

**NEW YORK CITY WATER BOARD
MEETING**

PRELIMINARY AGENDA

Friday, March 30, 2012 - 8:30 A.M.

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

1. Roll Call
2. Resolution: Approval of Minutes of February 24, 2012 Meeting
3. Presentation: Fiscal Year 2013 Rate and Billing Policy Proposals

NEW YORK CITY WATER BOARD

March 30, 2012

RESOLUTION

WHEREAS, the Board has reviewed the Minutes of the previous meeting of the Board held on February 24, 2012, it is therefore

RESOLVED, that the Minutes of the meeting of the Board held on February 24, 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 February 24, 2012 at 9:30 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,
Donald A. Capoccia,
Alfonso L. Carney, Jr., and
Mehul J. Patel

constituting a quorum. Mr. Moss chaired the meeting, and Olivia A. O’Neill served as secretary of the meeting.

Approval of Minutes of December 9, 2011 Meeting

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on December 9, 2011. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on December 9, 2011, were unanimously adopted.

Amendment to Contract with CH2M Hill New York, Inc. for Project Management Information System Services

The next item on the agenda was an amendment to the contract with CH2M Hill New York, Inc. (“CH2M Hill”). CH2M Hill has been working with the Bureau of Engineering, Design & Construction (“BEDC”) to develop a project management system (“PMIS”) for DEP’s

capital program. Deputy Commissioner Kathryn Mallon made a presentation to the Board regarding the PMIS and requested that the Board authorize an amendment to the contract with CH2M Hill for additional services related to the PMIS and compensation in an amount not to exceed \$392,000. She stated that the requested scope would provide PMIS compatibility with DEP's recent upgrade of underlying SharePoint software from the 2007 version to the 2010 version. She explained that the 2010 software was incompatible with earlier versions of SharePoint; Mr. Carney asked whether Microsoft had disclosed that fact. Apparently it was not disclosed at the time that the 2010 version was in development, but Deputy Commissioner Mallon said that based on user feedback, implementation of the 2010 version had improved BEDC's project management capabilities.

Mr. Capoccia asked about the terms of the original contract. Executive Director Steven Lawitts said that the PMIS development was initially undertaken through a contract with MWH Americas entered into in 2008, in the amount of \$9.3 million. He explained that MWH Americas was having trouble completing the work, so in 2010 the contract was assigned to CH2M Hill. Mr. Capoccia asked whether the Board had approved this assignment; Mr. Lawitts explained that no approval had been needed as it was within the scope of the Executive Director's authority.

Mr. Capoccia asked where things stood in the process of capital planning and discussion ensued. Mr. Capoccia asked when the project would be completed and asked to see a consolidated presentation of all projects. He asked that a monthly report from the PMIS be shared with the Board; Mr. Moss agreed.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by adoption of these minutes:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the New York City Water Board (the “Board”) is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, the System is operated and maintained by the Department of Environmental Protection of the City of New York (“DEP”); and,

WHEREAS, in the interest of managing the City’s water and wastewater capital program in an efficient manner, DEP has identified a need for the services of a technical consultant to modify a project management information system (“PMIS”) so that it is compatible with recent DEP software updates; and,

WHEREAS, CH2M Hill New York, Inc. (“CH2M Hill”) previously delivered a functional PMIS to DEP pursuant to a contract with the Board, and DEP wishes to fully integrate the PMIS with DEP’s current software configurations; and,

WHEREAS, in accordance with the Water Board’s Policy on the Procurement of Goods and Services, in particular, Section 5.i. (prior Board approval of contracts where the cumulative value exceeds \$100,000) and Section 6.iv. (waiver of competitive solicitation where the procurement is a continuation of existing services and it is desirable for purposes of continuity and compatibility), the Board finds such justification reasonable and appropriate in the present circumstances; it is therefore,

RESOLVED, that the Executive Director is hereby authorized and directed to execute an amendment to the agreement with CH2M Hill to provide technical assistance in updating the project management information system upon such terms and conditions as the Executive Director may deem reasonable and appropriate, provided however that the total compensation for services performed under such agreement shall not exceed \$392,000.

Consent to Apportionment and Partial Transfer of East New York Pumping Station Property to the New York City Department of Housing Preservation & Development (HPD)

The next item on the agenda was the consent to the relinquishment of a portion of the above-referenced property to HPD. The City acquired property at 137-153 Jamaica Avenue

in 1931. It currently operates a pumping station at 153 Jamaica Avenue (Parcel B), but does not utilize the full property. 137 Jamaica Avenue (Parcel A) contains an abandoned two-story building. HPD has asked for Parcel A to be relinquished to HPD as the site for a senior housing facility. Mr. Lawitts stated that Parcel A is not being actively kept up by maintenance. He noted that the System's Independent Engineer had expressed the view that the relinquishment of Parcel A would have no negative impact on the operation of the System or the collection of revenues. He stated that HPD had agreed to assume all responsibility for Parcel A and that it is very committed to the project.

Mr. Moss noted the significance of the value of land. He then asked whether there had been a study that demonstrated the effectiveness of the project and whether the neighborhood had the resources to support a senior living facility. Mr. Jack Hammer of HPD said that a study was on-going. He said that there was strong support from HPD and that shopping and public transportation in the neighborhood already existed. There is also a bus that went to a shopping center that was located ½ mile from Parcel A. Mr. Moss asked what made HPD so confident of the success of the project; he also asked whether there would be a financial gain to the developer. Mr. Hammer said HPD was in the process of working with a not-for-profit developer.

Mr. Lawitts said that given the current condition of the site, the project would be an improvement. Mr. Capoccia noted that the project would be subject to a land disposition agreement, which would memorialize the long-term purpose of the project and would include institutional controls. Mr. Moss asked that a provision be included to the effect that if Parcel A is not used for its intended purpose within two years, ownership would revert to the System.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by adoption of these minutes:

WHEREAS, the water and wastewater systems (the “Systems”) of the City of New York (the “City”) have been leased by the City to the New York City Water Board (the “Board”) pursuant to an Agreement of Lease, dated as of July 1, 1985, as amended, between the City and the Board (the “Lease”); and,

WHEREAS, the New York City Department of Environmental Protection (“DEP”) operates and maintains the Systems; and,

WHEREAS, pursuant to Section 11.1(d)(i) of the Lease, the City may, with the prior written consent of the Board, transfer property covered by the Lease which does not materially adversely affect the revenues of the Systems or impair the ability of the Board to make any payments required under the Lease; and,

WHEREAS, DEP operates the East New York Pumping Station located on Block 3487, Lot 20, (the “Property”) on the Tax Map of the Borough of Brooklyn; and,

WHEREAS, the Property contains two buildings, 137 Jamaica Avenue (Parcel A), which is an abandoned two-story building, and 153 Jamaica Avenue (Parcel B), the East New York Pumping Station; and,

WHEREAS, DEP wishes to relinquish the unused portion of the Property, specifically 137 Jamaica Avenue (Parcel A), to the New York City Department of Housing Preservation and Development (“HPD”) for the purpose of constructing a senior housing facility; and,

WHEREAS, DEP has represented to the Board that it has no current or future need for such portion of the Property; and,

WHEREAS, the Board has determined that the relinquishment of Parcel A to HPD, subject to the condition that HPD demonstrate progress in utilizing Parcel A within a two-year time period starting from transfer of the property to HPD is reasonable and appropriate; and,

WHEREAS, by letter dated January 11, 2012, the Board has also received certification from William Pfrang, P.E., Vice President of AECOM USA, Inc., Consulting Engineer, that it has evaluated the above apportionment and transfer of 137 Jamaica Avenue (Parcel A) and has confirmed that such grant does not materially adversely affect the revenues of the Systems or impair the ability of the Board to make any payments required under the Lease; it is therefore,

RESOLVED, that, pursuant to Section 11.1(d)(i) of the Lease, the Board hereby consents to the property apportionment and transfer as described herein.

