

NEW YORK CITY WATER BOARD MEETING

AGENDA

Wednesday, October 10, 2012 - 10:30 A.M.

Location: 255 Greenwich Street (formerly 75 Park Place)
8th Floor, Room 8-S1 & 2
New York, New York 10007

1. Roll Call
2. Resolution: Appointment of an Acting Chair
3. Resolution: Approval of Minutes of September 21, 2012 Meeting
4. Resolution: Acceptance of the Independent Auditors' Report on the Audited Financial Statements of the System for the Fiscal Years ended June 30, 2012 and June 30, 2011 and Authorization of the Release of such Audited Financial Statements
5. Resolution: Approval of Investment Guidelines and FY 2012 Report
6. Resolution: Board Consent to Property Disposition – Release of DEP's Leasehold Interest in the Review Avenue Repair Yard for the City of New York's Transfer of Leasehold Interest in Repair Yard to FDNY

NEW YORK CITY WATER BOARD

October 10, 2012

RESOLUTION

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the Board is authorized to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, pursuant to Article 2, Section 1 of the by-laws of the Board, “The officers of the Board shall be a Chairman, an Executive Director, a Treasurer, a Secretary, and such other officers as may from time to time be appointed by the Members of the Board upon the recommendation of the Executive Director.”

WHEREAS, the Board has been advised that the Board Chair is not able to attend today’s meeting; and

WHEREAS, the Executive Director recommends that the Board appoint Mehul Patel to the office of Acting Chair, with the power and duty to act as temporary chair for the Board meeting of October 10, 2012; it is therefore

RESOLVED, that effective immediately, Mehul Patel is hereby appointed to the position of Acting Chair with the power and duty to act as temporary chair for the Board meeting of October 10, 2012.

NEW YORK CITY WATER BOARD

October 10, 2012

RESOLUTION

WHEREAS, the Board has reviewed the Minutes of the previous meeting of the Board held on September 21, 2012, it is therefore

RESOLVED, that the Minutes of the meeting of the Board held on September 21, 2012 be, and hereby are adopted.

NEW YORK CITY WATER BOARD

October 10, 2012

RESOLUTION

WHEREAS, the New York City Water Board (the "Board") and the New York City Municipal Water Finance Authority (the "Authority") established a joint Audit Committee in light of their joint role in the financial operations of the water and wastewater system of the City of New York (the "System"); and

WHEREAS, pursuant to the joint Audit Committee Charter and the Board resolution of January 25, 2008 establishing the joint Audit Committee, the Board and the Authority each acting separately, after receiving a recommendation from the joint Audit Committee, shall annually approve the audited financial statements of the System; and

WHEREAS, on October 10, 2012, the Audit Committee met with the independent auditors and reviewed their report on the System's audited financial statements for the fiscal years ended June 30, 2012 and June 30, 2011; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Board and the Authority accept the independent auditors' report and authorize the release of the financial statements; and

WHEREAS, the Board of Directors of the Authority approved the independent auditors' report and authorized the release of the financial statements on October 10, 2012, prior hereto, contingent on their approval by the Board; it is therefore

RESOLVED, that the Board hereby accepts the independent auditors' report on the audited financial statements of the System for the fiscal years ended June 30, 2012 and June 30, 2011 and authorizes the release of such audited financial statements, provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

DRAFT

NEW YORK CITY WATER BOARD

October 10, 2012

RESOLUTION

WHEREAS, the New York City Water Board (the “Board”) adopted Investment Guidelines to establish policies for the investment of its funds on May 2, 1986 and subsequently amended the Investment Guidelines on October 24, 1990 and February 14, 1997; and

WHEREAS, pursuant to the Investment Guidelines, the Board is required annually to review and approve both the Investment Guidelines and an Investment Report; and

WHEREAS, the Board has reviewed the Investment Guidelines as contained in the Fiscal Year 2012 Investment Report and finds both the guidelines and report to be reasonable and appropriate; it is therefore,

RESOLVED, that the Investment Guidelines and the Fiscal Year 2012 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

New York City Water Board

Fiscal Year 2012 Investment Report

October 10, 2012

I. Investment Guidelines (Schedule 1)

II. Explanation of Investment Guidelines

The New York City Water Board (the “Board”) originally adopted Investment Guidelines on May 2, 1986, with subsequent amendments of October 24, 1990 and February 14, 1997. The Investment Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Board. For purposes of the Investment Guidelines, funds of the Board are all monies and other financial resources available for investment by the Board on its own behalf or on behalf of any other entity or individual. All such monies shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in the Investment Guidelines.

