

**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 December 21, 2007 at 8:30 a.m. at Trinity Church, 74 Trinity Place, New York, New York 10007. The following members of the Board were present:

Donald Capoccia;

Dawn S. Davis;

Marilyn Gelber;

Amaziah Howell;

Alan Moss; and

Maria Santos Valentin;

constituting a quorum. Ms. Gelber chaired the meeting in Mr. Tripp’s absence, and Albert F. Moncure, Jr., served as Secretary of the Meeting.

**Adoption of Minutes**

The first item on the agenda was approval of minutes of the Board’s previous meeting held on November 21, 2007. There being no discussion, upon motion duly made and seconded, the minutes of the Board’s meeting held on November 21, 2007 were unanimously adopted.

**Approval of Consultant to Review and Recommend Organizational Changes to the Bureau of Water and Sewer Operations (BWSO)**

The next item on the agenda was the approval of a consultant contract to recommend organizational changes to DEP’s Bureau of Water and Sewer Operations (BWSO). DEP Commissioner Emily Lloyd explained that the BWSO is a capital bureau within DEP responsible for Water and Sewer System construction, which also has regulatory responsibility to

approve new connections to the Water and Sewer system. DEP's ongoing review of Environmental Health and Safety ("EH&S") matters has revealed certain shortcomings within the BWSO. The proposed contractor will recommend organizational changes to eliminate these failings. The contract will also ensure that best practices are in effect in the near future when it is expected that certain BWSO key personnel will be replaced through retirement. Responding to a question from Ms. Gelber as to whether the contract contains benchmarks against which to measure to contractor's performance, Commissioner Lloyd explained that the agreement requires delivery of specified "products", but specific benchmarks will be added to the contract at Ms. Gelber's suggestion. Mr. Moss asked whether the contractor will "cost out" its recommendations. Commissioner Lloyd responded in the affirmative adding that the recommendations will save money especially by reducing personal services costs. Commissioner Lloyd agreed with Ms. Gelber's request that DEP provide progress reports to the Board on the contract semi-annually during the 2-year term of the agreement. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously 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**, in the interest of improved efficiency and reliability in operating the City's drinking water and wastewater collection infrastructure, the New York City Department of Environmental Protection ("DEP") has identified to the Board a need for the services of a management consultant to develop a Benchmarking and Best Practices Model for DEP's Bureau of Water and Sewer Operations ("BWSO"); and

**WHEREAS**, Requests for Proposals (“RFP”) in connection with said Benchmarking and Best Practices Model were issued on July 2, 2007 to a total of twenty-eight potential consulting firms, four of which submitted technical and cost proposals for consideration and review by BWSO staff; and

**WHEREAS**, the Board has reviewed a memorandum<sup>1</sup> from BWSO Deputy Commissioner, James J. Roberts, P.E., dated November 2, 2007, which sets forth a recommendation for the designation of Huron Consulting Group (“Huron”) to perform the necessary evaluations on behalf of BWSO; and,

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

**RESOLVED**, that the Executive Director is hereby authorized and directed to execute an agreement with Huron to develop a Best Practices Model for BWSO upon such terms and conditions as the Executive Director may deem reasonable and appropriate, provided however that the total compensation for services performed shall not exceed \$830,000.

**Withdrawal of the Proposal to Authorize a Mid-Year Rate Increase Not to Exceed 18%.**

The next item on the agenda was the withdrawal of the proposed 18% mid-year rate increase in light of the City Council’s December 19, 2007 adoption of new stand alone water lien sale legislation. Board staff had previously advised that passage of such legislation would obviate the need for a mid-year rate increase.

At Ms. Gelber’s invitation, City Council Finance Committee Chair, David Weprin, addressed the Board to describe the new law. He noted that the legislation would authorize the sale of water liens only without an associated real property tax delinquency on all property classes but would exempt single family homes. Councilmember Weprin said council

---

<sup>1</sup> Filed with Minutes of the Meeting.

members would meet with DEP and DEP'S Consultant, Booz Allen Hamilton ("BAH"), to discuss collection improvement strategies. He also described the role of the statutory DEP ombudsperson to resolve billing disputes and he criticized the System Lease rental structure pursuant to which rent in excess of debt service on City general obligation bonds issued for water and sewer system purposes is paid into the City's general fund. Councilmember Weprin said this so-called "excess rent" should be applied to reduce water and sewer rates.

