

NEW YORK CITY WATER BOARD

NYC Water Board Meeting

April 29, 2022

[START RECORDING]

MR. ALFONSO CARNEY: Thank you very much, sir. This is Al Carney. This is the first meeting of the Water Board of 2022. I believe this is our first meeting. We have a quorum, but I'll ask the Secretary and Ethics Officer to call the role.

MR. ALBERT RODRIGUEZ: Actually, Chairman Carney, Omar, did you want to make a presentation about the meeting that you normally do?

MR. OMAR NAZEM: I thought I would, just to read a few things into the record. I've got a very abbreviated version. So, this is just for everyone's benefit. This is a meeting at the New York City Water Board. We are meeting in this digital telephone format as authorized by state law. We normally meet in person. Because of the ongoing pandemic, and hopefully - - the pandemic, we are still meeting by digital conference call.

I would ask you, if you are a member of the public or do not plan to speak at the meeting, please put your telephone on mute to minimize

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1 the background noise. You should probably
2 gather the meeting is being recorded. A
3 transcription and an audio recording of the
4 meeting will be on the Board's website within
5 the next week or so.

7 I think most of you are regular attendees.
8 This is a business meeting of the Board. Public
9 testimony is not part of this. If you have
10 questions or comments, you can email them to us
11 at nycwaterboard@dep.nyc.gov any time you like,
12 any topic you want. This meeting is not a
13 public input meeting. We'll have more
14 information about the public input forum shortly
15 in the meeting, but this is not that meeting.
16 Last thing, the meeting materials we'll be
17 discussing have been provided already to members
18 by email. They are also on the Board's website.
19 If you go to the website, which again is
20 nyc.gov/nycwaterboard. If you go to the right-
21 hand side, Announcements column, it'll say the
22 April 29th meeting. There's a link to the
23 meeting materials right below it. Open up the
24 Media Packet and the materials are there. In
25 the PDF packet, too, if you need it there is a

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1 link for the assisted disability, if you have a
2 difficult time hearing or with someone who has a
3 difficult time hearing, a link to the
4 transcription service for that service as well.
5 So, that's everything. Al Rodriguez, the
6 meeting is yours.

8 MR. RODRIGUEZ: All right. Hi, I'm Al
9 Rodriguez--

10 MR. CARNEY: [Interposing] Omar, thank you
11 very much. Al, please.

12 MR. RODRIGUEZ: Yeah, Al Rodriguez, the
13 Secretary of the Board, calling the roll.
14 Chairman Carney?

15 MR. CARNEY: I am present.

16 MR. RODRIGUEZ: Member Fernandez-Ketcham?

17 MS. EVELYN FERNANDEZ-KETCHAM: Here.

18 MR. RODRIGUEZ: Thank you. Member Freed?

19 MR. ADAM FREED: Here.

20 MR. RODRIGUEZ: Member Goldin?

21 MR. JON GOLDIN: I'm present.

22 MR. RODRIGUEZ: Member Hsu?

23 MR. JUKAY HSU: Present.

24 MR. RODRIGUEZ: Oh, thank you. Member Shaw?

25 MS. ARLENE SHAW: Present.

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1 MR. RODRIGUEZ: And member Zarrilli?

2 MR. DANIEL ZARRILLI: I'm here, thanks.

3 MR. RODRIGUEZ: We have a--

4 MR. CARNEY: [Interposing] We have a full
5 house today.

6 MR. RODRIGUEZ: Yes, we do, and we have a
7 quorum.

8 MR. CARNEY: Thank you very much, Mr.
9 Secretary. I want to thank all the members for
10 joining us today. It's an important meeting.
11 You have all received copies of the DEP's
12 recommendation for members of the public who may
13 join us, and for the purpose of the
14 transcription, we have not had any prior
15 discussions of the presentation. Looking
16 forward to having our new commissioner,
17 Commissioner Aggarwala, along with Joseph Murin,
18 the CFO of DEP, to give us that presentation.

19 I want to thank Omar for guiding us through
20 this, and he has been responsible for getting
21 most of the information out to us. Omar, thank
22 you; that's Omar Nazem. I think there's nothing
23 we need to do before we consider the minutes,
24 and I don't have in front of me the date of the
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1 last meeting. It was in December of 2021, so
2 we've not been together for a long time. Am I
3 correct about that, Omar?
4

5 MR. NAZEM: It was December 16. Yes.

6 MR. CARNEY: December 16. Terrific. You
7 all have had an opportunity to take a look at
8 the minutes. Are there any questions,
9 corrections, concerns? Member Ketcham for - -
10 discussion, did we get your name right this
11 time?

12 MS. FERNANDEZ-KETCHAM: Yes.

13 MR. CARNEY: All right, thank you. Thank
14 you, Evelyn. Are there any recommended
15 revisions for the minutes? Hearing none, may I
16 have a motion, please, to approve them?

17 MR. FREED: Member Freed. So moved.

18 MR. RODRIGUEZ: So moved, Mr. Chair.

19 MR. GOLDIN: I'll second.

20 MR. CARNEY: Thank you, Adam, for the
21 motion, and Member Goldin, thank you very much
22 for the second. I guess because we're in the
23 teleconference format I should ask the Secretary
24 to actually call the roll and get to the vote.

25 MR. RODRIGUEZ: Okay, thank you. Chairman

1 Carney, how do you vote?

2 MR. CARNEY: To approve.

3 MR. RODRIGUEZ: Thank you. Member
4 Fernandez-Ketcham, how do you vote?

5 MS. FERNANDEZ-KETCHAM: Approve.

6 MR. RODRIGUEZ: Member Freed, how do you
7 vote?

8 MR. FREED: Approve.

9 MR. RODRIGUEZ: Member Goldin, how do you
10 vote?

11 MR. GOLDIN: Approve.

12 MR. RODRIGUEZ: Member Hsu, how do you vote?

13 MR. HSU: Approve.

14 MR. RODRIGUEZ: Member Shaw, how do you
15 vote?

16 MS. SHAW: Approve.

17 MR. RODRIGUEZ: Thank you. And member
18 Zarrilli, how do you vote?

19 MR. ZARRILLI: Approve.

20 MR. RODRIGUEZ: Okay. Unanimously adopted.

21 MR. CARNEY: Thank you very much, Mr.
22 Secretary. The principal item on the agenda
23 today is the DEP approval--I'm sorry, the DEP
24 recommendation for the rate to be voted in I
25

1
2 believe it's May, but it may be actually in
3 June; I'm not certain. I'll ask DEP CFO Murin
4 to introduce the commissioner, and I will give
5 the meeting over to the two of you.

6 MR. JOSEPH MURIN: Thank you, Mr. Chair.
7 Thank you, board members. This is Joseph Murin,
8 Chief Financial Officer for DEP, and also
9 Executive Director for the Water Board, and it's
10 my honor to introduce the agency's new
11 commissioner, Rohit Aggarwala, who was appointed
12 by Mayor Adams to the position on January 31,
13 and who also has the privilege of being the
14 agency's--or I'm sorry, the city's Chief Climate
15 Officer. So, without any further ado, I'm going
16 to let Rit, as he likes to be called, take the
17 chair, take the mic, and go from there. So,
18 Commissioner?

19 MR. ROHIT "RIT" AGGARWALA: Excellent.
20 Thank you, Joe. Thank you, Mr. Chairman, and to
21 the members of the Water Board. It's an honor
22 and a privilege to be here, both in this role
23 leading this important agency, and speaking to
24 you all. I think the Water Board is an
25 important institution and I'm very grateful for

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1
2 the work that you all do individually and as a
3 group.

4 I'm happy to report that DEP is in very good
5 shape, and as our first slide here suggests,
6 over the course of the pandemic the most
7 important thing is that the water and sewer
8 system operated. It was not materially impacted
9 by the pandemic, and this is a record that not
10 every utility in the United States has, but our
11 service levels, as it was related to the
12 pandemic, showed no decline, and it's well
13 known, as you all discussed at your last
14 meeting, that there were some impacts of
15 Hurricane Ida on the city and on DEP, but those
16 were separate from the pandemic.

17 We've seen some system operations that have
18 been impacted by the ongoing effects of the
19 pandemic, including a reduced headcount. As we
20 all know, across the whole economy there have
21 been people leaving their jobs, hiring has been
22 very difficult, particularly in certain skilled
23 roles like engineers which DEP has many of. So,
24 our headcount is measurably below our budgeted
25 personnel levels. That is one challenge, it's a

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1 management challenge right now, I don't think
 2 it's a real danger just yet. But it is
 3 something that we are focused on, both the DEP,
 4 and of course at City Hall.
 5

6 As you probably know, all city agencies
 7 including DEP returned to the office for a five-
 8 day-a-week in the office approach to work in
 9 September '21. Of course, about half of DEP's
 10 employees were working on the job physically
 11 throughout because their jobs did not allow any
 12 sort of work-from-home accommodation, but
 13 everybody was back in the office as of
 14 September.

