

**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 10, 2012 at 11:00 a.m. at the New York City Office of Management and Budget, 255 Greenwich Street, Room 8-S1 and 2, New York, New York 10007. The following members of the Board were present:

Marcia Bystryn,
Alfonso Carney,
Mehul Patel,
Arlene Shaw, and
Benjamin Tisdell;

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

Appointment of Acting Chair

The first item on the agenda was the appointment of an Acting Chair for the meeting to act in the absence of Board Chair Alan Moss, who was unable to attend.

The Board’s Executive Director, Steven Lawitts, recommended that Mr. Patel be appointed Acting Chair.

There being no 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 Board is authorized to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, pursuant to Article 2, Section 1 of the by-laws of the Board, “The officers of the Board shall be a Chairman,

an Executive Director, a Treasurer, a Secretary, and such other officers as may from time to time be appointed by the Members of the Board upon the recommendation of the Executive Director.”

WHEREAS, the Board has been advised that the Board Chair is not able to attend today’s meeting; and

WHEREAS, the Executive Director recommends that the Board appoint Mehul Patel to the office of Acting Chair, with the power and duty to act as temporary chair for the Board meeting of October 10, 2012; it is therefore

RESOLVED, that effective immediately, Mehul Patel is hereby appointed to the position of Acting Chair with the power and duty to act as temporary chair for the Board meeting of October 10, 2012.

Approval of Minutes of September 21, 2012 Meeting

The next item on the agenda was approval of the minutes of the Board’s previous meeting held on September 21, 2012. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on September 21, 2012 were unanimously adopted.

Acceptance of the Independent Auditors’ Report on the Audited Financial Statements of the System for the Fiscal Years ended June 30, 2012 and June 30, 2011 and Authorization of the Release of Such Audited Financial Statements.

The next item on the agenda was acceptance of the independent auditors’ report on the audited financial statements of the System for Fiscal Years 2012 and 2011 and the authorization to release such audited financial statements.

Steven Lawitts, the Board’s Executive Director, explained that the Joint Audit Committee of the Water Board and the New York City Municipal Water Finance Authority (the “Authority”) had reviewed the auditors’ report and audited financial statements, met with the System’s auditors, and recommended to the Water Board and the Authority’s Directors that the auditors’ report and financial statements be accepted by the Water board and by the Authority.

There being no 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") established a joint Audit Committee in light of their joint role in the financial operations of the water and wastewater system of the City of New York (the "System"); and

WHEREAS, pursuant to the joint Audit Committee Charter and the Board resolution of January 25, 2008 establishing the joint Audit Committee, the Board and the Authority each acting separately, after receiving a recommendation from the joint Audit Committee, shall annually approve the audited financial statements of the System; and

WHEREAS, on October 10, 2012, the Audit Committee met with the independent auditors and reviewed their report on the System's audited financial statements for the fiscal years ended June 30, 2012 and June 30, 2011; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Board and the Authority accept the independent auditors' report and authorize the release of the financial statements; and

WHEREAS, the Board of Directors of the Authority approved the independent auditors' report and authorized the release of the financial statements on October 10, 2012, prior hereto, contingent on their approval by the Board; it is therefore

RESOLVED, that the Board hereby accepts the independent auditors' report on the audited financial statements of the System for the fiscal years ended June 30, 2012 and June 30, 2011 and authorizes the release of such audited financial statements, provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

Approval of Investment Guidelines and Fiscal Year 2012 Investment Report

The next item on the agenda was the annual approval of the Board's Investment Guidelines and Investment Report as required by the Public Authorities law.

The Board's Treasurer, Mathilde McLean, explained that the guidelines and report pertain primarily to funds invested in the Operations and Maintenance Reserve Fund (the "O&M Reserve Fund"). Pursuant to the Financing Agreement among the City, the Authority, and the Board, the Board is required to have a reserve on June 30th in an amount equal to two months of the following fiscal year's budgeted Operating and Maintenance expenses and to pay to the City on such date an amount equal to one month's budgeted Operating and Maintenance expenses. Thereafter, the O&M Reserve Fund requirement is required to equal to 1/12 of the annual System Operating Budget. As described in the Investment Report, investments in the O&M Reserve Fund yielded approximately 1% last year.

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

WHEREAS, the New York City Water Board (the "Board") adopted Investment Guidelines to establish policies for the investment of its funds on May 2, 1986 and subsequently amended the Investment Guidelines on October 24, 1990 and February 14, 1997; and

WHEREAS, pursuant to the Investment Guidelines, the Board is required annually to review and approve both the Investment Guidelines and an Investment Report; and

WHEREAS, the Board has reviewed the Investment Guidelines as contained in the Fiscal Year 2012 Investment Report and finds both the guidelines and report to be reasonable and appropriate; it is therefore,

RESOLVED, that the Investment Guidelines and the Fiscal Year 2012 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

Board Consent to Property Disposition - Release of DEP's Leasehold Interest in the Review Avenue Repair Yard for the City of New York's Transfer of Leasehold Interest in Repair Yard to FDNY

The next item on the agenda was a request for the Board's consent to the disposition of the Review Avenue Repair Yard. Mr. Lawitts explained that it is proposed to sever the Board's leasehold interest in DEP's central repair shop from the System Lease. The property in question, which is privately owned and leased to the City, is now included in the leased property leased by the City to the Board pursuant to the System Lease. It is proposed that such property be relinquished to the City and utilized by the Fire Department instead of DEP as part of the Citywide inter-agency consolidation of vehicle fleet maintenance operations discussed at the last Board meeting. Mr. Lawitts confirmed that the System's Consulting Engineer has certified, as required by the System Lease, that the disposition will not materially adversely affect the revenues of the System or impair the ability of the Board to make any payments under the System Lease.

Responding to Mr. Patel, Mr. Lawitts said DEP would incur only nominal expenses in connection with the property transfer such as the cost for shipping parts and equipment. However, the disposition will eliminate the payment of \$1.5 million in annual rent with respect to the facility which is currently included in System Operating and Maintenance expenses.

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

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 and as

amended by Amendment No. 1 dated as of November 1, 1985, between the City and the Board (the "Lease"); and

WHEREAS, the City, through 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, the City has requested that the Board give consent to the disposition of Queens Block 295 Lot 45 and Block 300 Lot 2, which has been utilized by DEP as the location of its central repair shop, so that such property may be relinquished to the City and utilized by the Fire Department of the City of New York; and

WHEREAS, the disposition of Queens Block 295 Lot 45 and Block 300 Lot 2 will not adversely impact the operations of the Systems, as the operations undertaken on such property will be relocated to an alternative site; and

WHEREAS, the Board has determined that transferring Queens Block 295 Lot 45 and Block 300 Lot 2 to the City is reasonable and appropriate; and

WHEREAS, by letter dated October 1, 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 property disposition and has confirmed that such transfer 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 disposition as described herein.

Adjournment

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

_____/s/_____
SECRETARY