

**MINUTES OF A SPECIAL MEETING
OF THE NEW YORK CITY WATER BOARD**

A Special Meeting of the New York City Water Board (the “Board”) was held on January 19, 2007 at 8:30 a.m. at St. John’s University, 101 Murray Street, New York, N.Y.

10007. The following members of the Board were present:

James T.B. Tripp; Chair,

Lilyan H. Affinito;

Donald Capoccia;

Dawn S. Davis;

Amaziah Howell; and

Maria Santos Valentin,

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

Adoption of Minutes

The first item on the agenda was approval of the Minutes of the Board’s prior meeting held on December 15, 2006. There being no discussion, upon motion duly made and seconded the Minutes of the Board’s meeting held on December 15, 2006 were unanimously adopted.

Approval of Transfer of Certain City-owned Lands to the Village of Brewster

The next item on the agenda was the Board’s consent to the City’s proposed transfer of the new Brewster Wastewater Treatment Plant (the “New Brewster WWTP”) to the Village of Brewster. The plant is located in the Village of Brewster in the upstate watershed on land leased to the Board by the City pursuant to the System Lease.

DEP General Counsel, Mark Hoffer, explained that the New Brewster WWTP was constructed by the Village of Brewster with New York City funding pursuant to an Inter-Municipal Agreement signed in 2000. The New Brewster WWTP will replace the old Brewster Wastewater Treatment Plant (the “Old Brewster WWTP”) which the City will demolish. Pursuant to the Agreement, the City will convey, subject to the Board’s consent, ownership of the New Brewster WWTP to the Village of Brewster. The Village will pay the first \$50,000 of annual operating costs of the New Brewster WWTP (increased 2% per year) with the City paying costs above that amount up to \$350,000 annually (increased 2% per year) and the Village paying all amounts incurred thereafter in excess of the City share. The City would also convey to the Village two acres of the 20-acre site on which the New Brewster WWTP is located and a separate one acre parcel to be used for parking. The City would be relieved of the obligation to pay real estate taxes on the transferred property. The City would subdivide and retain the remaining 18 acre site which, after demolition of the Old Brewster WWTP, would be converted to passive recreational uses. Board consent to the proposed transfer is required pursuant to the terms of the System Lease.

A lengthy discussion ensued among Board members and Board staff as to the advantages and disadvantages of the proposed transaction. Board members questioned whether the Village’s operating cost contribution and the annual property tax relief to the City was adequate compensation for relinquishing valuable leasehold. Mr. Tripp said it was important to realize that historically the City has been responsible for the cost of sewage treatment in the Upstate Watershed and this obligation is now memorialized in the Watershed Memorandum of Understanding and the EPA Filtration Avoidance Determination (“FAD”). The discussion concluded with Mr. Capoccia expressing the sentiments of a majority of Board members that the

Board should defer approval of the transfer until provided with summary financial information clearly demonstrating that the benefits of the proposed transfer outweigh the costs. The proposed resolution was accordingly tabled pending receipt of the financial summary which Board staff undertook to provide at the next meeting.

Time Extension for AREVA NP (Framatome) Contract for Environmental Health and Safety Services

The next item on the agenda was the approval of an extension of time for the contractor to provide Environmental Health and Safety Services to the Board pursuant to a previously approved consultant contract. No additional compensation would be paid to the contractor. William Kusterbeck, Treasurer, described the proposal before the Board. There being no discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the water and wastewater systems (the “Systems”) of the City of New York (the “City”) have been leased by the City to the New York City Water Board (the “Board”), pursuant to an Agreement of Lease, dated as of July 1, 1985, as amended, between the City and the Board; and

WHEREAS, the New York City Department of Environmental Protection (“DEP”) operates and maintains the Systems; and,

WHEREAS, the Board and DEP both wish to ensure that the Systems are operated and maintained in a manner that complies with all applicable laws, rules and regulations; and,

WHEREAS, in furtherance of this important objective, on December 7, 2001, the Board authorized the execution and delivery of a contract between the Board and Duke Engineering & Services, Inc., later known as Framatome ANP DE&S (“Framatome”), and now known as Areva NP (“Areva”), to provide assistance to DEP in designing and implementing effective compliance programs to detect and prevent violations of environmental laws and worker health & safety laws, as they pertain to the operation and maintenance of the Systems; and

WHEREAS, on January 28, 2002, the Board entered into a Consulting Agreement with Areva (the “Consulting Agreement” – fully executed on February 5, 2002) to provide such assistance; and

WHEREAS, such assistance had been focused on developing appropriate compliance programs for DEP’s Bureaus of Water Supply and Water & Sewer Operations, which together operate the City’s water supply system; and

