

# **NEW YORK CITY WATER BOARD MEETING**

## **AGENDA**

Friday, October 7, 2011 - 12:00 P.M.

Location: New York City Office of Management and Budget  
75 Park Place, 8<sup>th</sup> Floor  
Room 8-S1 & 2  
New York, New York 10007

1. Roll Call
2. Resolution: Approval of Minutes of September 9, 2011 Meeting
3. Resolution: Acceptance of the Independent Auditors' Report on the Audited Financial Statements of the System for the Fiscal Years ended June 30, 2011 and June 30, 2010 and Authorization of the Release of such Audited Financial Statements
4. Resolution: Approval of Selection of Operational Efficiency Consultant and Contract Authorization
5. Presentation: Financial Update

## NEW YORK CITY WATER BOARD

October 7, 2011

### 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 7, 2011, 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, 2011 and June 30, 2010; 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 7, 2011, 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, 2011 and June 30, 2010 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.

## NEW YORK CITY WATER BOARD

October 7, 2011

### RESOLUTION

**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 optimizing the operation and maintenance ("O&M") of System assets and reducing costs borne by rate payers while maintaining or improving the current level of service, the Board and DEP seek to procure the services of a firm(s) that will provide consulting services focused on improving DEP's O&M performance, while reducing costs and enhancing operational efficiencies; and

**WHEREAS**, on April 14, 2011, Board staff commenced a competitive solicitation process for said O&M consulting services with the advertisement of a Request for Proposals ("RFP") in the City Record, the New York Daily News, and on the Board's website; and

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

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

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

**WHEREAS**, the top three teams based on the Committee evaluations and interviews were invited to submit a best and final offer price proposal; and

**WHEREAS**, the Committee determined that the proposal and presentation by Veolia Water North America Operating Services, LLC (“Veolia”), was the most highly-rated on technical approach and qualifications and, after consideration of the cost proposals, determined that its cost proposal was fair and reasonable; and

**WHEREAS**, the Board has reviewed a memorandum dated September 30, 2011 from the Executive Director of the Board, Steven W. Lawitts, on behalf of the Committee, which summarizes the RFP and evaluation process and sets forth a recommendation that the Board authorize the Executive Director to enter into a two-phase agreement with Veolia to provide O&M consulting services to the Board, with Phase I involving the review of DEP’s operations in the development of operational efficiency recommendations, and Phase II involving the implementation of Phase I recommendations; and,

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

**RESOLVED**, that the Executive Director is hereby authorized and directed to execute an agreement with Veolia to provide O&M consulting services to the Board, for a one-year term for Phase I of the agreement, which may also include an option for one additional one-year extension at the Board’s option, and a four-year term for Phase II of the agreement, with two additional one-year extensions at the Board’s option, upon such terms and conditions as the Executive Director may deem reasonable and appropriate; and be it further

**RESOLVED**, that the total compensation for services performed, including fixed fee and incentive components, shall not exceed \$4,000,000 of Board funds for Phase I of the agreement, unless a Phase II is not undertaken but Phase I initiatives are implemented and realized, in which case up to \$6,000,000 of additional compensation may be due, and shall not exceed \$32,000,000 for Phase II of the agreement. In no event shall the total compensation due exceed \$36,000,000.



