

**MINUTES OF THE ANNUAL MEETING
OF THE NEW YORK CITY WATER BOARD**

The Annual Meeting of the New York City Water Board (the “Board”) was held on May 14, 2007 at 8:30 a.m. at St. John’s University, 101 Murray Street, New York, New York 10007. The following members of the Board were present:

James T.B. Tripp, Chair,

Donald Capoccia;

Dawn S. Davis;

Marilyn Gelber,

Amaziah Howell;

Alan Moss; and

Maria Santos Valentin,

constituting the entire membership of the Board. 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 meeting held on April 2, 2007. There being no discussion, upon motion duly made and seconded, the Minutes of the Board’s meeting held on April 2, 2007 were unanimously adopted.

Adoption of Fiscal Year 2008 Annual Budget

The next item on the agenda was adoption of the Fiscal Year 2008 Annual Budget. Executive Director, Steven Lawitts, summarized the proposed budget. He said the spending blueprint would fund \$2.27 billion in costs including a \$155 million rental payment to the City. The Board’s Expense Fund, which is a subset of the Annual Budget, is \$25.6 million

which consists of operating expenses, Environmental Health and Safety costs, the MWH capital program management contract, and administrative services.

Discussion of the proposed Annual Budget ensued.

Mr. Tripp described the Board's financial oversight role: the Board approves the Annual Budget, contracts costing more than \$100,000 pursuant to the Board's procurement rules, and significant consultant contracts which are periodically presented to the Board by Board staff for review. In response to Ms. Gelber's request for a comparison of this year's Board Expense Fund budget with last year's, Mr. Lawitts said a comparison would be provided in future years. He added that seventeen million dollars of this year's Expense Fund Budget items are substantially similar to last year's costs but there is an additional \$9 million expenditure this year for the MWH capital program contract.

Mr. Moss asked for an explanation of the line item for "Unallocated Contingencies." Mr. Kusterbeck explained that this is a reserve for unanticipated expenses such as the Booz Allen customer service initiative. Responding to Mr. Capoccia, Mr. Kusterbeck added that this year's budgeted Unallocated Contingency is similar in amount to that provided last year and that there was a \$600,000 unexpended residual amount in last year's Unallocated Contingency.

Ms. Gelber expressed reservations about approving the Annual Budget because it funds the MWH contract which the Board had not yet discussed. Mr. Tripp and Mr. Kusterbeck explained that approval of the Annual Budget simply reserves funds for stated items, but does not constitute approval of specific line items such as the MWH contract which the Board will consider separately today.

There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board has received certification from the New York City Municipal Water Finance Authority (the "Authority") regarding the Authority's Budget for the fiscal year commencing July 1, 2007 ("Fiscal Year 2008") reflecting Authority Expenses and estimated Aggregate Debt Service (as such terms are defined in the Authority's General Revenue Bond Resolution); and

WHEREAS, the Board has received certification from the Director of Management and Budget of the City of New York (the "City") regarding: the amounts which the City reasonably anticipates it will have expended during Fiscal Year 2008 in connection with the operation and maintenance of the water and sewer system as described in paragraphs (a) through (e) of Section 8.1 of the Agreement of Lease dated as of July 1, 1985, as amended, between the Board and the City (the "Lease"); and the rental payments requested by the City for Fiscal Year 2008 pursuant to Section 8.2 of the Lease; and

WHEREAS, the Board has received certification from Metcalf & Eddy of New York, Inc., Consulting Engineer, pursuant to Section 8.3(a)(ii) of the Lease to the effect that amounts certified by the City for costs incurred or to be incurred in connection with paragraphs (a) and (b) of Section 8.1 of the Lease are reasonable and appropriate; and

WHEREAS, the Board has reviewed a proposed budget for the Board's own anticipated Expense Fund operating expenses for Fiscal Year 2008; and

WHEREAS, the Board has reviewed the proposed Annual Budget for the Board's expected expenditures for Fiscal Year 2008 (the "Annual Budget") based on the above-described certifications and Board Expense Fund budget, and has determined that such provision for anticipated expenditures is reasonable and appropriate to enable the Board to exercise its powers and carry out its purposes in accordance with the New York City Municipal Water Finance Authority Act; it is therefore

RESOLVED, that the Annual Budget of the Board, a copy of which is annexed hereto¹, be and is hereby adopted.

¹ Filed with Minutes of the Meeting.

Introduction of New Members

Mr. Tripp next introduced new Board members Marilyn Gelber and Alan Moss. Ms. Gelber and Mr. Moss briefly addressed the other Board members.

Adoption of Fiscal Year 2008 Rate Schedule

The next item on the agenda was adoption of Fiscal Year 2008 in-City Water and Sewer Rates.

Mr. Lawitts said an 11.5% increase in rates is required to fund the \$2.27 billion Annual Budget adopted today by the Board. The new Rate Schedule also amends the terms and conditions for payment agreements by reducing the minimum down payment to 10% from 25% and extending the maximum repayment term from 3 to 5 years.