III. Results of the Annual Independent Audit of Investments (Schedule 2)

IV. Investment Income of Record of the Board (Schedule 3)

SCHEDULE 1

New York City Water Board
Investment Guidelines

Adopted May 2, 1986
Amended October 24, 1990
Amended February 14, 1997

I. Purpose

- A. Adoption. These Guidelines were originally adopted by the New York City Water Board (the "Board") as of May 2, 1986, and amended October 24, 1990, pursuant to Section 2925 of the Public Authorities Law of the State of New York.
- B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Board, on and after February 14, 1997. For purposes of these Guidelines, funds of the Board are all monies and other financial resources available for investment by the Board on its own behalf or on behalf of any other entity or individual. All such monies shall be invested at all times to the fullest extent practicable and in accordance with the requirements and restrictions set forth in these Guidelines.
- C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board annually and may be amended by the Board from time to time.

II. Permitted Obligations

Monies held in any funds or accounts established by the Board shall be invested in (1) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to any Act of Congress as an agency or instrumentality of the United States of America to the extent conditionally guaranteed by the United States of America; or (2) any Repurchase Agreement which is fully collateralized by any one or more of the securities described above, provided, however, that any such repurchase agreement shall (a) not be for a period in excess 90 days, (b) provide that the Water Board (or agent of the Water Board, which agent shall not be the seller) shall take physical possession of such collateral or the Water Board shall be named the record owner thereof in the Federal Reserve Bank of New York and (c) be entered into between the Water Board, and either (i) a bank or trust

company organized under the laws of the State or the United States which is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation, having capital of not less than \$50,000,000 or (ii) a government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York and included in the then current "List of Government Securities Dealers Reporting to the Federal Reserve Bank of New York" (the "Primary Dealer List").; or (3) deposit accounts with banks or trust companies which have their principal place of business within the State of New York (the "State") and are designated as deposit banks by the Banking Commission of The City of New York (the "City"). To the extent such deposits in deposit accounts with banks or trust companies are not insured by the Federal Deposit Insurance Corporation, such deposits shall be continuously and fully secured by direct obligations of the City, the State or the United States of America, or obligations the principal of and interest on which are guaranteed by the State or the United States of America, of a market value at least equal at all times to the amount of such deposits.

III. Conditions of Interest

- A. Maturities. All investments shall mature no later than such times as shall be necessary to provide monies needed for payments to be made from any such fund or account.
- B. Payment for Securities. Payment for investments shall be made only upon receipt of the securities purchased. In the case of book entry form securities, payment may be made only when the custodian's account at the Federal Reserve Bank is credited for the purchased securities.
- C. Concentration Guidelines. Except for amounts invested in obligations of the United States of America pursuant to clauses (1 and 2) of Part II of these Investment Guidelines, no more than 51% of the total for all accounts invested may be placed with a single institution, provided, however, that deposits aggregating less than 10% of the total for all funds invested, including funds invested in obligations of the United States of America and Repurchase Agreements may be placed with a single institution.
- D. Custodial Arrangements.
 - 1. All securities held by the Board's custodial bank (in bearer or book-entry form) are held solely as agent to the Board on behalf of the various accounts involved. Securities positions at the custodial bank will be audited by both internal and external auditors, including auditors of the Office of the Comptroller of The City of New York

(the "Comptroller"). Payment for purchase shall not be released until the purchased securities are received by the custodial bank.

2. The custodial bank will, upon instructions of the Comptroller, release to the Treasurer of the Board all purchased securities including those subject to repurchase.
3. Collateral securities shall not be held by the institution having a depository relationship with the Board.

E. Standards and Qualifications. The following are standards for the qualifications of brokers, agents, dealers, investment advisors and custodians:

1. Brokers, Agents and Dealers
 - a. In Government Securities: Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York and included in the then current Primary Dealer List.
 - b. In Municipal Securities: Any broker, agent or dealer registered with the Municipal Securities Rulemaking Board.
2. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the Securities Exchange Commission under the Investment Advisors Act of 1940.
3. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association which qualifies as a Depository under Section 512 of the General Revenue Bond Resolution of the New York City Municipal Water Finance Authority adopted on November 14, 1985.

F. Contracts. Written contracts with respect to deposit accounts are not standard business practice and shall not be required. However, the Board shall in the case of Repurchase Agreements, implement written contracts with the permitted dealers.

