

**MINUTES OF THE MEETING OF THE
NEW YORK CITY WATER BOARD**

October 9, 2024

A meeting of the New York City Water Board (the “Board”) was held on Wednesday October 9, 2024 at 255 Greenwich Street, Manhattan, New York in the 8th floor conference room, beginning at approximately 9:15 a.m. The following members of the Board attended the meeting:

Alfonso Carney,

Evelyn Fernandez-Ketcham,

Adam Freed,

Jukay Hsu, and

Daniel Zarrilli

constituting a quorum. Mr. Carney chaired the meeting and Albert Rodriguez served as Secretary of the meeting. Board officers Executive Director Nerissa Moray and Treasurer Omar Nazem were in attendance, and were joined by Rohit Aggarwala and Albert Kramer from the City’s Department of Environmental Protection and by Christian Wagner from the water and wastewater system’s auditors at Grant Thornton.

Approval of the Minutes

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on September 9, 2024. Upon motion duly made and seconded, the minutes of the meeting held on September 9, 2024 were put to the members for a vote. The members in attendance unanimously approved the minutes by a voice vote.

Audited Financial Statements for Fiscal Year 2024

Mr. Nazem presented a summary of the Board’s financial results for Fiscal Year 2024,

noting that the Board’s revenue for the year exceeded the budgeted level and updated the Board that revenues for Fiscal Year 2025 were ahead of plan. Mr. Nazem explained the Fiscal Year 2024 results as driven by an increase in rates for the year and by DEP’s revenue enforcement efforts, including enrolling customers in payment agreements. Mr. Nazem also described the Board’s investment results, explaining that the Board’s strategy of purchasing short-term U.S. government Treasury bills was a profitable strategy for the Board in Fiscal Year 2024, with investment income reaching \$35 million, following \$31 million of investment earnings in Fiscal Year 2023.

Chairman Carney reminded the Board that he and Member Freed are the Board’s representatives to the joint audit committee, alongside members of the Water Finance Authority. Member Freed summarized the discussion from the joint audit committee’s recent meeting, and briefed the Board on some of the artificial intelligence tools being adopted by audit firms. Following Member Freed’s briefing, Chairman Carney provided the joint audit committee’s recommendation that the Water Board vote to approve the financial statements. Executive Director Moray provided a final detail, noting that the auditors did not identify any significant negative findings during their audit.

Following the discussion, the members in attendance unanimously approved the resolution approving the financial statements by a voice vote.

- - - - -

RESOLUTION

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 7, 2024 at 9:30 a.m., the joint 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, 2024 and June 30, 2023; and

WHEREAS, the joint Audit Committee at its October 7, 2024 meeting indicated that it 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; 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, 2024 and June 30, 2023 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.

Investment Report and Investment Guidelines

Following the earlier update on the Board's investment results, Treasurer Nazem summarized the Board's investment guidelines, explaining that no modification to the guidelines were being proposed to the Board, and that the staff intended to continue a similar strategy of purchasing short-term U.S. Government securities as its principal asset class. Following the presentation, the members

in attendance unanimously approved the resolution by a voice vote.

RESOLUTION

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 2024 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 2024 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

Update on DEP Strategic Initiatives

Commissioner Aggarwala led a presentation outlining DEP’s strategic planning efforts that followed completion of a strategy consulting and benchmarking assignment by the Board’s independent consultants at McKinsey and Company. The Commissioner explained that the strategic plan based on the work was authored in-house by DEP staff, and that the strategic plan took a long-range planning horizon of 20-30 years.

The Commissioner described some of the climate change-focused work included in the strategic plan, including engineering studies that the agency was funding and the water quality focus and regulatory compliance section of the study. The Commissioner further described some of his

efforts to engage with the watershed communities, including collaborating on the upcoming renegotiation of DEP's Filtration Avoidance Determination, and described some of the stormwater initiatives that are expected to be part of the plan.

The Commissioner identified environmental justice as a priority policy area for DEP and City Hall, an area that includes among other themes achieving state of good repair for the City's wastewater treatment plants, many of which are located in environmental justice neighborhoods.

Member Hsu asked how the agency was thinking about some of the emerging themes in the utility industry, flagging cybersecurity as an area of particular importance. Commissioner Aggarwala described some of his efforts in the area and noted the City's Cyber Command as a key entity in managing the City's municipal technology systems, adding that DEP also worked with the Department of Homeland Security to ensure the security of City systems. The Commissioner also noted the challenges with hiring employees with information technology, including employees with skills in the information security area.

Commissioner Aggarwala proceeded to describe the agency's focus on business process modernization, characterizing it as occurring in the context of a large civil engineering organization and linking some of the agency's challenges to the evolving shape of the capital investment plan. Member Hsu asked how the agency thinks about implementing new ideas in the context of the capital plan, in response to which Commissioner Aggarwala described a collaborative process that included, among other parties, DEP, the Water Board, and the City's budget office, using the example of the new City water tunnel to illustrate his point. Along with Member Freed, Member Hsu requested further information about the Board's role in determining capital investment priorities, asking about the scope of the Board's responsibilities in selecting investments. Commissioner Aggarwala described final authority over the capital plan as residing with the City's budget office and City Hall. Member Freed requested that DEP return to the Board and provide an update on the final provisions of the strategic plan as approved and to publicly present the plan in its final form.

Member Zarrilli asked for an update on discussions about the Board's concerns about the

rental payment. Commissioner Aggarwala characterized the rental payment as not within DEP's control and emphasized that the focus was on ensuring that, if requested, the rental payment would not interfere with the system's core capital project needs. Member Zarrilli mentioned that he had seen information about new fluoride regulations, and DEP agreed to provide Member Zarrilli with an update at a future time.

