

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

September 23, 2022

A meeting of the New York City Water Board (the “Board”) was held on Friday September 23, 2022 beginning at approximately 8:30 a.m. The following members of the Board attended the meeting:

Alfonso Carney,

Evelyn Fernandez-Ketcham,

Adam Freed,

Jonathan Goldin,

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

Chairman Carney welcomed the public attendees and Board members to the Board’s first in-person meeting since the Covid-19 pandemic, and welcomed Member Zarrilli to his first in-person meeting since joining the Board. Chairman Carney also welcomed several Department of Environmental Protection (“DEP”) personnel, including Commissioner Rohit Aggarwala, Joseph Murin, Loncey Conyers, and Vincent Sapienza. The first item on the agenda was approval of the minutes of the Board’s previous meeting held on June 6, 2022. Upon motion duly made and seconded, the minutes of the meeting held on June 6, 2022 were unanimously adopted.

Presentation by the Department of Environmental Protection on Two Consulting Proposals for Management Consulting Services and Inter-Governmental Grant Funding

The next item on the agenda was a presentation led by Commissioner Rohit Aggarwala, Chief Financial Officer Joseph Murin, and Senior Director Loncey Conyers from the DEP budget office. Commissioner Aggarwala introduced the topic of the presentation, which was two proposals to retain consulting services through the Board for the benefit of DEP and the Board's ratepayers.

Commissioner Aggarwala explained that the first consulting proposal would involve developing a new strategic plan for DEP, to guide the agency after the conclusion of its previous strategic plan, while the second consulting proposal would focus on pursuing external funding sources, such as Federal monies available under the Bipartisan Infrastructure Law and the Inflation Reduction Act, which are expected to include several billion dollars of funding in areas relevant to DEP.

Commissioner Aggarwala explained that the Board would be asked to consider and vote on the strategic planning consulting work at the meeting, and to consider the external funding consulting work for a vote at a later meeting of the Board. The Commissioner explained that hiring a consulting firm would be a complement to the internal knowledge resident at the agency, and would bring a set of frameworks and a project approach to assist in answering questions and establishing priorities among the challenges and opportunities facing the agency.

Commissioner Aggarwala stated that two of the main factors behind DEP's investment focus over the past 20 years were regulatory requirements and a low inflation environment, and that these two factors were likely to be weighed differently in the coming years, due in part to the effects of climate change. The Commissioner also noted that Mayor Adams' administration expected to release a new sustainability plan in April 2023, and that consulting support would be of assistance

to the agency, particularly in light of an agency personnel vacancy rate of approximately 17%, and that advice on how to implement best practices and the role of technology would be of use to the agency. The Commissioner added that the Water Board could expect to receive updates, beginning in the spring or summer of 2023, including updates on the agency's capital and expense budgets and preliminary findings of work on sustaining rate affordability. Commissioner Aggarwala turned the presentation over to Executive Director and DEP Chief Financial Officer Murin.

Executive Director Murin informed the Board that DEP has an opportunity to obtain grant funding under Federal legislation that is being made available through both Federal and state conduits for a variety of purposes and project types. Executive Director Murin noted that substantial funding is available to facilitate lead service line replacements through funding mechanisms the agency is familiar with. Executive Director Murin further noted that funding is becoming available in some areas where the agency does not have all of the expertise or staffing capacity that would be required to access the funding, and mentioned cybersecurity, energy efficiency, hydroelectric power, biofuels, clean vehicles, and stormwater as areas where specialized expertise in applying for and administering grant funding would be valuable to DEP, as well as noting that Federal grant administrators with whom DEP has less experience are involved with administering portions of the new funding, including the Department of Energy and the Department of Homeland Security. The Executive Director added that the Mayoral administration has a grant task force within the Deputy Mayor's office, and that DEP would anticipate continuing to work collaboratively with the Deputy Mayor's office. Following his remarks, Executive Director Murin turned the presentation to Senior Director Loncey Conyers.