15 Along with many institutions in the broader
 16 economy, we've had innovations that we've
 17 adopted, certain styles of work, not necessarily
 18 working from home on a regular basis, but we've
 19 realized how valuable some of the innovations
 20 we've identified during the pandemic have been.

21 Looking ahead to the rest of this year, I
 22 think the first thing that we're going to be
 23 focusing on is recruiting and hiring, and
 24 training. We are making a significant effort to
 25 bring our staffing back towards those levels to

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1 which we are budgeted. And I will say, as I've
2 been talking with the senior staff at the
3 agency, I think there's going to be an
4 opportunity to think strategically about the
5 agency's future.
6

7 When Vinny Sapienza was commissioner, the
8 agency, as you probably know, did a strategic
9 plan. The time horizon of that plan ended along
10 with the mayoralty of Bill de Blasio, and I
11 think looking forward it probably makes sense
12 for the agency to take a clear, analytically
13 driven look at its needs, its priorities, and
14 its opportunities to create a vision that can
15 bind the agency together, can help us ensure
16 that we are prioritizing future investments in
17 the best way possible, and we are doing
18 everything that the agency needs--I mean,
19 everything that the city needs us to be doing to
20 serve the people.

21 I will say, actually, mentioning Vinny, that
22 I think we should all be very, very grateful, as
23 I am, as I often say, every single day that
24 Vinny Sapienza has been willing to remain at DEP
25 as Chief Operating Officer. He brings so much

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2 expertise and dedication, as you all know on the
3 Water Board, and I know, that his continued
4 presence is an invaluable contribution, and I'm
5 very grateful for that.

6 MR. CARNEY: Commissioner, may I--this is Al
7 Carney.

8 MR. AGGARWALA: Please.

9 MR. CARNEY: May I add to that comment? His
10 institution, former Commissioner Sapienza who is
11 on the phone, brings extraordinary institutional
12 history both to DEP and to the water board. We
13 have benefitted enormously from his knowledge,
14 but also from the directions in which he has
15 taken the agency, as well as the Water Board.
16 Vinny, I know you're on. I'm sure I'm
17 embarrassing you; I apologize for that. But I
18 don't retract any of my comments. Thank you so
19 much for what you have done to make the agency
20 and this board function the way we do; very
21 grateful to you for that.

22 MR. VINCENT SAPIENZA: Thank you, Chair
23 Carney, for your kind words, and I'm having a
24 terrific time in my new role, and Commissioner
25 Aggarwala has been great, and I want to thank

1
2 him for his kind words, as well. Thank you,
3 sir.

4 MR. AGGARWALA: No problem. Thank you, and
5 of course, well merited. In fact, I'll list a
6 couple of projects of significance that we've
7 made real progress on, and again, I'll point out
8 as the new guy here almost all of this is
9 entirely Vinny's work and not mine, I just get
10 to report on it today.

11 Among the major milestones at the agency,
12 probably the biggest single thing in 2021 was
13 the implementation of our new billing system,
14 the UMAX system. Having a new billing tool for
15 the whole agency is a massive achievement, one
16 that I think we should all be very proud of,
17 especially having implemented it successfully
18 during a pandemic. It was the largest financial
19 software upgrade undertaken by the agency in 25
20 years. It addresses a major pain point both for
21 the public and for the agency internally in
22 terms of the sophistication of our billing, and
23 it was a significant effort by key staff
24 including Deputy Commissioner Lynch, who's on
25 the phone, who leads the Bureau of Customer

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1 Service, Vinny himself, Joe Murin, and a number
2 of people at the agency. So, it's a big
3 achievement. One of the things we are working
4 on now is fully exploring what we can do to
5 better serve the public with the new
6 capabilities we have beyond what's already been
7 implemented in terms of the more attractive bill
8 and easier to understand bill, and the greater
9 accuracy and reliability that it offers.
10

11 There's an upside that we will be exploring.

12 You all know, of course, that work on the
13 Delaware Aqueduct Bypass Tunnel is an important
14 initiative that is progressing well. It is, of
15 course, the largest repair project in the
16 history of our water system. We are working
17 right now in the home stretch of the project,
18 coordinating the timetable for the tunnel
19 shutdown. There are lots of factors that go
20 into ensuring that we can do a shutdown that
21 allows us to cut in the new tunnel. We're
22 working with other municipalities that are going
23 to be affected. We're working with the
24 regulators, and of course, we're undergoing a
25 set of operations to ensure that water supply

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1 will be uninterrupted during the period of the
2 shutdown, and we'll have more to report on that
3 project when next we meet.
4

5 A couple of other things just to note.
6 We've completed new sewer construction in
7 Canarsie in East New York to the tune of \$148
8 million. There's been a \$15.7 million set of
9 improvements to the Durham Park Reservoir that's
10 been completed. We are underway with a \$29
11 million package of upgrades at 19 NYCHA
12 facilities which are dominated by green
13 infrastructure focused on mitigating stormwater.
14 We have completed work on an \$18 million
15 partnership with the Department of
16 Transportation at Montefiore Square, and we've
17 commenced work to significant relief to some
18 folks in that neighborhood on a \$7 million
19 drainage upgrade in the Westerly neighborhood of
20 Staten Island, which includes new storm sewer
21 and catch basin installations, as well as water
22 supply water main upgrades.

23 Those are just some examples, and I will
24 just say beyond what's on the slide, I have met
25 with members of the City Council, other elected

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1 members of community boards, and others, as an
 2 incoming commissioner. There is both a huge
 3 level of enthusiasm for the work that DEP does
 4 and its capital investments, a very great level
 5 of respect for the timeliness, for the
 6 professionalism with which those projects are
 7 delivered, but I will say a massive demand for
 8 more, whether it is around completing the work
 9 to bring storm sewers to the entire city,
 10 dealing with the increased, and rightfully so,
 11 concerns about climate change and what that
 12 means for stormwater flooding and any number of
 13 other concerns; there is a real demand.

15 The final slide that I will present before I
 16 ask Joe to take over is on the next one. There
 17 is good news which is that as many of you know
 18 we have a robust 10-year capital plan ahead of
 19 us. Right now, we're expecting it to be a \$25
 20 billion capital plan that's consistent with what
 21 the mayor presented in his executive budget that
 22 was released earlier this week, and we are
 23 optimistic, I won't say confident, because the
 24 City Council, of course, has to weigh in, but
 25 we're optimistic that the City Council will

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1
2 endorse it pretty much unchanged. And members
3 who have the document can see that the biggest
4 increase over the last two years has been the
5 increase in funding for sewers, much of which is
6 for stormwater management given what we all
7 experienced during Hurricane Ida. Let me pause
8 there. Joe, I believe you're going to handle
9 the next couple of slides.

10 MR. MURIN: Yes, thank you.

11 MR. CARNEY: Before you move on, I'm going
12 to ask whether any of the members, Mr.
13 Commissioner, have questions for you,
14 particularly with regard to sewer--the last
15 comments you made. I have a couple of
16 questions. Would you rather that we hold them
17 'til the end of DEP's presentation, or should we
18 ask now those things - - questions?

19 MR. AGGARWALA: Well, Mr. Chairman, I'm
20 certainly going to be here for the duration, so
21 perhaps, if you don't mind, let's let Joe and
22 Omar complete their portion, and then we can
23 have as long a set of conversations and
24 questions as the Board wishes.

25 MR. CARNEY: So, you're going to make me

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keep good notes.

[Laughter]

MR. AGGARWALA: We're all well served when the chairman of an important institution keeps good notes.

MR. CARNEY: Thank you, sir. Joseph, please.

MR. MURIN: Thank you. Thank you, Mr. Chair. Thank you, Commissioner. I will move on to the next slide, but I want to preface before I get into that, building on what the commissioner just said in terms of the capital program, just as a reminder for the general public and board members know this as well, that the rates that we implement that raise the water and sewer revenue are integral to paying for the two biggest components, which is the operations and maintenance of the system, as well as the capital program. The commissioner just went through the capital program and the debt service that's related to the capital program. There have been a lot of variations or changes that we're dealing with over this past year that we'll delve into now.

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1 the Water Board bonds remain high based on the
 2 Board's authority and willingness to sell rates-
 3 -set rates, I'm sorry, that meet the system's
 4 funding requirements.
 5

6 I'm going to pause there because I do know
 7 that we do have--because I know this is probably
 8 something that maybe deviates from the
 9 commissioner's request, but that we do have Dave
 10 Womack, the Chief Executive Officer from the
 11 Water Finance Authority, and also Olga Chernat,
 12 the Executive Director. So, if there were any
 13 questions that the members and the chair or
 14 others had on the rates that it might be a good
 15 time just to interject at this point.