Presentation on Initiatives Involving Residential Water Lines

Commissioner Aggarwala presented the Board with an update on federal rulemaking concerning municipalities with lateral water service lines containing lead content, describing recent rulemaking as focused on ensuring that municipalities with such lines arrange for their replacement over a ten-year timeframe and provide for water filters in the interim and occurring in the context of growing attention and strictness with respect to the detectable quantities of lead material. The Commissioner reminded the Board that the public can request lead testing kits and a water filter from DEP.

The Commissioner indicated that estimates of the number of lines with at least some lead content in the City might be in the estimated range of 150,000 lines, and described one conclusion of a recent DEP analysis that established there was little relationship between income and the likelihood of a line with lead content connected to a property. The Commissioner noted that some federal money would be available, indicating that \$120 million from the Bipartisan Infrastructure Law for lead line replacements might be available, although further noting that the total cost of replacing all lead lines would likely exceed that amount. Member Fernandez-Ketcham asked about the potential incidence of lead lines connected to school buildings, a situation not currently faced by the City and that DEP works proactively with DCAS to address through a joint review of City-owned properties.

Secretary Rodriguez expanded on the discussion, explaining that the new federal rules do not require municipalities to pay for the line upgrades, but do require the municipalities to make plans to effectuate the replacement of lines with lead content.

Commissioner Aggarwala described some of the City's efforts to facilitate the replacement of lead lines, including City-managed lead lateral line replacements in instances when DEP or the City's

Design and Construction Department was undertaking construction of the connecting City water mains and the property owner agreed to a City-managed replacement. Commissioner Aggarwala noted that \$48 million of funding had been obtained for lead line replacements through the Environmental Facilities Corporation. In response to a question from Member Fernandez-Ketcham, Commissioner Aggarwala explained that DEP is communicating with property owners about the material content of their lead lines and proceeded to describe some of the notification requirements under federal rules and some of the City's messaging with respect to lead lines. Member Zarrilli asked if there is a mechanism for property owners to find information about the lead content of their water lines, in response to which Commissioner Aggarwala stated that DEP has an online database that the public can use for research that contains information about the material content of residential lead lines.

Update on Multifamily Affordability

As part of the next agenda item, Commissioner Aggarwala updated the Board on the Multifamily Conservation Program (MCP), a billing policy that is part of the Board's rate schedule. Commissioner Aggarwala characterized the program's purpose in its current form as providing stability to DEP and to the customer and supporting affordable housing, while also noting that the range of water consumption by properties in the MCP program varied significantly.

DEP's Deputy Commissioner of Customer Services Albert Kramer presented the next section of the update to the Board. Mr. Kramer summarized the program's eligibility requirements, noting that the requirements made the rate available to residential properties with four or more apartment units, a meter and transmitter, a billing account up to date on its DEP bills, and with water efficient fixtures installed in at least 70% of the residential units. Deputy Commissioner Kramer explained that the amount of annual customer billings that used the MCP involved approximately \$1 billion per year of revenues, and noted that in addition to the financial dimension, water conservation was also one of the objectives of the MCP program, and that both objectives needed balancing when thinking about the structure of the rate. Mr. Kramer noted that some customers could save money by switching to metered billing from the MCP flat rate, but nonetheless preferred to remain on the MCP flat rate

because of the predictability.

Deputy Commissioner Kramer explained further that approximately 24,000 customers were enrolled in the MCP rate, which was a reduction from 30,000 accounts in earlier years. Mr. Kramer presented data showing the range of water consumption by properties under MCP billing, noting that there is a set of properties that use significantly more water than the equivalent amount of water that could be purchased for the same cost using metered rates. Mr. Kramer added that as water meters age, they tend to under-register water usage and that replacing older meters can lead to additional revenues, noting that DEP was working with the City's Office of Management and Budget on a meter replacement program intended to install new and accurately recording water meters in place of older meters. Commissioner Aggarwala noted that the consulting work through the Board's contract with McKinsey had also identified meters as an area of focus for the agency's strategic plan.

Deputy Commissioner Kramer described the current MCP account base as showing a 75% compliance rate with the program's requirements, noting that the City Housing Authority had demonstrated compliance with the program requirements since the start of the MCP rate in 2012, and adding that the compliance status of the remaining 25% was unknown. Mr. Kramer added that understanding water usage at MCP accounts and assessing accounts with overdue account balances were both likely to be areas of focus for DEP with respect to the future direction of the MCP program.

Member Fernandez-Ketcham asked if the Board could receive additional information about the customer base as DEP proceeded with its evaluation of the account base, information that Commissioner Aggarwala agreed that DEP would provide to the Board.

Presentation on Fuse Corp Fellows

Executive Director Moray explained the Fuse Corp program to the Board, describing Fuse as an organization that recruits midcareer professionals with ten to fifteen years of private sector experience to work in the government. Commissioner Aggarwala noted that DEP was currently working with three Fuse Corp professionals under an existing Water Board contract, and that two of the professionals were working for Executive Director Moray. Commissioner Aggarwala and Ms. Moray described the Fuse program and its overall approach and operating model and proceeded to

describe the project focus of the three current Fuse Fellows. Ms. Moray summarized the project areas of the three current Fuse fellows, which included customer communications work with DEP's Customer Services Bureau, assisting DEP's energy bureau, and a third project involving business process mapping.

Deputy Commissioner Kramer described his experience working with a Fuse Fellow, characterizing the fact that the Fuse Fellows are professionals with previous experience as helpful for purposes of contributing toward the agency's mission. Commissioner Aggarwala added that DEP may request that the Board provide additional funding to continue the Fuse relationship beyond the current contract period.

Adjournment

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

_____/S/_____
SECRETARY