Senior Director Conyers explained to the Board that the Federal government is focusing on benefit-cost analysis in administering the funds, requiring analysis showing the positive benefits of a grant, as compared to the cost of the grant. Senior Director Conyers emphasized that DEP would

benefit from some technical expertise in pursuing the grant funding, and noted that, while DEP might be in a position in two or three years to handle more grant work within the agency, in the near-term the capacity and expertise of a consulting firm would be of value. Director Conyers estimated that the newly available funding from Federal sources was in the range of \$1.5 trillion, of which a portion would be available to DEP.

Commissioner Aggarwala concluded the presentation by referring to previous consulting work authorized through the Water Board. The previous consulting work via the Board resulted in a 36% return on the cost of the consulting fees, through a mix of revenue additions and cost savings. The Commissioner noted that the goal is to have the consulting firm onboarded by the end of calendar year 2022.

Member Shaw asked how the Board can be assured that expenditures on consultants are spent responsibly and are financially accretive to the Board. Commissioner Aggarwala explained that previous consulting work through the Board, such as the work performed under the Operational Excellence program, was primarily a consulting project focused on cost savings identification and revenue generating opportunities, and was not a strategic plan. The Commissioner stated that the proposed consulting work would take a broader perspective, including an evaluation of the agency's \$25 billion capital plan, addressing the challenges of climate change, and evaluating ways to protect the City. The Commissioner also noted another difference between the requested consulting work and the Operational Excellence program, that the current request involved a substantially smaller funding request, and that subsequent follow-on consulting work, following the strategic plan development, would be brought to the Board as a separate request at future date. Executive Director Murin added that several initiatives from the Operational Excellence work, such as treatment plant upgrades, have been adapted based on current needs, and that there may be efficiencies on the revenue side by looking at DEP's base of installed meters. Chief Operating Officer Sapienza explained to the

Board that previous agency strategic plans had focused on regulatory requirements in place at the time, whereas the focus of regulators and the agency's priorities are now more oriented toward climate change and aging infrastructure.

Member Freed expressed his support for both of the proposed consulting studies, and stated that the Federal funding opportunity was both unprecedented and complex to access. Member Freed described some of the online resources that are relevant for accessing the Federal grant opportunity. Member Freed expressed support for the idea of a strategic plan, adding that surveys and prioritization schedules for flood water management have been valuable tools in other cities. Member Freed encouraged DEP to keep the Board apprised of progress toward retaining the consultant, as well as the project workflows once the consultant is onboarded.

Member Freed also posed two questions to DEP, on the topics of what steps could be taken to accelerate repayment of customer arrears, and whether climate change, in particular the intense rainfalls seen in the City in the last several years, was within the proposed consulting scope. Commissioner Aggarwala responded that the proposed consulting work would include an evaluation and prioritization of the agency's capital plan, including stormwater assets, although the scope would not include a comprehensive stormwater management plan, and that additional engineering work would be required to develop a comprehensive plan. The Commissioner also described work being performed through the Board's consulting agreement with the Wildlife Conservation Society on mapping historical water courses to flood maps, with the objective of identifying flood prone areas. The Commissioner offered to brief the Board on DEP's stormwater work at a future meeting. On the subject of accounts receivable, the Commissioner explained that, while the consulting work would include financial evaluations, it would not be the primary mechanism for addressing the increase in customer receivables balances after the Covid-19 pandemic. Chief Financial Officer Murin added that DEP is working with the City's Budget Office and Department of Finance on how to address the

receivables balance, as well as DEP's own internal initiatives on addressing arrears, and offered to have DEP's Bureau of Customer Services brief the Board at a future meeting.

Member Shaw inquired about the wide range of the project scope, and what staffing model would be appropriate, given the range of tasks. Commissioner Aggarwala responded that the likeliest project format would involve a lead consulting firm with a diversified consulting practice across many different functional areas, and that many firms could be qualified to perform the work. Commissioner Aggarwala also noted that DEP has included M/WBE goals as part of the contract.