16 MR. CARNEY: Well, one of our members is a
 17 very expert bond lawyer. I'll ask Arlene
 18 whether she has questions, or whether she wants
 19 to wait until the end of the presentation to
 20 raise any questions that she may have. We also
 21 have a water expert on this board, Adam Freed,
 22 and Adam may have some questions based on
 23 several things that have been said already. You
 24 may both choose to wait until the end of the
 25 presentation to raise your issues or questions,

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1 but don't hesitate to raise them now.

2 MR. FREED: Thank you, Mr. Chair. I'm happy
3 to wait until the end.

4 MR. CARNEY: All right. Member Shaw?

5 MS. SHAW: It's Arlene. I'm happy to wait
6 'til the end as well. Yeah, I'm happy to wait
7 'til the end as well.

8 MR. CARNEY: Outstanding. Then let's ask
9 Olga Chernat to tell us where she sees the
10 marketing of our bonds. Are we going to be able
11 to achieve the price that we believe is
12 reasonable given the rise of interest rates?
13

14 MR. DAVID WOMACK: Olga, do you want to take
15 that?

16 MS. OLGA CHERNAT: Good afternoon. David,
17 maybe I can start and please chime in if I
18 missed anything.

19 MR. WOMACK: Sure.

20 MS. CHERNAT: Great. Maybe let me start
21 with saying that the Authority currently has \$32
22 billion of bonds outstanding and to finance
23 DEP's capital programs which the Commissioner
24 introduced on the previous slide. We are
25 expecting to sell about \$1.8 billion of

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1 additional bonds annually, and that's over the
2 next five years, so through 2026. There is a
3 lot of debt but we have a very experienced team,
4 and we have a number of tools at our disposal.
5 We always diversify our bond offerings between
6 fixed-rate bonds, variable-rate bonds, and
7 different couponing structures. Still, while
8 it's been [background noise] which is the
9 capital markets that we've experienced, I would
10 say more recently since probably the start of
11 this calendar year, we are prepared to do what's
12 needed to place the bonds efficiently in the
13 market the best we can.

15 I want to say that our credit ratings remain
16 stable and high. For the second resolution
17 bonds which our credit is just one notch below
18 the highest AAA rating from all three ratings
19 which is that rate the bonds and that's Fitch,
20 Moody's, and S&P. And that's a great plus
21 because the changing markets credit matters, and
22 having strong credit ratings will be [background
23 noise] very important. It is very important now
24 and it will be very important going forward.

25 MR. CARNEY: Olga, thank you. Are we

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2 trending--are we refunding? I'm sure we are, I
3 know we are. But are we seeing more refundings
4 as interest rates rise and are we seeing a shift
5 from variable rate to fixed-rate instruments
6 going forward? How do you--I know you don't
7 have your crystal ball with you today, but if
8 you did have it, what do you think it would say?

9 MR. WOMACK: Al, maybe I'll take that. We
10 have been aggressively refinancing and refunding
11 our debt, the Authority's debt, to lower
12 interest rates, and we've enjoyed quite a run
13 for the last few years as rates have stayed at
14 historical lows. Certainly, as rates rise,
15 we'll continue to have refunding opportunities.
16 They may not be as robust as they were, but they
17 are still there. What you're probably seeing,
18 oddly enough, is fixed rates have risen faster
19 than short-term variable rates, so you may
20 actually see a shift in the other direction or
21 away from fixing out debt, at least on the city
22 side.

23 We have aggressively fixed rates when we
24 could finance at less than 1% or in the 1%
25 range. But with market rates in the 2.5 to 3.0

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1 range, our variable rate has an all-in cost of
2 like 1%. So, again, as Olga said, we try to
3 take advantage of every opportunity there is in
4 the market. You can see by the size of the
5 capital program we don't really have a choice
6 not to borrow. This capital program has to be
7 executed. Ratings are very important because as
8 rates go up there's going to be a wider spread
9 between higher- and lower-rated credits. So,
10 we've seen credits between triple-As and double-
11 As, and double-As and single-As widen
12 significantly as rates have gone up, so that's a
13 critical factor for us.
14

15 MR. CARNEY: Wow. Thank you. Thank you
16 very much, David. Commissioner, you asked us to
17 wait. Forgive me. I didn't want to lose those
18 questions. And David and Olga, thank you both
19 very much for filling in that space for me.
20 Appreciate it.

21 MR. WOMACK: Not a problem, Mr. Chairman.
22 It's your meeting.

23 MS. SHAW: Wait, sorry. This is Arlene. I
24 lied as well. So, just wanted to sort of pause
25 on that point right now. Yeah, no, I lied, I

1
2 lied. Just wanted to [crosstalk]. Do we have a
3 sense--I think it would be helpful if we could
4 sort of high-level give some of the broad
5 strokes and analysis as to why the credit rating
6 for the agency is so high because I think that
7 that becomes critical in making sure we
8 understand how we preserve that as rates become
9 higher. Just--as someone who deals in bonds, I
10 know the variable difference between selling
11 triple-A paper versus even going a notch down.
12 So, I just wanted to understand from the rating
13 agencies, what is the sense as to why it's so
14 highly rated.

15 MR. WOMACK: Olga, do you want me--I'll
16 start, and you can fill in. I think it has been
17 the Authority's and DEP's management of its
18 resources, its ability to maintain very solid
19 cash flow and coverage of its debt service and
20 operating costs, and that even through the
21 pandemic it has not varied significantly, it's
22 been able--and the Authority and DEP have been
23 able to manage very effectively.

24 So while, for example, some of the city's
25 general obligation ratings were put on negative

1 watch and there was at least one downgrade, the
2 Water Authority, that did not happen. It's a
3 dedicated revenue credit, and in some precincts,
4 the investors prefer that. But from a credit
5 standpoint, it's just been the steadiness of the
6 management and the reality of the cash flows
7 that the Authority and DEP have been able to
8 maintain the cash flow levels consistent with
9 those high-grade ratings. Olga?

11 MR. CARNEY: So, that's great news, David.
12 Thank you.

13 MS. CHERNAT: And another point I just
14 wanted to add is also structural. The Authority
15 bonds are structured as a gross lien pledge and
16 the bonds also have a number of important legal
17 protections that help support the strong ratings
18 on the Authority's debt.

19 MR. CARNEY: It'll be interesting to hear
20 further in this presentation the impact of the
21 rising level of receivables on the two subject
22 matters that you all just raised. It may be too
23 soon to know. It may be that these are issues
24 that we are working hard to resolve and know how
25 to resolve, but it'll be interesting to see if

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2 the receivable levels will impact our ratings,
3 ultimately. But I'll wait and see what folks
4 have to say about that.

5 David, thank you, and thank you, Olga, for
6 your leadership here. These are very, very
7 important matters that people don't think about.
8 Rate payers don't think about why it is
9 important that we understand the bifurcation
10 between fixed and variable debt. You are on it,
11 and of course, that's what we pay you for; thank
12 God. Fingers crossed. Hang in there.

13 MR. ZARRILLI: Mr. Chairman, this Dan
14 Zarrilli with a quick question on this. I'm
15 curious the role of the Board's ability to raise
16 rates in the way that it does, and how much that
17 impacts the high rating of the debt itself. How
18 would you characterize the importance of that
19 piece of information?

20 MR. CARNEY: Is this a David question?

21 MR. WOMACK: I'll start. It is important,
22 because the agencies view the Board as
23 independent, and view the rate-setting mechanism
24 as somewhat--as independent of the political
25 process, in that it's not a legislatively

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2 decided amount. Obviously, it's a public board,
3 and there's public input, but they do view the
4 independent rate setting mechanism as a
5 positive. Olga?

6 MS. CHERNAT: Okay, and I would just add to
7 those, as a utility bond--that the ratings are
8 definitely taken into account debt service
9 coverage levels. So, to the extent the system
10 generates--the system needs to generate
11 sufficient - - financing those coverage levels
12 that the rating agencies have come to expect to
13 see. So, it's definitely a very important role
14 that the Board plays in setting the rates and
15 ultimately that helps the bond rating.

16 MR. CARNEY: Olga, thank you, and David,
17 thank you. Dan, are you comfortable? Was that,
18 the answer that--hopefully it's the answer you
19 hoped for. How's that?

20 MR. ZARRILLI: It's insightful. I
21 appreciate the answer. Thank you.

22 MR. CARNEY: Thank you. Thanks very much.
23 I don't have any further questions. Arlene, do
24 you have anything else? Okay, then why don't we
25 continue, Mr. Commissioner, with the DEP

1 presentation?

2
3 MR. MURIN: So, I'll take back up then.
4 Thank you, Mr. Chair. I'm now on the slide
5 which will be headed DEP and the Board Maintain
6 Billing and Collection Activities in Fiscal Year
7 2022 While Facing Challenges from Customer
8 Delinquencies and Lower Water Consumption. So,
9 this will get into the revenue and the accounts
10 receivable.

