

**MINUTES OF THE ANNUAL MEETING OF THE
NEW YORK CITY WATER BOARD**

The annual meeting of the New York City Water Board (the “Board”) was held on May 10, 2013 at 8:30 a.m. at the New York City Office of Management and Budget, 255 Greenwich Street, 8th floor conference room, New York, New York 10007. The following members of the board were present.

Alan M. Moss,

Marcia Bystryn,

Donald Capoccia,

Mehul J. Patel,

Arlene Shaw, and

Benjamin Tisdell,

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

Approval of Minutes of April 5, 2013

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on April 5, 2013. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on April 5, 2013, were unanimously adopted.

Adoption of Fiscal Year 2014 Annual Budget

The next item on the agenda was adoption of the Fiscal Year 2014 Budget for the Water and Sewer System.

Executive Director Steven Lawitts described the certifications the Board is required to receive pursuant to the System Financing Agreement prior to adopting the annual budget. The Water Authority is required to certify projected debt service on Water Authority

bonds. The City's Budget Director is required to certify projected Operating and Maintenance Expenses, and the rental payment requested by the City pursuant to the System Lease. The System's Consulting Engineer is required to certify that the projected Operating and Maintenance Expenses and capital investment are reasonable and appropriate to operate the Water and Sewer System.

Mr. Lawitts said the proposed \$3.5 billion budget contains \$1.68 billion for debt service costs and \$1.405 billion for Operating and Maintenance Expenses. The budget includes \$241 million for the rental payment to the City pursuant to the System Lease and \$37.6 million for the Board's Expense Fund Budget.

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") has received certification from the New York City Municipal Water Finance Authority (the "Authority") regarding the Authority's Budget for the fiscal year commencing July 1, 2013 ("Fiscal Year 2014") reflecting Authority Expenses and estimated Aggregate Debt Service (as such terms are defined in the Authority's General Revenue Bond Resolution); and

WHEREAS, the Board has received certification from the Director of Management and Budget of the City of New York (the "City") regarding the amounts which the City reasonably anticipates it will have expended during Fiscal Year 2014 in connection with the operation and maintenance of the water and wastewater system as described in paragraphs (a) through (e) of Section 8.1 of the Agreement of Lease dated as of July 1, 1985, as amended, between the Board and the City (the "Lease"), and the rental payment requested by the City for Fiscal Year 2014 pursuant to Section 8.2 of the Lease; and

WHEREAS, the Board has received certification from AECOM USA, Inc., Consulting Engineer, pursuant to Section 8.3(a)(ii) of the Lease to the effect that amounts certified by the City for costs incurred or to be incurred in connection with paragraphs (a) and (b) of Section 8.1 of the Lease are reasonable and appropriate; and

WHEREAS, the Board has reviewed a proposed budget for the Board's own anticipated expenses for Fiscal Year 2014; and

WHEREAS, the Board has reviewed the proposed Annual Budget for the Board's expected expenditures for Fiscal Year 2014 and has determined that such provision for anticipated expenditures is reasonable and appropriate to enable the Board to exercise its powers and carry out its purposes in accordance with the New York City Municipal Water Finance Authority Act; it is therefore

RESOLVED, that the Annual Budget of the Board for Fiscal Year 2014, a copy of which is attached hereto,¹ is hereby adopted.

Adoption of Fiscal Year 2014 Rate Schedule

The next item on the agenda was the establishment of Fiscal Year 2014 Water and Sewer Rates. Mr. Lawitts said the Board is being asked to adopt a 5.6% rate increase as previously announced and publicly noticed. He observed that members of the public were afforded the opportunity to be heard on the proposed rate increase at public hearings held in all five boroughs and Board members attended the hearings.

Mr. Lawitts also described several proposed miscellaneous changes to the Rate Schedule: (i) an increase in charges for the Water and Sewer Line Protection Plan; (ii) imposition of a \$25 fee for each manual meter reading requested by a customer; and (iii) the extension of deadlines for installation of meters and AMR devices and high efficiency fixtures in order to qualify for enrollment in the Multiple Family Conservation Program.

