

NEW YORK CITY WATER BOARD MEETING

PRELIMINARY AGENDA

Friday, February 24, 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 December 9, 2011 Meeting
3. Resolution Authorization to Amend Contract with CH2M Hill New York, Inc. for Project Management Information System Services
4. Resolution: Board Consent to Property Disposition – Apportionment and Partial Transfer of East New York Pumping Station Property to the New York City Department of Housing Preservation & Development
5. Resolution Authorization to Extend Contract and Authorize Engagement Letter for Deloitte & Touche LLP as the System's Independent Auditors
6. Presentation: Update on Hydrofracking
7. Presentation: Financial and Current Initiatives Update

NEW YORK CITY WATER BOARD

February 24, 2012

RESOLUTION

WHEREAS, the Board has reviewed the Minutes of the previous meeting of the Board held on December 9, 2011, it is therefore

RESOLVED, that the Minutes of the meeting of the Board held on December 9, 2011 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 December 9, 2011 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 M. Payne, and

Benjamin Tisdell,

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

Approval of Minutes of November 18, 2011 Meeting

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on November 18, 2011. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on November 18, 2011, were unanimously adopted.

Amendment to Agreement with Greenhill for Financial Advisory Services

The next item on the agenda was an amendment to the contract with Greenhill & Co., Inc. (“Greenhill”) to authorize a \$1.8 million success fee in connection with the proposed privatization of the Catskill/Delaware Ultraviolet Disinfection Facility (the “UV Facility”). Executive Director, Steven Lawitts, reminded the Board that it previously authorized a \$1.2

million retainer with Greenhill to provide financial advisory services in connection with the consideration and potential procurement of public-private partnerships. The contract provides for additional compensation, to be agreed upon, in the event a successful transaction in which Greenhill furnishes advice is implemented. It is now proposed that Greenhill manage the competitive selection of a private entity to operate and maintain the UV Facility, which is currently under construction with a scheduled completion date of April 2012. The private operator would be selected through negotiations with two firms identified pursuant to a previously issued Request for Qualifications (“RFQ”).

Mr. Lawitts then described the requirements of Local Law 35. The law requires a review by the City Council and Comptroller of the costs and benefits of the privatization of a public function prior to issuance of a Notice to Proceed by a City agency in the agency’s sole discretion.

Mr. Tisdell next initiated a discussion among himself, Mr. Moss, Mr. Patel, Mr. Carney, and Ms. Payne by asking how the amount of the success fee was determined. Mr. Lawitts explained that the \$1.8 million fee was an attempt to approximate a percentage of the present value of the savings expected to be achieved by private operation of the UV Facility instead of operation by DEP. The present value of the savings was calculated by discounting the estimated savings at an assumed rate of return on investment. The success-fee percentage is comparable to other success-fee percentages received by Greenhill in other public-private partnerships on which it has consulted. Responding to a follow-up question from Mr. Tisdell, Mathilde McLean, the Board’s Treasurer, explained that Greenhill has not previously furnished advice with respect to an operating contract similar to that for the UV Facility. Rather in the past it has primarily consulted on asset transactions where its fee has been a percentage of the sale

price because the municipality selling the asset has wanted to maximize sale proceeds, and a fee that was positively correlated with the sale price aligned Greenhill's interests with that of the municipality. In the current transaction the City wants the value of the operating contract to be as low as possible so as to maximize savings. A success fee based on the value of the contract would act as a disincentive to achieving this objective. Mr. Patel remarked that the success fee needs justification since the amount of the potential savings is not known. Mr. Moss, on the other hand, said he was pleasantly surprised that there were respondents to the RFQ and thought that the amount of the success fee was reasonable in light of the complexities of the project. Ms. McLean said another way to analyze the fee is that \$1.8 million equates to about 3,000 hours of Greenhill staff time which, she said, is a reasonable estimate of the effort required to complete the project. Responding to Mr. Carney, Mr. Lawitts said the success fee would only be paid after DEP has given the selected operator a Notice to Proceed after completion of a cost-benefit analysis by DEP, which substantiates the expected savings, and that the contract with Greenhill will provide for a "claw-back" or recoupment of the success fee if the contract with the operator is terminated because of litigation with respect to the process or contract operations. Ms. Payne asked that the resolution approving the success fee specifically reference the "claw-back" provision, and Mr. Tisdell asked for a baseline comparison of the proposed success fee with fees earned by Greenhill in other privatizations on which it has consulted. Mr. Lawitts agreed to both requests. A consensus was reached to approve the proposal, subject to satisfaction of Ms. Payne's and Mr. Tisdell's requests.

