

**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 June 14, 2013 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,

Alfonso L. Carney, Jr.,

Mehul J. Patel, and

Arlene Shaw,

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

Approval of Minutes of May 10, 2013 Meeting

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on May 10, 2013. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on May 10, 2013, were unanimously adopted.

Adoption of Fiscal Year 2014 Water Rates for Communities North of the City

The next item on the agenda was the adoption of Fiscal Year 2014 water rates for communities north of the City. The proposed entitlement rate, effective July 1, 2013, for wholesale water supply is \$1,496.76 per million gallons, which represents a 12.3% increase over the Fiscal Year 2013 rate. For quantities that upstate communities consume in excess of their entitled consumption, the Board is asked to adopt an “excess” rate that is equivalent to the in-City metered rate.

Executive Director, Steven Lawitts, briefly discussed comments made at the public hearing. Responding to criticism expressed by certain water districts as to the timing of the Board's annual rate increase, Mr. Lawitts said Board staff, in consultation with the Board's rate consultant, would consider adjustment to the timing of the notice given to water districts of proposed annual rate increases so that charges can be passed on to retail customers in a timely manner.

Mr. Moss asked whether there is any validity to the concern raised by some upstate water districts that the entitlement rate is based in part on the costs of capital improvements which do not directly affect such communities. Mr. Lawitts said it would be difficult to allocate the cost of improvements to individual upstate communities. Mathilde McLean, the Board's Treasurer, added that one such comment reflected a misunderstanding of how costs are actually allocated to such communities.

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-j of the New York City Municipal Water Finance Authority Act to establish rates and charges for services furnished by the Water System of the City of New York (the "City"); and

WHEREAS, the Board has received a report dated May 14, 2013 from the Amawalk Consulting Group LLC, Rate Advisor to the Board, on the cost of supplying water to upstate customers for the Fiscal Year 2014 rate year, and such report indicates that the anticipated unit cost of water supply service for municipalities and water districts north of the City in Fiscal Year 2014, after accounting for the reconciliation of FY 2012 actual costs, will be \$1,496.76 per million gallons; and

WHEREAS, upon appropriate notice, a public hearing was held on June 10, 2013 in Valhalla, New York, concerning the proposed increase in the rates for water supply from the City

system sold to users north of the City pursuant to the Water Supply Act of 1905; and

WHEREAS, the Board has received a copy of the hearing transcript, and staff has recommended the proposed increase based on the cost of service evaluation in the report noted above; it is therefore

RESOLVED, that effective July 1, 2013, the regulated rate for water sold to users north of the City from either the Croton or Catskill/Delaware Systems that is within the allowance quantities of water set forth in Section 24-360 of the Administrative Code of the City of New York shall be \$1,496.76 per million gallons; and the rate and charge for water provided to users north the City that exceeds the allowance quantities of water set forth in Section 24-360 of the Administrative Code of the City of New York shall be continued at a level equal to the retail metered rate effective within the City of New York, which as of July 1, 2013 shall be equal to \$4,786.10 per million gallons.

Board Consent to the City’s Transfer of a Water Main to the Town of Mt. Pleasant

The next item on the agenda was the Board’s consent to the City’s proposed transfer of a 24-inch water main to the Town of Mt. Pleasant. DEP Assistant Counsel, Robert Craig, explained that the main would provide a connection from the town to the City’s Catskill aqueduct to replace the town’s link to the aqueduct which was disconnected as part of the City’s construction of the Catskill/Delaware Ultraviolet Disinfection Facility (the “UV Facility”). The main is being transferred without cash consideration because without the replacement connection, the town would have no source of potable water and therefore could have raised legitimate public health objections to construction of the Federally mandated UV Facility.

Mr. Moss and Mr. Capoccia questioned whether there would be any abatement of real estate taxes payable by the City to the town as part of the transaction. Mr. Craig said that although there would be no cap on such taxes, the town will pay the City a fee with respect to the

main which will offset real estate taxes payable by the City to the town relating to the land on which the main is located.

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

WHEREAS, the water and wastewater systems ("Systems") of the City of New York (the "City") have been leased by the City to the New York City Water Board ("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 ("Lease"); and

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

WHEREAS, in connection with DEP's design and construction of the Catskill/Delaware Ultraviolet Disinfection Facility ("Cat/Del UV"), DEP constructed a 24-inch water main and appurtenant structures ("Water Main") to allow a continuous supply of water to the Town of Mount Pleasant ("Town"), whose existing connection to the System was impaired by the siting of the Cat/Del UV plant in the Town; and

WHEREAS, DEP has requested that the Board give consent to the disposition of the Water Main so that such property may be transferred from the City to the Town, which will bear the responsibility for its operation and maintenance; and

WHEREAS, pursuant to Section 11.1(b) 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 disposition of Water Main will not adversely impact the operations of the Systems, as the Water Main is not related to DEP's operations; and

WHEREAS, by letter dated June 5, 2013 the Board has 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 (b) of the Lease, the Board hereby consents to the property disposition as described herein.

Financial Update

Mr. Lawitts next presented a financial update.

Revenues are ahead of the Plan target amount by \$136 million or 4.6%. In-City distribution is 0.4% above last year's level at this time but metered consumption is 0.8% less.

The rate of customers converting from the MCP flat rate to metered billing, however, has slowed, enabling the System to maintain existing cash flow levels related to flat rate billing.

Liens for \$15.8 million in delinquent charges were sold on May 17. In advance of the sale, customers who had been notified that their liens would be sold paid \$102 million in past due charges and entered into payment agreements for \$36 million before the lien sale deadline.

Approximately 92,000 customers or 13% of eligible accounts have enrolled in at least one of the Service Line Protection Programs to date.

\$19 million in annual savings are expected to be realized from OpX initiatives with between \$10 million and \$11 million in cash savings being achieved through the end of June.

Announcements

Mr. Lawitts announced that this would be the last Water Board meeting for Mr. Capoccia and Mr. Moncure. Mr. Capoccia is leaving the Board, and Mr. Moncure is retiring from the Law Department.

Mr. Capoccia reflected with satisfaction on his work with the Board which, he said, establishes rates and charges enabling the Water and Sewer System to be self-sustaining.

Adjournment

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

_____/s/_____
SECRETARY