G. Repurchase Agreements. Notwithstanding any other provision of these Investment Guidelines, Repurchase Agreements for Federally Guaranteed Securities shall be considered a purchase of securities by the Board, and a contract by the dealer to repurchase the securities from the Board, and shall be subject to the following restrictions:

1. The securities must be in bearer or book-entry form so that possession is perfected immediately to fully secure investment.
2. The securities must be 100% Federally Guaranteed securities.
3. In order to secure the repurchase of the securities, margin is required as follows:

<u>Maturity of Margin Securities</u>	<u>Original Margin Percentage (Margin calculations include accrued interest, if any, of underlying securities)</u>
3 years or less	1.00% of all Term* Specific Repurchase Agreements
Over 3 years	2.00% for Term* Specific Repurchase Agreements with Maturity 30 days or less
	3.00% for Term* Specific Repurchase Agreements with Maturity over 30 days.

* Term Repurchase Agreements are those with maturities exceeding one (1) business day. Margin percents apply to the repurchase price, i.e. maturity value of the Repurchase Agreement.

4. The need for additional margin for term Repurchase Agreements will be evaluated at least weekly or more frequently if market volatility indicates a need.
5. Repurchase Agreements must be purchased by the Board only from dealers who 1) are on the Federal Reserve Primary Dealer List, or 2) meet minimum capital requirements as determined by the Comptroller's Office (currently \$50,000,000) and 3) have signed the Master Repurchase Agreement of the Comptroller of the City of New York.

IV. Authorization of Investment of Funds

The Board hereby authorizes the Comptroller to invest funds of the Board in accordance with these guidelines, as requested by the Executive Director, Treasurer or Deputy Treasurer.

V. Reports

A. Quarterly. The Executive Director shall prepare and deliver to the Board once for each quarter of the Board's fiscal year a report setting forth a summary of all investments made during that quarter, the inventory of existing instruments and the selection of banks, trust companies, investment bankers, brokers, agents, dealers, custodians, investment advisors and auditors used by the Board in making or holding investments during such quarter.

B. Annually.

1. Audit Report. The Board's independent accountants shall prepare an annual audit report of the Board's investment for each fiscal year of the Board and submit such report to the Board at the time the annual audit of the financial reports and books and records is made.

2. Investment Report. Annually, the Executive Director shall prepare and the Board shall review and approve an Investment Report, covering the fiscal year of the Board, which shall include:

- a. The Investment Guidelines;
- b. An explanation of the guidelines and any amendments made during the fiscal year;
- c. The independent audit report required by Subsection (1) above;
- d. The investment income record of the Board for the fiscal year; and
- e. A list of fees, commissions or other charges paid to each bank, trust company, investment banker, broker, agent, dealer and advisor rendering investment associated services to the Board during the fiscal year.

3. The Investment Report shall be submitted to the New York State Department of Audit and Control, and to the Mayor and Comptroller of the City of New York. Copies of the annual reports shall be made available to the public upon reasonable request.

VI. Applicability

These guidelines shall govern all investments initiated by the Board on and after February 14, 1997 and shall not apply to any investments initiated by the Board prior to that date. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.

SCHEDULE 2

INDEPENDENT AUDITORS' REPORT

To the Members of the Joint Audit Committee of
New York City Municipal Water Finance Authority
and New York City Water Board
New York, New York

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the business-type activities of the New York City Municipal Water Finance Authority and the New York City Water Board, which collectively comprise the New York City Water and Sewer System (the "System"), a component unit of The City of New York, New York, as of June 30, 2012 and have issued our report thereon dated October 10, 2012.

In connection with our audit, nothing came to our attention that caused us to believe that the System failed to comply with the Resolutions and Investment Guidelines, insofar as they relate to financial and accounting matters. However, our audit was not directed primarily toward obtaining knowledge of non-compliance with such Resolutions and Guidelines.

This report is intended solely for the information and use of the members of the Joint Audit Committee and management of the System, and is not intended to be and should not be used by anyone other than these specified parties.