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 "Act"), 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's primary duty under the Act is to establish and collect water and wastewater rates and charges in an amount sufficient to place the water supply and wastewater systems (the "System") of the City on a self-sustaining basis; 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 maximizing the value of System assets and reducing risk for rate payers, on February 2, 2011, Board staff commenced a competitive solicitation process for a firm(s) that would provide financial advisory services for the consideration and potential procurement of public-private partnerships ("P3s"), particularly for projects related to energy assets and alternative operations; and

WHEREAS, the Board by Resolution dated March 18, 2011, authorized the Executive Director to enter into an agreement with Greenhill & Co., Inc. ("Greenhill") to provide said financial advisory services upon such terms and conditions as the Executive Director deemed reasonable and appropriate; and

WHEREAS, the Board executed a contract with Greenhill on April 26, 2011 that allowed for a future written agreement to be established in the event that the Board or City pursued a specific "Transaction", which is hereby defined as an agreement between the City, the Board, or any of their respective departments, affiliates or agencies and one or more private or publicly-traded companies (the "Counterparty") with regards to a System asset on which Greenhill is providing financial advice; and

WHEREAS, a Transaction related to alternative operations of the Catskill/Delaware Ultraviolet Disinfection Facility has been identified and an amendment to the Greenhill contract is sought that will provide for a Transaction fee to be paid only upon the execution of a contract with a Counterparty and issuance of a notice to proceed with such Counterparty's substantial operation

and maintenance of the Catskill/Delaware Ultraviolet Disinfection Facility; 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 contract with Greenhill to allow for a Transaction fee to be payable to Greenhill only upon the execution of a contract with a Counterparty and issuance of a notice to proceed with such Counterparty's substantial operation and maintenance of the Catskill/Delaware Ultraviolet Disinfection Facility; provided, however, that the Transaction fee shall be subject to reduction or recoupment in whole or in part upon the early termination of the contract with the Counterparty because of an action nullifying the Transaction; and be it further

RESOLVED, that the total compensation of the Transaction fee shall not exceed \$1,800,000 of Board funds, bringing total compensation for Greenhill over the life of the contract, excluding allowable expenses, to a maximum of \$3,000,000 of Board funds.

Presentation: Operational Excellence Program

The next item on the agenda was a presentation on the status of the Operational Excellence Program by David Alexandre, project manager for the contractor, Veolia Water North America Operating Services, LLC ("Veolia"). He described the major components of phase one of the program: (i) "top-down" identification of potential improvements, (ii) "bottom-up" verification; (iii) prioritization and detailing of improvement measures; and (iv) creation of the final report and transformation plan.

Mr. Alexandre described progress to date on the first component mentioned above in which Veolia is benchmarking or comparing DEP practices with U.S. and international best practices and performing “ride-along” observations of work practice and productivity. He said Veolia has preliminarily identified several inefficient practices. Veolia has suggested, for example, that one-third of watershed storm water management practices, which are currently outsourced, could potentially be performed by DEP personnel instead at a savings of up to \$217,000. With respect to the Bureau of Water and Sewer Operations (“BWSO”), based on initial observations, approximately 22% of staff time is “wrench time” in which BWSO workers are fully engaged in operation and maintenance activities, while the rest of the time involves administrative tasks or driving time to work sites.

Mr. Lawitts said that meetings have been held with union leaders who are on board with the program despite some reluctance to have third parties conduct “ride along” observations of union workers.

Presentation: Service Line Protection Program

Mr. Lawitts described the proposed service line protection program. He said that homeowners are responsible for repairing broken service lines to their property. For the last Fiscal Year, 73% of DEP responses to water infrastructure leaks were to private service lines, requiring DEP to inspect, issue a repair notice, and if necessary terminate service. DEP’s cost to shut-off service is approximately \$3,700 per shut-off and the homeowners’ cost averages approximately \$3,750 per repair. It is proposed that DEP offer customers an optional service-line protection plan to be provided by a private company at no net cost to DEP. Customers would pay only a small monthly protection premium which would be added to the water bill,

collected by DEP, and paid over to the service line protection provider. DEP has issued a Request for Proposals to select a contractor to provide the protection plan.

Presentation: Financial Update

The last item on the agenda was a financial update provided by Mr. Lawitts.

Mr. Lawitts said that revenues are currently \$3 million ahead of the plan target amount. Year-over-year changes in billed consumption for Fiscal Year 2012 have been negative but are still on target with the Fiscal Year 2012 plan.

Mr. Lawitts then described the status of DEP's electronic payment initiatives: paperless billing and direct debit billing. He said that approximately 20,000 customers have enrolled in these programs receiving a 2% discount or \$1 million in the aggregate. He said the aggregate discount expected to be provided over the life of the program is estimated to be \$2-3 million which is 0.1% of total revenue.

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

February 24, 2012

RESOLUTION

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.

