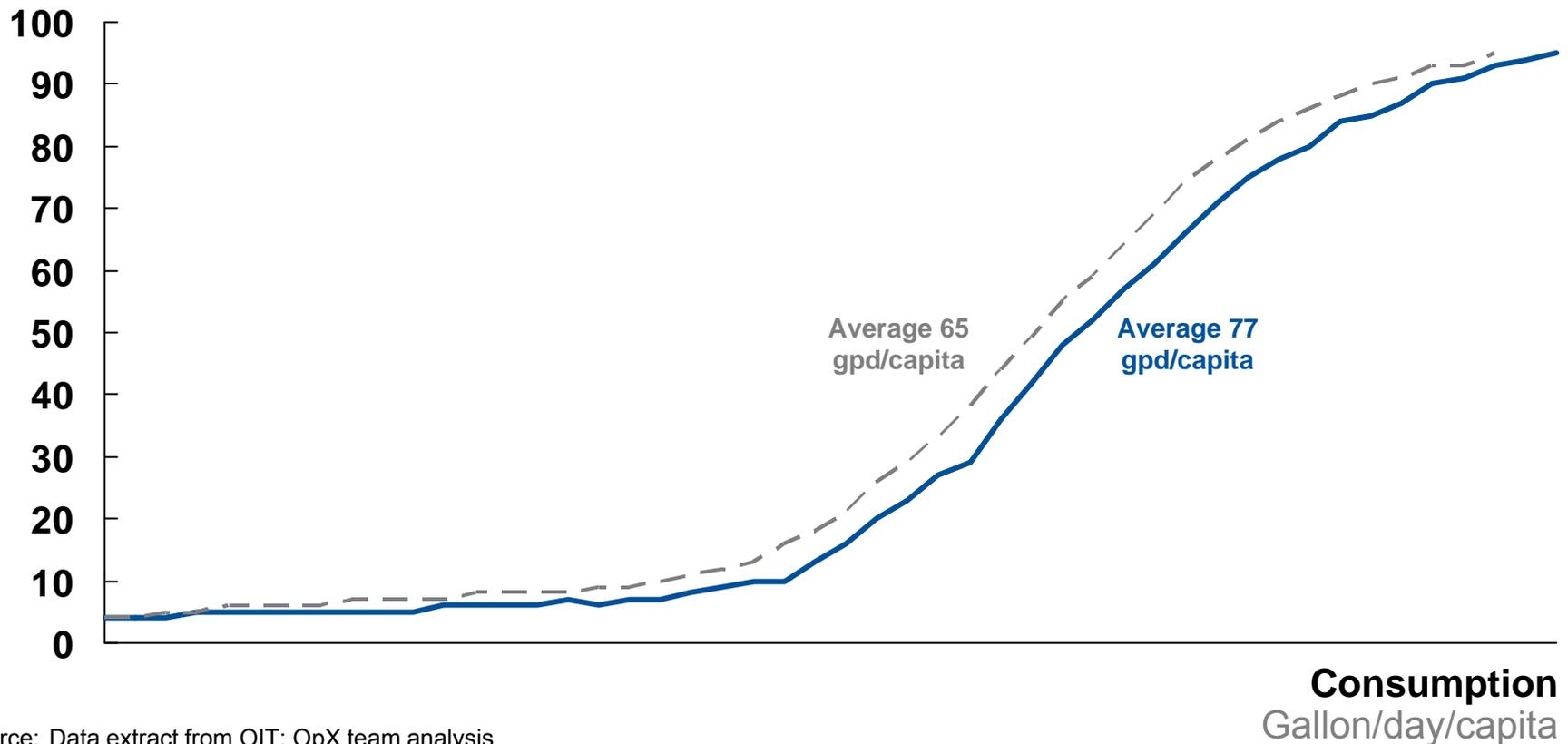
# Revenue Initiatives

- ❖ Through statistical analysis, identified strong large meter candidates for replacement that could generate more than \$40 million in revenues

**Normalized distribution analysis shows a difference of 12 gpd/capita or 18% between displacement & single-jet meters**  
Example: 2" meters, apartments buildings with elevators

— Single-jet (419)  
- - Displacement (1074)