11 Billing and collection activity by DEP and
12 the Board faced the headwinds of customer
13 payments deferral and lower water consumption
14 during fiscal year '22. Through April 27, 2022,
15 revenues were \$3.14 billion, which was an
16 increase compared to the same time in fiscal
17 year 2021 of 3.6%, above the 2.76% rate increase
18 that was implemented for fiscal year 2022.

19 Financial headwinds faced by DEP and the
20 Board include: A) the balance of overdue
21 customer bills, which was higher than before the
22 pandemic; B) the water consumption levels below
23 the quantity of water used prior to the
24 pandemic, which we'll get into in the next
25 slide; and, C) availability of collection tools

1 including reauthorization and ability to sell
2 liens secured by the overdue water bills.

3
4 During the pandemic, residential and commercial
5 customers faced with loss of income deferred
6 paying their water and sewer bills. As the
7 recovery progressed, we are seeing signs of
8 customers who fell behind on their water and
9 sewer bills starting to make payments to restore
10 the balance to good standing.

11 Where this leads to on the next slide, water
12 consumption by metered accounts remained below
13 pre-pandemic level, with recent consumption data
14 showing an upward trend. So, we have on that
15 slide the graph showing the breakdown between
16 the residential and non-residential consumption.
17 As you can see from the start of July '18, which
18 would have been fiscal year 2019, they started
19 to see a downward trend, particularly in the
20 non-residential, which went as high as negative
21 30-plus-percent but has recovered somewhat but
22 is still in the minus 15%.

23 The residential was not as severely impacted
24 with the decline ranging anywhere from below 4
25 to 5% range, but has slightly--has recovered for

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1 the most part. Remember that residential bills
2 account for about 80% of our revenue source
3 there. So, we're seeing the consumption
4 uptrend, which is helpful, not so much so on the
5 non-residential side. This has also been
6 compounded, what alluded to is the fact that we
7 did see a decline in customer payment. Accounts
8 receivable grew during the pandemic. At this
9 point in time, we're at about \$778 million of
10 accounts receivable greater than 30 days old.
11 We've started--part of this was compounded by
12 the fact that we were prohibited under executive
13 order from the governor in terms of sending out
14 delinquency notices, and this went across the
15 state for all utility bills. That was lifted at
16 the end of calendar year 2021, and subsequent to
17 that we have started to issue the delinquency
18 notices once again, and we're getting some
19 positive trends.

20
21 We're not yet certain enough that it's going
22 to be able to reverse the trends, the decline in
23 customer payments, but we are also in
24 conjunction with sending out the delinquency
25 notices. We are beginning to look at other

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1
2 measures that we could look into in terms of
3 collections, one of the most significant ones
4 being the lien sale. The lien sale was deferred
5 from 2019. We did not have one last year, and
6 that was also not done because we were going
7 through the billing system being rolled out, so
8 it wouldn't have been really doable for us with
9 the pandemic and with the constraints of having
10 to roll out a new billing system, to also have
11 gone through the lien sale. Lien sale
12 authorization has expired at this time. So, the
13 administration is working to have it
14 reauthorized with the Council; those
15 negotiations are ongoing. The assumption is
16 built into the rate proposal that we are putting
17 before the Board today that lien sales will be
18 reauthorized and they will be held sometime
19 during fiscal year '23. So, that's up to the
20 end of July 2023. We cannot say with certainty
21 when that will happen, and we will have to
22 monitor that very closely.

23 As I said, concurrently we're also working
24 to implement other aggressive collection methods
25 where possible to be able to reach out and have

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1
2 our--especially those rate payers that have been
3 delinquent during the pandemic period. We think
4 many of those were temporary situations, so
5 hopefully as the economy recovers those
6 individuals will also be able to get back on
7 their feet and be able to make their payments
8 again.

9 What I will add at this point before we go
10 onto the slide with the rate proposal, is that
11 part of what we have built into this, and the
12 context again of the entirety of the package
13 here, is the revenue that will be raised by the
14 water and sewer rates, which we have going from
15 \$3.5 billion to about \$3.7 billion from fiscal
16 year '22 to '23. So, that's what the rate
17 proposal will encompass there.

18 As I said, that encompasses the payment for
19 the systems operations costs which are expected
20 to go from about \$1.6 billion in fiscal year '22
21 up to \$1.76 billion in fiscal year '23. Part of
22 that is inflation. We have seen increase in
23 costs related to chemicals. We've seen
24 increased demands and need for operations and
25 maintenance expenses throughout the system.

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1 We've seen some increase in our cost of
2 collective--I'm sorry, not collective
3 bargaining. Collective bargaining is just a
4 small part, but for the fringe benefits, that
5 was another element, and then some of the
6 related costs for upstate operations, as well.
7 Overall, the financing part, the debt service,
8 defeasance, cash financed capital, and the
9 Authority, and the Board's expenses are for the
10 most part steady.
11

12 The cash flow, which that the rate
13 consultant, Amawalk, who's also on the phone,
14 those are being finalized. We expect that
15 report which we call colloquially the Blue Book
16 which we normally had ready for the public
17 hearing, now we're in the process of pulling
18 together and we'll be getting that out to the
19 board members as well, which will lay out some
20 of the--many of the elements which I just went
21 through.

22 So, with that being said, that leads to the
23 rate proposal. DEP is recommending that the
24 Board increase rates by 4.9%; that's the in-city
25 rate. This will also include \$30 million of

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1 proposed customer affordability programs,
2 funding, preserving the 50% increase that was
3 authorized last year by the Board in fiscal year
4 '22 to carry into fiscal year 2023. There is no
5 budgeted rental payment that the city is
6 expecting to get from the system in fiscal year
7 2023.
8

9 I think in this slide you'll see this is a
10 relatively moderate rate increase comparatively,
11 and I believe it's inconsistent with what other
12 municipalities have been doing over this past
13 year, maybe a little higher, but then we also
14 did have a number of lower years when other
15 entities were raising their rates. As noted,
16 this ensures revenue sufficiency to fund the
17 system's expanding capital construction program.
18 It maintains the high rating from the--it
19 maintains our ability to continue to get high
20 ratings from the bond rating agencies. It
21 protects the system from the risk of rising
22 interest rates and inflations. It'll support
23 hiring and retention initiatives to return
24 headcounts at budgeted levels, and it supports
25 expanded analytical capabilities, including

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1
2 analysis of customer data enabled by the new
3 billing system.

4 With that being said, I will pause now to
5 see if the chair or any of the members have any
6 questions before I turn it over to Omar.

7 MR. CARNEY: Are there questions from the
8 members? Joseph, nobody wants to suggest that a
9 recommendation of 4.9% is not high enough, and
10 I'm certainly not going to suggest that, but I
11 wonder why 4.9% rather than 5% or 5.1%, whatever
12 the numbers might have been. Why is that
13 number--which is clearly below 5, that may have
14 been the objective--why is that number in the
15 view of DEP an adequate number? If we raised
16 the rates by 5.1%, clearly, we would not be
17 popular, but we would not be popular by one-
18 tenth of a percentage point. I'm wondering
19 whether we--and it's [background noise] in my
20 view a legitimate question--are we doing--are we
21 doing the rate-payers a disservice by not
22 raising the rates even higher?

23 MR. MURIN: Mr. Chair, I'm going to defer to
24 the commissioner first if he wants to answer
25 that. Commissioner, - - [crosstalk]?

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1
2 MR. AGGARWALA: Yeah. Well, let me just
3 say, Chairman, first of all, as we all know,
4 projections are projections.

5 MR. CARNEY: Of course.

6 MR. AGGARWALA: Whenever it comes to a tenth
7 of a percentage point, even with a one-year
8 outlook you start questioning whether your model
9 is really accurate enough to say 5.0 versus 4.9
10 is justified whereas 4.9 is not, or something
11 like that. So, I think we have to recognize
12 that even though we're dealing with very large
13 numbers here, a tenth of a point is an error
14 bar. Again, I think we do, of course, want to
15 keep rates as low as we can as long as we are
16 being responsible in terms of funding what the
17 system needs.

18 I think with these projections, especially
19 combined with, as Joe pointed out, we are--I am,
20 in fact, very optimistic that our efforts to
21 collect the overdue, the delinquent revenue will
22 pay off, and it will probably pay off a little
23 bit in the current fiscal year, but more in the
24 next fiscal year, and we have reasonably
25 conservative budgets for that. So, there's some

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1 upside here as long as we do a good job of
2 collecting all of those delinquencies, and
3 again, I think we will. If you want to give us
4 a 5.0 or 5.1, I'm sure we'd be happy to. As you
5 know also, though, we have a history of having a
6 small surplus at the end of the year, so we've
7 just tried to balance--

8
9 MR. CARNEY: [Interposing] I was going to
10 point that out, actually. Thank you.