Authorization to Extend the Contract with Deloitte & Touche as the System's Independent Auditors

The next item on the agenda was the extension of the contract with Deloitte as the System's independent auditors. The Board and Authority jointly retained Deloitte as the System's independent auditors in FY 2008, following a City-wide competitive procurement. At that time, the City also hired Deloitte as its auditor, and since then, the parallel contracts have facilitated coordination in performing the System's audit, as it is a component of the City. Both DEP and the Authority are satisfied with the performance of Deloitte, and on January 19, 2012, the Joint Audit Committee recommended that the Board and the Authority authorize the extension of Deloitte's contract for an additional two years, for purposes of continuity and compatibility with the City's audit contract, and the directors of the Authority authorized the extension of the contract. Mr. Carney inquired as to whether Deloitte retained the same lead partners for the System's audits on an on-going basis. Mr. Lawitts explained that there was a Deloitte requirement that audit partners for any account be shifted on a periodic basis.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by the adoption of these minutes:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the New York City WaterBoard (the "Board") is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, the Board and the New York City Municipal Water Finance Authority (the "Authority") previously retained the firm of Deloitte & Touche LLP for such firm to serve as independent auditors for the financial statements of the water and sewer system (the "System") of the City of New York (the "City") for the fiscal years ending on June 30, 2008 through June 30, 2011; and,

WHEREAS, Deloitte and Touche LLP is the auditor for the City, and the audit of the System requires close coordination with the City's audit, and Board staff has determined that extending the contract with Deloitte & Touche LLP is desirable for purposes of continuity and compatibility; and,

WHEREAS, in accordance with the Water Board's Policy on the Procurement of Goods and Services, in particular, Section 5.i (prior Board approval of contracts where the cumulative value exceeds \$100,000) and Section 6.iv (waiver of competitive solicitation where the procurement is a continuation of existing services and it is desirable for purposes of continuity and compatibility), the Board finds such justification reasonable and appropriate in the present circumstances; and,

WHEREAS, pursuant to the Audit Committee Charter, the Joint Audit Committee has evaluated the independent auditors, found their performance to be satisfactory, and recommended that the Board and the Authority authorize the officers of the Board and the Authority to extend the contract and sign an engagement letter with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal years ending June 30, 2012 and June 30, 2013; and

WHEREAS, on January 19, 2012, the directors of the Authority authorized the officers of the Authority to extend the contract and sign an engagement letter for the fiscal years ending June 30, 2012 and June 30, 2013, pending the approval of the Board; it is therefore,

RESOLVED, that the Board authorizes the officers of the Board and the Authority to exercise the optional contract extension and sign an engagement letter with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal years ending June 30, 2012 and June 30, 2013, as well as any other documents necessary to effectuate the continued retention of the independent auditors.

Prior to the presence of a quorum to commence the meeting, two informational presentations were made to those present.

Presentation: Update on Hydrofracking

David Warne, Assistant Commissioner of Water Supply, made a presentation on the status of hydrofracking in New York. Assistant Commissioner Warne began his comments by expressing his deep appreciation and thanks to the Board for its on-going support. He then summarized DEP's comments on the NYS Department of Environmental Conservation's Environmental Impact Statement and discussed DEP's proposals to protect water supply

infrastructure that lies within the Marcellus Shale area but outside the watershed. Mr. Moss noted that evaluation of the effects of hydrofracking raised the question as to how to quantify the risk and how to establish recommendations as to infrastructure buffers based on that evaluation. He also posed the question as to why a distinction was being made with respect to the buffer, since it could be assumed that the injections of liquid would travel to the buffer. Discussion was had. Mr. Warne said that no date for the issuance of the revised draft SGEIS had yet been announced. He noted that many comments had been received during the comment period that closed in January 2012 and that it would therefore take some time to evaluate those comments. Assistant Commissioner Warne then gave a brief update on the status of the Delaware River Basin Commission rules. He said that the regulatory process was currently on hold.

Presentation: Financial Update

The last item on the agenda was a financial update provided by Mr. Lawitts. Mr. Lawitts said that revenues for FY 2012 are currently ahead of the plan target amount. With respect to the capital budget, Mr. Moss asked about the likelihood of DEP meeting its annual capital commitment target; discussion ensued.

Mr. Lawitts then gave an update as to implementation of the wireless meter reading installation. He said that the automated water meters had helped with forecasts. He noted that the meters both resolved and generated disputes.

Mr. Moss inquired as to when the lien sale program would have to receive new authorization. Mr. Lawitts said that current authorization of the program extended through December 2014. Mr. Moss asked whether anyone had looked at the possibility of sales of accounts receivable. Mr. Capoccia agreed that such a program would have value.