DRAFT

DEP Program Management Information System

Scope of Services

Enhanced PMIS Development

February 15, 2012

Task 1. Conversion to Sharepoint 2010

During the course of system development, the NYC DEP converted from Sharepoint 2007 to Sharepoint 2010 and requested that the PMIS project team convert to the new system so that it could be maintained by the Agency. Sharepoint 2010 was a major software upgrade by Microsoft and did not allow compatibility with previous configuration work developed in the Sharepoint 2007 environment. As a result, the team was required to do significant reprogramming of the forms and workflow coding to function properly in the new Sharepoint 2010 environment.

Task 2. Combine InfoPath Form and Nintex Workflows

Currently there is a separation between InfoPath forms and documents and Nintex workflows resulting in the need to go to one place to create or review a document and go to another place to take a workflow action. This created some confusion during the demonstration testing with the user groups. Configuration of the software in this manner was based on “out of the box” programming as well as current practice of the DEP OIT group. Upon further discussions with DEP OIT, it was determined that Nintex workflow could be customized to allow all of the workflow actions to be driven solely from the InfoPath form. Demonstration testing of this configuration proved far less confusing and had positive user testing feedback. It was agreed that the project would benefit greatly if the workflow was customized to allow all data and actions to proceed from the InfoPath forms. Each workflow will be revised to include the following:

- Update workflows such that actions are taken from the InfoPath forms.
- Add new section to each form for each step in the workflow. At the start of each workflow, hide these sections, so the initial view of the form is unchanged for the person initiating the workflow.
- The first reviewer in the workflow will receive an email, and a task will be assigned to the reviewer by the Nintex workflow. However, when the user clicks on the link to respond to his/her task, the user will be taken to the InfoPath form instead of a Nintex Task Edit form.
- Revise InfoPath form so that it will recognize the current workflow status and display a new review area at the bottom of the form that is enabled for the reviewer. The reviewer will enter comments and select an outcome (e.g., Approve or Reject). When the submit button is pressed, custom code in the InfoPath form will mark the reviewer’s task complete and the workflow advances.
- If a non-reviewer opens the form, disable the review area. (Only the assigned reviewer can respond to the task.)
- Subsequent review steps are handled by adding additional review sections to the end of the form. This allows subsequent reviewers to see previous review comments. All comments are saved on the InfoPath form and can be viewed or printed in the future.

Deliverables

- Revised coding of InfoPath forms and Nintex workflows to Sharepoint 2010.
- Screen mockups of revised workflow.
- Review meeting with DEP for review and approval of mockup.
- Revised workflow will be deployed to the Sandbox.
- Upon acceptance, revised workflow deployed to DEV.
- Final workflow deployed to Production.

Documentation

The following documentation will be updated to reflect changes in the forms and workflows:

- Administration Guide
- User Guide

Budget

Task 1:	\$50,000
Task 2:	\$342,000
Total	\$392,000

NEW YORK CITY WATER BOARD

February 24, 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, 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, based on a recommendation by DEP staff, the Board has determined that the relinquishment of the unused portion of the Property to HPD as set forth in this Resolution 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.

DRAFT

January 11, 2012

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

Re: DEP Relinquishment of 137-153 Jamaica Avenue

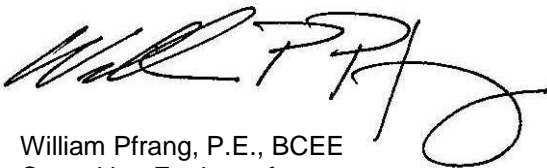
Dear Mr. Lawitts:

We have evaluated the above referenced transfer of property from the NYC Department of Environmental Protection (DEP) and the Department of Housing Preservation and Development (HPD), in accordance with our agreement for Consulting Engineering Services.

DEP currently has jurisdiction over City-owned property located at 137-153 Jamaica Avenue, Block 3487, Lot 20. Parcel B consists of a small 1-story building used as a booster pump station and its related appurtenances. DEP operates and maintains the East New York Pump Station which is part of the NYC drinking water distribution system in Brooklyn. Parcel A consists of an abandoned 2-story building and vacant land. HPD has requested DEP transfer this property to HPD. DEP has no current or future need for this building and a large portion of the property. HPD plans to demolish the building and develop the site with senior housing. A Memorandum of Understanding (MOU) has been drafted between DEP and HPD detailing the transfer of Parcel A of the property, separation of the parcels with a DEP-specified chain link fence and other pertinent specific conditions of the transfer. HDP will create a separate access to their site, independent of the DEP pump station property. The MOU states that no borings may be performed that could impact DEP pump station and equipment. DEP will have no financial obligations for the transfer of the property.

Based upon our evaluation, we conclude that relinquishing this property has no impact on the operation of New York City's water and wastewater system or the collection of revenues. The property transfer would be beneficial to DEP since it would allow DEP to offload property that is in disrepair and no longer needed, and eliminate an unnecessary financial burden to DEP.

Very truly yours,



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

NEW YORK CITY WATER BOARD

February 24, 2012

RESOLUTION

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 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.