Ms. Gelber concurred with Councilmember Weprin's comments about the rental payment noting that the Board had written a letter to the Mayor's office suggesting that the rental payment be restructured.

Commissioner Lloyd described the Memorandum of Understanding accompanying the new legislation and described "safety net" programs for low income homeowners who are delinquent on water and sewer bills.

Ms. Gelber invited members of the public to address the Board about the withdrawal of the rate increase proposal. Jim Buckley of the University Neighborhood Housing Association expressed approval that the rate increase is being withdrawn but indicated concern about future rates which will be affected by increases in the size of the City's capital budget. He also criticized what he called "the lack of transparency" and unavailability of information to the general public in connection with the rate making process. No other member of the public asked to speak.

Mr. Moss noted that much effort will be needed to implement collection enforcement improvements which will require cooperation from the City Council and community groups.

There being no further discussion, upon motion duly made and seconded, the Board unanimously resolved to rescind its November 21, 2007 resolution noticing a rate increase not to exceed 18% to be effective January 1, 2008.

**Approval of a Contract Extension for an Investigator of Employee Concerns Related to Environmental Health and Safety Compliance and Retaliation**

DEP Acting General Counsel, Robin Levine, explained that the next item on the agenda was a one-year extension of the Board's contract with an investigator of EH&S complaints made by DEP employees. The contract extension also provides for the payment of \$300,000 to the investigator. In addition the Board is being asked to approve a payment of \$200,000 to the investigator for amounts already accrued under the existing contract but unbilled for one year because of the investigator's failure to submit invoices in a timely fashion. Ms. Levine noted that the investigator's position is required under DEP's plea agreement with the United States Attorney. Responding to a question from Ms. Gelber, Ms. Levine stated that, after expiration of the 1-year contract extension, DEP would procure the services of a new contractor pursuant to a Request for Proposals conducted in accordance with the City's Procurement Policy Board Rules. In response to a question from Ms. Davis about the procedure for making employee EH&S complaints, Commissioner Lloyd said that employees may make such complaints through a hotline mandated by the plea agreement. Complaints are then investigated by the investigator. The investigator's reports are reviewed internally within DEP, including by the Commissioner, and then forwarded to the Federal monitor. Mr. Capoccia, Ms. Santos, and Mr. Moss discussed the reasonableness of the investigator's fees. Ms. Levine noted that the investigator is an attorney and that his hourly rate of \$300 is below prevailing rates generally charged by lawyers and that DEP is very pleased with the investigator's work product.

There being no further 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, the Board authorized the execution and delivery of a contract between the Board and Neil Cartusciello to provide assistance to DEP in conducting investigations of employees’ claims of alleged directions or orders in violation of EHS law or probation, or of alleged retaliation for reporting EHS concerns; and,

**WHEREAS**, on November 9, 2005, the Board entered into a Consulting Agreement (the “Agreement”) with Neil Cartusciello (“the Consultant”) to provide such assistance; and,

**WHEREAS**, on November 8, 2006, the Board extended the Agreement until November 8, 2007; and,

**WHEREAS**, because of an underestimation of the level of effort that would be required to fulfill the mandate of the investigatory portion of the DEP Employee Concerns Program, approximately Two Hundred Thousand Dollars (\$200,000) in excess of the allocation under that Agreement has now been invoiced by the Consultant for services rendered through November 8, 2007; and,

**WHEREAS**, DEP has also identified the need to execute a further Agreement with the Consultant for a term of one year for an amount not to exceed Three Hundred Thousand Dollars (\$300,000); and,