11 MR. AGGARWALA: We were just going to try to
12 balance the fact that this is--you can look at
13 the data. This is the largest--if you all
14 approve this rate increase it will be the
15 largest in nine years. So, we recognize the
16 fact that it is a significant increase. We also
17 know that there are pressures that may push us
18 to do more in the future, but we want to do so
19 based on analysis and based on the work we have
20 to do in the very near term of building up the
21 hiring and collecting the delinquent revenue.
22 Joe or Omar, feel free to chime in.

23 MR. MURIN: I'll get to the commissioner's
24 comment, and what you also just, I think,
25 commented on too, Mr. Chair, is that we--and we

1 do have, as I noted, Ed Markus from Amawalk, the
2 system's rate consultant who is the one that
3 puts all these factors into the model, that
4 comes up with the rate that we put forth to the
5 Board. There are always externalities that come
6 in and out of this, such as there might be a
7 surplus, there might be some deficits that we
8 haven't taken into account, too.

9
10 We try as much as possible to make full
11 account of those, such as we know that one thing
12 that's in here but maybe is not as fully funded
13 as it should be is heat, light, and power, which
14 we factor in for a certain amount. When the
15 mayor released the budget the other day it was a
16 higher amount there. It wasn't higher enough,
17 though, that it would make--that we'd have to
18 deviate from the model as we get there, because
19 we also have other factors that are in here that
20 aren't fully considered, such as the revenue
21 which we talked about earlier.

22 We're running, as the slide indicated, we're
23 3.76%--I'm sorry, what is it, Omar? We're 3.6%
24 ahead of revenue target right now, so that's
25 going to give us a little bit of cushion that we

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1 could then use to offset some of the
2 inflationary elements from there. Omar, I'm
3 going to just turn to you if you want to add
4 anything from your perspective.
5

6 MR. NAZEM: It's always a balancing test
7 between funding the system, maintaining the
8 coverage that keeps the rating agencies not just
9 satisfied but pleased to give the bond the
10 ratings they do, and maintaining average bills
11 to the customers that are digestible to them.
12 It's a tricky balance in any year. It's a
13 little more--it's not as tricky as it was last
14 year, but it's still tricky this year with the
15 income shock of the pandemic wearing off.

16 I think all of us a little bit have the
17 sense of, well, it may be beneficial to be a
18 little cautious, just since the economy is still
19 recovering, incomes still are recovering, and it
20 may make sense to go a little softer on people
21 this year than in two years from now or three
22 years from now. Now, a footnote, it is a big
23 financial model at the end of the day. There's
24 an error term around every assumption you make,
25 and you can tweak assumptions and come up with

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1 slightly different numbers, of course, but I
2 think our view was in trying to strike that
3 balance between funding the system, assessed by
4 - - constituencies, and not shocking the
5 households of something--we come with the view
6 that for so many of them it was a bad time, to
7 be a little more cautious in terms of
8 [crosstalk].
9

10 MR. MURIN: Mr. Chair, I don't know if you
11 want to also inquire of Ed Markus.

12 MR. CARNEY: I know that Ed's on the phone
13 and I was actually going to--I'm sure that he
14 has been pivotal in your decision making here.
15 Amawalk has been with us for a long time and we
16 have relied on them very heavily. Ed is--I've
17 gotten to know you, Ed, and I'm glad that you're
18 with us on the phone today. I don't want to be--
19 -I don't like the idea that the record will
20 indicate that I asked the question about whether
21 or not it's rationale to look at and consider a
22 higher rate increase.

23 But I'd love to hear you on this. We can do
24 it at the end of the meeting after Omar's
25 presentation or not, as you see fit. But I need

1
2 to get a sense of whether or not we're being
3 overly cautious given the issues that we are
4 dealing with. We have to increase hiring, we
5 have to diminish receivables, we have to spend
6 time understanding what impact the pandemic will
7 continue to have. But to the commissioner's
8 point, it is the maintenance of the system that
9 is my primary concern. I want the rate payers
10 to be comfortable that we're doing everything we
11 can, and I think we are, but it's the
12 maintenance, the quality maintenance of the
13 system that gets my attention all the time. To
14 the extent, Ed, that you think that we can do
15 this, there may be higher increases later, but
16 I'd like to hear you at some point, and maybe we
17 do it later on. You don't have to do this now.
18 Sorry to put you on the spot, but [crosstalk]
19 Amawalk on this at some point.

20 MS. SHAW: Sorry, this is Arlene Shaw again.
21 I think, Mr. Chairman, what may be helpful too
22 is if we sort of have an understanding of what
23 you got--obviously we don't want to dig through
24 your financial model, but I think it may be
25 helpful, to the chairman's point, if we could

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1 see some sort of idea about what inflationary
2 and industry-wide, macroeconomic trends that are
3 built into the model, because just like when
4 we're talking about cash flow and cash flow
5 being king in terms of our ratings, and
6 understanding increased cost of chemicals and -
7 -. So, just kind of understanding what
8 assumptions we're building in to deal with the
9 macro--the economic environment right now, I
10 think would probably help to reassure everyone
11 that we're choosing the right rate because
12 that's driving all of the environmental
13 pressures. Russia, Ukraine, cost of chemicals,
14 the fact that China is shut again, and a lot of
15 chemical production happens in Asia. Just sort
16 of understanding what environmental things we're
17 building into those models.

19 MR. ED MARKUS: There are always many moving
20 parts, but this year the moving parts are
21 perhaps quite a bit larger in terms of the range
22 of outcomes, but every utility in the Northeast
23 and mid-Atlantic is facing the same type of
24 situation in terms of that balance that the
25 commissioner and Omar talked about. In that,

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2 looking to make sure that the cash flows are
3 adequate, but at the same time, a reasonable
4 impact on customers. But I'd be happy to
5 discuss our assumptions and other information
6 later, if you like.

7 MR. CARNEY: Ed, thank you. I think,
8 Arlene, you're absolutely right, it would be a
9 discussion that we would all benefit from, and
10 maybe this board in another public meeting
11 between now and the first borough meeting would
12 benefit from having Ed and his folks give us a
13 sense of what the econometric models look like.
14 I would like the benefit of that, Ed. Or you
15 could do it with us individually. There may be
16 board members who have no interest in this at
17 all, but I'd like to understand, to Arlene's
18 point, what was considered in the ultimate--in
19 the analysis that got us to the ultimate
20 conclusion.

21 Mr. Commissioner, would you--you don't have
22 to authorize it--but if we chose to have a
23 meeting, a quick meeting, a half-hour meeting
24 between now and the first borough hearing, I'd
25 love to do something like that and get clear

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1 from Ed and his people, and from Omar, and from
2 you and Joseph as well. Just want to make sure
3 that we've considered everything, the Board is
4 clear on the elements of the decision.
5

6 MR. MARKUS: Of course, we're happy to
7 provide whatever the Board needs to feel
8 comfortable with its recommendations.

9 MR. CARNEY: Okay, terrific, terrific,
10 terrific. Then, Omar, if you would--I hate to
11 ask you to do this because I know how difficult
12 it is to get the members of this board together
13 on a phone call, but it would be great to--not
14 do it now, but to do it later in a call where Ed
15 Markus is a principal presenter.

16 MR. MURIN: If I may interject, this is Joe
17 Murin, Mr. Chair, one thing I would suggest is,
18 as I indicated Ed Markus has put together and
19 we're finalizing cash flow analysis, and I think
20 that will proper answer I'd say probably 90% of
21 the questions raised. But we can also go
22 through and probably annotate that, and then
23 have it available for the public hearings as
24 well, and have a preview for the board members
25 as well. So, we could probably circulate that,

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1
2 and then once you and the members have had a
3 chance to review it, we could then assess
4 whether we want to have a follow-up meeting to
5 go through those details so you understand, and
6 be able to go--I think it'll probably answer a
7 lot of the questions.

8 MS. SHAW: Yeah, I think that's a great
9 suggestion, because I think it'll show people
10 sort of cash in, cash out, and where we're
11 increasing percentages to make sure the cash in
12 matches the cash out.

13 MR. MURIN: Yeah, I wanted to be cognizant
14 of the timing, and again, if the Board does want
15 to have a convene before, we can do that as
16 well, but I think it'll probably answer most
17 everything that was raised so far in this.

18 MR. CARNEY: That's a great idea, Joe.
19 Thank you very much for offering it up. We will
20 go in that direction, fingers crossed.

21 MR. MURIN: Yeah.

22 MR. CARNEY: Okay. I'm sorry, Omar, you are
23 the next presenter. Forgive me for interrupting
24 the flow here. But we'll have a lot of
25 questions for you, too.