Member Goldin mentioned that, to the extent the consulting work involves sections of DEP that are not water system activities, the consulting work that is not focused on utility operations will not be paid for with utility system revenues. Member Goldin also noted that the dollar maximum stated in the RFP documents is a maximum authorized price, but is not the guaranteed rate, and that bids received at lower prices would not receive the maximum amount, but the bid amount.

Member Fernandez-Ketcham stated that she viewed strategic planning as a valuable process for organizations to undertake, and that she supported the strategic planning consulting proposal. Member Fernandez-Ketcham then inquired whether the timeline contemplated for the grant funding consulting work, particularly the competitive grants, aligned with the application and award deadlines of the grant programs DEP is considering applying for. Senior Director Conyers explained that a key event in grant applications is the issuance of a Notice of Funding Opportunity, or "NOFO," by the grantor agency. Senior Director Conyers further explained that NOFOs are typically published online, and that there is a degree of unpredictability to when NOFOs are issued, and that DEP continually monitors the outlets and online sources where grantor agencies publish NOFOs. Chief Operating Officer Sapienza added that some NOFO are issued on an annual basis, in the case of recurring annual appropriations, to which Senior Director Conyers added that DEP's existing grant administration capabilities are usually well-equipped to respond to the annual appropriation NOFOs, and that seeking

competitive grants in new and innovative areas are activities where DEP would benefit from the assistance of consultants. Commissioner Aggarwala reiterated that DEP is eager to start working on the grant applications with the assistance of outside consultants, and Executive Director Murin mentioned that DEP is regularly meeting with the Deputy Mayor's task force on grant funding, which has established a resource to track grants as they become available and provides guidance to City agencies on NOFO deadlines and requirements. Member Fernandez-Ketcham then inquired about existing agency capacity to apply for grants, in response to which Senior Director Conyers explained that the agency does have existing capacity to apply for grants, although meeting tight application deadlines under current staffing levels requires pulling in staff from the engineering and operating bureaus to assist and provide technical expertise to the grant administration functions, as well as to provide a framework and an approach when pursuing new categories of grant funding. Commissioner Aggarwala added that there are grant-issuing agencies DEP does not have a history of working with that may be of increasing relevance, as new Federal funding channels open up – such as the Departments of Energy and Transportation – and that there are some technical activities where DEP could use the capacity of consultants to supplement in-house capabilities.

Member Fernandez-Ketcham's asked whether advocacy plays a role in determining grant appropriations. Executive Director Murin explained that the City's elected officials, including the City's congressional delegation, play a role in the City's grant application requests, and that the delegation is involved in discussions relating to the newly-available Federal funding sources. Executive Director Murin added that some Federal grant programs are strictly competitive, where a score and ranking approach plays more of a role, and that programs such as the State Revolving Fund programs, that DEP regularly works with, are likely to require less consultant assistance than Federal sources. Senior Direct Conyers mentioned that the agency anticipates that knowledge transfer will be part of the consulting engagement, and that DEP's internal capabilities for identifying and obtaining

grant funding are likely to develop as a result of collaboration with the consulting firm.

Member Goldin inquired about how DEP can evaluate a grant funding program, and whether there are metrics that are applicable. Commissioner Aggarwala answered that while looking at percentages, such as population or economic share, are relevant, a return on investment approach is a simple and effective approach.

Member Zarrilli voiced his support for DEP's proposed strategic planning work, and praised the Commissioner for his focus on customer affordability. Member Zarrilli inquired about the timeline for the project, and mentioned that work performed by the consultant in time to inform the April 2023 release of the City's sustainability plan and the June 2023 timeline for the Board's vote on a budget and water rates for fiscal year 2024, would be of particular value, as well as asking about the overall project timeline. Member Zarrilli also asked about how DEP's strategic plan would fit with the City's sustainability plan, since there may be areas of overlap between the plans, and for the reason that DEP's strategic plan may involve other City agencies. Commissioner Aggarwala explained that the DEP strategic plan is expected to be a DEP-focused document, with most of the work performed as pertaining to the utility functions, although DEP is working with partner agencies through the PlanNYC process that is underway. The Commissioner also mentioned his expectation that some information will be available from the consulting work in time to inform the April 2023 sustainability plan and the June 2023 budget and rate decisions, but that it is unlikely the work will be completed in full by either deadline, and that the completed consulting work would most likely be available to the Board in time for the 2024 budget and rate decisions.

