

NEW YORK CITY WATER BOARD MEETING

PRELIMINARY AGENDA

Friday, May 4, 2012 - 8:30 A.M.

Location: 75 Park Place, 8th Floor
Room 8-S1 & 2
New York, New York 10007

1. Roll Call
2. Resolution: Approval of Minutes of March 30, 2012 Meeting
3. Resolution: Adoption of Fiscal Year 2013 Annual Budget
4. Resolution: Adoption of Fiscal Year 2013 Rate Schedule
5. Presentation: Upstate Rate Report and Adoption Schedule

NEW YORK CITY WATER BOARD

May 4, 2012

RESOLUTION

WHEREAS, the Board has reviewed the Minutes of the previous meeting of the Board held on March 30, 2012, it is therefore

RESOLVED, that the Minutes of the meeting of the Board held on March 30, 2012 be, and hereby are adopted.

MINUTES OF A MEETING OF THE NEW YORK CITY WATER BOARD

A meeting of the New York City Water Board (the “Board”) was held on March 30, 2012 at 8:30 a.m. at the New York City Department of City Planning, 22 Reade Street, Spector Hall, New York, New York 10007. The following members of the Board were present:

Alan M. Moss,

Marcia Bystryn,

Alfonso L. Carney, Jr.,

Mehul J. Patel,

Arlene Payne, and

Benjamin Tisdell,

constituting a quorum. Mr. Moss chaired the meeting, Albert F. Moncure, Jr. served as secretary of the meeting.

Approval of Minutes of February 24, 2012

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on February 24, 2012. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on February 24, 2012, were unanimously adopted.

Presentation: Fiscal Year 2013 Rate and Billing Policy Proposals

DEP Commissioner Carter Strickland presented DEP’s Rate and Billing Policy Proposals for the next Fiscal Year.

Rate Increase - DEP is proposing a 7% rate increase. This is the lowest rate increase in 7 years and is 29% lower than the 2010 projection of the Fiscal Year 2013 increase. The lower rate increase is possible because of reduced Water Authority debt service, which is attributable to lower interest rates and a reduction in the magnitude of unfunded mandates

financed through the System Capital Plan. Additionally DEP's operating budget has been reduced by 15% over the past three years.

Expiration of Frontage Billing and Conversion to MCP - Commissioner Strickland explained that frontage-based billing for Tax Class 2 multi-family properties will expire on June 30, 2012. Properties may then elect to be billed based on metered consumption or convert to the Multi-Family Conservation Program ("MCP"), in which case, the cost of service will be based on a fixed charge per dwelling unit.

Service Line Protection Plan – DEP, through the Board, intends to offer customers an optional Service Line Protection Plan. The Plan will be provided by a contractor, which DEP is in the process of selecting through an RFP process. The plan, which will be provided at no cost to DEP, will save homeowners the costs of unexpected service line repairs, minimize overall disruption to the local community and reduce the expense to DEP of terminating water service on service line leaks that have not been repaired.

Capped Rental Payment Pilot - The Board's rental payment to the City pursuant to the System Lease will be capped at the Fiscal Year 2011 amount for Fiscal Year 2012. The annual cap will be increased at the rate of inflation for a 3-year pilot period through Fiscal Year 2015. The amount of the gross rental, based on 15% of Water Authority debt service, in excess of the cap will be used for partial mitigation of future rate increases, green infrastructure, and other programs.

Fiscal Year 2012 Highlights - Commissioner Strickland summarized certain of DEP's major achievements in Fiscal Year 2012.

There has been a \$3.4 billion reduction in unfunded mandates for combined sewer overflows, which has been accomplished by replacing gray infrastructure with environmentally sound green infrastructure projects.

Construction of the \$1.6 billion Hillview Reservoir cover has been deferred to 2023.

Negotiated increases in labor costs have been offset with productivity gains.

OpX initiatives already implemented will result in \$5 million of savings in Fiscal Year 2013.

Strategy 2011-2014 -

Commissioner Strickland said that DEP's mission is to supply, deliver, and treat water for 9 million people. He then summarized 100 strategies and initiatives to accomplish this goal in four core areas: customer service, worker safety, capital construction, and sustainability. He said that 63 of the initiatives have been fully or partially implemented thus far.

