

**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 30, 2009, at 8:30 a.m. at the Arsenal, 64th Street and Fifth Avenue, New York, New York. The following members of the Board were present:

Alan M. Moss;

Marcia Bystryn;

Dawn Davis;

Amaziah Howell;

Mehul Patel; and

Benjamin Tisdell,

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

Introductory Remarks

Mr. Moss thanked New York City Parks Commissioner Adrian Benepe for making the Arsenal available for today’s meeting.

Financial Update

The next item on the agenda was a Financial Update presented by Executive Director, Steven Lawitts. Mr. Lawitts said the factors affecting Fiscal Year 2010 water and sewer rates are revenues, debt service costs, and operating and maintenance expenses. He said that year-to-date revenues are 4% below targeted amounts which was also the case last year at this time. He attributed the shortfall in revenues to reduced consumption and the effects of the financial crisis on customers’ ability to pay.

He then discussed the status of the Automated Meter Reading program. A \$16 million contract for the installation of rooftop receivers to register data from customer premises has been let and twelve contracts aggregating \$110 million have been awarded to install meter transmitters at customer premises.

A request for proposals process is jointly underway with the Department of Information Technology and Telecommunications to select a vendor for the proposed \$30 million overhaul of the Customer Information System. Multiple proposals are expected to be received by the February 25, 2009 proposal due date.

He then discussed DEP's enhanced collection efforts, including 93,000 late payment notices which were mailed to delinquent customers in December, and 17,000 pre-lien sale notices which were sent warning customers of their eligibility for the lien sale. He said that 18,492 accounts representing \$180 million in arrears are currently eligible for the lien sale. Four thousand letters were also sent to customers owing \$85 million in delinquent charges who are eligible for the new Payment Incentive Program. That program would forgive \$15 million in late charges in return for immediate payment or an agreement to pay over time pursuant to a payment plan.

The Water Authority's \$645 million January bond sale exceeded the \$485 million principal amount which was expected to be sold. The true interest cost on the bonds was 5.2% which is below projected rates of 6.2 – 6.8% included in the current plan forecast.

He described DEP's operating and maintenance expenses and debt service costs. The cost of chemicals to treat water may increase. In addition the fringe benefit rate could increase due to higher pension costs caused by a decline in the market value of pension investments. Debt service and fuel costs are also volatile he said. Responding to a question

from Mr. Tisdell, Mr. Lawitts said that variations from consumption and collection assumptions would be significant factors affecting revenue forecasts. For future presentations, Mr. Tisdell asked that Mr. Lawitts prepare a graphic depicting actual versus budgeted collections for the year-to-date compared with the prior year. Mr. Moss also asked for an organization chart of DEP personnel involved in revenue collection activities. Mr. Lawitts agreed to supply the requested items.

Adoption of Minutes

The next item on the agenda was approval of the minutes of the Board's previous meeting held on December 19, 2008. There being no discussion, upon motion duly made and seconded, the minutes of the Board's meeting held on December 19, 2008 were unanimously adopted.

Audit Committee Annual Report

The next item on the agenda was the Annual Report of the Joint Audit Committee of the New York City Water Board and the New York City Municipal Water Finance Authority (the "Audit Committee"). William Kusterbeck, Treasurer, who is not a member of the Audit Committee, presented the Report because of the absence of any Audit Committee member who had attended all of the Audit Committee's meetings during the past year. He said the Audit Committee's activities included, among other things, adoption of a charter, authorization of a Request for Proposals to select an Independent Auditor, recommendation of Deloitte & Touche to be retained as Independent Auditor, meeting with Deloitte & Touche to discuss the Management Letter, review of the draft Annual Financial Statements and Deloitte & Touche's report on the Financial Statements.

Appointment of Board Representatives to Joint Audit Committee

Next Mr. Moss indicated he was stepping down from the Audit Committee. He then appointed Mr. Tisdell, Mr. Howell, and Mr. Capoccia to replace two former Board representatives on the Audit Committee who have resigned from the Board and himself.

Authorization of Independent Audit Engagement Letter for FY2009

The next item on the agenda was the authorization of a Board Officer to execute an engagement letter with Deloitte & Touche, the Water and Sewer System's Independent Auditor, to conduct an audit of the System's Fiscal Year 2009 Financial Statements pursuant to its retainer with the System.

Mr. Kusterbeck noted that the Joint Audit Committee had recommended authorization of the engagement letter and that it was anticipated that the FY2009 engagement letter would be substantially the same as the FY2008 engagement letter which has been provided to the Board for review. Mr. Moss asked that the Minutes of the Meeting reflect that Mr. Kusterbeck would report back to the Board if the engagement letter prepared for signature is not in substantially the same form as last year's engagement letter. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted:

WHEREAS, the New York City Water Board (the "Board") and the New York City Municipal Water Finance Authority (the "Authority" and together with the Board, the "System") retained the firm of Deloitte & Touche LLP for such firm to serve as independent auditors for the System's financial statements for the fiscal years ending on June 30, 2008, 2009 and 2010; and

WHEREAS, pursuant to the Joint Audit Committee Charter, the Audit Committee, comprised or representatives of both the Board and the Authority, has evaluated the independent auditors, found their performance to be satisfactory, and

recommended that the Authority and the Board authorize the System's Officers to sign an engagement letter with Deloitte and Touche LLP as the independent auditors for the System's financial statements for the fiscal year ending June 30, 2009; and

WHEREAS, the Authority on January 21, 2009 authorized the Officers of the Authority to sign an engagement letter with Deloitte and Touche LLP as the independent auditors for the System's financial statements for the fiscal year ending June 30, 2009; it is therefore

RESOLVED, that the Board authorizes the Officers of the Board to sign an engagement letter with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal year ending June 30, 2009, as well as any other documents necessary to effectuate the continued retention of the independent auditors.

Appointment of Governance Committee Members

Next Mr. Moss appointed Ms. Davis, Ms. Bystryn and Mr. Patel to the Governance Committee to replace the former members of the Committee who have resigned from the Board.

Other Matters

Mr. Patel asked that the consultant study on Rate Alternatives be furnished to the appropriate Board steering committee when it is available. Responding to Ms. Bystryn, Mr. Kusterbeck said that although the study is expected to be completed by this spring, it is not likely that its recommendations would be reflected in Fiscal Year 2010 Water and Sewer Rates in light of the time needed to assess the alternatives expected to be proposed in the study.

Adjournment

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

SECRETARY