

**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 8, 2015 starting at approximately 8:30 a.m. at 255 Greenwich Street, 8th Floor, New York, New York 10007. The following members of the Board were present:

Alfonso Carney,
Tawan Davis,
Joseph G. Finnerty III,
Adam Freed,
Jonathan Goldin¹, and
Arlene Shaw

constituting a quorum. Mr. Carney chaired the meeting, and Greg Ascierito served as Acting Secretary of the meeting. At the start of the meeting, Chair Carney thanked all of the Board members for their attendance at the rate hearings.

Approval of the Minutes

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on March 27, 2015. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on March 27, 2015 were unanimously adopted.

Presentation on Rental Payment

Steven Lawitts, the Executive Director of the Board, gave a presentation on the rental payment made by the New York City Water and Wastewater System (the “System”) to the City of New York. Mr. Lawitts indicated that the Mayor reduced the Fiscal Year (“FY”) 2016 rental payment by an amount equal to 40% of the FY 2015 rental payment. He noted that this reduction was double the amount originally proposed and that this additional amount allowed

¹ Mr. Goldin joined the meeting after the Minutes of March 27, 2015 were approved.

DEP to lower the proposed FY 2016 rate increase from 3.24% to 2.97%. In addition, Mr. Lawitts indicated that the Mayor agreed to further reduce the rental payment by an additional 10% in each coming year: by 50% of the FY 2016 rental payment in FY 2017, by 60% of the FY 2017 rental payment in FY 2018, and by 70% of the FY 2018 rental payment in FY 2019.

Adoption of the FY 2016 Annual Budget for the Water and Wastewater System

The next item on the agenda was adoption of the FY 2016 annual budget for the System. In a presentation on said budget, Executive Director Lawitts noted that the cost of operating and maintaining the System was certified by the System's Consulting Engineer, AECOM, as being reasonable and appropriate.

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

RESOLUTION

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, 2015 ("Fiscal Year 2016") 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 that the City reasonably anticipates it will have expended during Fiscal Year 2016 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 2016 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 2016; and

WHEREAS, the Board has reviewed the proposed Annual Budget for the Board's expected expenditures for Fiscal Year 2016 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 2016, a copy of which is attached hereto, is hereby adopted.

Adoption of the FY 2016 Water and Wastewater Rate Schedule

The next item on the agenda was adoption of the Board's FY 2016 Water and Wastewater Rate Schedule. Prior to the Board vote, Mr. Lawitts stated that DEP recently activated the Croton filtration plant ahead of schedule and noted the importance of preserving the water system for future generations. He also noted an increase in public participation at the rate hearings, with approximately 115 people attending the five hearings, of which 49 people testified, and 53 pieces of written testimony were received. Comments by the Board ensued. Member Goldin noted that the proposed increase was the lowest in fifteen years and that meaningful progress was made in maintaining an affordable rate. Member Freed requested that the Board consider a stormwater rate and conservation pricing in future years to align the rates with the goals of conservation and system sustainability. He also commended the University Neighborhood Housing Program for submitting a cogent report on affordable housing and utility costs. Chair Carney noted that he was pleased with the progress on reducing the rental payment and that staff was able to propose a lower rate increase than originally planned.

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

RESOLUTION

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 27, 28, 29, 30 and May 1, 2015, and a transcript of each hearing and all written statements submitted by May 1, 2015 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, 2015 (“FY 2016”), (ii) the City with respect to (a) the amounts which the City reasonably anticipates it will expend during FY 2016 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 2016; and

WHEREAS, based on the requirements set forth in the Board's annual budget for FY 2016 and the testimony and statements submitted at the aforementioned public hearings, the Board has determined that, effective July 1, 2015, the water rate for all in-City customers, flat rate and metered, should increase by 2.97% over the rate in effect in Fiscal Year 2015, except for the minimum charge for meter-billed customers, which will remain at \$0.49 per day, and that 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 of (1) an increase from \$25 to \$100 in the credit applied to a customer's bill upon successful completion of a lead and copper monitoring test by a registered participant; (2) a one-time \$10 credit for a customer's enrolling in monthly eBilling to be applied to such customer's account after issuance of the third consecutive monthly eBill; (3) an automatic single credit of \$115.89 to be applied in FY 2016 to the accounts of customers that meet at least one of the following conditions: (i) receives a Home Energy Assistance Program grant administered by the New York City Human Resources Administration or (ii) receives one or both of the following exemptions administered by the New York City Department of Finance: (a) the Senior Citizen Homeowners' Exemption (SCHE) or (b) the Disabled Homeowners' Exemption (DHE), (if the Customer qualifies for more than one grant and/or exemption, only one credit will be given);

and (4) various clarifications to existing policies and procedures set forth in the Board's revised Water and Wastewater Rate Schedule for Fiscal Year 2016, as publicly noticed, should be approved as recommended by staff; it is therefore

RESOLVED, that the Water and Wastewater Rate Schedule for Fiscal Year 2016, a copy of which is attached hereto, which reflects an increase of 2.97% for in-City water rates (except for the minimum charge for meter-billed customers), as well as the new and modified billing policies, programs, and fees as described above is hereby approved.

Proposal for Upstate Water Rates for FY 2016

The final item on the agenda was a presentation by Executive Director Lawitts and the proposal of FY 2016 water rates for customers north of New York City. The proposal, which is based on the annual cost of service study undertaken by the Board's independent rate consultant, includes a 9.87% increase in charges for delivering water to the upstate customers for quantities that are up to their respective "entitlement amount" pursuant to the Water Supply Act of 1905. Executive Director Lawitts explained that each year, the rate proposal includes a reconciliation for the actual cost of service incurred in the most recent full fiscal year; for the FY 2016 rate, such reconciliation is for FY 2014. The Board's Treasurer, Mathilde McLean, noted that proposed reconciliation for actual FY 2014 costs spreads such adjustment over a four-year period in order to mitigate the rate increase for FY 2016.

Executive Director Lawitts indicated that 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 for water. The excess rate is approximately three times the entitlement rate, which is not an uncommon scenario in conservation pricing. He noted that a public hearing will be conducted upstate on June 1, 2015, and that the hearing transcript and all testimony submitted would be provided to the Board members in advance of their June 12, 2015 meeting to consider the upstate rate proposal.

Adjournment

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

SECRETARY