Discussion of the rate proposal ensued. Mr. Tripp said the Board is aware of the impact that the rate increase will have on lower income families and that the increase is due in part to the high delinquency rate on Water and Sewer bills. He said DEP's Bureau of Customer Service must improve its collection efficiency and DEP must be granted additional statutory enforcement tools. Mr. Capoccia added that the rate increase will adversely affect the City's Affordable Housing stock and that some sort of rate relief is needed in this regard. Ms. Davis commented that there needs to be more transparency and fairness in the rate setting process. She observed that speakers at the rate hearing in the Bronx could not understand how decreased consumption could lead to increased rates.

An extended discussion next ensued among Ms. Gelber, Mr. Tripp, Ms. Santos and Mr. Capoccia about the Board's rental payment to the City in the amount of 15% of debt service on Water Authority Bonds. There was general consensus that the rental payment is an unfair money transfer from the System's rate payers to the City and that the payment should be

restructured. At the conclusion of the discussion, Mr. Tripp said he would pursue rental reduction talks with the City during his tenure as Chair.

During the rental payment discussion, a letter to Board members from the City Comptroller was delivered. The letter, which Board members did not have an opportunity to read during the meeting, proposed that the rental payment by the Board to the City be reduced in amount or re-directed for pay-as-you-go capital.

Next a discussion ensued among Ms. Santos, Ms. Gelber, and DEP General Counsel Mark Hoffer, as to the availability of Federal funding to pay for U.S. government mandated projects. Mr. Hoffer described the Environmental Facilities Corporation State Revolving Fund Loan program which has been established with State and Federal funding to provide subsidized loans for clean water and drinking water projects. Ms. Gelber said the Board should lobby for federal funding for unfunded mandates.

There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the Board is authorized pursuant to Section 1045-g(4) of the New York City Municipal Water Finance Authority Act (the "Act") to establish, in accordance with Section 1045-j of the Act, fees, rates, rents or other charges for the use of, or services furnished, rendered or made available by the water and sewer system of the City of New York; and

WHEREAS, in accordance with Section 1045-j(9-a) of the Act, public hearings concerning certain proposals regarding water and sewer system rates and charges, and changes to the Board's billing policies and procedures for users of the system within the City of New York, were held in each borough of the City on April 24, 25 and 26, 2007 and transcripts of said hearings have been received and reviewed by the Board; and

WHEREAS, in accordance with certifications received from (i) the New York City Municipal Water Finance Authority (the "Authority") with respect to the Authority's annual budget for the fiscal

year commencing July 1, 2007 (“FY2008”), (ii) The City of New York (the "City") with respect to (a) the amounts which the City reasonably anticipates it will expend during FY2008 in connection with the operation and maintenance of the water and sewer system and (b) rental payments requested from the Board, and (iii) Metcalf & Eddy, Inc. of New York, Consulting Engineer, with respect to the reasonableness of the City's certification of certain expenses, the Board has on this day adopted its annual budget for FY2008; and

WHEREAS, based on the requirements set forth in the Board's annual budget for FY2008 and the testimony and reports submitted at the aforementioned public hearings, the Board has determined that, effective July 1, 2007, the water rate for all in-City customers, flat rate and metered, should increase by 11.5% over the rate in effect in Fiscal Year 2007 and the wastewater rate should remain at 159% of the applicable water charge; and

WHEREAS, the Board has determined that the Policy Proposal relating to the modification of the terms of payment agreements executed by customers with DEP as set forth in and described in the Public Notice and Public Information Book dated April 2007, should be approved as recommended by staff; it is therefore

RESOLVED, that the FY2008 Rate Schedule (a copy of which is attached hereto as Exhibit A)², which reflects an increase of 11.5% for in-City water rates and the policy provision of the Rate Schedule, is approved.

Approval of Phase II Capital Program Management Information System Services with MWH Americas Inc.

The next item on the agenda was the approval of an additional \$9.4 million under the MWH Americas Inc. capital program management contract [see September 15, 2007 minutes for a description of the contract] to provide additional services for the purpose of developing and installing a Program Management Information System (“PMIS”) so as to improve management of the City’s water and wastewater capital program.

DEP Deputy Commissioner Alphonso Lopez described the objectives of the PMIS expansion. The objectives are to migrate the PMIS Portal Framework to be in line with

² Filed with Minutes of the Meeting.

DEP's information technology strategy, implement upgrades in functionality, and expand PMIS to include all DEP Bureau of Engineering Design and Construction capital projects. He added that it would provide current information about the status of all DEP capital projects thereby preventing scope creep, improve construction scheduling and enable DEP to efficiently manage change orders, all of which in turn will reduce and control costs.

Ms. Gelber asked Deputy Commissioner Lopez to quantify the cost savings. Deputy Commissioner Lopez was unable to immediately provide that information but said that the overall benefit of the PMIS expansion is that it will enable DEP to track capital project costs, avoid scope creep and scheduling delays, comply with milestones and stay on budget. At a later point in his presentation he advised the Board that the savings would be approximately \$40 million per year.

Mr. Tripp, Mr. Capoccia and Deputy Commissioner Lopez discussed the advantages of efficiently managing change orders during the course of capital project construction.

