

## **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 21, 2012 at 8:30 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,

Methul J. Patel,

Arlene Shaw, and

Benjamin Tisdell,<sup>1</sup>

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

### **Approval of Minutes of June 15, 2012 Meeting**

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on June 15, 2012. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on June 15, 2012, were unanimously adopted.

### **DEP Operational and Financial Update**

The next item on the agenda was an Operational and Financial Update presented by the Board’s Executive Director, Steven Lawitts, who is also DEP’s Chief Financial Officer.

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<sup>1</sup> Mr. Tisdell arrived after approval of the minutes.

### Fiscal Year 2012 and 2013 Revenue Collections

Mr. Lawitts said that Fiscal Year 2012 collections were 1% above the plan target amount. This was only the second time in seven years that collections were ahead of the plan for the entire year. Collections for Fiscal Year 2013 are on target, he said.

### Lien Sale

Mr. Lawitts described the results of the two lien sales which occurred in Fiscal Year 2012. The amount of proceeds received in the first sale was \$16 million or 10% of amount of delinquent charges originally included in the 90-day sale notice. \$10.7 million or 7% of the 90-day sale notice amount was realized in the second sale. Mr. Lawitts attributed the declining percentage of sale proceeds to the availability of payment plans. Pursuant to the recent City Council lien sale legislation, customers included in the 90-day sale notice can avoid having their liens sold by entering into payment plans which require no money down and up to ten years to repay.

### Change in Metered Consumption

Mr. Lawitts said year-over-year metered consumption has declined during the past year, but the year-over-year total billed dollar amount has increased because of the rate increase. He said the pace of customers converting from flat rate to metered consumption has accelerated in Fiscal Year 2013 due to the Multi-Family Conservation Program ("MCP"). In May, 30,283 accounts were initially billed at the MCP rate for Fiscal Year 2013. Of these, 1,389 customers with annual charges of \$19.6 million have since converted to metered consumption.

Mr. Capoccia asked Mr. Lawitts to comment about published reports that older meters tend to under-record consumption. Mr. Lawitts replied that this is true because older

meters rotate slower as parts wear out. However, DEP has replaced half of such devices on an accelerated basis so that under-reporting should be less of a problem in the future.

Also DEP's OpX contractor, Veolia Water North America Operating Services, LLC, will implement a protocol to test large meters and develop a function profile. It is estimated this will generate \$40 million annually through the targeted replacement of certain large meters that are under-recording. Responding to questions from Mr. Capoccia and Mr. Moss, Mr. Lawitts acknowledged that a percentage of the savings expected to be realized will be payable to the contractor as part of its incentive compensation, but the fee will be based on the net savings to DEP after deducting capital costs.

Discussion ensued among Mr. Moss, Mr. Capoccia, and Mr. Tisdell about comments by the Public Advocate that the Automated Meter Reading ("AMR") program has resulted in inaccurate meter readings. Responding to questions raised in the discussion, Mr. Lawitts said DEP reviewed all the accounts referred to it by the Public Advocate and found no instances of inaccurate readings. Mr. Lawitts attributed the perception that customers are being overcharged to the fact that many accounts were previously charged too little because of inaccurate estimated bills. The AMR program has reduced the number of estimated bills. Mr. Lawitts said that DEP can back-bill customers in good standing for 2 years to collect undercharges, and customers not in good standing can be back-billed for 4 years.

#### Regulatory Update

Mr. Lawitts next discussed the status of certain regulatory matters.

Construction of the Catskill/Delaware Ultraviolet Disinfection Facility is 85% complete, and DEP met the August 3, 2012, deadline for commencing operation of the first quadrant.

Construction of the Croton Filtration Plant is 81% complete. Commencement of operations is forecast for Spring 2013 which is behind schedule because of delays encountered in the procurement process relating to initial selection of the prime contractor.

Construction of a cover for the Hillview Reservoir has not commenced, but DEP is in discussions with EPA on less costly ways to reduce the possibility of E. coli bacteria. EPA has extended the construction completion deadline to May 31, 2028.

DEP's Filtration Avoidance Determination for the upstate Watershed is in effect until 2017.

The remedial investigation for the Gowanus Canal is complete, while remedial investigation and sampling at Newton Creek are underway. The City may be a potentially responsible party for Superfund liability at both sites.

DEP is in negotiations with DEC with respect to violations related to the discharge of untreated sewage as a result of the fire at the North River Treatment Plant.

Mr. Lawitts described the Right to Know Act pursuant to which DEP will be required to publicize the effects of combined sewer overflows which may affect water quality. Responding to Mr. Capoccia, Mr. Lawitts said that DEC intends to promulgate regulations specifying how such information is to be publicly disseminated.

#### Project Management Information System ("PMIS")

Mr. Lawitts discussed the status of projects, which are subject to regulatory mandates as described in the PMIS. 83.6% of consent decree milestones are projected to be satisfied. The total estimated cost of all active DEP capital projects is \$18.5 billion or \$1.4 billion in excess of the baseline budget of \$17.1 billion. A significant portion of the excess is attributable to design changes.

### Implementation of OpX Initiatives

Mr. Lawitts discussed progress with respect to implementation of OpX initiatives. \$600,000 is expected to be saved by re-negotiation of the contract for supply of sodium hypochlorite.

In addition it is proposed to streamline the scope of contract specifications generally, which is expected to result in additional savings relating to procurement of goods and services.

### Aeration Pilot

Mr. Lawitts described a pilot program to fine tune the operation of blowers used to aerate water to decrease the level of dissolved oxygen. The objective of the pilot program is to attain the required levels of dissolved oxygen while minimizing the energy cost required to operate the blowers used in the process.

### Citywide Vehicle Fleet Consolidation

Next Mr. Lawitts described the citywide inter-agency consolidation of vehicle fleet maintenance operations. Pursuant to the consolidation, which is a City Hall initiative, 880 DEP light- and medium-duty vehicles will be maintained by the Police Department, 517 heavy-duty trucks by the Sanitation Department, and 164 vehicles, concentrated on Randall's Island, by the Parks Department. DEP will continue to maintain its 572 vehicles used in the upstate watershed.

Responding to Mr. Capoccia, Mr. Lawitts said that any cost savings will be known within a year. He acknowledged the potential for resistance from organized labor, while Mr. Moss observed that the program may result in a clash of different agency cultures.

Responding to Ms. Shaw, Mr. Lawitts said DEP tracks daily out-of-service rates for all of its vehicles and will continue to do so in order to evaluate the effectiveness of the vehicle maintenance consolidation program.

Water Board Initiatives

Finally Mr. Lawitts discussed the status of the Service Line Protection Plan and the Request for Proposals for Lockbox and Other Payment Processing Services (the “Lockbox RFP”).

The Service Line Protection Plan contract with American Water Resources was signed on July 31, 2012.

Nine proposals were received in response to the Lockbox RFP. Four firms were interviewed, and revised pricing proposals were requested from the interviewed firms this week.

**Adjournment**

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

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SECRETARY