Adjournment

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

SECRETARY

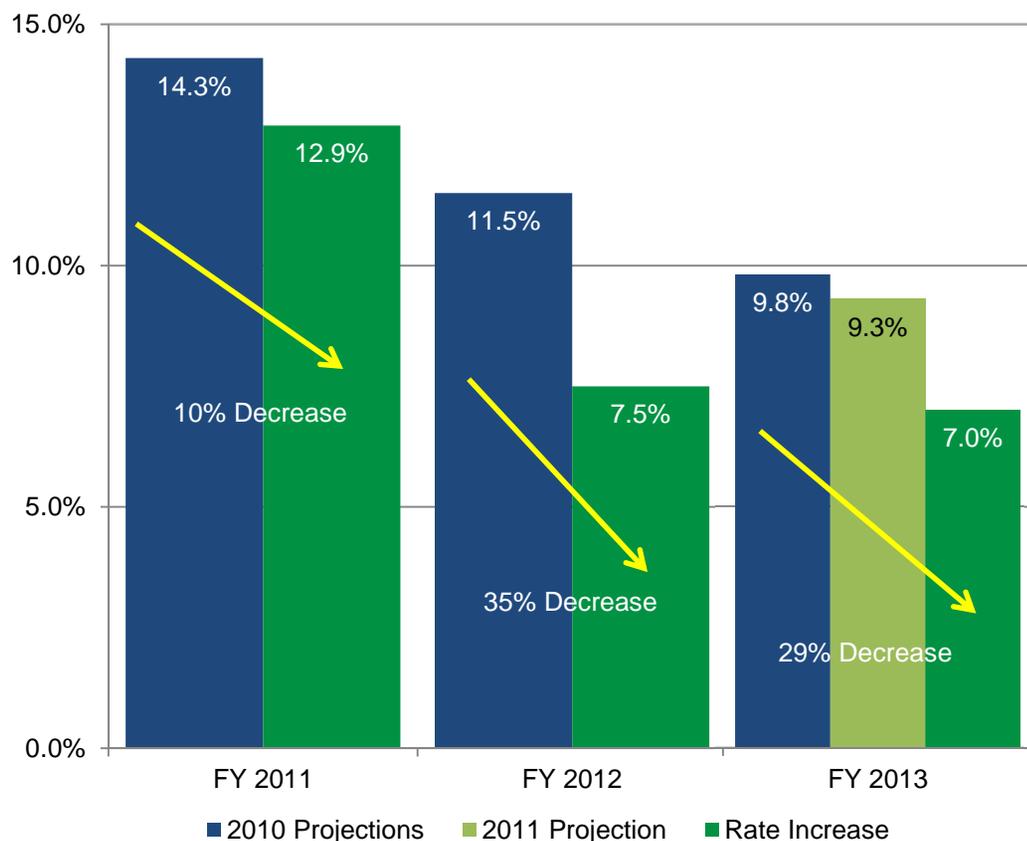
DRAFT



FY 2013 Water Rate Proposal to the New York City Water Board

March 30, 2012

FY 2013 Rate Proposal Summary



- ❖ Proposing **7%** rate increase
- ❖ Lowest rate increase in 7 years
- ❖ 29% lower than 2010 projection of FY 2013 rate increase

	FY 2012	FY 2013 (7% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.21	\$8.78 (\$0.57)
Average Annual Single Family Charge (80,000 gal)	\$877	\$939 (\$62)
Average Annual Multi-family Charge (52,000 gal)	\$571	\$610 (\$39)

Changes in Rate Structure, FY 2013

- ❖ Expiration of frontage-based charges for Tax Class 2 multi-family properties
 - Conversion to Multi-family Conservation Program (MCP) with metering and conservation requirements,
 - or customer can opt for immediate meter-based billing
- ❖ Service Line Protection Program will allow customers to opt-in to insurance for water or sewer service line repairs, or both
- ❖ Rental Payment from water system to general fund to be capped at FY 2011 amount and adjusted for inflation in 3-year pilot through FY 2015

Multi-family Conservation Program

- ❖ End of frontage for Tax Class 2 multi-family properties
 - 30,455 frontage accounts (3.5% of DEP's customers)
 - Billed \$750M in FY 2012 (24.5% of in-City revenues)
- ❖ Conversion to an affordable Multi-family Conservation Program (MCP)
 - The 30,455 accounts (with 908,745 units) will be billed on per-unit charges:

Unit Type	Unit Count	Charge Per Unit
Dwelling	889,760	\$894.15
Low-use Commercial	11,284	\$736.13
Lodger/ SRO	7,701	\$253.56
Total	908,745	-

- ❖ FY 2013 charges will total \$803M, a 7% increase for the average apartment building
- ❖ DEP will provide a web-based tool to enable customers to evaluate whether the MCP or metered charges are more economical for them
- ❖ For each property, participants will be required to have:
 - Approved meter and wireless reading device by January 2014
 - Water efficient fixtures in 70% of the building's units by June 2015
- ❖ DEP will launch a fixture replacement program in 2013 to support the installation of more efficient toilets in public and private buildings

Service Line Protection Program

- ❖ Building owners, not DEP, are responsible for repairs to their service lines
- ❖ Building owners pay an average of \$3,750 to fix each water service line leak
- ❖ Water Board issued RFP for contractor who will offer Service Line Protection policies to all water and sewer customers with service lines of 2" or less
- ❖ Coverage will spare homeowners the costs of unexpected service line repairs, minimize overall disruption to the local community and reduce the expense to DEP of shutting down water service on service line leaks that have not been repaired
- ❖ Customers will be able to opt in to the program for either water or sewer coverage, or both

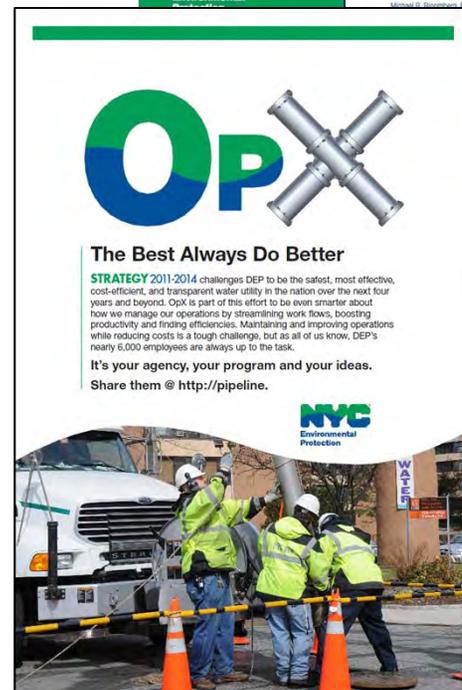
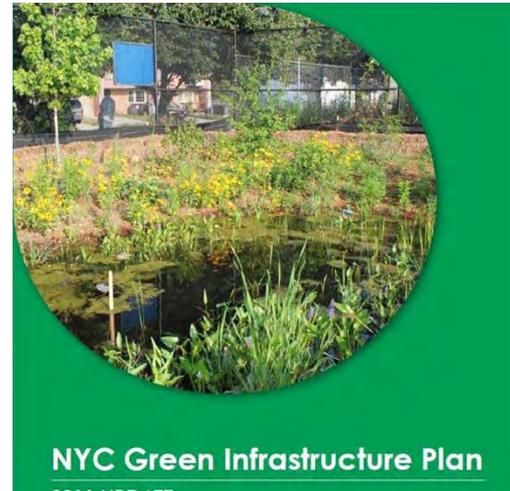
Capped Rental Payment Pilot

- ❖ Many municipal systems make payments to their general funds for city services provided to the water and wastewater systems, such as police, fire and sanitation
- ❖ NYC's Rental Payment is based on required debt service coverage ratio for bonds
- ❖ Proposal is to cap Rental Payment at FY 2011 amount for FY 2012 and increase it each year in line with projected inflation for a 3-year pilot period through FY 2015
- ❖ Amount of gross rental calculation over the capped amount will be returned to the water system in each following year
- ❖ Returned funding of \$98M will be used for partial mitigation of future rate increases, green infrastructure, and other programs

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Gross Rental Payment	\$196	\$210	\$231	\$257	\$270
Capped Rental Payment		\$196	\$199	\$205	\$211
Residual Payment to be Returned		\$14	\$32	\$52	\$59
Returned Rental Payment (1-year Lag)			\$14	\$32	\$52
Returned Payment as % of Gross Payment			6%	13%	19%

FY 2012 Highlights

- ❖ Addressed billions of dollars in unfunded Federal mandates, including:
 - Eliminated and deferred \$3.4B for handling combined sewer overflows by replacing costly gray infrastructure projects with environmentally-sound green projects
 - Deferred \$1.6B construction of Hillview Reservoir cover to 2023
- ❖ Settled long-standing labor issues through productivity gains
- ❖ Reducing operating costs and transforming our management of the complex water and sewer system through OpX; initiatives already implemented will result in \$5M of savings in FY 2013, with more to come



DEP's Mission

DEP must supply, deliver, and treat the water 9 million New Yorkers need every day; protect and improve the waters that surround us, the air we breathe, and New Yorkers' overall quality of life.

