

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 September 9, 2011 at 8:30 a.m. at the New York City Department of Planning, 22 Reade Street, Spector Hall, New York, New York 10007. The following members of the Board were present:

Alan M. Moss,

Marcia Bystryn,

Alfonso Carney,

Mehul Patel, and

Benjamin Tisdell;

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

Introduction: DEP Commissioner Carter H. Strickland, Jr.

The first item on the agenda consisted of introductory remarks by newly appointed DEP Commissioner Carter Strickland. Mr. Strickland described his background, including his position as DEP Deputy Commissioner for Sustainability, which he held prior to his appointment as Commissioner. He briefly described DEP’s response to Hurricane Irene, noting that all sewage treatment plants remained in operation during the weather event. He then described his plans for the agency, which include public-private partnerships to improve operational efficiencies.

Approval of Minutes of June 17, 2011 Meeting

The next item on the agenda was approval of the minutes of the Board’s previous meeting held on June 17, 2011. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on June 17, 2011 were unanimously adopted.

Deferral of Operational Efficiency Consultant Selection

Executive Director Steven Lawitts announced that the selection of an Operational Efficiency Consultant, previously scheduled for today, would be deferred to a future meeting so as to permit respondents to the Request for Proposals for this position to submit best and final offers.

Consent to the City's Sale of Parcel 5 of Town of Carmel Property and Release of Board's Leasehold Interest Therein

The next item on the agenda was the approval of a property disposition. DEP Assistant Counsel Christine Holmes described the proposed transaction. A parcel of less than 1-acre of City-owned land in the Town of Carmel would be conveyed to an adjoining landowner whose oil storage tank now encroaches on the City parcel. The owner of the adjoining property would pay the City \$125,000 and grant the City a 50-foot-wide right of way. The transaction would resolve a boundary dispute resulting from the encroachment. Board approval is required because the parcel of City-owned land is leased to the Board pursuant to the System Lease.

Mr. Moss questioned whether the City would be relinquishing a valuable source of revenue through the property disposition. The Board's Treasurer, Mathilde McLean, and DEP General Counsel, Robin Levine, said the property is useful only for vehicular access and is not useful for Water and Sewer System purposes. Responding to a question from Mr. Tisdell as to whether the property owner would indemnify the City, Ms. Holmes responded that the City is conveying the property pursuant a quit claim deed without City covenants. Mr. Moss said the property owner should release the City from liability for environmental contamination on the property being conveyed. Ms. Holmes said she would include such a provision in the transaction documents.

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

WHEREAS, the City of New York (“City”) and the New York City Water Board (“Board”) entered into an Agreement of Lease (“Lease”) dated July 1, 1985 and amended on November 1, 1985; and

WHEREAS, under the terms of the Lease, the City leased its water and sewerage systems, including all real and personal property acquired for the operation and maintenance of the systems, to the Board; and

WHEREAS, according to Article XI, Section 11.1(d), “the City will not sell, transfer, or otherwise dispose of real property included in the Leased Property without the Board’s written consent. The Board will give such consent upon receipt of a certificate signed by the Consulting Engineer to the effect that the real property to be disposed of may be disposed of without materially adversely affecting the Revenues of the System or impairing the ability of the Board to make any payments required by this Lease or the Agreement or any other agreement to which it may be a party or be bound. If the Board consents, it shall release its leasehold interest in the property being disposed of;” and

WHEREAS, the City owns real property located in the Town of Carmel, County of Putnam, State of New York, which is included in the real property covered by the Lease and further described as Parcel 5 as shown on a survey titled “Survey of Property prepared for Sclafani Petroleum, Inc.” by Insite Engineering, Surveying & Landscape Architecture, P.C., dated October 23, 2008; and

WHEREAS, Sclafani Petroleum, Inc., owns the adjoining property described as SBL #75.05-1-64.1; and

WHEREAS, Sclafani Petroleum, Inc., has made improvements to SBL #75.05-1-64.1, which encroach upon Parcel 5; and

