

**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 December 13, 2013 at approximately 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. A roll call of the Board’s members was called and the following members of the Board were present at the start of the meeting:

Alan Moss,

Adam Freed,

Jonathan Goldin

Mehul Patel, and

Arlene Shaw,

constituting a quorum. Mr. Moss chaired the meeting and Albert Rodriguez served as Secretary of the meeting.

Prior to the next agenda item being taken up by the Board, DEP Commissioner Strickland addressed the Board. He thanked the Board for its commitment and hard work to advance the development of the City’s water and sewer systems while he served as Commissioner. The Commissioner also thanked Mehul Patel for his service on the Board, as this meeting was to be Mr. Patel’s last meeting as a member of the Board. The Board likewise thanked Mr. Strickland for his years of dedicated service as DEP Commissioner.

Mr. Moss then raised a question about available options for the Board’s short term investments indicating he was concerned with the current low rates of return. The Board’s Treasurer, Ms. Mathilde McLean, said she would provide the Board more information on the Board’s investments and available investment options at its next meeting.

Approval of Minutes

The second item on the agenda was approval of the minutes of the Board's previous meeting held on October 11, 2013. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on October 11, 2013 were unanimously adopted.

Release of Certain Property by the Water Board

The next item on the agenda was approval of the release of a 1.2-acre parcel of Water Board property in the Bronx located next to the Hunts Point Wastewater Treatment Plant (Bronx Block 2777, Lot 91). Mr. Lawitts presented maps of the parcel to the Board and explained, among other things, the following:

- The parcel was planned to be used as a staging area for the construction of an adjacent egg-digester plant. Since construction of the egg-digester plant was never started and is no longer needed, Mr. Lawitts stated the parcel has not been used for any purpose and the Board has no plans to use the parcel in the future.
- Pursuant to Section 11.1(d)(i) of the Lease, the parcel would be removed from the Board's leasehold interest and released to the City for incorporation into the adjacent Barretto Point Park.
- The consulting engineer for the Authority, AECOM, concluded in a letter to the Board that the release of the parcel would have no impact on the operation of the Systems, the collection of revenues or the ability of the Board to make payments under the lease.

Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board.

Resolution

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 a 1.2-acre parcel that comprises a portion of Bronx Block 2777, Lot 901, which is adjacent to the Hunts Point Wastewater Treatment Plant, so that such property may be relinquished to the City; and

WHEREAS, the disposition of the 1.2-acre parcel that comprises a portion of Bronx Block 2777, Lot 901 to the City is reasonable and appropriate; and

WHEREAS, by letter dated December 6, 2013, 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.

Designation of Citibank as Depository for the Local Water Fund

The next item on the agenda was the designation of Citibank as the depository for the Local Water Fund. As described by the Board’s Treasurer, Ms. McLean, the Board entered into a contract with Citibank in 2012 pursuant to an RFP process for the provision of lockbox and payment processing services which heretofore has been provided by the Bank of New York Mellon. Over the last year, Citibank and the Board

designed, built and rolled out a new payment processing system. With the new payment process system operational, the Board could now designate Citibank as the depository for the Local Water Fund, the account the Board is required to deposit all of its revenues into pursuant to the terms of the Financing Agreement.

Upon motion duly made and seconded, the following resolution was unanimously adopted by the Board.

Resolution

WHEREAS, a special fund known as the Local Water Fund has been established in the custody of the Board pursuant to Section 1045-j(2) of the New York City Municipal Water Finance Authority (the "Act") to distribute all money received by the Board; and

WHEREAS, pursuant to a Financing Agreement dated as of July 1, 1985 between the Board, the New York City Municipal Water Finance Authority (the "Authority") and the City of New York (the "City"), the Board is required to designate a bank, trust company or banking association to act as depository for the funds of the Board, and to establish certain specified accounts therein; and

WHEREAS, the Board has selected Citibank, N.A. (Citibank") as the lockbox and payment processor for the Board; and

WHEREAS, Citibank has been designated as an authorized depository by the New York City Banking Commission, and the Board has determined that Citibank should act as the depository of the funds of the Board; it is therefore;

RESOLVED, that Citibank is hereby designated, upon completion of the transition of services to Citibank, the depository of the funds of the Board, including the Local Water Fund; and the Treasurer is hereby authorized to establish with Citibank certain accounts entitled the "New York City Water Board Local Water Fund, "New York City Water Board Expense Fund" and the "New York City Water and Sewer System Operation and Maintenance Reserve Fund", and such other accounts as the Treasurer may deem reasonable and appropriate.

Financial and Contract Update

The next item on the agenda was a financial and contract update provided by Mr. Lawitts and Ms. McLean. Mr. Lawitts reported the following:

- From July 1, 2013 through December 8, 2013, revenue collections are \$84 million, or 4.6%, ahead of plan. 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 five months of Fiscal Year 2014, water consumption dropped 1.3% compared to the same period for Fiscal Year 2013 and dropped 1.5% compared to the same period for Fiscal Year 2012.
- The pace of customers converting from flat-rate to metered billing dropped by 42% for the first five months of FY 2014 compared to the same period for FY 2012 with 779 customers converting to metered billing with a dollar value of \$9.9 million.
- To date, approximately 23,708 customers have entered into payment agreements worth approximately \$222.1 million.
- As of the first five months of FY 2014, the percentage of estimated bills is down to 3.7% City-wide compared to 17.4% as of January 2009.
- As of December 5, 2013, the Board had 11 active contracts with remaining authorized compensation of \$41.76 million.
- Approximately 100,600, or 15%, of Board customers have enrolled in both the water line protection program and the sewer line protection program, an additional 3,100 have enrolled in one of the two programs. In November 2013, 435 claims were made under the programs of which 283 were approved.

Ms. Mc Lean reported the following:

- Almost 50% of the revenues collected by the Board continue to be remitted as checks to the lockbox; an additional 13% are checks deposited by DEP's staff; and

minimal cash collections have been received at Apple Bank branches. The remaining 37% of revenues are collected via electronic funds transfers, automated clearinghouse transfers and credit card payments made through DEP's online and phone payment systems, payments made through New York City Department of Finance's NYCServ system, and payments made through customers' own online banking websites. In FY 2013, payments made via online banking websites increased by 23% while payments made on the DEP website using checking and savings accounts increased by 32%. Ms. McLean noted that cash payments are now accepted over 1,100 Western Union locations in NYC and that payments can now be made via smart phones and tablets.

- It is expected that, at FY 2013 processing volumes, the transfer of payment processing from BNY Mellon to Citibank would result in annual savings of approximately \$131,000, or 18%.

At the end of the update, Mr. Moss again thanked Mr. Patel for his service on the Board.

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.

SECRETARY