The screenshot shows the NYC DEP website's 'STRATEGY 2011-2014' page. At the top, there's a navigation bar with 'Residents', 'Business', 'Visitors', 'Government', and 'Office of the Mayor'. Below that is a banner for 'Fall Foliage' at Cannonsville Reservoir. The main content area features a large image of water splashing with the title 'STRATEGY 2011-2014'. A quote from Mayor Michael R. Bloomberg reads: 'This plan lays out the distinct strategies and initiatives needed to carry out DEP's vital mission...'. To the right, there's a sidebar with 'CUSTOMER SERVICES' (Ways to Pay Your Bill, Account Information, Customer Assistance, Water Rates, Property Managers and Trade Professionals) and 'WATER UTILITIES' (Drinking Water, Wastewater). There are also social media links for Facebook, Flickr, and Twitter, and an 'Email a Friend' button.

- ❖ 100 Strategies and Initiatives to achieve this mission in 4 core areas:
 - Serving 9 million customers
 - Operating the safest, highest-performing water utility at the lowest possible cost
 - Building capital projects on time and on budget
 - Delivering clean waters, clean air and a sustainable quality of life for all New Yorkers

- ❖ Of the plan's 100 initiatives, **63 have been fully or partially achieved** in the first year and 36 are on track*

Customer Service:

- ❖ Launched Leak Notification Program alerting customers to deviations from normal consumption rates
 - 135,000 customers enrolled: *My DEP Account* holders of small properties have been automatically enrolled; large buildings added this year
 - In FY 2012 YTD, approximately \$10M in leak-related charges have been avoided by DEP's customers as a result of early leak detection
- ❖ Launched online Water and Sewer Permitting System

Worker Safety: Ensure safe conditions for DEP's nearly 6,000 employees

- ❖ Reduced total recordable workplace injuries and illnesses by 42%
- ❖ Developed EH&S Performance Metrics to evaluate compliance with regulations, provide risk assessments and foster continuous improvements
- ❖ Implemented Training Tracking and Reporting System and computer-based training

* One initiative (#33: Pressurize the Catskill Aqueduct) was deferred to redirect capital resources to *Water for the Future*

Operations: Manage System of 19 reservoirs, 295 miles of aqueducts, 6,600 miles of water mains, 7,400 miles of sewers, 965 water quality monitoring stations, 109,000 fire hydrants, 144,000 catch basins & 14 in-City wastewater treatment plants

- ❖ Managed System in preparation for, during and after Hurricane Irene and Tropical Storm Lee
- ❖ Quickly addressed fire at North River Wastewater Treatment Plant and restored full-treatment operations
- ❖ Certified Newtown Creek Wastewater Treatment Plant meets federal Clean Water Act standards for secondary treatment two years ahead of schedule
- ❖ Improved repair time of high-priority fire hydrants to 5.9 days in 2011 from 7.5 days in 2010 through partnership with New York City Fire Department
- ❖ Launched H2OStat real-time performance assessments based on 200+ indicators
- ❖ Created Capacity, Management, Operations and Maintenance (CMOM) group to enhance the capabilities of sewer maintenance crews by providing additional engineering, investigative and analytical support

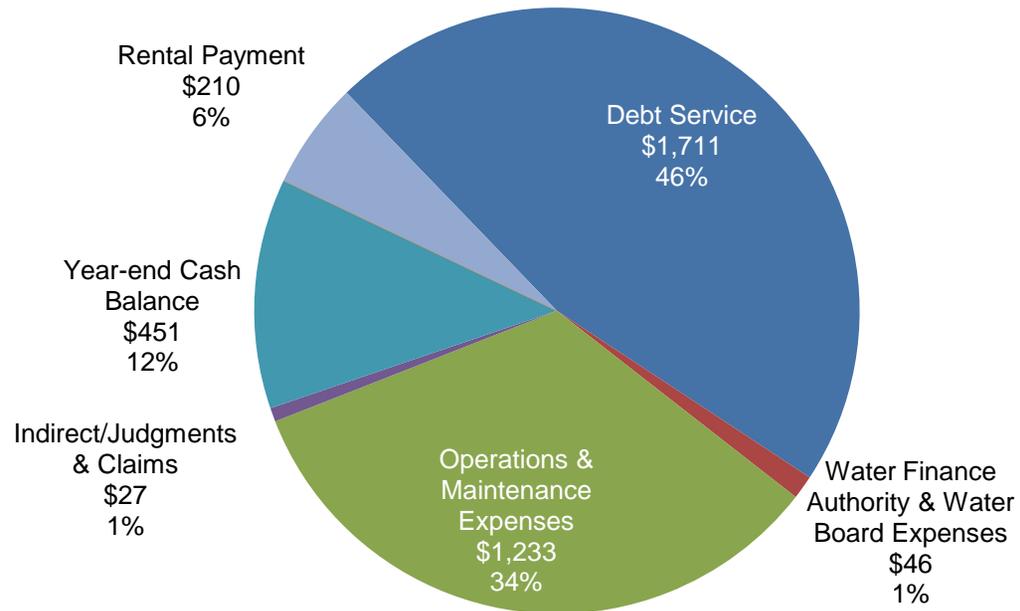
Capital: Current projects total \$11B in construction and \$3B planning and design

- ❖ Completed Project Management Information System to manage and control project schedules and budgets and make data viewable online
- ❖ Created internal Project Controls Division to maintain and expand control systems and support project teams in budget and schedule management
- ❖ Developed a 10-year capital plan prioritizing funding for critical assets
- ❖ Completed vertical asset business cases

Sustainability: Promote public health, economic development and quality of life in New York City through sustainable environmental policy and regulation enforcement

- ❖ Signed a draft consent agreement with New York State Department of Environmental Conservation to adopt the NYC Green Infrastructure Plan into Clean Water Act compliance
- ❖ Established the Office of Green Infrastructure and awarded \$3.8M in Green Infrastructure grants
- ❖ Encouraged ecological restoration of oysters and mussels in Jamaica Bay

FY 2012 Budget



Total: \$3,679M

Financial Outlook through 2012 (\$M)	FY 2012 Plan	FY 2012 Forecast	Change	%
Consumption (MG)	370,685	371,378	693	0%
Revenue*	\$3,231	\$3,266	\$35	1%
Operations & Maintenance**	\$1,280	\$1,307	\$27	2%
Debt Service & Debt Retirement***	\$1,652	\$1,711	\$59	4%
Rental Payment	\$237	\$210	(\$27)	-11%

