

**MINUTES OF THE MEETING OF THE
NEW YORK CITY WATER BOARD
October 14, 2021**

A meeting of the New York City Water Board (the “Board”) was held on October 14, 2021 beginning at approximately 1:30 p.m. via teleconference in accordance with the Governor’s Emergency Order regarding the Covid-19 pandemic. Members of the public called into the teleconference to listen to the meeting, in addition to the availability of a live text captioning option. The following members of the Board attended the meeting:

Alfonso Carney,

Evelyn Fernandez-Ketcham,

Adam Freed,

Jonathan Goldin,

Jukay Hsu,

Arlene Shaw, and

Daniel Zarrilli

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

Approval of the Minutes

Following opening remarks by Chairman Carney, including a welcome message for new Board member Daniel Zarrilli, the first item on the agenda was approval of the minutes of the Board’s previous meeting held on June 14, 2021. Member Freed requested that the minutes as drafted be edited to further reflect comments by Members Freed and Goldin that the discretionary waiver of the rental payment for water and sewer system property described in the

lease agreement between the Board and the City of New York creates financial uncertainty for the Board, and that the two members urged the City to consider a permanent waiver of the rental payment. Member Freed also requested that the draft minutes be further edited to reflect his suggestion at the June meeting that DEP work promptly to explore ideas for different rate structures in connection with the agency's rate study currently underway, including due consideration of stormwater management charges and progressive rate structure concepts. Upon consultation between Chairman Carney and Secretary Rodriguez, the minutes were presented to the members for approval, conditional upon the two revisions being incorporated into the minutes.

Upon motion duly made and seconded, the minutes of the meeting held on June 14, 2021 were unanimously adopted, subject to the two revisions as presented. Member Zarrilli recused himself from casting a vote, since his appointment to the Board occurred after the June 14 meeting.

Transfer of Block 5649, Lot 100 Hart Island, Bronx

The Board next heard a presentation from the New York City Department of Parks and Recreation, delivered by Mitchel Loring, a senior project planner in the Department's planning and development division, in connection with the Parks Department's request of the Board to release the Board's leasehold in order to transfer jurisdiction of Block 5649, Lot 100 of Hart Island, Bronx to the Parks Department from its current named owner, the City's Department of Environmental Protection. Mr. Loring provided some historical context for Lot 100's prior uses, including how the Island was previously the site of a wastewater treatment plant that was demolished in the 1970s. Following demolition of the wastewater treatment plant, the lot was not transferred to another City agency, and DEP remained the named owner, while the use Lot

100 by DEP ceased, and the lot became connected to the City's Department of Corrections, which administers a burial area on the Island. City Local Law 210 of 2019 contemplated a transfer of control of the entirety of Hart Island from the Department of Corrections to the Parks Department, which prompted the request to remove DEP as the named owner, and to allow Parks to become the final named agency with administrative jurisdiction over the Lot. Chairman Carney thanked Mr. Loring for his presentation, and for facilitating a guided tour of Hart Island, which the chair attended, along with representatives from the Board's consulting engineers at AECOM and from DEP.

Member Goldin asked what water and sewer connections are currently in place on the Island. Mr. Loring explained that water service is in place on the Island, including supplying fire hydrants located on the Island. Executive Director Murin further explained that sewer service was connected to the Hunt's Point wastewater facility in the Bronx, and that the allocation of responsibilities and expenses for maintaining water and sewer infrastructure between DEP and the Parks Department would be a standard allocation of responsibilities between DEP and other City agencies, as would be in place in any similar situation involving DEP assets located on partner agency's property. Member Goldin pointed out that transferring system property to a partner agency would involve the transfer of any liabilities relating to the landholding, as well as the expenses associated with maintenance and upkeep of the land.