Fiscal Year 2012 Budget - Commissioner Strickland summarized actual and projected Fiscal Year 2012 Budget results. Debt service accounts for 46% of the Budget, Operating and Maintenance expenses for 34%, and the System rental payment to the City 6%. Total consumption for Fiscal Year 2012 is projected to equal the plan target amount. Projected Revenues, Operating and Maintenance Expenses, and Debt Service are forecast to be 1%, 2%, and 4% higher than the respective plan target amounts. The System rental payment is projected to be 11% less than the plan target amount because the Authority's debt service has been lower than projected as a result of low interest rates.

DEP's Capital Priorities 2012 - 2016 - Commissioner Strickland discussed DEP's Capital Priorities for the current period through Fiscal Year 2016. These include Green

Infrastructure related projects, Staten Island Siphon construction, repair of the Manhattan Pump Station, and repair of the Delaware Aqueduct.

Projected Fiscal Year 2013 Operations and Maintenance Changes - Reductions in Operating and Maintenance expenses from the OpX program for Fiscal Year 2013 are projected to be \$10 million. The savings are attributable to OpX initiatives regarding chemical usage, vehicle maintenance, and a number of other small individual interventions, which collectively result in significant reductions.

The reductions are offset by new needs which include Operating and Maintenance expenses for the Croton Filtration Plant and the Catskill/Delaware Ultraviolet Disinfection Facility.

Financial Outlook for Fiscal Year 2013 - For Fiscal Year 2013, Operating and Maintenance expenses, consisting of new needs net of cost reductions, are expected to increase by \$67 million or 5%. Debt service, excluding FY 2012 debt defeasance, is projected to increase by \$138 million or 9%; and the System Rental Payment will be capped at \$196 million, adjusted for inflation, pursuant to the new pilot program. Additional revenue of \$205 million will be needed, which accounts for the proposed 7% rate increase.

The Commissioner then discussed the schedule of public hearings to be held ahead of rate adoption at the next Board meeting in May.

Following the conclusion of Commissioner Strickland's presentation, individual Board members commented.

Mr. Moss commended the Commissioner's leadership. He added that the System Rental adjustment is a surprising and unexpected benefit. Early results indicate that the OpX

Program represents a good return on investment. However, he expressed concern about the potential threat to the Water System from hydrofracking.

Commissioner Strickland replied that the Department of Environmental Conservation has banned hydrofracking in the watershed, and DEP is requesting a further exclusion zone in the area adjacent to the watershed.

Mr. Patel also praised the System Rental adjustment as well as the transition from frontage billing to the MCP.

Ms. Payne said she is very impressed by the “phenomenal” job done by DEP in supplying high quality water to residents of the City and DEP’s ability to construct capital projects on time and under budget.

Ms. Bystryn praised DEP’s creative thinking on public/private green infrastructure projects as well as the System Rental pilot program.

Mr. Carney thanked Commissioner Strickland for his explanation of the financial impact of unfunded mandates, which he said was very clear. He congratulated DEP on the deferral of unnecessary federally mandated capital projects.

Adjournment

There being no further business to come before the Board, upon motion duly made and seconded, the meeting was duly adjourned.

Secretary

NEW YORK CITY WATER BOARD

May 4, 2012

RESOLUTION

WHEREAS, the New York City Water Board (the "Board") has received certification from the New York City Municipal Water Finance Authority (the "Authority") regarding the Authority's Budget for the fiscal year commencing July 1, 2012 ("Fiscal Year 2013") reflecting Authority Expenses and estimated Aggregate Debt Service (as such terms are defined in the Authority's General Revenue Bond Resolution); and

WHEREAS, the Board has received certification from the Director of Management and Budget of the City of New York (the "City") regarding: the amounts which the City reasonably anticipates it will have expended during Fiscal Year 2013 in connection with the operation and maintenance of the water and wastewater system as described in paragraphs (a) through (e) of Section 8.1 of the Agreement of Lease dated as of July 1, 1985, as amended, between the Board and the City (the "Lease"); and the rental payments requested by the City for Fiscal Year 2013 pursuant to Section 8.2 of the Lease; and