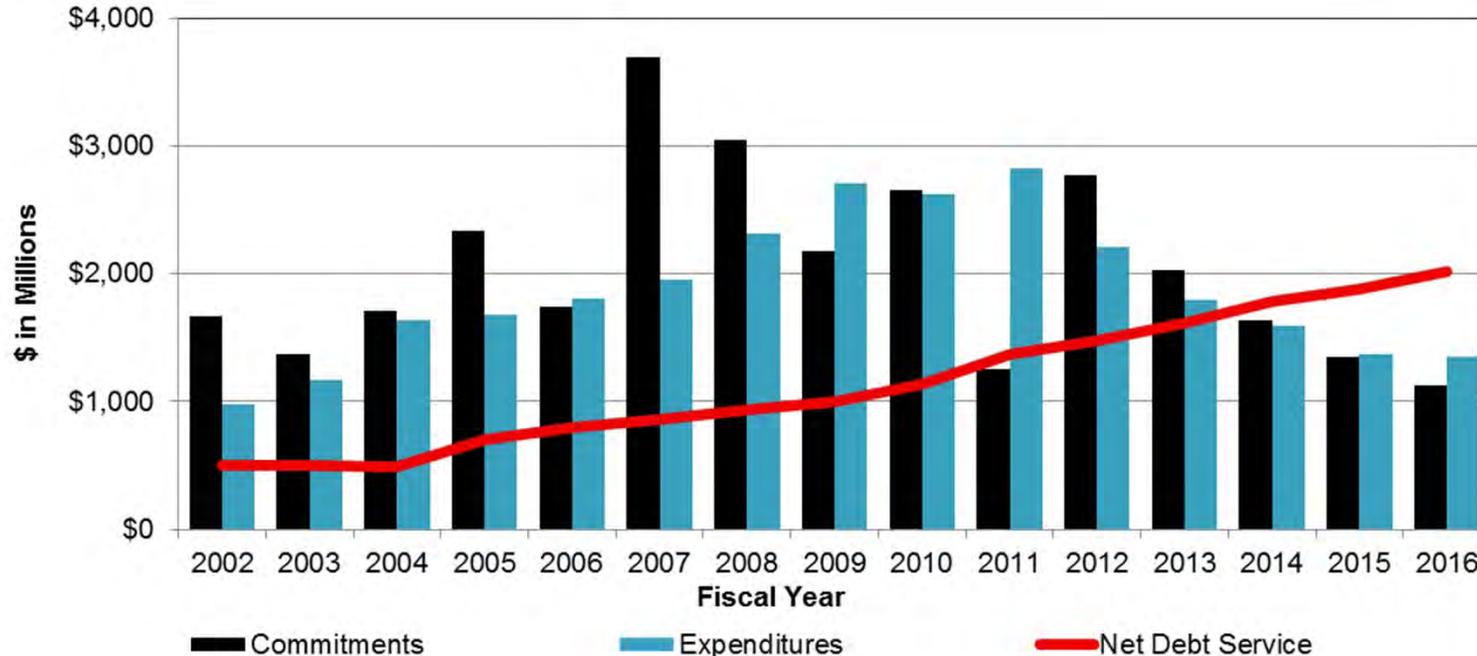
* Revenue is FY 2012 Revenue only and does not include funds carried forward from the prior year

** Operations & Maintenance is the sum of the chart's "Operations & Maintenance Expenses", "Water Finance Authority & Water Board Expenses" and "Indirect/Judgments & Claims"

*** Debt Service includes \$235M of cash retirement of bonds in FY 2012 Forecast

Past Capital Costs, Current Debt Service

- ❖ There is a time lag between commitments and expenditures; debt is issued as expenditures are incurred
- ❖ From \$24.4B of commitments made from FY 2002 to 2012, expenditures have totaled \$21.9B and net debt issuance is projected to total \$19.2B in the same period
- ❖ Annual net debt service increased by 176% between FY 2002 and FY 2011 and is projected to increase by \$107M or 8% in 2012
- ❖ In future years, even though annual commitments and expenditures decrease, annual net debt service continues to rise



Legal Mandates Cost Homeowner \$253 This Year



Croton Filtration Plant



Catskill/Delaware UV Disinfection Facility



Newtown Creek Wastewater Treatment Plant

Mandate	Capital Cost (\$B)	Annual Debt Service Impact (\$M/year)	Annual Household Cost (\$/year)
Croton Filtration Plant	\$3.2	\$160	\$48
Ultraviolet Disinfection Plant	\$1.6	\$80	\$24
Newtown Creek Treatment Plant	\$5.0	\$250	\$75
All Other	\$7.1	\$355	\$106
Total	\$16.9	\$845	\$253

- ❖ The annual cost for typical commercial and industrial customers is \$3,160 and \$316,003, respectively

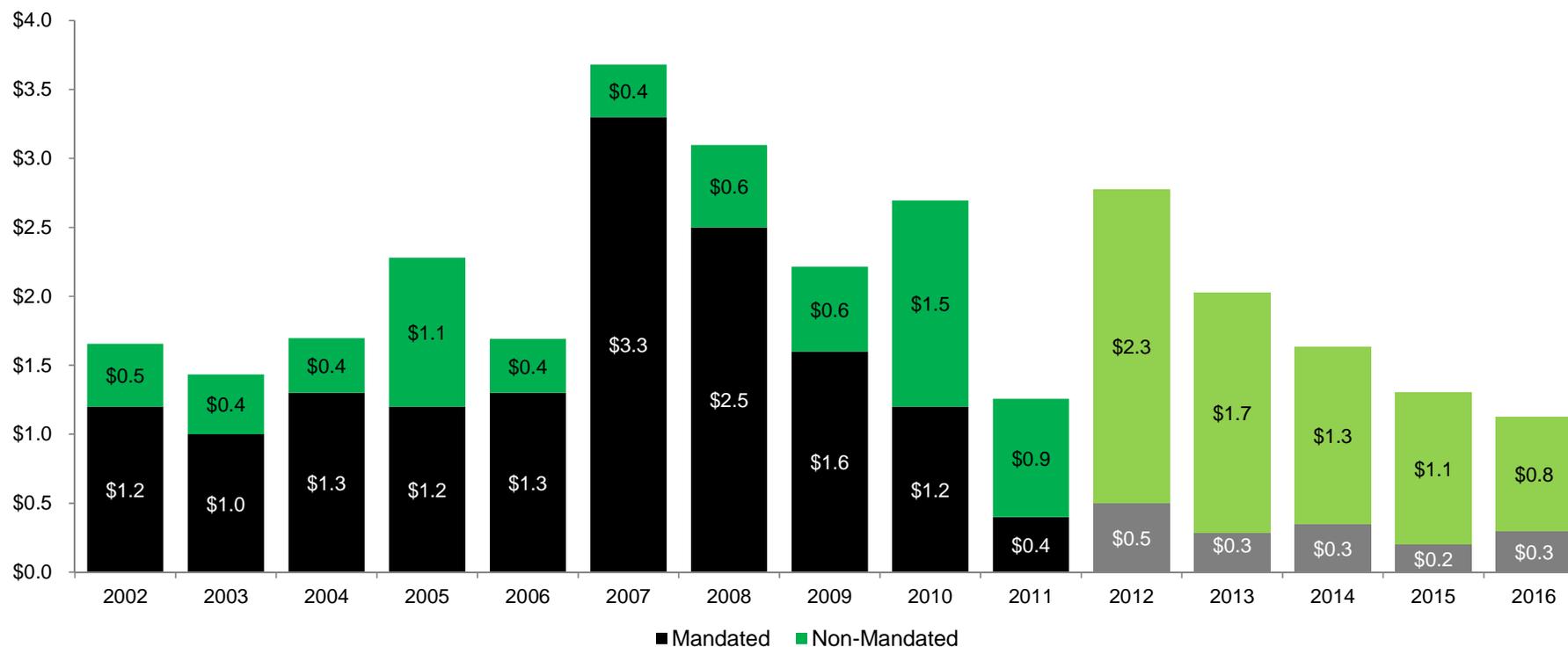
Capital Outlook

- ❖ \$15B (69%) of capital commitments for FY 2002 to 2011 were driven by mandates
- ❖ DEP has been successful working with regulators to reduce future mandates