Member Zarrilli noted the expertise available among the Board's members, and requested that DEP consider ways to involve the members throughout the strategic planning process.

Member Fernandez-Ketcham asked what level of involvement the Board would be expected to take in the RFP process. Chairman Carney stated his view that the Board's role is best understood

as a governing role, and that the details of the RFP process are a management activity that the Board would usually not be involved with, and that it would be the judgement and discretion of the management of DEP and the Board to provide updates on the procurement process to the Board.

Chairman Carney expressed his enthusiasm for the plans DEP outlined, and enquired whether the strategic planning work would include a human capital management component. Commissioner Aggarwala indicated that the consulting work would include looking at the organization's design.

Member Zarrilli asked what specific authorities the resolution before the Board on the proposed management consulting RFP would include. Treasurer Nazem explained that the resolution included authorities enabling staff to conduct the RFP solicitation, negotiate legal documentation with prospective bidders, and authorize funding for the vendor agreement up to the dollar amount stated in the resolution.

Upon motion duly made and seconded, the Board unanimously agreed to approve the resolution allowing the solicitation and hiring of a management consulting firm to advise DEP.

RESOLUTION

WHEREAS, pursuant to Sections 1045-b and 1045-g of the New York City Municipal Water Finance Authority Act (the "Act"), the New York City Water Board (the "Board") is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, the Board's primary duty under the Act is to establish and collect water and wastewater rates and charges in an amount sufficient to place the water supply and wastewater systems of the City of New York on a self-sustaining basis; and

WHEREAS, the New York City Department of Environmental Protection (DEP), which operates the City's water and wastewater system and serves as the Board's customer service and

billing agent, has requested that the Board assist in identifying and retaining a management consulting firm with the ability to undertake a strategic review of the current state of DEP's operations and to develop both a strategic plan and a plan of operational achievement, as well as to undertake a comparative study of the City's water and wastewater operations in reference to other comparable systems; and

WHEREAS, DEP is confronting numerous strategic and operational challenges as a result of the pandemic, including cost inflation and supply shortages in specific areas, a workforce that is sixteen percent smaller than budgeted staffing levels, a substantial and growing plan of capital improvements and regulatory requirements involving the system, and increasing requirements to deploy new technology products and cybersecurity protections throughout the system's operations; and

WHEREAS, DEP's last strategic plan covered the fiscal years 2018 through 2022, and the agency wishes to develop a new strategic plan that fits with the City's current needs and the priorities of the new Mayoral administration, in particular preserving water and wastewater bill affordability and ensuring the availability of appropriate customer affordability programs; and

WHEREAS, the Board wishes to authorize the Board's Executive Director to undertake a competitive solicitation and negotiation process, conducted in accordance with the Water Board's Policy on the Procurement of Goods and Services, in particular, Section 4 (selection based on the best combination of technical merit and price) and Section 5.i (prior approval of contracts where the cumulative value exceeds \$100,000); it is therefore

RESOLVED, that the Executive Director is hereby authorized and directed to undertake such a process of solicitation, and to identify and negotiate a professional services agreement with one or more suitable management consulting firms, for an initial one-year term with one additional one-year extension at the Board's option, upon such terms and conditions as the Executive Director may deem reasonable and appropriate; and be it further

RESOLVED, that the total compensation for services performed for the term of the agreement, including both the first year and the second year, should the one-year extension option be

exercised, shall not exceed \$3,000,000 of Board funds.

Adjournment

Member Shaw thanked DEP and its employees for managing the system with integrity and without reference to political ideology. Chairman Carney thanked New York City Municipal Water Finance Authority chief executive David Womack for representing the Authority at the meeting.

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

 /S/
SECRETARY