WHEREAS, the Board has received certification from AECOM USA, Inc., Consulting Engineer, pursuant to Section 8.3(a)(ii) of the Lease to the effect that amounts certified by the City for costs incurred or to be incurred in connection with paragraphs (a) and (b) of Section 8.1 of the Lease are reasonable and appropriate; and

WHEREAS, the Board has reviewed a proposed budget for the Board's own anticipated Expense Fund operating expenses for Fiscal Year 2013; and

WHEREAS, the Board has reviewed the proposed Annual Budget for the Board's expected expenditures for Fiscal Year 2013 based on the above-described certifications and

Board Expense Fund budget, and has determined that such provision for anticipated expenditures is reasonable and appropriate to enable the Board to exercise its powers and carry out its purposes in accordance with the New York City Municipal Water Finance Authority Act; it is therefore

RESOLVED, that the Annual Budget of the Board for Fiscal Year 2013, a copy of which is attached hereto, is hereby adopted.

DRAFT

NEW YORK CITY WATER BOARD

May 4, 2012

RESOLUTION

WHEREAS, the Board is authorized pursuant to Section 1045-g(4) of the New York City Municipal Water Finance Authority Act (the "Act") to establish, in accordance with Section 1045-j of the Act, fees, rates, rents or other charges for the use of, or services furnished, rendered or made available by the water and wastewater system of the City of New York (the "City"); and

WHEREAS, in accordance with Sections 1045-j (3) and (9-a) of the Act, public hearings concerning certain proposals regarding water and wastewater system rates and charges were held in each borough of the City on April 23, 24, 25, 26 and 27, 2012, and a summary or transcript of each hearing along with all written statements submitted by April 27, 2012 have been received and reviewed by the Board; and

WHEREAS, in accordance with certifications received from (i) the New York City Municipal Water Finance Authority (the "Authority") with respect to the Authority's annual budget for the fiscal year commencing July 1, 2012 ("FY 2013"), (ii) the City with respect to (a) the amounts which the City reasonably anticipates it will expend during FY 2013 in connection with the operation and maintenance of the water and sewer system and (b) rental payments requested from the Board, and (iii) AECOM USA, Inc., Consulting Engineer, with respect to the reasonableness of the City's certification of certain expenses, the Board has on this day adopted its annual budget for FY 2013; and

WHEREAS, based on the requirements set forth in the Board's annual budget for FY 2013 and the testimony and statements submitted at the aforementioned public hearings, the

Board has determined that, effective July 1, 2012, the water rate for all in-City customers, flat rate and metered, should increase by ____% over the rate in effect in Fiscal Year 2012 and the rate for waste water services should remain at 159% of the applicable water charge; and

WHEREAS, the Board has further determined that the billing policy proposals of 1) an amendment to the Multiple-family Conservation Program (MCP) to include automatic enrollment of qualifying Tax Class 2 residential properties and annual MCP rates of \$894.15 per residential dwelling unit, \$736.13 per low-consumption commercial unit and \$253.56 per boarder, roomer or lodger unit, as well as, for such automatically enrolled properties, the allowance of grace periods until January 1, 2014 to comply with MCP requirements to install approved meter(s) and until June 30, 2015 to install high-efficiency plumbing fixtures, 2) annual rates of up to \$47.88 per water service line and \$95.88 per sewer service line for a Service Line Protection Policy Program that is expected to be implemented in FY 2013 for residential customers with a water service line of 2" or less, and 3) a revision in the Service Call fee for a charge of up to a maximum of \$450 for an inspection at the request of a customer where the complaint is found to be outside the jurisdiction of DEP, all as set forth and described in the public notice, the Public Information Regarding Water and Wastewater Rates booklet dated April 2012, and the Board's Water and Wastewater Rate Schedule for Fiscal Year 2013, should be approved as recommended by staff; it is therefore

RESOLVED, that the Water and Wastewater Rate Schedule for Fiscal Year 2013, a copy of which is attached hereto, which reflects an increase of ____% for in-City water rates as well as the new and modified billing policies, programs and fees as described above is hereby approved.