

**MINUTES OF THE ANNUAL MEETING OF THE
NEW YORK CITY WATER BOARD
May 18, 2017**

The annual meeting of the New York City Water Board (the “Board”) was held on May 18, 2017 at approximately 8:30 a.m. on the eighth floor of 255 Greenwich Street, New York, New York 10007. The following members of the Board attended the meeting:

Alfonso Carney,
Evelyn Fernandez-Ketchum,
Adam Freed,
Jonathan Goldin, and
Jukay Hsu¹

constituting a quorum. Mr. Carney 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 February 24, 2017. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on February 24, 2017 were unanimously adopted.

Executive Session

Pursuant to New York Public Officers Law, section 105 (d), and upon motion duly made and approved, the Board conducted an executive session to discuss certain current litigation matters. After the executive session, the Board reconvened publicly and reported it had taken no action during the executive session.

Adoption of the Fiscal Year 2018 Annual Budget

¹ Member Jukay Hsu joined the meeting during Executive Session.

The next item on the agenda was the adoption of the Board's Fiscal Year 2017 annual budget. Vincent Sapienza, acting Commissioner of the Department of Environmental Protection, gave a presentation on the system's financial strengths highlighting Mayor Bill de Blasio's elimination of the rental payment, debt service savings due to low interest rates, stronger than projected revenues, a strong economy and low unemployment rates resulting in prompt bill payment, and operations and maintenance cost efficiencies, including lower chemical costs. Next, Commissioner Sapienza introduced the system's rate consultant, Ed Marcus of Amawalk Consulting. Mr. Marcus confirmed that the system's finances are trending favorably, and that Amawalk's projections for fiscal year 2017 and 2018 are based on reasonable assumptions. Chair Carney questioned whether there were any risks the Board should be concerned about. Mr. Marcus replied that an area of possible concern was interest rate volatility, but that an increase in interest rates was built into the fiscal year 2018 projections, and that there were no areas of great risk, barring extraordinary events. Chair Carney further inquired as to whether all of DEP's needs are addressed in the budget, which was confirmed by Commissioner Sapienza. Member Goldin requested clarification as to why there was a budget line item for defeasance/cash-based capital financing, when current interest rates dictate the benefit of spending on defeasance. Mr. Marcus explained that even though interest rates are favorable now, the fiscal year 2018 budget includes flexibility in the event that defeasance is not a favorable option a year from now. Member Freed questioned the increasing level of upstate water consumption, and Commissioner Sapienza noted that DEP is working on reducing upstate consumption in anticipation of the tunnel repair in 2021. Member Goldin asked whether DEP police are adequately funded to protect the system, which was affirmed by Commissioner Sapienza. Executive Director Joseph Murin further noted that DEP's executive budget includes

increased spending for security measures going forward. Chair Carney asked whether DEP was comfortable with their level of cyber security, and Commissioner Sapienza affirmed, noting that DEP works closely with NYPD, Homeland Security, and the FBI, and that essentially nothing in the water system can be controlled remotely. Member Freed requested an update on the new billing system, and specifically noted an interest in the implementation of conservation and storm water pricing. Chair Carney requested that the budget resolution be amended to note the impact of not approving the expanded home water assistance program (HWAP) and the multi-family water assistance program (MWAP). Treasurer Omar Nazem proposed to add a footnote to the budget indicating that the total revenue for fiscal year 2018 includes a reserve of \$11.4 million for possible implementation of the expanded HWAP and MWAP, and if not implemented, the year end cash balance would increase by the same amount and be carried forward to apply to next year's expenses. Upon motion duly made and seconded, the following resolution adopting the Fiscal Year 2018 annual budget of the Water Board was unanimously approved by the Board.

RESOLUTION

WHEREAS, pursuant to a Financing Agreement dated as of July 1, 1985, as amended, between the New York City Water Board (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 adopt an annual budget; and

WHEREAS, the Board has received certification from the Authority regarding the Authority's Budget for the fiscal year commencing July 1, 2017 ("Fiscal Year 2018") 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 regarding the amounts that the City reasonably anticipates it will have expended during Fiscal Year 2018 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, if any, requested by the City for Fiscal Year 2018 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 2018, and combined with the proposed expenses for the Authority and the City, the Board has prepared an annual budget for the ensuing fiscal year (the “Annual Budget”); and

WHEREAS, the Board has received certification from Amawalk Consulting Group LLC (“Amawalk”), Rate Consultant to the Board, regarding forecasted cash flows and anticipated revenues for Fiscal Year 2018; and

WHEREAS, the Board has reviewed the Rate Consultant’s forecasted cash flows and the Board’s proposed Annual Budget for Fiscal Year 2018 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 2018, a copy of which is attached hereto, is hereby adopted.

Future Business

Secretary Al Rodriguez raised a point of order to note that two agenda items were being removed from the current meeting. Chair Carney agreed and tabled consideration of the two items, expansion of the HWAP credit and implementation of an MWAP credit to the next meeting of the Board.

At the conclusion of this discussion, Treasurer Nazem read the fiscal year 2018 annual budget resolution into the record.

Adjournment

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

SECRETARY

New York City Water Board Annual Budget May 18, 2017

	Fiscal Year 2016 Actual	Fiscal Year 2017 Estimated	Fiscal Year 2018 Adopted
Municipal Water Finance Authority			
Debt Service	\$1,569,223,000	\$1,525,656,000	\$1,726,534,000
Less Prior-year Carryforward Revenue	(1,011,600,000)	(1,021,180,000)	(1,135,765,000)
Authority Expenses	49,003,000	57,056,000	56,983,000
Debt Defeasance Expense & Cash-financed Capital	882,949,000	975,000,000	825,000,000
Year-end Cash Balance	1,021,180,000	1,135,742,000	917,809,000
Less Authority Interest Earnings	(28,264,000)	(25,000,000)	(24,000,000)
Less Cash Released from Escrow	(8,343,000)	(8,343,000)	(16,570,000)
Subtotal	<u>\$2,474,148,000</u>	<u>\$2,638,931,000</u>	<u>\$2,349,991,000</u>
City of New York			
Operations & Maintenance & Reserve	\$1,378,043,000	\$1,419,000,000	\$1,399,819,000
Prior-year O&M/Rental (Over)Underpayment	(119,756,000)	(219,086,000)	0
Rental	162,400,000	0	0
Subtotal	<u>\$1,420,687,000</u>	<u>\$1,199,914,000</u>	<u>\$1,399,819,000</u>
Water Board Expense Fund	<u>\$35,696,000</u>	<u>\$47,003,000</u>	<u>\$49,990,000</u>
Total Expenditures *	<u><u>\$3,930,531,000</u></u>	<u><u>\$3,885,848,000</u></u>	<u><u>\$3,799,800,000</u></u>

* FY18 figure includes a reserve of \$11.4 million for possible implementation of the home water assistance and multifamily affordability credits.