WHEREAS, Sclafani Petroleum, Inc., claims that, at the time the improvements were made, it believed it owned Parcel 5; and

WHEREAS, the City would like to cure the encroachments on Parcel 5 by selling the real property to Sclafani Petroleum, Inc., in exchange for monetary compensation and an access easement; and

WHEREAS, in order for the City to sell Parcel 5, the City must obtain the Board's written consent; and

WHEREAS, based on the recommendation by staff and for such consideration as herein described, the Board has determined that selling Parcel 5 to Sclafani Petroleum, Inc., is reasonable and appropriate; and

WHEREAS, by letter dated September 8, 2011, the Board has also received certification from William Pfrang, P.E., Vice President of AECOM USA, Inc., Consulting Engineer, that it has evaluated the above property disposition and has confirmed that such transfer does not materially adversely affect the revenues of the System or impair the ability of the Board to make any payments required under the Lease; it is therefore,

RESOLVED, that, pursuant to Section 11.1(d) (i) of the Lease, the Board hereby consents to release its leasehold interest in Parcel 5 in order for the City to sell said property to Sclafani Petroleum, Inc., in exchange for monetary compensation and an access easement as described herein.

Approval of Selection of Rate Consultants and Contract Authorization

The next item on the agenda was the approval of two rate consultants, pursuant to a joint request for proposals conducted by the Board with the Water Authority. Board staff is recommending that two contracts be awarded: one to Amawalk Consulting, whose principal, Ed Markus, has been the System Rate Consultant since 1985, and another to Raftelis Financial Consulting Inc.

Mr. Lawitts explained that for the first time the appointment of a second rate consultant is being recommended. The additional consultant will provide back-up and redundancy. Responding to Mr. Tisdell, Mr. Lawitts explained that the primary function of the

rate consultant is to certify, in connection with Water Authority bond offerings, that System revenues are sufficient to pay debt service on the Water Authority's bonds and all other System operating and maintenance costs. The additional consultant would also advise the Board on alternative rate structures to replace frontage billing, which expires on June 30, 2012, and the potential for a fixed rate component of the rate schedule.

Mr. Moss expressed certain reservations about a bifurcated contract, including the potential for duplication of services, billing disputes, and additional administrative costs. Mr. Lawitts assured Mr. Moss that DEP would manage the contracts so as to prevent any such issues from arising.

Mr. Carney added his support for the proposal but expressed disappointment that a New York City-based national consulting firm could not be identified as the additional consultant.

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, the Board's primary duty under the Act is to establish and collect water and wastewater rates and charges in an amount sufficient to place the water supply and wastewater systems (the "System") of the City on a self-sustaining basis; and

WHEREAS, the New York City Municipal Water Finance Authority (the "Authority") finances capital projects for the System through the issuance of bonds and notes; and

WHEREAS, the Board and the Authority seek to procure the services of qualified firms to serve as rate consultants to the Board and the Authority; and

WHEREAS, on May 2, 2011, staff from the Board and the Authority jointly commenced a competitive solicitation process for said rate consulting services with a Request for Proposals (“RFP”), which was issued directly to 40 rate consulting firms and advertised in the Bond Buyer and the Minority Commerce Weekly; and

WHEREAS, three technical proposals and cost proposals were received for consideration and review; and

WHEREAS, a Technical Evaluation Committee (“the Committee”), consisting of qualified persons from the Board and the Authority, rated and ranked each technical proposal and statement of qualifications received in accordance with the criteria stated in the RFP; and

WHEREAS, all three proposing teams were invited to interview with the Committee; and

WHEREAS, the Committee determined that the proposals and presentations by Amawalk Consulting Group LLC (“Amawalk”) and Raftelis Financial Consultants, Inc. (“Raftelis”), were the most highly-rated on technical approach and qualifications and, after consideration of the cost proposals, determined that their cost proposals were fair and reasonable; and

