

**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 February 24, 2012 at 9:30 a.m. at the New York City Department of City Planning, 22 Reade Street, Spector Hall, New York, New York 10007. The following members of the Board were present:

Alan M. Moss,

Donald A. Capoccia,

Alfonso L. Carney, Jr., and

Mehul J. Patel

constituting a quorum. Mr. Moss chaired the meeting, and Olivia A. O’Neill served as secretary of the meeting.

Approval of Minutes of December 9, 2011 Meeting

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on December 9, 2011. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on December 9, 2011, were unanimously adopted.

Amendment to Contract with CH2M Hill New York, Inc. for Project Management Information System Services

The next item on the agenda was an amendment to the contract with CH2M Hill New York, Inc. (“CH2M Hill”). CH2M Hill has been working with the Bureau of Engineering, Design & Construction (“BEDC”) to develop a project management system (“PMIS”) for DEP’s

capital program. Deputy Commissioner Kathryn Mallon made a presentation to the Board regarding the PMIS and requested that the Board authorize an amendment to the contract with CH2M Hill for additional services related to the PMIS and compensation in an amount not to exceed \$392,000. She stated that the requested scope would provide PMIS compatibility with DEP's recent upgrade of underlying SharePoint software from the 2007 version to the 2010 version. She explained that the 2010 software was incompatible with earlier versions of SharePoint; Mr. Carney asked whether Microsoft had disclosed that fact. Apparently it was not disclosed at the time that the 2010 version was in development, but Deputy Commissioner Mallon said that based on user feedback, implementation of the 2010 version had improved BEDC's project management capabilities.

Mr. Capoccia asked about the terms of the original contract. Executive Director Steven Lawitts said that the PMIS development was initially undertaken through a contract with MWH Americas entered into in 2008, in the amount of \$9.3 million. He explained that MWH Americas was having trouble completing the work, so in 2010 the contract was assigned to CH2M Hill. Mr. Capoccia asked whether the Board had approved this assignment; Mr. Lawitts explained that no approval had been needed as it was within the scope of the Executive Director's authority.

Mr. Capoccia asked where things stood in the process of capital planning and discussion ensued. Mr. Capoccia asked when the project would be completed and asked to see a consolidated presentation of all projects. He asked that a monthly report from the PMIS be shared with the Board; Mr. Moss agreed.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by adoption of these minutes:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the New York City Water Board (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 System is operated and maintained by the Department of Environmental Protection of the City of New York (“DEP”); and,

WHEREAS, in the interest of managing the City’s water and wastewater capital program in an efficient manner, DEP has identified a need for the services of a technical consultant to modify a project management information system (“PMIS”) so that it is compatible with recent DEP software updates; and,

WHEREAS, CH2M Hill New York, Inc. (“CH2M Hill”) previously delivered a functional PMIS to DEP pursuant to a contract with the Board, and DEP wishes to fully integrate the PMIS with DEP’s current software configurations; 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 CH2M Hill to provide technical assistance in updating the project management information system upon such terms and conditions as the Executive Director may deem reasonable and appropriate, provided however that the total compensation for services performed under such agreement shall not exceed \$392,000.

Consent to Apportionment and Partial Transfer of East New York Pumping Station Property to the New York City Department of Housing Preservation & Development (HPD)

The next item on the agenda was the consent to the relinquishment of a portion of the above-referenced property to HPD. The City acquired property at 137-153 Jamaica Avenue

in 1931. It currently operates a pumping station at 153 Jamaica Avenue (Parcel B), but does not utilize the full property. 137 Jamaica Avenue (Parcel A) contains an abandoned two-story building. HPD has asked for Parcel A to be relinquished to HPD as the site for a senior housing facility. Mr. Lawitts stated that Parcel A is not being actively kept up by maintenance. He noted that the System's Independent Engineer had expressed the view that the relinquishment of Parcel A would have no negative impact on the operation of the System or the collection of revenues. He stated that HPD had agreed to assume all responsibility for Parcel A and that it is very committed to the project.

Mr. Moss noted the significance of the value of land. He then asked whether there had been a study that demonstrated the effectiveness of the project and whether the neighborhood had the resources to support a senior living facility. Mr. Jack Hammer of HPD said that a study was on-going. He said that there was strong support from HPD and that shopping and public transportation in the neighborhood already existed. There is also a bus that went to a shopping center that was located ½ mile from Parcel A. Mr. Moss asked what made HPD so confident of the success of the project; he also asked whether there would be a financial gain to the developer. Mr. Hammer said HPD was in the process of working with a not-for-profit developer.

Mr. Lawitts said that given the current condition of the site, the project would be an improvement. Mr. Capoccia noted that the project would be subject to a land disposition agreement, which would memorialize the long-term purpose of the project and would include institutional controls. Mr. Moss asked that a provision be included to the effect that if Parcel A is not used for its intended purpose within two years, ownership would revert to the System.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by adoption of these minutes:

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 (the “Lease”); and,

WHEREAS, the New York City Department of Environmental Protection (“DEP”) operates and maintains the Systems; and,

WHEREAS, pursuant to Section 11.1(d)(i) of the Lease, the City may, with the prior written consent of the Board, transfer property covered by the Lease which does not materially adversely affect the revenues of the Systems or impair the ability of the Board to make any payments required under the Lease; and,

WHEREAS, DEP operates the East New York Pumping Station located on Block 3487, Lot 20, (the “Property”) on the Tax Map of the Borough of Brooklyn; and,