1
2 MR. NAZEM: Okay. Well, I'm on the side of
3 residential customers with normal levels of
4 water use will see a small increase in their
5 monthly bills. What we do is we take that
6 recommended rate increase and we apply it to
7 some illustrative customer situations. We, of
8 course, have tens of thousands of different
9 situations based on people's buildings and usage
10 patterns. We try to abstract that away and pick
11 a few representative cases in the residential
12 market. What you get to if you do that exercise
13 is you're seeing on a monthly basis if the
14 typical household increases the water and sewer
15 in the \$3-4 a month range, we expressed it in
16 per-month because that's the unit of budget
17 people tend to intuitively think about.

18 The three or four bucks a month, it's not
19 nothing, but if you compare it to a typical
20 cable company increase of 5 or 6% a year, a
21 \$200-a-month bill, it's less than that, and
22 that's a cost a lot of people will be familiar
23 with, and they won't love paying that increase
24 either, of course. But compared to the
25 inflation we see in many other things going into

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1 household budgets, it's a more palatable number.
2 Just in terms of what those examples are, we
3 have two metered examples on this page, and
4 [background noise].
5

6 MR. CARNEY: Somebody needs to go on mute.
7 We're getting interference in the call.

8 MR. NAZEM: In terms of these--thank you,
9 Alfonzo--we have two metered examples on the
10 page, and two unmetered examples. The two
11 metered examples are typical freestanding or
12 attached single-family residents, probably on
13 one of the boroughs, using 70,000 gallons a
14 year. 70,000 gallons a year of water is in the
15 scheme of household usage not particularly high.
16 If you go to a suburban environment people are
17 using 160,000 gallons a year. 70,000 is fairly
18 water efficient. It's typical usage in the city
19 of New York.

20 We also look at what is the typical multi-
21 family apartment unit. The multi-families tend
22 to use less water per unit since there's no
23 yard, there's less space in the apartment on
24 average than a house. There's about 52,000
25 gallons a year is typical usage for an apartment

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1 unit. The two unmetered rates we look at
2 conservation-oriented, multi-family conservation
3 rate which is really geared toward affordable
4 houses that installed water efficiency
5 improvements. They got an installed meter,
6 actually they have a meter and they don't track
7 the usage, but they're not billed on a metered
8 rate. It's about \$1,100 a year per unit for
9 that rate. The monthly increase there in the
10 affordable - - is about four bucks a year.
11

12 The last one we have, it's a tiny rate, not
13 many people mention it because it's an
14 attractive rate for a lot of properties, but a
15 retiree or a small household profile, if you're
16 using less than 90 gallons of water a day your
17 annual bill works out at \$465 or so, and we're
18 not increasing that rate at all, the so-called
19 minimum charge rate. We're going to hold that
20 one steady. We've held that steady for a number
21 of years now. So, if you're using water at a
22 very water-efficient rate, less than 90 gallons
23 a day, your rate won't increase at all. Even
24 for those households here in the rate increase,
25 \$3-4 a month is the typical - - look for. Are

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there any questions on that slide?

MR. CARNEY: No, sir. Not me.

MR. NAZEM: I'm going to flip onto the next slide, this is a table that shows the package of customer affordability programs, and the table-- the slide is identical to what we had last year, other than the title. So, the recommendation is to carry forward the four-bill credit--the three-bill credit affordability package as we had it last year into this year.

I want to kind of emphasize that what we did last year, what the Board did last year, was to put through a fairly large increase in the dollar funding for the program. We were running a \$20-million-a-year affordability program. The Board upped it up to 30 last year. DEP is proposing let's keep the 30 in place again this year. The funding expansion was broad-based, it was distributed across both of the programs. There's a single-family small property owner program, the Home Water Assistance Program aimed at mostly single-family properties where the household is in a property tax abatement program or in a utility bill assistance program, and

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1
2 there's income verification performed for the
3 program by one of our partner agencies.

4 The other program is similar to the MCP
5 program geared toward the affordable housing
6 world, and in that case it's application-based,
7 but the landlords apply, they receive a per-
8 apartment credit as approved, and then a portion
9 of that benefit flows through into the rent
10 roll, and it results in rent abatement for the
11 tenants in those buildings.

12 The last program is the smallest funding on
13 the page, but I always mention it because people
14 don't know about it, it's just for public
15 awareness. It's the Leak Forgiveness Program.
16 If a household has outside water consumption
17 because of a leak, whether it's a plumbing
18 amenity or something happens and the leak is
19 corrected, if you report it in, it shows the
20 change in consumption, we can verify it in the
21 billing system, we knock off half the dollar
22 cost of the leak. So, it's a very--you fix the
23 leak quickly, let us know about it, and you get
24 half off type of program. People don't know
25 about it, it's an underutilized program in my

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1 view, but it's in here as an important
2 affordability initiative. So, are there any
3 questions I can take from folks on that slide?
4

5 MR. CARNEY: None here, Omar. Thank you.

6 MR. NAZEM: And the next one, this is the
7 slide we've seen in a number of formats over a
8 number of years, but what we do is we look at a
9 representative single-family property, that
10 brownstone in Brooklyn or that single-family
11 house in Queens, and we compare water use to
12 what for similar consumption you would see in a
13 basket of 30 other large cities scattered around
14 the country. We've been below that benchmark
15 basket of prices for many years, but what's
16 happened, as we've managed the system well and
17 maintained costs well, and the Authority's done
18 a stupendous job of keeping the balance sheet
19 and the cost of debt low, you've seen year after
20 year our relative affordability increases.

21 So, while we are increasing rates from a 30-
22 city basket is increasing rates, our increases
23 have been less than what you've seen elsewhere,
24 and that relative affordability has grown and
25 grown and grown. People don't - - my rates

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1 going up, but then more affordable, but you sort
2 of are if you think about, well, if you don't
3 pay the rate here, you're paying it elsewhere,
4 and they're going to get 5, 6% here. It's been
5 1, 2, 3%; even now it's kind of below the
6 benchmark rates.
7

8 So, it makes the point, even though the
9 bill's going up, on a relative basis, you have
10 to pay water somewhere, it's going up
11 [background noise] elsewhere. So, that's all--
12 so, I'm going to flip to the next one. This is
13 the policy amendment slide. I won't go through
14 all these in detail, but we're going to have the
15 marked--the Board's rate schedule which is the
16 big legal document that describes all the
17 minutiae about how we do the bills and the
18 charges and how we calculate kind of regular
19 billing situations or special requests for
20 accommodation.

21 We have four changes we're going to put
22 through here. The two I'm going to flag are the
23 second and third points on the list. The multi-
24 family plan had a surcharge in place for
25 properties that hadn't provided paperwork and

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1 completed applications by the end of this fiscal
2 year. It was a 10% surcharge. We're going to
3 push the surcharge one more year in the
4 recommendation packet to June 30, 2023. So, the
5 recommendation is to push the surcharge one year
6 back, otherwise it would be implemented--it
7 would need to be implemented next year, but for
8 a change or an extension of the compliance
9 deadline.
10

11 The third bullet is the other one I'll
12 mention. We're just clarifying how late
13 interest charges are calculated on the wholesale
14 bills. This is obviously an MC-focused meeting
15 but we're going to be--we're clarifying how late
16 interest is charged on the wholesale bills if
17 you don't pay the bill on time. The other two
18 will be detailed in the rate schedule. We'll
19 all be the subject of the rate hearings, but
20 those are the two I wanted to draw attention to.

21 MR. MURIN: I believe the next slide is
22 mine, Mr. Chair.

23 MR. CARNEY: Yes, sir.

24 MR. MURIN: Okay. So, DEP recommends the
25 Board also increases water rates for the

1
2 wholesale customers. We're requesting the Board
3 to consider an allowance quantity rate increase
4 of up to 4.9% for wholesale customers north of
5 New York City. Wholesale rates have only been
6 increased twice in the last six fiscal years,
7 and we can see that if you look down at the bar
8 chart below. The typical end consumer water
9 bill would increase by \$7 per year. The
10 recommended rate increase for an amount in
11 excess of the allowance in line with the city's
12 increase of 4.9%. So, this is our upstate
13 wholesale water sale which come to
14 approximately--I have the numbers somewhere
15 here. Omar, what's it, about \$80 million?

16 MR. NAZEM: \$85 million.

17 MR. MURIN: Right. So, the actual increase
18 some of these residents or users upstate might
19 be more than this proposed cap or ceiling of
20 4.9% because they may add on charges. But we
21 think it's actually going to be less than this
22 4.9%. The rate consultant Amawalk is still
23 working on it. They should have that finalized
24 by the time we bring the final proposal to the
25 Board. But this allows us to be able to go

1
2 forth and propose the rate increase and have the
3 hearing on that one, as well.

4 That ends this portion of the presentation
5 about the rate proposal, so I'll turn it over to
6 you, Mr. Chair and the Board, to see if there
7 are any questions for follow-up there.