# **Financial Update – Revenues & Extraordinary Expenditures**

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October 7, 2011

- ❖ First quarter collections were on plan

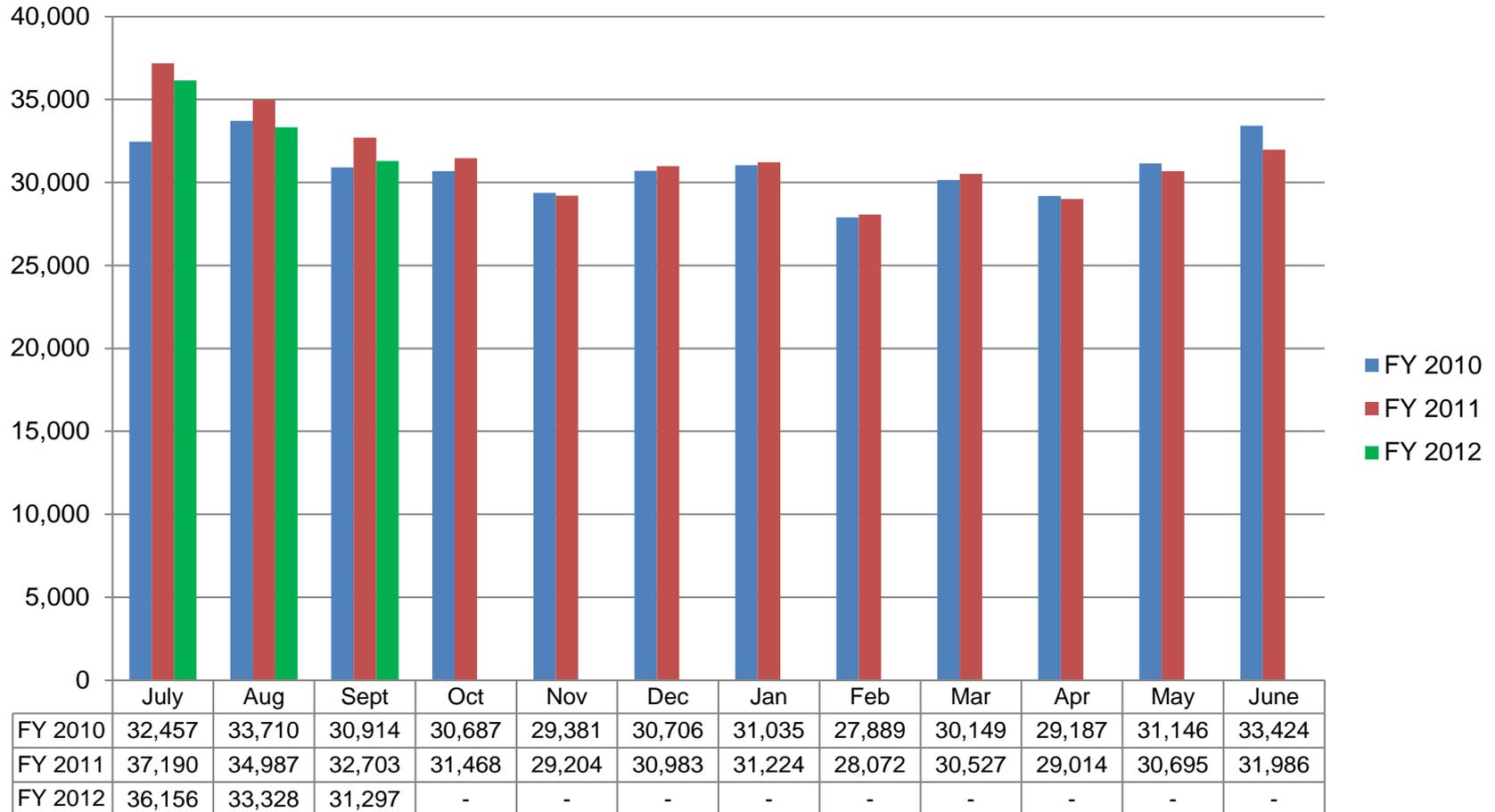
## Revenue Collections vs. Plan (\$M)

	FY 2012 Collections	Prorated FY 2012 Plan	Difference in Amount	Percentage Difference
July - August	\$1,032.8	\$1,040.1	-\$7.3	-0.7%
September	\$199.9	\$191.2	\$8.7	4.6%
<b>Total</b>	<b>\$1,232.7</b>	<b>\$1,231.3</b>	<b>\$1.4</b>	<b>0.1%</b>

# In-City Distribution

- ❖ For the first three months of FY 2012, DEP distributed 3.9% less water to customers than during the same period of FY 2011

