

New York City Water Board

Activities, Operations and Accomplishments – Fiscal Year 2010

The New York City Water Board (the “Board”) is responsible for setting water and sewer rates at a level sufficient to fund the operating, capital, and financing needs of the New York City water and sewer system (the “System”). The Board is obligated by an Agreement of Lease with the City of New York (“the City”) and a Financing Agreement among the Board, the City, and the New York City Municipal Water Finance Authority to establish rates and charges in each year at a level that will provide required revenue. The Board collects all System revenue and disburses it as follows: 1) to fund debt service on bonds issued to finance capital improvements to the System, 2) to reimburse the City for operating and maintenance costs, 3) to pay a rental fee to the City for the lease of the System, and 4) to fund required reserves and any other required payments. Daily operations of the Board are carried out by officers and staff of the New York City Department of Environmental Protection (“DEP”) utilizing the office space of DEP.

The Board actively monitors billings and collections throughout the year, and Board members receive a financial update at almost all meetings. In addition, the Board maintains various contractual obligations necessary to achieve its requirements and objectives. Presented below are highlights of the Board’s activities, operations and accomplishments for the period of July 1, 2009 through June 30, 2010:

On, July 25, 2009, the Board approved a settlement of litigation with petroleum refiners and other defendants regarding the costs associated with the defendants’ use of methyl tertiary butyl ether (MTBE).

On September 25, 2009, the Board:

- Approved the updating of a study and report on the economic impact to upstate communities of the System operations in the watershed and the watershed land acquisition program.
- Received a briefing and provided comments on the rapid impact assessment report in connection with proposed natural gas drilling in the watershed.

On October 14, 2009, the Board accepted the independent auditors’ report on the audited financial statements for the fiscal years ended June 30, 2009 and June 30, 2008 and authorized the release of the financial statements.

On October 30, 2009, the Board:

- Adopted an amended and restated Audit Committee Charter and adopted a Governance Committee Charter.

- Approved a three-year contract renewal option for remittance and lockbox processing and related banking services.
- Approved an extension and additional funding for a study regarding benchmarking, best practices, service improvement, and savings opportunities for water and sewer operations.

On December 18, 2009, the Board:

- Reviewed the annual investment report and approved adoption of the investment guidelines.
- Authorized management to sign an engagement letter with independent auditors.
- Consented to the City's easement exchange with Broadway Housing Development Fund Company, Inc. to improve access to the Sugar Hill project.
- Approved a license agreement with Westchester County regarding a connection to the water system.
- Received an updated briefing on DEP's environmental, health and safety program and a proposal for a contract amendment to provide additional compliance tasks.
- Received a presentation from Booz Allen Hamilton on current and projected expenditures and revenues, as well as alternatives for water, sewer, and stormwater rate structures.
- Approved an amendment to the natural gas drilling study to review and provide comments to the State on its draft supplemental generic environmental impact statement.

On January 15, 2010, the Board:

- Received a presentation from the new commissioner of DEP.
- Approved a contract amendment to provide for additional environmental, health and safety programs and compliance tasks for the marine section of DEP.

On February 19, 2010, the Board received a presentation on DEP's five-borough community outreach tour and water debt assistance and lien sale programs.

On March 19, 2010, the Board received a presentation on tentative labor settlements, financial and capital planning, and the rate-setting schedule.

On April 9, 2010, the Board received a presentation on fiscal year 2011 rates and billing policy proposals.

From May 4 through May 18, 2010, the Board held six public hearings concerning fiscal year 2011 System rates, charges, and billing policy proposals.

On May 21, 2010, the Board:

- Adopted its annual expense fund and System budget.
- Adopted a rate increase of 12.9% based on the budget requirements and the testimony and reports submitted at the public hearings.
- Authorized DEP to offer customers a 2% direct debit discount.
- Approved a pilot program to assess a sewer charge for stormwater for standalone parking lots that currently receive no water service.
- Established new miscellaneous fees for a backflow prevention plan review and backflow exemption approval.
- Increased fees for service termination and hydrant flow tests based on costs of service.

On June 16, 2010, the Board held a public hearing concerning a proposed rate increase for water sold to users outside of the City pursuant to the Water Supply Act of 1905.

On June 25, 2010, the Board:

- Appointed a new treasurer.
- Adopted a regulated rate of \$1,149.72 per million gallons for users outside of the City and continued the rate for water that exceeds the allowance quantities at the in-City metered rate.
- Exercised a one-year option for renewal of the rate advisor contract.
- Consented to release the Board's leasehold interest in a parcel of land to allow the City to exchange that parcel of land with a private landowner for a larger parcel of protected watershed land, thereby curing an existing encroachment.