8 [Crosstalk]

9 MR. CARNEY: You were kind of, Adam, to
10 delay your questions, but I think you had a few
11 earlier in the presentation.

12 MR. FREED: Thank you so much, Mr. Chair,
13 and I also first wanted just to welcome Mr.
14 Aggarwala. I've had the pleasure of working
15 with Rit on a variety of different functions,
16 known him for over 13 years, and could not be
17 more excited for his able leadership of the
18 organization and its alignment with the city's
19 overall climate agenda and goals, and just I'm
20 so thrilled to have him in the new continued
21 leadership at the organization. So, I just
22 wanted to formally go on the record of welcoming
23 him and the tremendous skills that he's going to
24 bring to the organization.

25 One question which probably won't surprise

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1 the staff, in light of the billing study--
2 billing changes that have been recommended and
3 the sustainable stormwater rate study that is
4 happening, just curious how that relates to this
5 year's rate proposal, thinking about adding in a
6 storm water charge and how that might relate to
7 future years.

8
9 MR. MURIN: I'll address that, Adam, and
10 Omar can expand if need be. At this point in
11 time since we did implement the new billing
12 system last September and we basically are
13 allowing ourselves a year's period to go through
14 the testing and shakedown of all the issues
15 there.

16 So, we have the capacity to add alternative
17 rates within the new billing system, however, we
18 would not be really contemplating any of that
19 until post this calendar year, so moving into
20 calendar year--what am I at right now--that
21 would be starting into '23 that we would start
22 being able to consider whether we wanted to do a
23 storm water charge, whether you wanted to do
24 some sort of fixed charge, other types of
25 billing mechanisms.

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1
2 I believe we're--I will say, and Deputy
3 Commissioner Lynch is on the phone as well, but
4 the billing roll-out has been going well. We've
5 been seeing a lot of improvements. There still
6 is some--one of the challenges being with the
7 staffing level as we talked about throughout
8 this, but the work has been going well, and we
9 think we're going to be successful at that, so
10 we are hopeful that we'll be able to get into
11 new rate-setting structures once we have that,
12 which would include considering the storm water
13 charge.

14 MR. FREED: Excellent, thank you.

15 MR. CARNEY: Thank you, Joseph. Thanks very
16 much. Are there other questions from members?
17 I do have one, and it's about staffing. What's
18 the objective, the number of DEP staff that we
19 believe we should focus on, and how--where are
20 we with regard to that number?

21 MR. MURIN: Rit, I don't know if you want
22 to--

23 MR. AGGARWALA: [Interposing] Yeah, let me
24 go ahead and say, and by the way, this touches
25 on something you mentioned earlier, Mr.

1 Chairman, about one of your concerns. I think
2 it's important to recognize that we have--and
3 Joe, you would have the precise number, no
4 doubt--but somewhat above 6,000 lines in our
5 budget that's authorized, budgeted staff.
6

7 We now have roughly 900 vacancies, so we're
8 operating at a headcount of roughly 5,200 staff
9 across the agency. What's significant in one
10 respect about that is we've got so much hiring
11 we need to do that we're completely fully
12 budgeted under the numbers that you're being
13 presented here. So, there's no need for higher
14 rates to deal with the staffing issues that we
15 face.

16 MR. CARNEY: Got it. Understood.

17 MR. AGGARWALA: And I think we are in
18 ongoing conversations with the Office of
19 Management and Budget and City Hall about what
20 our staffing prospects are. Of course, there's
21 twin issues of concerns by the mayor and OMB of
22 keeping city employment, city government
23 employment at reasonable numbers, but there's
24 also the headwind which is this is a difficult
25 economy in which to hire, and that's true for

1 every employer.

2
3 I think we are focused right now on a
4 handful of areas where there are either serious
5 issues where we are right now, for example,
6 asking understaffed divisions to work overtime,
7 or understaffed teams to work overtime to make
8 up for understaffing, and we're seeing impacts
9 there. We are also looking at--we are also
10 focusing our efforts on employment vacancies
11 where there are knock-on effects, because one
12 person or one team is a bottleneck because it is
13 understaffed and therefore it is undermining or
14 slowing down work going on elsewhere in the
15 organization. So, that's kind of the focus
16 right now.

17 I do think, and I'll first of all say thank
18 you to Member Freed, Adam, for your kind words,
19 but to Adam's point about the storm water rate,
20 this is one of the reasons I think that DEP
21 needs to take a step back over the course of
22 this year and think about a number of things
23 that are changing and how it relates to our
24 strategy. We know that the climate is changing
25 and requires a strategic response from the

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1 agency. We know that the economy is changing;
2 that also requires a strategic response from the
3 agency.
4

5 Some of you will remember that 10 years ago
6 or so there was an effort done called
7 Operational Excellence. It was focused on
8 finding efficiencies with the agency. I think
9 we may actually have a different task right now
10 which is actually to identify and justify what
11 does the agency look like when it is fully
12 staffed at the appropriate levels across the
13 board, because we also know, and it does tend to
14 be the case, that the "lines" that you are
15 budgeted for tend to be backward-looking; that's
16 the historic tradition. As we look ahead to
17 what we really need to be at, we want to make
18 sure that we are growing those areas that need
19 growth, some of which is around thinking
20 differently also about the skills and the job
21 titles, as well.

22 MR. CARNEY: Got it, got it.

23 MR. AGGARWALA: So, in any case, it's
24 something that we are taking very seriously,
25 it's something I'm taking very seriously. In

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1 fact, just prior to this I was having a
2 conversation with our HR DC about this, and I
3 think it is something that we will have a lot
4 more to say to you about over the course of the
5 year.

6
7 MR. CARNEY: I'm sure you're paying a great
8 deal of attention to this issue, Commissioner,
9 and know that we on this board are very grateful
10 for that, and you're bringing a new set of eyes
11 to solving a problem that was unforeseeable
12 three years ago. It's unbelievable that we are
13 in the situation we're in, but good luck, keep
14 fingers crossed. I'm sure you'll figure out,
15 because, well, you don't have a choice.

16 MR. AGGARWALA: That is true.

17 MR. CARNEY: Are there questions, other
18 question, from members? Hearing none--

19 MR. ZARRILLI: [Interposing] Mr. Chairman,
20 this is Dan Zarrilli. I do have a few things.

21 MR. CARNEY: Yeah.

22 MR. ZARRILLI: One, again, I'd like to echo
23 Adam's congratulations to the commissioner and
24 former Commissioner Sapienza for his continued
25 service, and looking forward to all the great

1 things you're going to do with DEP.

2 A small thing. I'm curious if at some point
3 this board can have a short conversation around
4 the format of these meetings and whether these
5 phone calls are the most appropriate way going
6 forward, but I'll put that aside for a little
7 bit.
8

9 Mr. Chairman, I have a slightly different, I
10 think, framing on the point and the question you
11 raised around why 4.9%, and from the other angle
12 of wanting to be sure that any increase
13 certainly, of course, needs to cover the capital
14 expenses, the operating expenses, make sure the
15 system is functioning in this new environment--
16 this new climate era that we're all in, and
17 certainly happy to see additional sewer and blue
18 belts and other green infrastructure investments
19 across the system. Incredibly vital, given
20 everything we know about what's changing in our
21 climate.

22 I also appreciate the impact of any increase
23 on lower-income households, especially given
24 everything else that's happening in the economy
25 right now, whether it's inflation, some of the

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1
2 media we've seen around potential rent
3 guidelines, board increases, and how all of that
4 continues in small ways to add up to an
5 unaffordability crisis that we continue to have
6 in the city. So, any increase is not trivial.
7 So, just to partly make that point, and to
8 understand whether or not we can see as a board
9 in these continuing conversations around the
10 cash flows and things, whether there is a
11 forward-looking sense of what the rate increases
12 might be, not just this year, but some
13 projections of what they could look like in the
14 future. If we make a 4.9% choice this year,
15 does that mean we can do a little less next
16 year, or understand how that fits into a longer-
17 term protection, and [crosstalk]--

18 MR. CARNEY: [Interposing] Dan, I very much
19 appreciate your question. It is one of the
20 issues I would raise with Ed Markus in any
21 meeting that we might have, but to Joe Murin's
22 point, there is a document that may answer these
23 questions, and may or may not offer projections
24 for possible rate increases, or the lack thereof
25 going forward. I'm very anxious to know the

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1
2 answers to those questions, and I thank you for
3 raising them, and the language you've raised is
4 really clear. Thank you for doing that.

5 MR. ZARRILLI: Thank you. So, just one last
6 piece on that, is just to also understand how
7 the choice of the \$30 million affordability
8 program, whether that's the right number,
9 whether it needs to be a different number. I'm
10 certainly glad to see the rental payment
11 eliminated in this calculation; that's been
12 incredibly important. So, these are the things
13 that are on my mind as we're considering any
14 rate increase, and just would love to have that
15 conversation and see that information when it's
16 available. Thank you, Mr. Chairman.