WHEREAS, the Property contains two buildings, 137 Jamaica Avenue (Parcel A), which is an abandoned two-story building, and 153 Jamaica Avenue (Parcel B), the East New York Pumping Station; and,

WHEREAS, DEP wishes to relinquish the unused portion of the Property, specifically 137 Jamaica Avenue (Parcel A), to the New York City Department of Housing Preservation and Development (“HPD”) for the purpose of constructing a senior housing facility; and,

WHEREAS, DEP has represented to the Board that it has no current or future need for such portion of the Property; and,

WHEREAS, the Board has determined that the relinquishment of Parcel A to HPD, subject to the condition that HPD demonstrate progress in utilizing Parcel A within a two-year time period starting from transfer of the property to HPD is reasonable and appropriate; and,

WHEREAS, by letter dated January 11, 2012, 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 apportionment and transfer of 137 Jamaica Avenue (Parcel A) and has confirmed that such grant does not materially adversely affect the revenues of the Systems 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 the property apportionment and transfer as described herein.

Authorization to Extend the Contract with Deloitte & Touche as the System's Independent Auditors

The next item on the agenda was the extension of the contract with Deloitte as the System's independent auditors. The Board and Authority jointly retained Deloitte as the System's independent auditors in FY 2008, following a City-wide competitive procurement. At that time, the City also hired Deloitte as its auditor, and since then, the parallel contracts have facilitated coordination in performing the System's audit, as it is a component of the City. Both DEP and the Authority are satisfied with the performance of Deloitte, and on January 19, 2012, the Joint Audit Committee recommended that the Board and the Authority authorize the extension of Deloitte's contract for an additional two years, for purposes of continuity and compatibility with the City's audit contract, and the directors of the Authority authorized the extension of the contract. Mr. Carney inquired as to whether Deloitte retained the same lead partners for the System's audits on an on-going basis. Mr. Lawitts explained that there was a Deloitte requirement that audit partners for any account be shifted on a periodic basis.

There being no further discussion, upon motion duly made and seconded, the following resolution, in principle, was unanimously adopted, the final text to be approved by the adoption of these minutes:

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the New York City WaterBoard (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 and the New York City Municipal Water Finance Authority (the "Authority") previously retained the firm of Deloitte & Touche LLP for such firm to serve as independent auditors for the financial statements of the water and sewer system (the "System") of the City of New York (the "City") for the fiscal years ending on June 30, 2008 through June 30, 2011; and,

WHEREAS, Deloitte and Touche LLP is the auditor for the City, and the audit of the System requires close coordination with the City's audit, and Board staff has determined that extending the contract with Deloitte & Touche LLP is desirable for purposes of continuity and compatibility; 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; and,

WHEREAS, pursuant to the Audit Committee Charter, the Joint Audit Committee has evaluated the independent auditors, found their performance to be satisfactory, and recommended that the Board and the Authority authorize the officers of the Board and the Authority to extend the contract and sign an engagement letter with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal years ending June 30, 2012 and June 30, 2013; and

WHEREAS, on January 19, 2012, the directors of the Authority authorized the officers of the Authority to extend the contract and sign an engagement letter for the fiscal years ending June 30, 2012 and June 30, 2013, pending the approval of the Board; it is therefore,

RESOLVED, that the Board authorizes the officers of the Board and the Authority to exercise the optional contract extension and sign an engagement letter with Deloitte & Touche LLP as the independent auditors for the System's financial statements for the fiscal years ending June 30, 2012 and June 30, 2013, as well as any other documents necessary to effectuate the continued retention of the independent auditors.

Prior to the presence of a quorum to commence the meeting, two informational presentations were made to those present.

Presentation: Update on Hydrofracking

David Warne, Assistant Commissioner of Water Supply, made a presentation on the status of hydrofracking in New York. Assistant Commissioner Warne began his comments by expressing his deep appreciation and thanks to the Board for its on-going support. He then summarized DEP's comments on the NYS Department of Environmental Conservation's Environmental Impact Statement and discussed DEP's proposals to protect water supply

infrastructure that lies within the Marcellus Shale area but outside the watershed. Mr. Moss noted that evaluation of the effects of hydrofracking raised the question as to how to quantify the risk and how to establish recommendations as to infrastructure buffers based on that evaluation. He also posed the question as to why a distinction was being made with respect to the buffer, since it could be assumed that the injections of liquid would travel to the buffer. Discussion was had. Mr. Warne said that no date for the issuance of the revised draft SGEIS had yet been announced. He noted that many comments had been received during the comment period that closed in January 2012 and that it would therefore take some time to evaluate those comments. Assistant Commissioner Warne then gave a brief update on the status of the Delaware River Basin Commission rules. He said that the regulatory process was currently on hold.

Presentation: Financial Update

The last item on the agenda was a financial update provided by Mr. Lawitts. Mr. Lawitts said that revenues for FY 2012 are currently ahead of the plan target amount. With respect to the capital budget, Mr. Moss asked about the likelihood of DEP meeting its annual capital commitment target; discussion ensued.

Mr. Lawitts then gave an update as to implementation of the wireless meter reading installation. He said that the automated water meters had helped with forecasts. He noted that the meters both resolved and generated disputes.

Mr. Moss inquired as to when the lien sale program would have to receive new authorization. Mr. Lawitts said that current authorization of the program extended through December 2014. Mr. Moss asked whether anyone had looked at the possibility of sales of accounts receivable. Mr. Capoccia agreed that such a program would have value.

Adjournment

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

SECRETARY