Member Fernandez-Ketcham referenced the certification provided by the Board's consulting engineers at AECOM, noting AECOM's opinion that transferring Lot 100 would not impact system revenues or utility operations, and suggested that the Board would benefit from having the opinion letter of AECOM formally presented as part of requests to the Board for real estate reviews. Member Fernandez-Ketcham further inquired whether the Board was fully

considering the entire range of public interest in Lot 100, and encouraged the Board to take into account the historical and educational value of the lot in connection with the City's water and sewer system. Executive Director Murin replied, by way of explanation, that the City Council, as well as DEP and the Board, reached the conclusion that the public interest is best served by transferring the land to the Parks Department to support its efforts to make the Island more accessible and to promote aspects of its history for public educational purposes. Mr. Loring concurred, explaining some of the specifics relating to Parks' plans to make the Island more easily accessible, including visitation procedures currently in place, as well as plans for expanded accessibility, once expanded City funding is provided.

Member Zarrilli asked if Lot 100 was specifically included in Local Law 210. Mr. Loring replied that Local Law 210 did not make specific reference to different sections of the Island, and Parks has interpreted the Local Law to refer to the entire Island. Mr. Zarrilli added that in his judgement there appeared to be no ultimate uses for the lot, or potential value to the water system, and that it was consistent with public policy choices for the Board to support the transfer of Lot 100 to Parks. Secretary Rodriguez provided additional explanation to the Board, explaining that the Board leases water and sewer property from the City for the sole purpose of conducting utility system operations and that, since no utility operations are currently present on the Island, under the system lease agreement, the Board has narrow grounds on which to review the prospective transfer, since releasing the property would not impact system revenues or operations.

Upon motion duly made and seconded, the Board unanimously agreed to release the Board's leasehold interest in Lot 100, and to approve the transfer of the lot to the City.

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 that is subject to the Lease, provided that the transfer of the property in question does not materially reduce the revenues of the Systems or otherwise impair the ability of the Board to make the payments required under the Lease; and

WHEREAS, the City has requested that the Board give its consent to release the Board’s leasehold on, and then transfer to the City’s Department of Parks and Recreation, the section of Hart Island, Bronx, known as Block 5649, Lot 100 in order to align the landholding with its administrative management, and to support the City’s objectives of making Hart Island more accessible to visitors, including access to sites on the Island of historical interest, and to conform with the intentions of New York City Local Law 210 of 2019; and

WHEREAS, by letter dated October 12, 2021, the Board has received certification from its Consulting Engineer, AECOM USA, Inc., that it has evaluated the above real property action and has confirmed that such transfer has no impact on the operations of the Systems, the collection of revenues of the Systems, or the ability of the Board to make any payments required under the Lease; and

WHEREAS, on October 12, 2021, representatives from the Board, the Department of Environmental Protection, and the system's consulting engineers traveled to the Island to inspect the site; and

WHEREAS, the Board has determined that releasing its leasehold interest in Bronx Block 5649, Lot 100, to the City is reasonable and appropriate; it is therefore,

RESOLVED, that, pursuant to Section 11.1(d)(i) of the Lease, the Board hereby consents to the property release and transfer as described herein; and be it further

RESOLVED, that the officers of the Board be hereby authorized and empowered, in the name of, and on behalf of, the Board, to grant such consent and to take such other and further actions as the officers, or any officer individually, deems necessary or appropriate to carry out this resolution.

Financial and Investment Update Covering Fiscal Years 2021 and 2022 Year-to-Date

The next agenda item was a presentation by DEP Chief Financial Officer Joseph Murin and Treasurer Omar Nazem. Mr. Murin explained that the Board has continued to implement conservative budgeting policies, in light of the uncertainty created by the continuing pandemic. Fiscal Year 2021 operating revenues declined by 4.6%, or \$175 million, compared to Fiscal Year 2020. The lower revenues reflected 3.8% lower water use by customers compared to the year before. Treasurer Nazem provided information and commentary concerning the combined balance sheets of the Board and the Water Authority, noting that at fiscal year-end, the combined entities had \$2.3 billion of cash and securities on hand, that the system was able to add \$766 million of fixed assets to the carrying value of capital plant and equipment despite the difficulties completing construction work during the pandemic, and that the system exceeded the required debt service ratios during the fiscal year. Mr. Nazem also noted that wholesale water supply

volumes increased during the fiscal year by 5%, which should be viewed in the context of the 17% reduction in wholesale water supply that occurred during fiscal year 2019.