Capital Outlook FYs 2007—2016

(\$ in billions)

FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Total
\$3.7	\$3.1	\$2.2	\$2.7	\$1.3	\$2.8	\$2.0	\$1.6	\$1.3	\$1.1	\$21.8



DEP's Capital Priorities 2012-2016

- ❖ Initiate Green Infrastructure related projects (\$187M)
- ❖ Complete sewer connections in Queens (\$396M) and Staten Island (\$380M)
- ❖ Bring Bluebelts to southeast Queens to naturally control stormwater (\$29M)
- ❖ Initiate Staten Island siphon construction (\$250M)
- ❖ Complete connections to City Water Tunnel No. 3 (\$898M)
- ❖ Complete repairs to the Manhattan Pump Station (\$227M)
- ❖ Continue planning for Delaware Aqueduct repair – *Water for the Future* (\$2.1B*)



Staten Island Bluebelt



Connections to Water Tunnel No. 3



Shaft Connections for Delaware Tunnel Repair –
Water for the Future

* \$2.1B is the total projected cost for *Water for the Future*, including design and construction, as well as alternative sources and conservation measures

Significant Reductions

- ❖ OpX initiatives regarding chemical usage, sludge processing, vehicle maintenance and re-negotiating DEP contracts for \$10M in savings in FY 2013

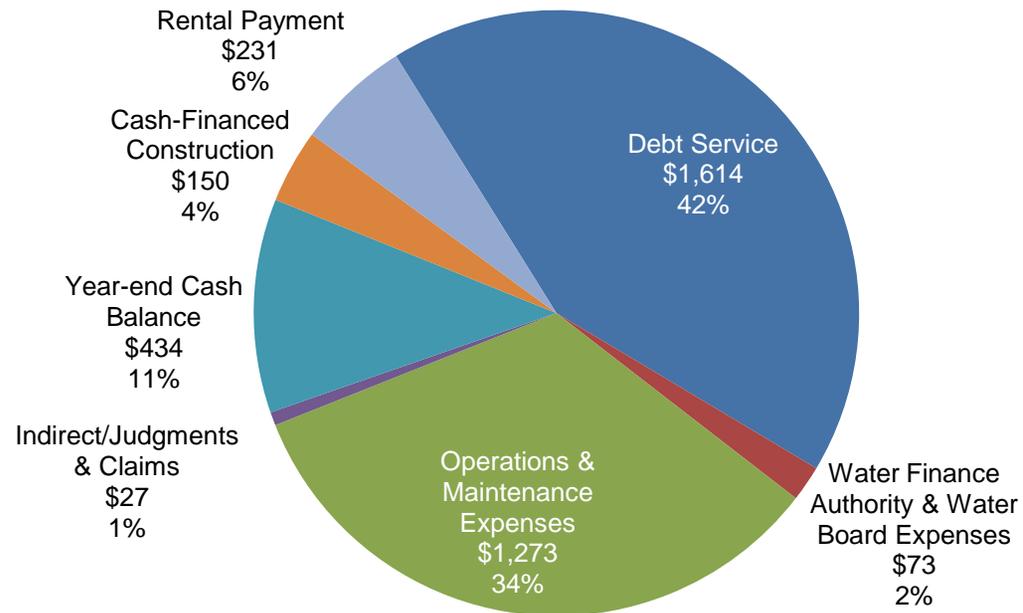
Self-Funded Items

- ❖ Reduced various contracts, including maintenance services and meter reading, to self-fund new needs such as secondary treatment at the Newtown Creek wastewater treatment plant and shaft maintenance for City Water Tunnel No. 3 connections

New Needs

- ❖ Croton Water Filtration Plant and Catskill/Delaware UV Disinfection Plant, including security for both facilities (59 positions; \$16.1M)
- ❖ Costs for chemicals and watershed property taxes (\$15.6M)
- ❖ Heat, light and power increase as a result of changes to NYPA's rate structure (\$7.7M)
- ❖ Fixture program for water conservation (\$10.0M)
- ❖ Capacity Management and Operations Maintenance (CMOM) for a system-wide sewer cleaning program to reduce sewer back-ups and combined sewer overflows (\$4.8M)

Financial Outlook for FY 2013



Total: \$3,802M

Financial Outlook through 2013 (\$M)	FY 2012 Forecast	FY 2013	Change	%
Consumption (MG)	371,378	365,807	(5,571)	-2%
FY Revenue*	\$3,266	\$3,350	\$84	3%
Operations & Maintenance**	\$1,307	\$1,373	\$67	5%
Debt Service & Debt Retirement***	\$1,711	\$1,614	(\$97)	-6%
Rental Payment	\$210	\$231	\$21	10%

* FY Revenue is current year revenue only and does not include revenue carried forward from prior year

** Operations & Maintenance is the sum of the chart's "Operations & Maintenance Expenses", "Water Finance Authority & Water Board Expenses" and "Indirect/Judgments & Claims"

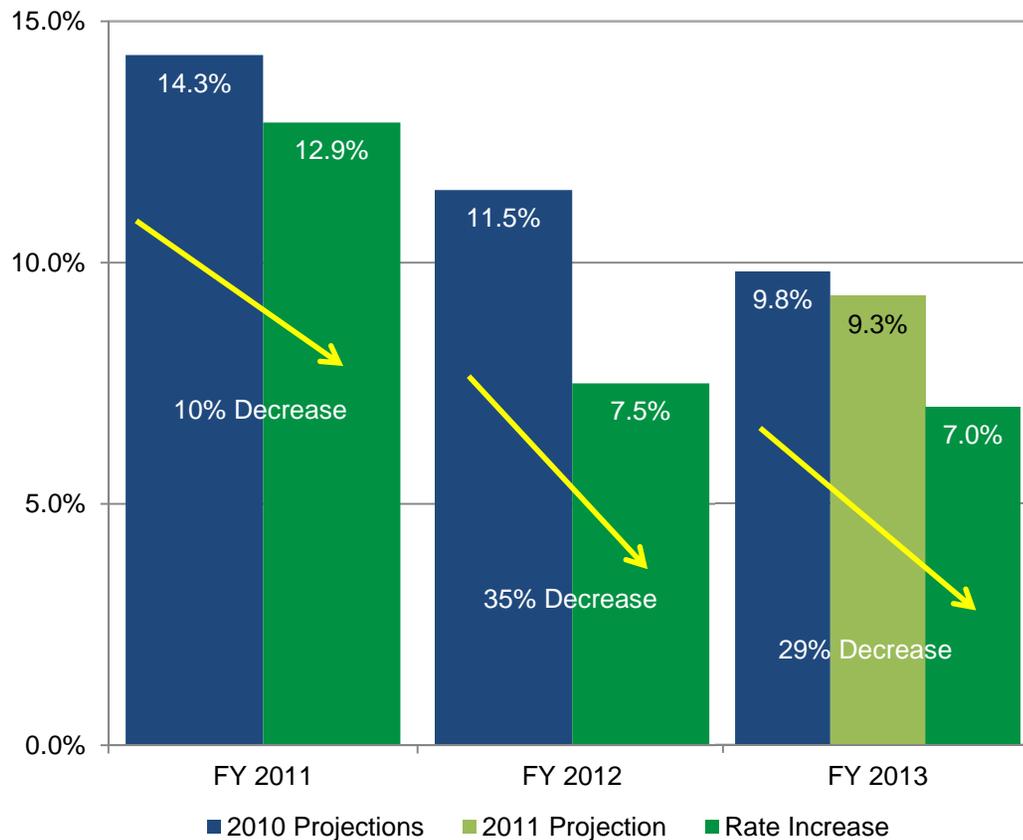
*** Debt Service includes \$235M of cash retirement of bonds in FY 2012 Forecast

