

## **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 April 23, 2014 starting at approximately 9:30 a.m. at 255 Greenwich Street, 8th Floor, 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 and

Alfonso Carney

constituting a quorum. (Member Arlene Shaw was absent.) Mr. Moss chaired the meeting, and Albert Rodriguez served as Secretary of the meeting.

### **Approval of the Minutes**

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on January 24, 2014. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on January 24, 2014 were unanimously adopted.

Prior to the next agenda item, Chairman Moss welcomed back Emily Lloyd as the returning Commissioner of the NYC Department of Environmental Protection (“DEP”).

### **Proposal for City Water and Sewer Rates for Fiscal Year (“FY”) 2015**

The next item on the agenda was a presentation by Commissioner Lloyd on water and sewer rates within New York City (“NYC”) for FY 2015, as proposed by DEP. The proposal includes a 3.35% increase for water and sewer charges in FY 2015, the lowest increase

in rates since FY 2006 and 57% lower than the May 2013 projection of FY 2015 rates. The proposed increase would cost approximately \$33 per year for an average single family home; about \$21 per year for a metered multi-family home; and about \$32 per year per unit in apartment buildings. At the rates in effect in 30 large U.S. cities that were surveyed in March 2014, NYC's average annual single-family charge is only 0.5% higher than the average. Commissioner Lloyd said that higher than projected revenues collected in FY 2014, lower operating costs of the water and wastewater system (the "System"), historically low interest rates on NYC Municipal Water Finance Authority ("NYCMWFA") debt, and an increase in the amount of the rental payment that NYC will return to the System in FY 2015 combined to reduce the proposed rate increase for FY 2015 to the lowest level in nine years.

The presentation by Commissioner Lloyd also included updated information on the items described below:

- The program to install automated meters is substantially complete. In March 2014, only 3.7% of all bills were based on estimated meter readings, a 79% reduction since 2009. As a direct result, there has been a 49% reduction in billing disputes since 2011.
- 204,000 customers are enrolled in the Leak Notification Program, and 139,500 customers have signed up for the Service Line Protection Program.
- Compared to FY 2013, DEP is resolving leak complaints 10.7% faster and restoring service after main breaks 7% faster.
- From 2010 to 2014, workplace injury rates have declined by 58%, and total recordable injuries have declined by 64%. Since 2012, preventable DEP vehicle accidents have decreased by 33%.

- During FY 2014, a comprehensive climate risk assessment study was completed, which assessed at-risk System facilities and measures to protect critical equipment, and a wastewater resiliency plan was published, which recommended \$315 million in capital improvements to “harden” pumping stations and wastewater treatment plants against future storm surge or sea level rise.
- Several major System capital projects were completed in FY 2014 including the Catskill/Delaware Ultraviolet Light Disinfection Facility (costing \$1.6 billion), City Water Tunnel No. 3, Stage 2 (costing \$4.7 billion); and the Newtown Creek Wastewater Treatment Plant upgrades (costing \$5 billion).
- OpX initiatives that are expected to be implemented by the end of FY 2014 are projected to produce \$85 million in recurring annual savings, beginning in FY 2014.
- DEP’s capital priorities, as provided for in the FY 2014-2017 Capital Improvement Plan include, among other things, completion of the Croton filtration plant (which is scheduled to be fully operational by 2015); construction of shafts and tunnels for the Delaware Aqueduct repair; various good state of repair projects; completion of various green infrastructure projects; and completion of the North River cogeneration project.
- DEP has been successful in moderating future spending on mandated capital projects. From FY 2002 through FY 2013, 62% (\$15.5 billion) of the System’s capital commitments were mandated. Under the current 10-year Capital Improvement Plan (FY 2014-2023), only 17% (\$2.2 billion) of capital commitments are projected to be mandated.

- Annual NYCMWFA debt service has increased by 132% from FY 2002 to 2013, but interest costs have been mitigated by low interest rates and the Authority's refinancing and buyback of almost \$8 billion of higher-cost debt over the last six years. Approximately \$400 million of NYCMWFA debt will be bought back in FY 2014, resulting in savings of approximately \$106 million per year in each of the next four years.
- The revenue need for FY 2015 is projected to be \$3.512 billion. Without a rate increase, projected FY 2015 revenues would be \$3.398 billion, which would translate into a \$114 million funding gap. Raising rates by 3.35% will fill the \$114 million funding gap.
- The annual rental payment to the City for FY 2014 is projected to total \$219 million less \$36 million the City will give back to the Board in FY 2015.
- In FY 2015, the City will fund a Home Water Assistance Program ("HWAP") to assist approximately 18,000 low-income homeowners. This program will leverage the existing administration structure and qualification criteria of the Federal Home Energy Assistance program. HWAP participants will receive an annual credit on their DEP bill.
- In FY 2015, the Board is asked to expand the Leak Forgiveness Program to include leaks of maintainable plumbing fixtures, such as toilets and sinks.
- For customers who use less than 100 gallons of water per day for a bill period and receive a minimum bill, the proposed rate schedule would freeze the minimum charge at the FY 2014 rate of \$1.27 per day for FY 2015.

- The Board is asked to freeze the fees for the Water Service Line Protection Program in FY 2015 at FY 2014 rates. The Board is asked to increase the fees for the Sewer Service Line Protection Program by 6.0% in FY 2015.
- Commissioner Lloyd also proposed the following changes for FY 2015:
  - An extension in the deadline for filing an appeal with the Board to 60 days.
  - Properties with a pending appeal on the date the 90-day lien sale list is published will be removed from the sale list.
  - Customers issued a catch-up bill can request a 90-day interest free period to pay their bill.

### **Proposal for Upstate Water Rates for FY 2015**

The final item on the agenda was a presentation by Executive Director Steve Lawitts on water rates for upstate customers for FY 2015 as proposed by DEP, based on the annual cost of service study undertaken by the Board's independent rate consultant. The proposal includes a 5.13% increase in charges for delivering water to the 40 upstate customers up to the respective "entitlement amount". Compared to the 14.3% rate increase in FY 2014 and 9.9% average rate increase for the last six years, the rate increase for FY 2015 is quite low. The proposed increase would translate into an approximate \$6 per year increase for an average single-family home, consuming 80,000 gallons per year. Compared to the proposed in-City rates, entitlement charges would be only 31.8% of the in-City rate. Water delivered to upstate customers in excess of the entitlement amount is charged at an "excess rate", which has been and is proposed to be equal to the in-City rate.

After Mr. Lawitts presentation, Chairman Moss asked about the status of the petition filed with the New York Public Service Commission by certain upstate customers challenging the Board's excess rate. Mr. Lawitts responded that the NYC Law Department is challenging the complaint on behalf of the Board and has filed a motion to dismiss the petition with the PSC, which is pending. Chairman Moss requested an update on this issue after the annual rate setting process is completed.

### **Adjournment**

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

\_\_\_\_\_/s/\_\_\_\_\_  
SECRETARY