17 MR. CARNEY: Member Zarrilli, thank you very
18 much. You're really clear and pointed. I very
19 much appreciate it. Commissioner, we will look
20 to you and to Joe Murin and Omar Nazem for
21 information as it becomes available that we
22 might review. So, thank you very much. We'll
23 be looking for that. Are there other questions
24 for the staff? Hearing none--

25 MR. GOLDIN: [Interposing] This is Jon.

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1 MR. CARNEY: Yes, sir. Yes, sir.

2 MR. GOLDIN: - - thank you. I'm just
3 wondering if there is anything that we can do to
4 insulate the system against rising inflation.
5 We've come up with several different contexts
6 during the meeting - - on an annual basis. Is
7 there anything we can do from the natural
8 perspective that we can build into the system to
9 provide that resilience - -?
10

11 MR. CARNEY: It's a great question, Jon, but
12 how do we insulate any segment of the economy
13 against inflation? It's madness, what's
14 happening now, and there are reasons for the
15 madness. But it's a fair question and one that
16 I think the Chief Financial Officer and the
17 Treasurer of the Water Board might want to
18 address. It may not have an answer. There may
19 not be an answer for how we insulate the system
20 against the vagaries of inflation, but why not
21 see if Joe or Omar might have an answer?
22 That's a terrible thing to do to the two of you,
23 but what the hell [laughter].

24 MR. MURIN: To that point, Mr. Chair and
25 Member Goldin, we and the rate consultant--and

1 we have had a longstanding practice in the rate
2 model, and this gets also to Member Zarrilli's
3 point as well, where when we do, we'll have the
4 forward-looking aspect of the rate proposal. It
5 includes an inflation factor. We have generally
6 covered using the 3%, and in years' past, as
7 this past decade-plus have shown, that has been
8 more than adequate to cover both cost increases,
9 collective bargaining needs, where there's been
10 vagaries in inflationary items, it may not be
11 sufficient if we're entering into a higher
12 inflation mode. So, that may be something we'll
13 have to think about.

14
15 I think to your point, Mr. Chair, to Member
16 Goldin's question, it's very hard to have you
17 hedge against that because it's really, really
18 difficult unless you're willing to pay a lot of
19 money or have a lot of reserves on-hand, which
20 means that we could be raising rates even higher
21 just to have more--to have cash available just
22 on those contingencies.

23 So, I think we could probably address this
24 in what I put forth in that when we get to the
25 Board and then to the general public how we came

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1 up with the rate proposal, and also, I think
2 we'll be able to address Member Zarrilli's
3 question, as well. So, we could sort of weave
4 those in there and hopefully address the
5 questions as raised, and be able to then either
6 answer them or have--elicit a further discussion
7 with the board.
8

9 MR. GOLDIN: Thank you very much.

10 MR. MURIN: I do want to add, Mr. Chair,
11 that there are two more slides that we need to
12 go through, unless that's the end of the
13 questioning. I don't want to stop the Board
14 from asking anything more. Did we lose the
15 chairman?

16 MR. NAZEM: Alfonso, do we have you?

17 MR. MURIN: Do we have everybody else?

18 MR. ZARRILLI: This is Dan Zarrilli. I'm
19 still here.

20 MS. FERNANDEZ-KETCHAM: Yes.

21 MR. GOLDIN: We're still here, yeah.

22 MR. MURIN: So, I guess--

23 MR. RODRIGUEZ: [Interposing] We still have
24 a quorum.

25 [Crosstalk]

1 MR. MURIN: I will point out--

2 MR. CARNEY: [Interposing] I'm sorry,
3 [crosstalk].

4 MR. MURIN: Go ahead, Chair.

5 MR. CARNEY: My participation was ended very
6 unceremoniously.

7 [Laughter]

8 MR. MURIN: I don't think you missed
9 anything that we could get to in the transcript.

10 MR. CARNEY: I'll be fine, I'll be fine.
11 Were you all finished with your comments on the
12 member questions that you got just before I
13 dropped off the call?

14 MR. MURIN: I believe I finished and we were
15 reopening to see if there were any other member
16 questions before we moved on to the last two
17 slides.

18 MR. CARNEY: Well then, let's move on to the
19 last two slides.

20 MR. MURIN: So, those were we have the
21 update on DEP's sustainable rates study. I
22 won't read it because I think it will be--it's
23 on the presentation and I don't think--it's
24 really an update and I know that Member Freed
25

1 and other members are very interested in this,
 2 so I think it's consistent with what we've been
 3 saying, and what the group that's been meeting
 4 on a periodic basis, as well. But I will ask if
 5 any members do have--or the chair have questions
 6 regarding the sustainable rate study.
 7

8 MR. CARNEY: I don't have any. It's the
 9 chair.

10 MR. MURIN: Hearing none, the last item in
 11 the package is the proposed calendar of hearings
 12 on the rate proposal, which all will be virtual.
 13 We have the one we're doing today. The first
 14 wholesale rate public hearing, which is the
 15 upstate rate, will be on Tuesday, May 24. The
 16 first New York City public hearing will be on
 17 Wednesday, May 25 at 2 p.m. The evening public
 18 hearing for in-city will be on Thursday, May 26
 19 at 6 p.m. Then the Board will convene again on
 20 Wednesday, June 1, to consider the rate proposal
 21 that's before them. As noted, there may be an
 22 interim meeting depending on the package that we
 23 get to the Board for their review in terms of
 24 the financials that have been raised.

25 MR. CARNEY: Joe, thank you very much. Are

1 there any questions or concerns about the
2 schedule? I want to thank you all for arranging
3 a schedule that only has one Friday meeting, the
4 one we're having now. For those of who likes to
5 get down to the Chesapeake, Monday and Friday
6 meetings are hard, and I want to thank you all
7 very much for working around my silly schedule.
8 I'm old and I like what I do with my spare time.
9 Thank you very much for that. Are there
10 questions from the members? Are there matters
11 that need to be raised before I ask for a motion
12 to adjourn? Hearing none, may I have a motion
13 to adjourn?
14

15 MR. FREED: So moved.

16 MR. GOLDIN: I'll make that motion.

17 MR. FREED: I'll second it.

18 MR. GOLDIN: Then I'll second--sure.

19 MR. CARNEY: Thank you very much, Adam, and
20 thank you, Jon. Mr. Secretary, I guess we have
21 to call the roll to get the matters on the
22 record.

23 MR. RODRIGUEZ: Yes.

24 MR. CARNEY: Okay, so let's--

25 MR. RODRIGUEZ: [Interposing] Yeah, I think

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1 that's the suggested process, Mr. Chairman.

2 MR. CARNEY: That works for me, and the
3 motion is approved.
4

5 MR. RODRIGUEZ: You want me to call--

6 MR. CARNEY: [Interposing] Yeah, I want you
7 to go through the members list.

8 MR. RODRIGUEZ: Okay. This is the secretary
9 taking the roll on a motion to adjourn the
10 meeting. Chairman Carney, how do you vote?

11 MR. CARNEY: To adjourn.

12 MR. RODRIGUEZ: Member Fernandez-Ketcham,
13 how do you vote?

14 MS. FERNANDEZ-KETCHAM: Adjourn.

15 MR. RODRIGUEZ: Member Freed, how do you
16 vote?

17 MR. FREED: Adjourn.

18 MR. RODRIGUEZ: Member Goldin, how do you
19 vote?

20 MR. GOLDIN: I vote to adjourn.

21 MR. RODRIGUEZ: Member Hsu, how do you vote?
22 Okay, we might--we'll go back to Member Hsu at
23 the end here. Member Shaw, how do you vote?

24 MS. SHAW: Adjourn.

25 MR. RODRIGUEZ: Member Zarrilli, how do you

1
2 vote?

3 MR. ZARRILLI: To adjourn.

4 MR. RODRIGUEZ: Okay. And checking in with
5 Member Hsu once again. Member Hsu, are you on
6 the phone? Okay, but I--we--

7 MR. CARNEY: [Interposing] Thank you very
8 much, Mr. Secretary. We are adjourned. Mr.
9 Commissioner, thank you so much, and former
10 Commissioner Sapienza, thank you for joining us
11 today. I'd love to get together and sit and
12 talk a little bit about this meeting with both
13 you and the commissioner when there is an
14 opportunity to do that.

15 MR. AGGARWALA: Thank you, Mr. Chairman.
16 Would look forward to that.

17 MR. CARNEY: Thank you, sir.

18 MR. AGGARWALA: All right. Be well,
19 everybody. Thank you.

20 MR. CARNEY: All adjourned.

21 MS. FERNANDEZ-KETCHAM: Okay. Have a good
22 weekend, everyone.


23 [Crosstalk]

24 [END RECORDING]

25

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