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



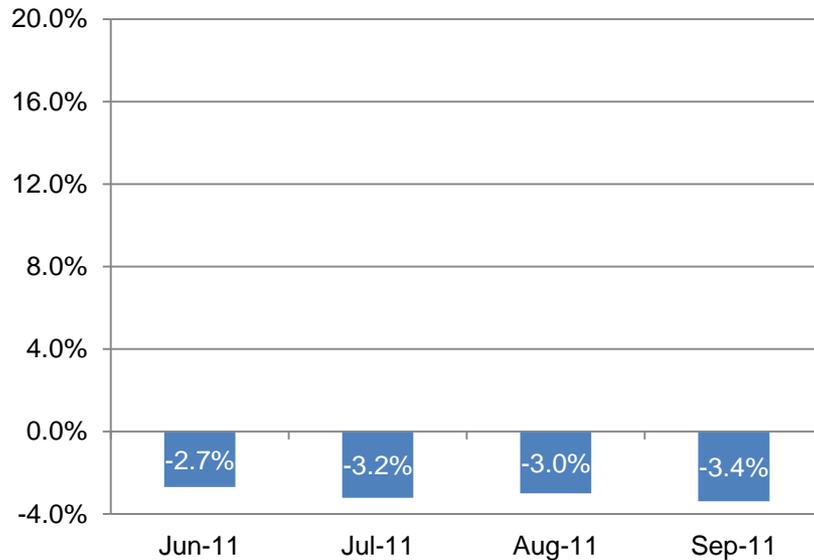
# Change in Metered Consumption

## “Same-Customer Sales”– Year-Over-Year Comparison (HCF)

Month	FY 2011	FY 2012	Year-over-Year Change	% Change	# of Accounts
July	15,925,269	15,413,225	-512,044	-3.2%	214,025
August	15,476,426	15,014,052	-462,374	-3.0%	213,195
September	16,749,159	16,182,225	-566,934	-3.4%	212,501
October	15,559,585				
November	14,113,936				
December	14,000,660				
January	13,885,809				
February	12,651,822				
March	14,043,966				
April	15,232,321				
May	13,411,095				
June	14,738,916				
<b>July-September Total</b>	<b>48,150,854</b>	<b>46,609,502</b>	<b>-1,541,352</b>	<b>-3.2%</b>	<b>213,240</b>

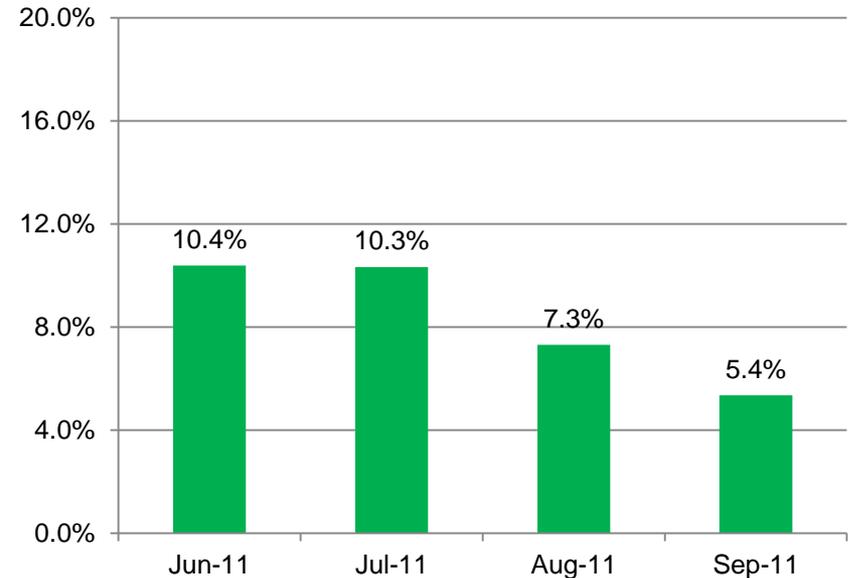
## “Same-customer Sales” Year-over-year Comparison

1. Year-over-year percent change in billed consumption



Metered consumption year-over-year continued to fall in September

2. Year-over-year percent change in total billed dollar amount



For the third month of FY 2012, we billed 5.4% more on a year-over-year basis

- ❖ North River Wastewater Treatment Plant (WWTP) Fire
- ❖ Jerome Avenue Water Main Break
- ❖ Hurricane Irene

- ❖ On Wednesday, July 20, the North River WWTP experienced a four-alarm fire in the engine room
- ❖ Significant damage was incurred, & untreated sewage was discharged into the Hudson for approximately 41 hours
- ❖ By Monday, July 25, the plant was attaining 85% removal