Proposed Rate Increase

Rate Model - Cost/(Revenue) (\$M)	FY 2012 Forecast	FY 2013
Debt Service	\$1,476	\$1,614
Cash-financed Debt Retirement or Capital Construction	\$235	\$150
Operations & Maintenance	\$1,307	\$1,373
Rental Payment	\$210	\$231
Total System Costs	\$3,227	\$3,368
Cash on Hand	\$452	\$434
Revenue Requirement	\$3,679	\$3,802
Prior-year Carryforward Revenue*	(\$413)	(\$452)
Upstate & Other Non-City Revenue	(\$199)	(\$208)
In-City Revenue Need	\$3,067	\$3,142
Prior-year Revenue		\$3,067
Consumption Decrease & Frontage Conversion		(\$130)
Net Revenue at Prior Year's Rate		(\$2,937)
Additional Revenue Required		\$205
Rate Increase Required		7%

* Includes carryforward of \$36.3M as offset to Operations & Maintenance in FY 2012 Forecast

FY 2013 Rate Proposal Summary



- ❖ Proposing **7%** rate increase
- ❖ Lowest rate increase in 7 years
- ❖ 29% lower than 2010 projection of FY 2013 rate increase

	FY 2012	FY 2013 (7% Increase)
Combined Water & Sewer Rate (per hundred cubic feet)	\$8.21	\$8.78 (\$0.57)
Average Annual Single Family Charge (80,000 gal)	\$877	\$939 (\$62)
Average Annual Multi-family Charge (52,000 gal)	\$571	\$610 (\$39)

Borough Rate Hearing Schedule

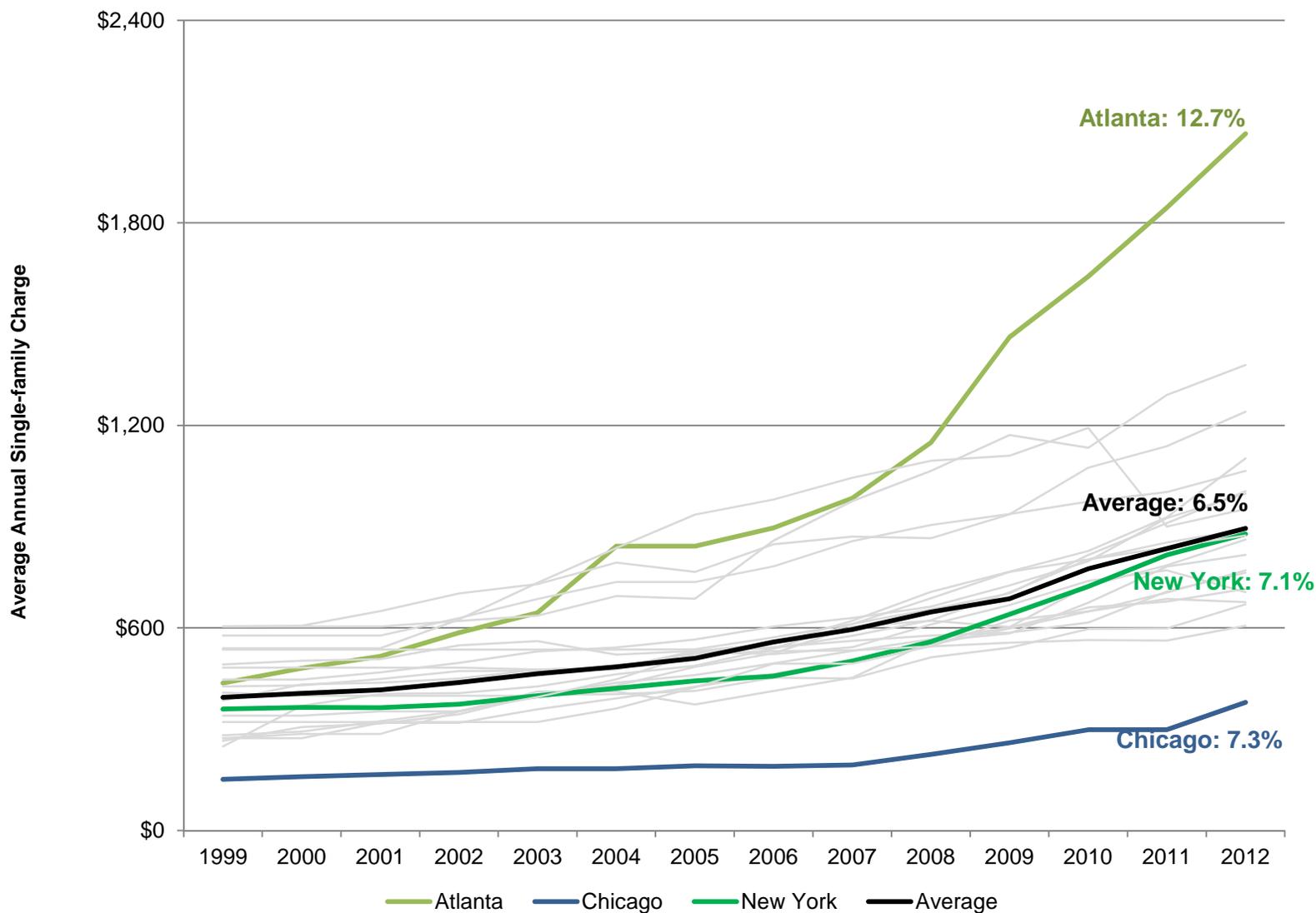


Borough	Date	Location	Time
Staten Island	April 23	New Dorp High School 465 New Dorp Lane	7:30 pm
Brooklyn	April 24	P.S. 222 Kathryn R. Snyder School 3301 Quentin Road	7:00 pm
Bronx	April 25	Riverdale YM-YWHA 5625 Arlington Avenue	7:00 pm
Queens	April 26	Christ the King High School 68-02 Metropolitan Avenue Middle Village	7:00 pm
Manhattan	April 27	City Planning Department - Spector Hall 22 Reade Street, 1st Floor	1:30 pm