DEP Deputy Commissioner of Customer Services Jeff Lynch provided an update on revenues for the current fiscal year 2022, through October 13. Revenues were 0.2% ahead of revenue plan, with year-to-date operating revenues of \$1.54 billion, which equated to 0.1% below revenues as of the same time last year. Mr. Lynch noted that delinquent account balances remained higher than prior to the pandemic, due to the effect of the pandemic on household and business incomes, and the suspension of the City's lien sale during the pandemic.

Mr. Nazem provided the Board with an update on its investment portfolio of U.S. government treasury bills, as well as an explanation of the existing investment guidelines, and noted that the Board has focused its investment purchases on shorter-duration U.S. government securities, which results in both lowered risk, but also lowered investment returns, to the portfolio. Due to low market yields following the pandemic, the Board's investment income for fiscal year 2021 was \$376,000, the lowest investment return for the Board since 2014. Member Zarrilli asked to clarify that the Board will be asked to vote on whether to adopt the investment guidelines currently in place, and on an unchanged basis. Treasurer Nazem confirmed that, while Board security purchases can vary from year-to-year within the allowable parameters of the investment guidelines, the categories of permitted securities have not changed since 1997, and the existing investment framework would continue for the upcoming fiscal year.

Chairman Carney requested that Board staff follow-up with members on some options for increasing investment returns within the scope of the existing investment guidelines, including an analysis of the risk trade-offs that would be involved with alternate securities purchases.

Deputy DEP Chief Financial Officer Michael O’Keefe provided an update on the impact of Tropical Storm Ida on the City in September, noting the disruption to DEP’s offices due to the storm, and the City’s plans to commit an additional \$2.1 billion to DEP’s capital for flood mitigation and infrastructure construction, as well as plans to accelerate \$200 million in existing DEP capital projects. Member Zarrilli asked to clarify whether City general obligation debt or Water Board debt would be associated with the amounts budgeted for new capital construction, to which Treasurer Nazem replied that the new projects would be paid for using water utility funding.

Update on DEP Deployment of a New Customer Information System

Deputy Commissioner Lynch briefed the Board on the deployment of DEP’s new UMAX billing system on September 7, 2021. The billing system is now in the six-month operations phase following launch, focused on ensuring system stability and addressing any training gaps and identifying any required software patches. New bills are being issued to customers, and payments are being recorded in the new system. Deputy Commissioner Lynch noted that the new water bill format and new online payment portal have led to the DEP call center experiencing elevated call volumes and longer wait times than are normally the case.

Acceptance of the Independent Auditor’s Report for Fiscal Years 2021 and 2020.

The next item on the agenda was the presentation and acceptance of the Independent Auditor’s Report on the Audited Financial Statements of the Water and Sewer System for the Fiscal Years ended June 30, 2021 and June 30, 2020 and authorization of the public release of such audited financial statements. Chair Carney reported that the Joint Audit Committee of the

Water Board and the New York City Municipal Water Finance Authority met earlier in the day, on October 14, with the System's independent auditors, Grant Thornton, and reviewed their report. Grant Thornton reported that the financial statements fairly present the net position of the System in conformance with generally accepted accounting principles and provided an unmodified opinion letter. After the review, the Joint Audit Committee unanimously approved a recommendation that the Board and the Authority accept the auditor's report and authorize the public release of the financial statements. Member Freed, who serves on the joint audit committee with Chairman Carney and Member Goldin, commented that the audit methodology and process continues to be very thorough, consistent with prior years.

Member Zarrilli requested a follow-up with members about key performance indicators and the metrics used to inform the system's partners, including credit rating agencies.

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") 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 14, 2021, 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, 2021 and June 30, 2020; 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 auditors' report and authorized the release of the financial statements 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, 2021 and June 30, 2020 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 the Fiscal Year 2021 Investment Report

The next agenda item was the approval of the Board's Investment Guidelines and the Fiscal Year 2021 Investment Report as annually required by the New York State Public Authorities Act.

Treasurer Nazem presented the highlights of the report to the Board and addressed members' questions about the report and guidelines earlier in the meeting, during the financial

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

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 2021 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 2021 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

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

/S/
SECRETARY