

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

May 1, 2023

A meeting of the New York City Water Board (the “Board”) was held on Monday May 1, 2023 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,

Jonathan Goldin,

Arlene Shaw, and

Daniel Zarrilli

constituting a quorum, with Member Hsu joining the meeting after the vote on the minutes. Mr. Carney chaired the meeting and Albert Rodriguez served as Secretary of the meeting. Chairman Carney opened the meeting by acknowledging several representatives from the Department of Environmental Protection in attendance, including Commissioner Rohit Aggarwala, Chief Financial Officer and Executive Director of the Water Board Joseph Murin, and Deputy Commissioner of Customer Services Jeff Lynch, as well as David Womack, Chief Executive Officer of the Municipal Water Finance Authority, in addition to DEP Deputy Commissioner Beth DeFalco on behalf of the public affairs and communications bureau.

Approval of the Minutes

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on March 3, 2023. Upon motion duly made and seconded, the minutes of the meeting held on

March 3, 2023 were put to the members for a vote. The members in attendance unanimously approved the minutes by a voice vote.

Agency Update Presentation and Rate Proposal by the Dept. of Environmental Protection

Commissioner Aggarwala opened his presentation by explaining that it was DEP's intention to present the Board with a proposal for water rates for the upcoming fiscal year, and to present the schedule of public hearings to the Board. The Commissioner described some recent favorable press coverage DEP received from the New York Times, in connection with DEP's work recycling food waste into energy at Newtown Creek, as well as DEP's involvement with the City's updated PlaNYC sustainability document, noting the plan's origins during the Bloomberg administration, and Member Zarrilli's involvement with the original PlaNYC, as well as the City's objectives regarding reducing combined sewer overflows. The Commissioner updated the Board on DEP's hiring efforts, noting that the agency had added one hundred new personnel in the time since the Board's last meeting, and mentioned the City's recent collective bargaining agreement with DC 37.

The Commissioner proceeded to provide brief updates on several of the agency's capital construction projects, including repair work on the Delaware Aqueduct, the ongoing work on the City's third water supply tunnel, improvements and the sustainability hub at Hunt's Point, and scheduled work at the Gowanus Canal. Member Shaw requested that the Board receive information about some of the agency's larger capital projects, and asked if a field trip for Board members to view a project would be possible. Executive Director Murin presented DEP's current capital plan to the Board, describing some of the key components of the \$31.3 billion capital program. Member Shaw asked how much of the capital program is mandated by regulators, which Executive Director Murin explained involved 20% of the capital budget. The Commissioner added that DEP's capital spending was tracking budget targets in the current fiscal year, highlighting that the agency had reduced capital procurement times by 25%, on average, and introducing Nerissa Moray as one of

the DEP staff involved with procurement efficiencies. In response to a question from Member Goldin, the Commissioner identified the pandemic and a change of procurement system as two of the factors that had led to a slower procurement rate on capital spending contracts, partly offset by subsequent efficiency improvements from the new procurement system, as users gained experience with it, and as some formerly sequential processes were modified to become parallel processes.

Mr. Nazem and Mr. Womack provided a joint update on the capital market conditions faced by the Board and the Authority when issuing revenue bonds. Mr. Nazem noted that while interest rates had risen dramatically since 2021, borrowing costs had stabilized toward the end of 2022, and remained relatively favorable if compared to borrowing costs from five or six years ago. Mr. Nazem added that the system's borrowing costs on older fixed rate debt were not affected by rising interest rates, although new bonds and variable rate debt were affected by higher interest rates, and for that reason higher interest rates were a factor behind the need for water rate increases. Mr. Womack added that higher borrowing costs had not prevented the system from undertaking a substantial refunding transaction in March 2023, and that the Authority continued to enjoy ready market access to the debt markets, while adding that the opportunity to achieve debt service savings had been reduced by the rise in interest rates. Member Freed praised the Authority for its effectiveness in achieving savings through its bond refundings and in maintaining the system's strong credit ratings. Member Shaw also praised the Authority in its effectiveness in completing the system's bond sales even during difficult market conditions.

Commissioner Aggarwala presented an update to the Board on some of the agency's activities involving obtaining grant funding, noting that the City faced structural challenges in obtaining an appropriate share of grant funds due to restrictions in place at the state level. The Commissioner explained that New York State serves as the conduit for distributing the funds available under much of the recent federal legislation authorizing funds for water utilities, and that

due to the use of discretionary administrative tools by the state, the City would face challenges obtaining a proportional share of the grant funds.

Next, the Commissioner provided an update on recent efforts by DEP and the Board to enhance water bill affordability for customers facing challenges paying their water bill. The Commissioner highlighted the \$11 million dollars of late interest forgiven under the Board's Amnesty program to date, as well as DEP's partnership with New York State on the federal Low Income Household Water Assistance Program, which has resulted in \$22 million dollars of water bill relief for DEP's lower- and middle-income customers, in addition to \$4.2 million of funds made available by DEP under the Board's LIHWAP Plus program to customers receiving funds under the federal LIHWAP. The Commissioner also noted that 21 affordable multi-family properties have received nearly \$2 million of assistance under the Board's program for such properties, and that twenty-nine other properties were in the applicant queue for benefits under the program. The Commissioner reminded the Board that these benefits were in addition to the Board's other customer assistance programs, including the Multi-Family Water Assistance program, which includes \$12 million of bill credits, and the \$14 million of bill credits available through the Home Water Assistance Program.