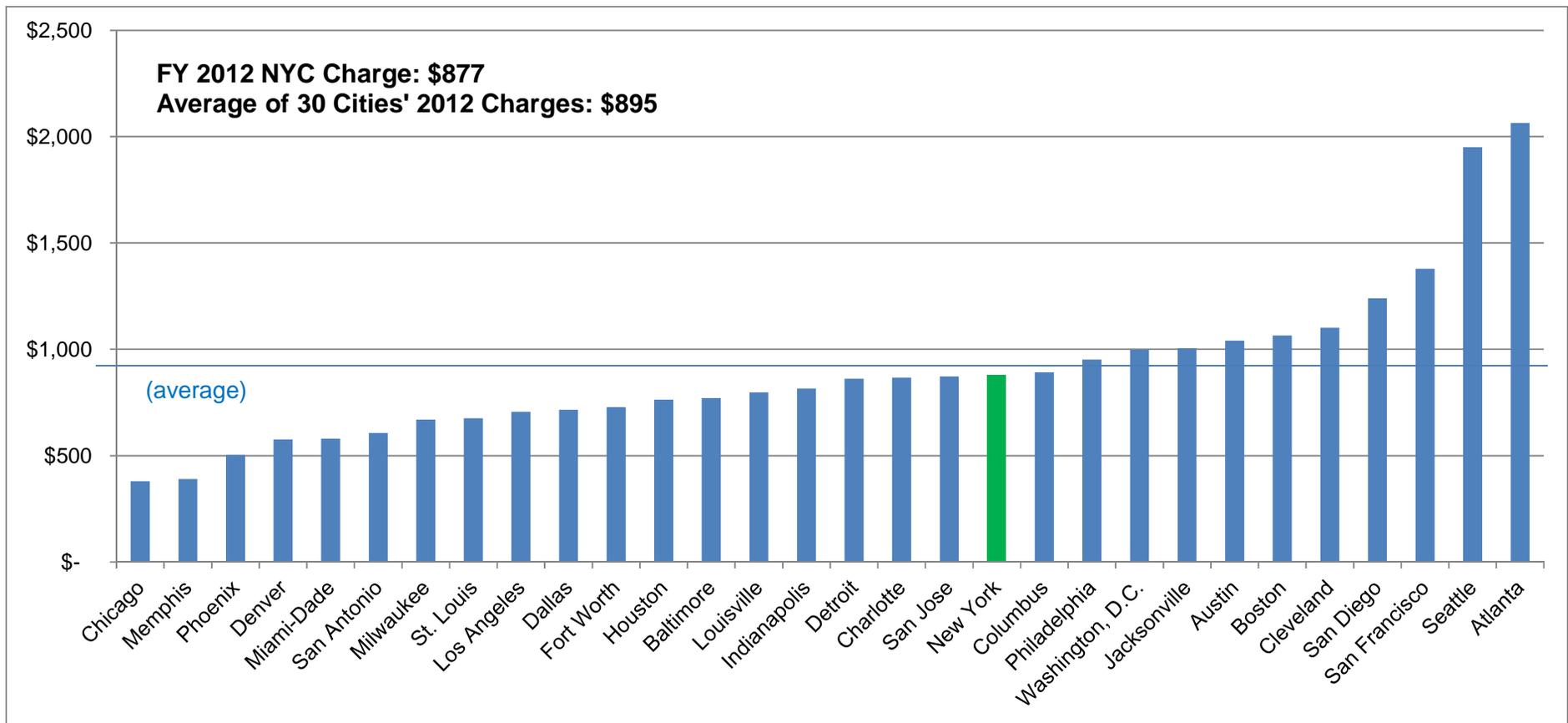
Appendix

Rate Trends in Major Cities



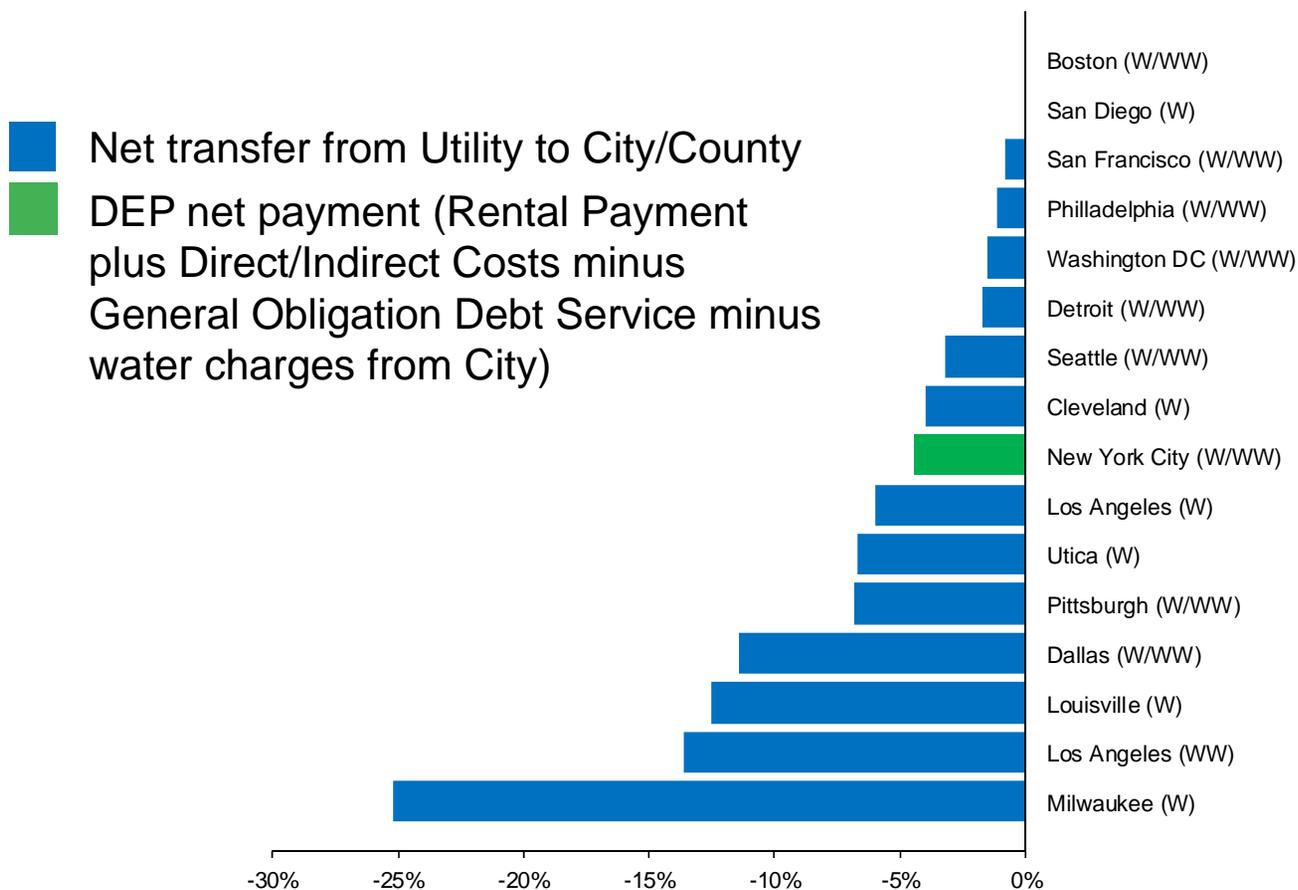
All estimates based on consumption of 80,000 gallons per year

Annual Water/Wastewater Charges



All estimates based on consumption of 80,000 gallons per year at rates in effect February 1, 2012

Annual Intergovernmental Payments



Note: Payments from Boston and San Diego to Utility exceed Utilities' payments to their respective cities.