

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 11, 2013 at 8:30 a.m. at the New York City Department of City Planning, 22 Reade Street, 1st Floor, Spector Hall, New York, New York 10007. The following members of the Board were present at the start of the meeting:

Alan Moss,

Alfonso Carney,

Mehul Patel, and

Arlene Shaw,

constituting a quorum. Board Member Adam Freed arrived at the meeting at approximately 8:47 am. Mr. Moss chaired the meeting, and after being appointed Secretary of the Board, Albert Rodriguez served as Secretary of the meeting.

Appointment of Secretary of the Board

The first item on the agenda was the appointment of the Secretary of the Board. Mr. Lawitts introduced Albert Rodriguez, the Chief of the Municipal Finance Division of the New York City Law Department, and described his qualifications to serve as Secretary. Upon a motion duly made and seconded, Mr. Rodriguez was appointed Secretary of the Board.

Approval of Minutes

The second item on the agenda was approval of the minutes of the Board’s previous meeting held on June 14, 2013. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on June 14, 2013 were unanimously adopted.

Report of Commissioner Strickland

Carter Strickland, the Commissioner of the New York City Department of Environmental Protection, made a short presentation to the Board on some of the strategic planning exercises being conducted by DEP. The Commissioner described an aspect of the planning that included numerous meetings with DEP employees in order to get suggestions from the employees on how working conditions and DEP operations might be improved and to improve employee moral. Along those lines, the Commissioner noted that the Department conducted an employee survey and re-instituted an employee suggestion box which has resulted in numerous suggestions from the employees on needed improvements.

The Commissioner also described actions being taken to mitigate the effects of an expected retirement boom in DEP employees in the next 3 to 10 years. Concerned with the potential loss of employees with long-term institutional knowledge of the Department and the City's water system, the Department is working with Columbia University to create an oral history of the Department and water system and to memorialize other important historical events. Chairman Moss commended the Department and Commissioner Strickland on the reported activities.

Acceptance of the Independent Auditors' Report on the Audited Financial Statements of the System for Fiscal Years ended June 30, 2013 and June 30, 2012 and authorization of the release of such Audited Financial Statements.

The next item on the agenda was the acceptance of the independent auditors' report for Fiscal Years 2013 and 2012 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. In addition, Michelle Levine, the Director of Accounting Services for the NYC Office of Management and Budget, described two changes in governmental accounting procedures that took effect starting with this year's audit. 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, 2013, 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, 2013 and June 30, 2012; 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, 2013, 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, 2013 and June 30, 2012 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 2013 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.

Mr. Lawitts 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 budgeted Operating and Maintenance expenses for two months and to pay to the City on the next 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. In response to a question from Chairman Moss regarding the perceived low investment returns, Mr. Lawitts explained that the investment returns were commensurate with the conservative nature of the investment guidelines, the low interest rate environment, and the fact that the O&M Reserve Fund is only half funded for the majority of the 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 2013 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 2013 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

Financial Update

The next item on the agenda was a financial update provided Mr. Lawitts. Mr. Lawitts said that Fiscal Year 2014 collections to date are 4.8% or \$65 million ahead of the plan target amount. He noted that Fiscal Year 2014 collections to date were higher than in the same period for the two prior Fiscal Years even though consumption has dropped. For the first quarter of Fiscal Year 2014 water consumption dropped 1.2% compared to the same period for Fiscal Year 2013 and 2% compared to the same period for FY 2012. Water consumption for customers billed on metered consumption dropped 2.4% compared to the same period for FY 2013.

The pace of customers converting from flat rate to metered billing picked up in the first quarter of FY 2014 with 590 customers converting to metered billing with a dollar value of \$7.66 million. Approximately 96% of the City water meters are equipped with automated readers. To date, approximately 187,000 customers have enrolled in the Leak Notification Program and more than 98,000 customers are now enrolled in each of the water line protection program and the sewer line protection program most of whom are subscribing to both programs.

Mr. Lawitts said that DEP revised its payment agreement terms in January 2012, to permit customers to enter into an agreement for up to 10 years with as little as no down payment. Mr. Lawitts displayed a chart which indicated that customers have entered into almost 23,000 agreements in an aggregate amount of approximately \$212 million with an average down payment of 4%.

The impact of *OpX* initiatives which have been implemented as of January 2013 is calculated to have had a cumulative effective benefit of approximately \$21.7 million as of September 30 and projected to provide \$83 million in cumulative savings by the end of FY 2014. Initiatives which have been implemented include the renegotiation and/or re-bidding of certain contracts and re-training procurement personnel to prepare more cost-effective procurement specifications.

Executive Session

Upon motion duly made and seconded, the Board resolved to convene in Executive Session to discuss litigation matters. Thereafter the Board resolved to reconvene in Open Session without having taken any action in Executive Session.

Adjournment

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

_____/s/_____
SECRETARY