Next, the Commissioner described the increased volume of calls into DEP's call center as a result of the Amnesty and other customer programs, and described some of the steps the call center had taken, including extending office hours, to accommodate the influx of calls, which had restored wait times when calling the DEP call center to within a normal range.

The Commissioner summarized the effect of the customer programs as having resulted in a sustained reduction to billing accounts receivable of 180 days or greater, with thirteen percent of seriously delinquent customers participating in the Amnesty program, across 79,000 accounts, reducing the total number of delinquent accounts from approximately 200,000 to approximately

120,000 accounts. Member Zarrilli asked if the Board could provide information on whether customers participating in the Amnesty program remained current on their water bills at a future meeting, to which the Commissioner indicated that the Board would be provided with some additional information at a future meeting.

Commissioner Aggarwal proceeded to describe a modification of the Amnesty program's terms, under existing Board resolution, to allow the program to continue enrolling eligible accounts through the end of May 2023, and describing the program as having benefited all of the boroughs, and mentioned that many single family homes have participated in the program. Member Goldin complemented the return on investment achieved under the Amnesty program.

The Commissioner also described DEP's progress on initiating water service shut-offs, and explained to the Board that the first shut-off notice had been posted earlier that morning, then proceeding to describe the administrative steps involved in issuing water service shut-off notices, as well as the criteria involved in identifying properties for shut-off notices.

Following the agency and customer program updates, Commissioner Aggarwala presented the Board with DEP's proposed rate increase for fiscal year 2024, a 4.42% increase compared to current rates, which he characterized as an increase that would be less than the rate of inflation, and attributed part of the reason for the relatively low rate increase to the effect of the Board's customer programs in generating revenues from customers who enrolled in the programs. Member Freed emphasized that a way to think about customer non-payment is that when a customer does not pay their bill another paying customer has to absorb the cost of the non-payment.

Executive Director Murin presented a preliminary cash flow forecast of several of the drivers underlying the rate increase, and explained that a final cash flow forecast would be available to the Board shortly. Mr. Murin noted that the increase in the O&M budget was attributable to the cost of the collective bargaining settlement with DC 37, the added cost of chemicals used in water and

wastewater treatment, and the cost of software upgrades for the billing department. Mr. Murin also noted the larger funding requirement for projected debt service costs, which among other factors reflected DEP's larger capital construction plan, also noting that the impact of changes to the expense budgets of the Water Board and Water Authority themselves was a small factor in the projections. The final factors Mr. Murin identified in the projections was the change in funds for debt prepayment or defeasance as well as PAYGO funds, and a deduction of non-recurring revenue sources, including an allowance for lower water consumption due to conservation.

Member Freed asked how forecasts of water conservation had compared to actual water conservation efficiencies. Executive Director Murin mentioned that the Board's rate consultants at Amawalk Consulting Group were on hand, and that Amawalk was closely involved in looking at water conservation, further noting that water conservation had tended to be about a 1% per year reduction in water usage. Ed Markus from Amawalk added that the 1% per year decline was the assumption used in projecting water conservation in fiscal year 2024 as well as in subsequent rate years.

Mr. Murin presented a chart to the Board summarizing the estimated monthly bill impact on different categories of customers that would result from the rate increase, noting that the bill impact would typically be in the range of \$2 to \$5 per month, depending on the type of property and amount of water usage. Mr. Murin proceeded to present a summary of the Board's core customer affordability programs proposed for renewal, which included a proposed continuation of the 50% funding increase to the customer program the Board had approved the previous year. Mr. Nazem reminded the Board that the 50% funding increase had been authorized by the Board in fiscal year 2022, and continued into fiscal year 2023, with the proposed customer affordability package reflecting not just the core customer program offering but the continuation of the funding expansion as well.

Mr. Nazem presented the proposed rate increases for customers located north of the City, and explained to the Board that under the rate proposal, the entitlement, or allowance quantity, rate would increase by 6.76%, while the rate charges on amounts in excess of the allowance quantity would increase by a proposed 4.42%. In response to a question by Member Goldin, Mr. Nazem described the calculation methodology and some of the parameters surrounding the calculation of the rates, describing the process as a collaboration between DEP's budget staff, the Board's rate consultant at Amawalk, and the Board, that focused on identifying those portions of the system's costs attributable to just providing water supply,

Member Hsu asked if the wholesale water rates involved any other elements or costs besides the costs relating just to water supply. Executive Director Murin characterized the costs as wholesale in nature, adding that the local municipalities and districts often added their own costs to the wholesale water rates charged by the Board. Mr. Nazem added that the rates did not involve a return on capital or profit margin.

Mr. Nazem previewed the Board's public hearing schedule, noting that the hearings would be held in-person again this year.

Adjournment

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

/S/
SECRETARY