WHEREAS, the Board has reviewed a memorandum dated September 2, 2011 from the Executive Director of the Board, Steven W. Lawitts, on behalf of the Committee, which summarizes the RFP and evaluation process and sets forth a recommendation that the Board authorize the Executive Director to enter into contracts with Amawalk and Raftelis to provide rate consulting services to the Board; 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 Amawalk and Raftelis appropriate; it is therefore

RESOLVED, that the Executive Director is hereby authorized and directed to execute agreements with Amawalk and Raftelis to provide rate advisory services to the Board, for a three-year term, which may also include an option for two one-year extensions at the Board's discretion, upon such terms and conditions as the Executive Director may deem reasonable and appropriate; and be it further

RESOLVED, that the total compensation for services performed for the initial three-year term of the agreements shall not exceed \$1,050,000 of Board funds.

Appointment of Deputy Treasurer

The next item on the agenda was the appointment of Greg Ascierio as Deputy Treasurer to replace Carmelo Emilio, who is retiring. Mr. Lawitts expressed the Board's thanks to Mr. Emilio for his years of service and described Mr. Ascierio's background and qualifications.

At Mr. Moss's request, the Board next convened in Executive Session to discuss the appointment and then reconvened in Open Session without having taken any action in Executive Session.

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 Board is authorized to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, the Board has been advised of the retirement of Carmelo Emilio as the Board's Deputy Treasurer effective September 9, 2011; and

WHEREAS, the Board has reviewed the background and experience of Greg L. Ascierio, Water Board Counsel, and believes that he is qualified to serve as Deputy Treasurer of the Board; it is therefore

RESOLVED, that effective immediately, Greg L. Ascierito is hereby appointed to the position of Deputy Treasurer of the Board with such duties and responsibilities as may be delegated by the Treasurer; and it is further

RESOLVED, that the Chase Bank (hereinafter called the Bank) as a designated depository of the Board is hereby requested, authorized and directed to honor all checks less than \$2,500, drafts or other orders for the payment of money drawn in the Board's name on its accounts when bearing or purporting to bear the facsimile signatures of both of the following:

Mathilde O. McLean
Greg L. Ascierito

And the Bank shall be entitled to honor and to charge the Board for all such checks, drafts or other orders for the payment of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto, if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of the Board.

Financial Update

The next item on the agenda was the presentation of a financial update by Mr. Lawitts.

Mr. Lawitts said the System ended Fiscal Year 2011 with revenues above the Plan target amount by \$82 million or 3%.

For the first two months of the current fiscal year, collections are \$7 million or 0.7% under the plan target amount. However, charges billed by DEP were 7.3% higher this August than in the same period last year despite a decline in metered consumption.

With respect to this year's lien sale, approximately 17,000 accounts representing \$165 million in delinquent charges were included in the 90-day lien sale notice. Approximately 1,700 delinquent accounts in the amount of \$16 million were actually sold. Prior to the lien sale

deadline, \$82 million was collected from delinquent accounts originally noticed for the sale. Additionally, ratepayers entered into payment agreements for \$52 million.

With respect to service termination, 800 shutoff notices were sent out in Fiscal Year 2011, resulting in collections of \$528,087. However \$406,652 was expended for posting 15-day notices, marking areas for service shutoff, and excavating and restoring streets during service shutoff and restoration, resulting in net revenue of \$121,435.

Automated Meter Reading (“AMR”) installation is scheduled to be complete by January 2012. The AMR program has reduced estimated bills by 50% over two years.

With respect to DEP online initiatives, approximately 24,000 accounts are enrolled in paperless billing, 16,000 accounts are enrolled in direct debit billing, and 8,000 accounts are enrolled in the automatic leak notification program.

Miscellaneous

Mr. Tisdell asked for an update at a future meeting on extraordinary System events such as the North River Sewage Treatment Plant fire and the effects of Hurricane Irene and Tropical Storm Lee.

Adjournment

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

SECRETARY