Melted light switches



Burned engine cap

# North River WWTP

	Personnel Costs	Other than Personnel Costs	Total
<b>Operating Expense</b>			
DEP Staff	\$ 7,201	\$ 2,003	\$ 9,204
Contractors	–	949	949
<b>Capital Expense</b>			
Contractors	–	32,104	32,104
<b>Total</b>	<b>\$ 7,201</b>	<b>\$35,056</b>	<b>\$42,257</b>

# Jerome Avenue Water Main Break

- ❖ The water main under Jerome Avenue in the Bronx broke on July 27



# Jerome Avenue Water Main Break



	Personnel Costs	Other than Personnel Costs	Total
<b>Operating Expense</b>			
DEP Staff	\$ 22	—	\$ 22
<b>Capital Expense</b>			
Contractors	426	\$ 536	\$ 962
<b>Total</b>	<b>\$ 448</b>	<b>\$ 536</b>	<b>\$ 984</b>

# Hurricane Irene – in-City

- ❖ DEP took the expected arrival of Hurricane Irene seriously & was prepared for the worst
- ❖ Over 1,865 DEP employees reported to work during the weekend of Hurricane Irene
  - BWSO staff proactively cleaned catch basins
  - BWT & BWSO staff sand-bagged facilities
  - Managers were stationed in each borough due to bridge closures
  - BWSO staff responded to locations of street & highway flooding throughout the City

	<b>Personnel Costs</b>	<b>Other than Personnel Costs</b>	<b>Total</b>
<b>Operating Expense</b>			
DEP Staff	\$1,381	\$ 952	\$2,333
<b>Capital Expense</b>			
Contractors	—	—	—
<b>Total</b>	<b>\$1,381</b>	<b>\$ 952</b>	<b>\$2,333</b>

# Hurricane Irene – Watershed

- ❖ Lowered reservoir levels in advance of storm
- ❖ Received Comptroller approval for:
  - \$31M of emergency repairs & to cover additional operating costs required to distribute water with least turbidity, as well as add alum for settling purposes & chlorinate & dechlorinate for water clarity
  - \$8M for debris removal from reservoirs
- ❖ Loaned \$300,000 to repair Schoharie County’s emergency warning system for Gilboa Dam & \$1M to the Catskill Watershed Corporation

	Personnel Costs	Other than Personnel Costs	Total
<b>Operating Expense</b>			
DEP Staff	\$ 1,000	–	\$ 1,000
Contractors	–	\$ 7,779	7,779
<b>Capital Expense</b>			
Contractors	–	39,940	39,940
<b>Total</b>	<b>\$ 1,000</b>	<b>\$47,719</b>	<b>\$48,719</b>

# NYC Watershed



- ❖ Heavy rains caused significant flooding throughout the watershed area



Date: August 29, 2011

- ❖ Roads & bridges suffered major damage



# Gilboa Dam

- ❖ Gilboa Dam had been undergoing a \$120M rehabilitation
- ❖ Pre-Irene the scheduled completion date was December 2013; due to storm damage, the revised completion date is August 2014, eight months later



Date: August 29, 2011

- ❖ Work on the crest gates of Gilboa Dam was underway to improve DEP's ability to manage & maintain appropriate water levels in the Schoharie Reservoir
- ❖ A section of the dam crest that was in demolition stage & supported by a temporary plywood bulkhead failed around the time the bulkhead had 2 feet of water flowing over it



Date: August 29, 2011

- ❖ The Concrete plant at the dam was inundated with water, but it sustained minor damage
  - The motors were submerged & some needed to be replaced, which will be covered by a Builders Risk Insurance Claim
- ❖ A temporary bridge had been built for construction purposes, & its approaches were eroded away & needed to be reestablished



Date: August 29, 2011

# Ashokan & Schoharie Reservoirs

❖ As a result of the storm, debris washed into reservoirs



Ashokan Reservoir.  
Date: September 4, 2011



Schoharie Reservoir.  
Date: August 29, 2011



# Rondout Reservoir

- ❖ Bureau of Water Supply has conscientiously worked to remove debris from the reservoirs & to manage & reduce the turbidity of the water



Date: August 29, 2011



Date: September 19, 2011