

MINUTES OF A MEETING OF THE NEW YORK CITY WATER BOARD

A meeting of the New York City Water Board (the “Board”) was held on October 30, 2009, at 8:30 a.m. at the New York City Department of City Planning, 22 Reade Street, Spector Hall, New York, New York. The following members of the Board were present:

Alan M. Moss;

Dawn S. Davis;

Amaziah Howells

Mehul Patel; and

Benjamin Tisdell

constituting a quorum. Mr. Moss 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 previous meetings held on September 25, 2009 and October 14, 2009. There being no discussion, upon motion duly made and seconded, the minutes of the Board’s meetings held on September 25, 2009, and October 14, 2009, were unanimously adopted.

Approval of Resolution to Amend the Audit Committee Charter and to Adopt a Governance Committee Charter, and the Selection of a Governance Committee Chair

The next items on the agenda were the approval of an amendment to the Audit Committee Charter, adoption of a Governance Committee Charter and selection of a Governance Committee Chair. Executive Director Steven Lawitts, suggested that the election of the Governance Committee Chair be deferred until a meeting at which all members of the Governance Committee, including Ms. Bystryn, who is absent today, are present.

He noted that the other two items, had been considered earlier today by the Governance Committee, at their meeting which preceded the Board's meeting and had been recommended by the Governance Committee to the Board for adoption. Ms. Davis, who attended the Governance Committee meeting, then discussed the Committee's recommendations. She explained that it is proposed to amend the Charter of the Joint Audit Committee of the New York City Municipal Water Finance Authority and the Board to require the Audit Committee to submit an annual report of its activities to the Authority, the Board, and the City Comptroller no later than October 30 of each year. She also described the proposed Governance Committee Charter which is based on the New York State Public Authorities Board model governance committee charter.

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") established a Governance Committee by Board resolution of September 15, 2006, wherein the Governance Committee's duties include reviewing and recommending changes to the Board's corporate governance principles; and

WHEREAS, the Governance Committee believes the changes reflected in the Amended and Restated Audit Committee Charter, attached hereto as Exhibit A,¹ and the adoption of a Governance Committee Charter, attached hereto as Exhibit B,² (collectively, "the Charters") are reasonable and appropriate and has recommended to the Board the adoption of the Charters; and

WHEREAS, the Board has reviewed the Charters as attached hereto and is in agreement with the Governance Committee's recommendation; it is therefore

RESOLVED, that the Board hereby adopts the Charters effective October 30, 2009.

¹ Filed with Minutes of the meeting.

² Filed with Minutes of the meeting.

Approval of a Contract Renewal Option with The Bank of New York Mellon for Remittance and Lockbox Processing and related Banking Services

The next item on the agenda was a 3-year \$2.7 million contract extension with the Bank of New York Mellon (“BNYM”) for lockbox processing and related banking services. Mr. Lawitts said that under the existing contract, BNYM receives payments and process remittances from customers. Under the contact extension, BNYM will provide additional services including processing electronic payments. The new contract provides for a not to exceed fee of \$2.7 million but the actual fee will be based on the volume of transactions processed by BNYM.

Responding to a question from Mr. Moss about why the contract extension was not competitively bid, Mr. Lawitts said the original contract was procured through a competitive request for proposals process and Board staff was highly satisfied with BNYM’s performance under the resulting contract. Mr. Tisdell added that there are not a lot of other banks which provide these services. 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, following a competitive solicitation process, the Board entered into an agreement dated July 1, 2006 with The Bank of New York, now known as The Bank of New York Mellon (“BNYM”), in the amount of \$2,051,770 whereby BNYM is providing lockbox pick-up, remittance processing and related banking services to the Board for a term which will expire on December 31, 2009 (the “Agreement”), and

WHEREAS, BNYM has provided highly satisfactory services to date as indicated by Board staff; and

WHEREAS, the Agreement provided for an initial term of three years, with an option to renew for an additional three-year term at the Board's discretion; and

WHEREAS, the Board has reviewed an October 20, 2009 memorandum from Lindsey Ganson, Acting Treasurer of the Board, which describes the continuing services to be provided by BNYM and sets forth a recommendation that the Board exercise its option to renew the Agreement for a subsequent three-year term by authorizing an amendment to the Agreement with BNYM to provide 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 in the name of and on behalf of the Board to execute an amendment to the Agreement with BNYM to continue providing lockbox pick-up, remittance processing and related banking services to the Board for an additional term of three years, upon such terms and conditions as the Executive Director may deem reasonable and appropriate, for an additional amount not to exceed \$2,700,000. Total compensation for services performed under the Agreement and amendment to the Agreement shall not exceed \$4,751,770.