**WHEREAS**, the Board has reviewed a memorandum<sup>2</sup> from Robin Levine, General Counsel of DEP, which indicates that it is advisable to retain the services of the Consultant so that important investigative services will continue to be available to DEP, and which requests Board approval of both the payment of Two Hundred Thousand Dollars (\$200,000) in excess of the allocation under the previous Agreement with the Consultant and the execution of a further agreement for a term of one year with an allocation in the amount of Three Hundred Thousand Dollars (\$300,000); and,

**WHEREAS**, the Board has determined that such action is necessary and appropriate and in accordance with the Water Board's Policy on Procurement of Goods and Services, in particular, Section 5.i (prior Board approval of contracts in which the cumulative value exceeds \$100,000) and Section 6.iv (waiver of competitive solicitation when the procurement is a continuation of existing services and it is desirable for purposes of continuity and compatibility); 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 permit payment of \$200,000 in invoices in excess of the amount allocated in the Agreement with the Consultant that expired on November 8, 2007, and to execute and deliver a further consulting agreement with the Consultant, for a term not to exceed one year, and for total compensation not to exceed Three Hundred Thousand Dollars (\$300,000), in order to provide DEP with the services identified in the memo; and be it further,

**RESOLVED**, that 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 other 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.

**Approval of a Contract Amendment for the Next Phase of Work by Booz Allen Hamilton to Support Customer Services in Implementation of Lien Sales, Automated Meter Reading and a New Billing and Collection System**

---

<sup>2</sup> Filed with Minutes of the Meeting.

The next item on the agenda was a proposed 24-month extension of the Board's consulting contract with BAH to provide additional implementation support services to DEP's Bureau of Customer Services relating to lien sales, Automated Meter Reading and a new Billing and Collection system at a cost of \$3.9 million. Deputy Commissioner, Joseph Singleton, described the services provided by BAH to date and the proposed services over the next two years. Commissioner Singleton said that BAH's report helped to inform and convince the City Council of the need for new stand alone water lien sale legislation. Responding to a question from Ms. Santos as to whether DEP has the infrastructure in place to implement all of BAH's recommendations, Commissioner Singleton said DEP will have to create a separately funded Automated Meter Reading program platform to implement certain BAH recommendations. Ms. Gelber, Mr. Moss, Mr. Capoccia, and Ms. Santos discussed the reasonableness of the fees proposed to be paid to BAH and the urgency of the proposed services, and expressed reservations about the amount of compensation to be paid and skepticism about the immediacy of the need for such services. Ms. Santos asked whether the proposed contract contains termination provisions. Board Treasurer, William Kusterbeck, responded that the contract may be cancelled at the Board's option on 30-days notice. Mr. Capoccia proposed limiting the contract extension to one year and reducing BAH's compensation accordingly. The Board agreed with Mr. Capoccia's suggestion.

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

**WHEREAS**, on February 26, 2007, May 14, 2007 and June 19, 2007, upon the recommendation of DEP, the Board authorized amendments to the Consulting Agreement in amounts not to exceed \$286,875.84, \$173,279 and \$1,850,461 respectively to provide for additional tasks determined to be required in order to provide additional critical analyses and address improvements in collections, customer service delivery and lien sale processing; and

**WHEREAS**, DEP has identified the need for additional support services from BAH involving assistance with key ongoing tasks and activities already in progress, as well as assistance with new task initiatives, including but not limited to: i) the establishment of a standardized strategic business planning process for BCS; ii) the development of a comprehensive quality control program for BCS business processes; iii) the development of a human resource plan for BCS; and iv) the development and implementation of an IT strategy and system development support including the modernization of such key systems as billing and IVR programs, and the introduction of new technology for meter reading; and

**WHEREAS**, DEP has reviewed a proposal submitted by BAH to provide the additional services described above for an amount not to exceed \$3,997,535 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 \$2,400,899.50 to an amended amount not to exceed \$5,208,227 as compensation for the services referred to in the attached memorandum<sup>3</sup> to be provided during the first year of the proposal described in the memorandum.

### **Adjournment**

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

---

SECRETARY

---

<sup>3</sup> To be filed with Minutes of the Meeting.