**Cumulative frequency**  
Percent



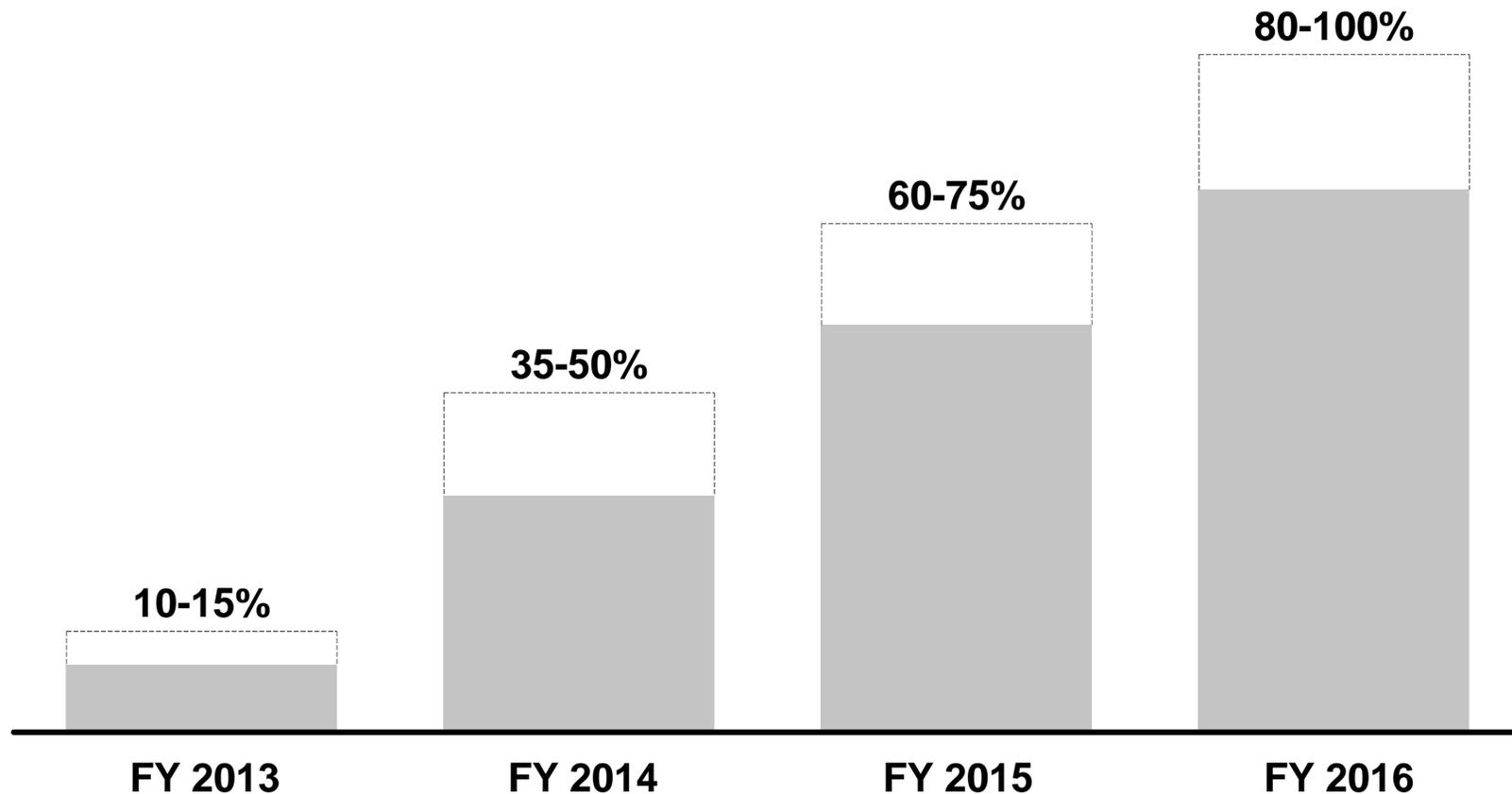
Source: Data extract from OIT; OpX team analysis

# Potential Financial Impact

- ❖ The potential financial benefits of the OpX initiatives will ramp-up over time

## Percent of total opportunity implemented

Benefit achieved as a % of total benefit, full fiscal year effect



# Organizational Evaluation

- ❖ Organizational Health Survey of all employees will help determine the health of DEP as an organization and provide a base for improvement

The survey is part of the OpX initiative, where we are transforming the organization's performance and culture

Key facts on the employee survey



- All employees of DEP were able to participate – either online or via paper copies
- Administered quickly with minimal burden to organization
- Expecting a 40% participation rate
- Will use results to design practical actions for management and the agency as a whole