Approval of an Amendment to Agreement with Booz Allen Hamilton to provide additional functions regarding Benchmarking and Best Practices for DEP/BWSO

The next item on the agenda was the amendment to the contract with Booz Allen Hamilton ("Booz Allen") to fund additional services regarding Benchmarking and Best Practices for DEP's Bureau of Water and Sewer Operations (the "BWSO").

BWSO Deputy Commissioner James Roberts explained that \$500 thousand in additional funding is being sought in order to fund the development of comprehensive standard operating procedures for the reorganized Division of Field Operations within the BWSO and

improved procedures for processing permits and approvals for connections to the Sewer System. Commissioner Roberts began his presentation with a description of certain Booz Allen recommendations which have thus far been implemented by the BWSO. Fourteen management positions in the Division of Field of Operations have been consolidated into five borough managers and a separate unit has been created to respond to emergencies. Separate engineering groups have been consolidated under the management of a single Assistant Commissioner who is a professional engineer.

Discussion next ensued among Mr. Moss, Mr. Tisdell, Mr. Patel, Commissioner Roberts and Executive Director Lawitts as to the potential cost savings expected to result from the Booz Allen recommendations under the amended contract. Mr. Lawitts said it is difficult to quantify the avoided costs and cost savings expected to be realized because these are a function of the overall national and regional economy. Cost savings will be realized as economic activity picks up and there is an increase in construction generating an increase in requests for permits and approvals. It is anticipated that the BWSO will be able to process such requests more efficiently with fewer personnel as a result of the Booz Allen recommendations. However, he said, such savings cannot be quantified at this time. Mr. Tisdell expressed reluctance to approve the additional funding without a projection of the financial impact, but Mr. Moss observed that the Booz Allen contract is scheduled to expire tomorrow unless the Board acts today. Mr. Moss said that in the future, requests by Board staff for contract extensions must be presented to the Board within a reasonable time prior to the deadline for action by the Board. Mr. Lawitts said Board staff would endeavor to comply with this request. 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 Board on June 26, 2008 authorized the selection of Booz Allen Hamilton ("BAH") to provide assistance in developing a "Benchmarking and Best Practices Model" for the New York City Department of Environmental Protection, Bureau of Water and Sewer Operations ("DEP-BWSO"); and

WHEREAS, the Board entered into a consulting agreement dated September 2, 2008 with BAH in the amount of \$832,079 to provide such assistance for a term that will expire on October 31, 2009 (the "Agreement"); and

WHEREAS, DEP-BWSO has identified a need for further assistance from BAH with respect to implementing the restructured Field Operations Division of DEP-BWSO and optimized standard operating procedures for permitting and approvals; and

WHEREAS, the Board has reviewed an October 20, 2009 memorandum from James J. Roberts, P.E., Deputy Commissioner of DEP-BWSO, which details the additional requested services and sets forth a recommendation that the Board authorize an amendment to the Agreement in the amount of \$500,000 for BAH to provide 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 Agreement with BAH to provide the additional services, upon such terms and conditions as the Executive Director may deem reasonable and appropriate, for an additional amount not to

exceed \$500,000. Total compensation for services performed under the Agreement and its amendment shall not exceed \$1,332,079.

Financial Update

Collections

Next Mr. Lawitts discussed October collections which are 11% or \$19 million below target projections. He attributed the shortfall to reduced consumption. Mr. Tisdell observed that the actual percentage decline in October collections is larger than the projected percentage decline in consumption for October. Mr. Lawitts explained that October bills are for service provided during the preceding three months and reflect reduced consumption in July of 11%, 3% in August, and 7% in September.

Enforcement

Mr. Lawitts next discussed the status of DEP collection enforcement measures.

He said that DEP collected \$2 million as a result of service termination notices sent out over a 31-week period. Ninety-nine percent of recipients of shut-off notices either paid in full or entered into payment plans prior to the scheduled service termination date or they qualified for the safety-net relief provisions of the service termination program.

Responding to Ms. Davis, Mr. Lawitts said that delinquent charges which are sold under the lien sale are recorded as accounts receivable on the Board's records until the date of the lien sale.

Responding to questions raised by Ms. Moss later in the meeting regarding the lien sale, Mr. Lawitts said the Board received \$13 million directly from the proceeds of this year's sale but also received substantial payments from delinquent customers following notice of the lien sale but before the actual date of sale.

Miscellaneous

Mr. Moss said that he would like the preliminary meeting agendas posted on the Board's website.

Mr. Moss asked for an acceleration of the search for a permanent Treasurer, and indicated that he would like to participate in the selection process.

Finally Mr. Moss said he would like an interim report before the end of the year from the consultant regarding natural gas drilling in the Upstate Watershed. Mr. Lawitts agreed to comply and added that the State will hold public hearings on its Generic Environmental Impact Statement on this subject and that the Board will publicize such hearings on the D.E.P. website.

Adjournment

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

SECRETARY