Mr. Moss expressed disappointment at the low attendance at the public hearings. He attributed this to a general sense of malaise toward government. Responding to criticism of the Board's Rental payment to the City, Mr. Moss noted that the Board is legally obligated to pay the rent requested by the City pursuant to the System Lease and has no choice but to comply

¹ Filed with minutes of the meeting.

with this requirement. He also expressed high praise for the Board's OpX Program which he said has already resulted in substantial monetary savings to the System and will result in even greater financial savings over time.

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

WHEREAS, the Board is authorized pursuant to Section 1045-g(4) of the New York City Municipal Water Finance Authority Act (the "Act") to establish, in accordance with Section 1045-j of the Act, fees, rates, rents or other charges for the use of, or services furnished, rendered or made available by the water and wastewater system of the City of New York (the "City"); and

WHEREAS, in accordance with Sections 1045-j (3) and (9-a) of the Act, public hearings concerning certain proposals regarding water and wastewater system rates and charges were held in each borough of the City on April 29 and 30 and May 1, 2, and 3, 2013, and a transcript of each hearing along with all written statements submitted by May 3, 2013 have been received and reviewed by the Board; and

WHEREAS, in accordance with certifications received from (i) the New York City Municipal Water Finance Authority (the "Authority") with respect to the Authority's annual budget for the fiscal year commencing July 1, 2013 ("FY 2014"), (ii) the City with respect to (a) the amounts which the City reasonably anticipates it will expend during FY 2014 in connection with the operation and maintenance of the water and sewer system and (b) rental payments requested from the Board, and (iii) AECOM USA, Inc., Consulting Engineer, with respect to the reasonableness of the City's certification of certain expenses, the Board has on this day adopted its annual budget for FY 2014; and

WHEREAS, based on the requirements set forth in the Board's annual budget for FY 2014 and the testimony and statements submitted at the aforementioned public hearings, the Board has determined that, effective July 1, 2013, the water rate for all in-City customers, flat rate and metered, should increase by 5.6% over the rate in effect in Fiscal Year 2013 and the rate for wastewater services should remain at 159% of the applicable water charge; and

WHEREAS, the Board has further determined that the billing policy proposals and fees of 1) annual rates for the Service Line Protection Program of \$53.88 plus sales tax per water service line contract and \$95.88 plus sales tax per sewer service line contract, 2) a requirement that properties automatically enrolled in the Multiple-family Conservation Program (MCP) in Fiscal Year 2013 have a meter and automated meter reading device installed by January 1, 2015 and high-efficiency fixtures installed by June 30, 2016, 3) a manual meter reading fee of \$25 for each manual reading requested by a customer, and 4) various clarifications to existing policies and procedures as set forth in the Board's revised Water and Wastewater Rate Schedule for Fiscal Year 2014, all as set forth and described in the public notice, the New York City FY2014 Water and Wastewater Rate Report dated April 2013, and the Board's Water and Wastewater Rate Schedule for Fiscal Year 2014, should be approved as recommended by staff; it is therefore

RESOLVED, that the Water and Wastewater Rate Schedule for Fiscal Year 2014, a copy of which is attached hereto,² which reflects an increase of 5.6% for in-City water rates as well as the new and modified billing policies, programs and fees as described above is hereby approved.

Upstate Rate Report and Adoption Schedule

The final item on the agenda was a presentation regarding the approval of upstate water rates which are scheduled to be adopted at the Board's next meeting in June.

Mr. Lawitts explained that pursuant to the Water Supply Act of 1905, upstate communities are charged an "entitlement" rate for quantities of water not in excess of their population multiplied by daily per capita consumption in the City. The "entitlement" rate is a wholesale rate based on the cost of supplying water to such communities. It is proposed to establish an "entitlement" rate for Fiscal Year 2014 of \$1,496.76 per million gallons which is a 12.3% increase over the current "entitlement" rate. Last year's projected increase in the "entitlement" rate for Fiscal Year 2014 was 10.8%. The entitlement rate currently proposed is higher than previously projected because certain filtration avoidance costs are being expensed

² Filed with minutes of the meeting.

rather that capitalized in accordance with a recent interpretation of the City Comptroller's Directive 10.

Amounts of water consumed in excess of the "entitlement" amount are charged a rate equal to the in-City metered rate.

Resignation

Ms. Bystryn announced that she is resigning from the Board effective after today's meeting. Mr. Moss thanked her for service to the Board.

Adjournment

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

SECRETARY