Mark Ospala, DEP Director, Capital Program Management next summarized Phase I of the contract which has been completed as well as the objectives of Phase 2. Phase 2 objectives include loading all 175 DEP capital projects into the PMIS system by August 2008 followed by training of DEP staff and turnover of PMIS to DEP. The Phase 2 Budget consists of \$7.9 million in 2008 and \$2.3 million in 2009.

At Mr. Capoccia's request, and after some discussion, Deputy Commissioner Lopez provided an estimate of the number of MWH employees who would be funded under the contract.

There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted³:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act (the "Act"), the Board is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, on September 15, 2006, the Board authorized the execution and delivery of a contract between the Board and MWH Americas ("MWH") to provide assistance to the New York City Department of Environmental Protection ("DEP") in creating functional requirements for expanding the utilization of a Project Management Information Systems ("PMIS") to improve the management of the City's water and wastewater capital program ("the Consulting Agreement"); and,

WHEREAS, DEP has identified a need to install, configure and deploy the capital program PMIS and has reviewed a proposal by MWH to provide these additional services for an additional amount not to exceed \$9,364,000 and has requested the Board approve an amendment to the Consulting Agreement in such amount for such services; and,

WHEREAS, in accordance with the Water Board's Policy on the Procurement of Goods and Services, in particular, Section 5.i. (prior Board approval of contracts where the cumulative value exceeds \$100,000) and Section 6.iv. (waiver of competitive solicitation where the procurement is a continuation of existing services and it is desirable for purposes of continuity and compatibility), the Board finds such justification reasonable and appropriate in the present circumstances; it is therefore,

RESOLVED, that the Executive Director is hereby authorized and directed to execute an amendment to the Consulting Agreement with MWH to install, configure and deploy the capital program PMIS, upon such terms and conditions as the Executive Director may deem reasonable and appropriate, for an additional amount not to exceed \$9,364,000.

Approval of Additional Consulting Services with Booz Allen Hamilton in Support of BCS Benchmarking Services

³ Ms. Santos was not present for the vote on this resolution, having left the meeting.

The next item on the agenda concerned approval of an amendment to the Booz Allen Hamilton consulting contract to provide a “Best Practices Model” for the Bureau of Customer Services, originally approved on November 17, 2006. Additional funding was authorized by the Board on February 26, 2007, and more funding is now being sought for additional services. The new tasks include a review of the lien sales process, development of a classification matrix for aged receivables, and implementation of a program to integrate the existing City 311 information technology system with DEP’s call center. Deputy Commissioner Joseph Singleton described the additional services for which funding is now being sought. Discussion ensued.

There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously⁴ adopted:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act (the "Act"), the Board is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, on November 17, 2006, the Board authorized the execution and delivery of a contract between the Board and Booz Allen Hamilton (“BAH”) in an amount not to exceed \$496,711 to provide assistance in designing and implementing a “Best Practices Model” for the New York City Department of Environmental Protection (“DEP”), Bureau of Customer Services (“BCS”) in the interest of providing superior services to customers, efficient revenue collection and the promotion of water conservation; and

WHEREAS, on December 20, 2006, the Board entered into a Consulting Agreement with BAH (the “Consulting Agreement”) to provide such assistance; and

⁴ Ms. Santos was not present for the vote on this resolution, having left the meeting.

WHEREAS, on February 26, 2007 upon the recommendation of DEP, the Board authorized an amendment to the Consulting Agreement in an amount to not to exceed \$286,875.84 to provide for two additional tasks that were determined to be required in order to address improvements in both collections and customer service delivery; and

WHEREAS, DEP has identified the need for additional services involving: i) a best practices review of BCS' internal lien sales process; ii) the development of a classification matrix for aged receivables; and, iii) an evaluation of BCS's capacity to implement an outbound calling program and the feasibility of utilizing 311 technology in such a program; and

WHEREAS, DEP has reviewed a proposal submitted by BAH to provide the additional services described above for an amount not to exceed \$173,279 and has requested the Board to approve an amendment to the Consulting Agreement in such amount for such services; and,

WHEREAS, in accordance with the Water Board's Policy on the Procurement of Goods and Services, in particular, Section 5.i (prior Board approval of contracts where the cumulative value exceeds \$100,000) and Section 6.iv (waiver of competitive solicitation where the procurement is a continuation of existing services and it is desirable for purposes of continuity and compatibility), the Board finds such justification reasonable and appropriate in the present circumstances; it is therefore,

RESOLVED, that the Executive Director is hereby authorized and directed to execute an amendment to the Consulting Agreement, upon such terms and conditions as he may deem reasonable and appropriate, so as to increase the maximum compensation payable to BAH by \$173,279 to an amended amount not to exceed of \$956,866.

Public Comment Period

James Buckley addressed the Board during the public comment period to request that the Board's "Blue Books" containing the rate proposal and anticipated changes to the Rate Schedule also include projections of future rate increases, the impact of rates on Affordable Housing and information about how to contact the Board.

Adjournment

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

Secretary