WHEREAS, pursuant to a contract change order, Areva is currently developing a Compliance Action Plan (“CAP”) and performing High Priority Assessments (“HPAs”) of DEP facilities so as to enable DEP to expand its compliance programs to the Bureau of Wastewater Treatment and DEP’s other Bureaus and units; and

WHEREAS, the consultant Agreement provided for a term of three years with an option for one two-year extension, which option was exercised on June 14, 2005; and

WHEREAS, Areva has not completed the work provided for in a February 14, 2006 Change Order to the Consulting Agreement; and

WHEREAS, DEP requests that the Board authorize an additional one-year extension of that Consulting Agreement, without allocation of additional funds, so that Areva may provide the additional services DEP requires; and

WHEREAS the Board has determined that such additional assistance is necessary and appropriate; it is therefore

RESOLVED, that the Executive Director be, and he hereby is, authorized and empowered, in the name and on behalf of the Board, to execute and deliver an extension to the consulting agreement with Areva, for a term not to exceed one year, in order to provide DEP with the services already identified in a February 14, 2006 Change Order to that Agreement; and be it further

RESOLVED, that the Executive Director, the Treasurer and the Secretary of the Board be, and they each hereby are, authorized and empowered, in the name and on behalf of the Board, to execute such agreements and instruments, and to take such other and further actions, as they or any of them deem

necessary or appropriate in order to effectuate the foregoing resolution.

Affordable Housing Issue Summary

The next item on the agenda was the discussion of a meeting among representatives of the affordable housing industry, Board members and staff to discuss the impact of rising water and sewer rates on the City's affordable housing stock.

Mr. Kusterbeck explained it was agreed at a prior Board meeting that a problem statement outlining the concerns regarding the impact of increasing water rates on affordable housing which were expressed by certain housing industry representatives at a meeting with DEP and the Water Board staff would be shared with DEP's Commissioner and she be requested to provide the problem statement to the Office of the Deputy Mayor for consideration. The Housing representatives suggestion is that the Mayor's Office assemble a task force of agencies including DEP, OMB and agencies involved in housing to see whether solutions can be devised that will meet the objectives of water system managers and the affordable housing industry, and enable the Mayor to meet his housing goals.

Discussion ensued among Mr. Capoccia, who attended the meeting, Ms. Affinito and Mr. Tripp about the role which water and sewer rates should properly play in promoting affordable housing. There was general agreement that the problem is too complex to be fixed by simply adopting differential water and sewer rates for affordable and market rate housing. Mr. Tripp and Mr. Capoccia suggested that a portion of the Board's rental to the City pursuant to the System Lease could be used instead to provide rent subsidies for low and moderate income tenants. Mr. Tripp also suggested reinstatement of a low-flow toilet rebate program.

FAD Status Report

Mr. Hoffer next provided a report on the status of DEP discussions with the US Environmental Protection Agency (“EPA”) regarding renewal of the Filtration Avoidance Determination (“FAD”) pursuant to which the City is not required to filter water from the Catskill/Delaware water supply system. Mr. Hoffer said the existing FAD will expire this spring, and DEP has reached agreement with EPA on the outline of a new FAD. The new FAD will require, among other things, that the City continue the land acquisition program, continue to repair failing septic systems located west of the Hudson with costs shared by the City and local municipalities, pursue stream management techniques to reduce turbidity in natural bodies of water, and build centralized sewage treatment plants for upstate communities with homes and failing septic systems near water sources.

Inventory Report of Existing Contracts

The last item on the agenda was a discussion of a Summary of Current Contracts¹ prepared by Board staff at the Board’s request. Mr. Capoccia and Ms. Affinito questioned why only \$2.7 million has been spent on contracts with a value aggregating \$17 million. Mr. Kusterbeck said that much of the unspent balance can be attributed to the Blasand, Bouck & Lee, Inc. contract which has a value of \$11.7 million. He explained that work has only recently commenced under this agreement. Discussion ensued of the relationship between budget commitments and actual payments of authorized contract expenditures. Mr. Kusterbeck and Carmelo Emilio, Deputy Treasurer, explained the procedure for making drawdowns of authorized contract amounts. Responding to questions from several Board members, Mr. Kusterbeck said that payments of contract amounts are reflected in the Fiscal Year in which the payment is made and the annual Expense Fund Budget containing such amounts is approved by the Board.

¹ Filed with Minutes of the Meeting.

Adjournment

There being no further business to come before the Board, upon motion duly made and seconded, the Meeting was duly adjourned.

SECRETARY