October 10, 2012

SCHEDULE 3

New York City Water Board
Annual Investment Report
For the Fiscal Year ended June 30, 2012

Investment Income for FY 2012 **\$1,023,641.49**

Assets	<u>Fair Value on 6/30</u>
Cash	
O&M Reserve Fund	\$48,457.58
Local Water Fund 1	4,598,814.11
Local Water Fund 2	485,047.53
Refund Account	207,177.84
Expense Fund	394,454.80
State Street Investment Account	(0.02)
Cash:	<u>\$5,733,951.84</u>
Cash Equivalents and Investments	
Operation and Maintenance (O&M) Reserve Fund*	
U.S. Treasury Bills	\$187,105,963.25
U.S. Treasury Notes	25,598,500.00
Cash Equivalents and Investments:	<u>\$212,704,463.25</u>
Interest Receivable	
O&M Reserve Fund, U.S. Treasury Notes	<u>\$131,623.64</u>
 Total Assets:	 <u><u>\$218,570,038.73</u></u>

Cash Equivalents and Investments by Security Type	<u>Fair Value on 6/30</u>	<u>Maturities</u>	
		<u>Less Than</u> <u>One Year</u>	<u>One Year</u> <u>or More</u>
Operation and Maintenance (O&M) Reserve Fund*			
U.S. Treasury Bills	\$187,105,963.25	\$187,105,963.25	\$0.00
U.S. Treasury Notes	25,598,500.00	25,598,500.00	-
Total Cash Equivalents and Investments by Security Type:	<u>\$212,704,463.25</u>	<u>\$212,704,463.25</u>	<u>\$0.00</u>

*Pursuant to the Financing Agreement, the Water Board is required to have a reserve on June 30th of two months of the budgeted O&M amount and to pay the City one month's budgeted O&M on the first business day of the new fiscal year.

October 1, 2012

Mr. Steven Lawitts
Executive Director
New York City Water Board
59-17 Junction Boulevard, 8th Floor
Flushing, NY 11373

Re: DEP Relinquishment of Queens Block 295 Lot 45 and Block 300 Lot 2

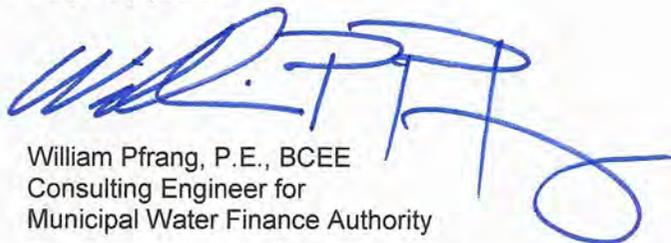
Dear Mr. Lawitts:

We have evaluated the above referenced disposition of property from the NYC Department of Environmental Protection (DEP), in accordance with our agreement for Consulting Engineering Services.

Since 2004, DEP has maintained its own in-City vehicles at the central repair shop (CRS), located on Review Avenue in Queens. This property has been leased by the City's Department of Citywide Administrative Services (DCAS) for the purpose of DEP's CRS. In accordance with the recent Citywide Fleet Service Consolidation Plan, DEP will no longer maintain and repair its own in-City fleet and will no longer require use of the CRS facility. DEP's light and medium-duty vehicles will be maintained by the New York City Police Department (NYPD), and DEP's heavy-duty vehicles will be maintained by the New York City Department of Sanitation (DSNY). Upon transfer of the facility back to DCAS, the CRS will serve as the Fire Department of the City of New York's (FDNY) ambulance repair shop. DEP will have no financial obligations for the transfer of the property.

Based upon our evaluation, we conclude that relinquishing the CRS as part of the Leased Property, and returning the facility back to the City has no impact on the operation of New York City's water and wastewater system or the collection of revenues.

Very truly yours,



William Pfrang, P.E., BCEE
Consulting Engineer for
Municipal Water Finance Authority

NEW YORK CITY WATER BOARD

October 10, 2012

RESOLUTION

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 and as amended by Amendment No. 1 dated as of November 1, 1985, between the City and the Board (the “Lease”); and

WHEREAS, the City, through 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, the City has requested that the Board give consent to the disposition of Queens Block 295 Lot 45 and Block 300 Lot 2, which has been utilized by DEP as the location of its central repair shop, so that such property may be relinquished to the City and utilized by the Fire Department of the City of New York; and

WHEREAS, the disposition of Queens Block 295 Lot 45 and Block 300 Lot 2 will not adversely impact the operations of the Systems, as the operations undertaken on such property will be relocated to an alternative site; and

WHEREAS, the Board has determined that transferring Queens Block 295 Lot 45 and Block 300 Lot 2 to the City is reasonable and appropriate; and

WHEREAS, by letter dated October 1, 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 property disposition and has confirmed that such transfer 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 disposition as described herein.

DRAFT