

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

May 3, 2024

A meeting of the New York City Water Board (the “Board”) was held on Friday May 3, 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, and

Daniel Zarrilli

constituting a quorum. Alfonso Carney chaired the meeting, Albert Rodriguez served as Secretary of the meeting, joined by Board officers Executive Director Joseph Murin and Treasurer Omar Nazem. Also at the meeting were the Department of Environmental Protection’s (DEP) Deputy Commissioner of Customer Services Albert Kramer and from the New York City Municipal Water Finance Authority, David Womack. Representatives of the Board’s outside rate consultants from Amawalk Consulting Group and Carollo Engineers were also in attendance.

Approval of the Minutes

The first item on the agenda was approval of the minutes of the Board’s meeting held on February 7, 2024. Upon motion duly made and seconded, the minutes of the meeting held on February 7, 2024 were put to the members for a vote. The members in attendance unanimously approved the minutes by a voice vote.

Presentation on Proposed Water and Wastewater Charges for Fiscal Year 2025

The meeting’s main agenda item was a presentation by the City’s Department of Environmental Protection. The presentation provided an update on several projects and initiatives at DEP and described the proposed annual water and wastewater rate increase for the upcoming Fiscal Year 2025. Commissioner Aggarwala and Executive Director Murin led the presentation.

Commissioner Aggarwala provided an update on DEP's activities, noting that the annual water quality report continued to show the high quality of the City's drinking water and that the agency had made progress in reducing the number of water main breaks within the City. The Commissioner also provided updates on the agency's work on blue belt projects, sewers and stormwater management, water quality evaluations in the Kensico reservoir basin, senior personnel movements and overall agency hiring trends, and the City's decision to resume making rental payment requests of the Water Board. Chairman Carney asked about the details of how and when the rental payment was calculated, with Mr. Murin explaining the rental payment was based on debt service owed on water and sewer bonds. Mr. Carney further asked if staffing vacancies were impacting operations, with Commissioner Aggarwala indicating that overall the impact of the vacancies was manageable.

The Commissioner provided information about the capital plan, noting that contractual commitments in 2023 were at the 100% level, that the total 10-year capital plan is \$29 billion, and that he expected contractual commitments in 2024 to be comparable to 2023. Mr. Aggarwala proceeded to provide a survey of several of DEP's construction projects involving different parts of the water and wastewater system.

Turning to the proposed rate increase for fiscal year 2025, Commissioner Aggarwala presented DEP's proposal to increase water rates by 8.5%, mentioning the impact of inflation of DEP's capital program, changes in DEP's cost of capital, and the rental payment as among the factors behind the proposed rate increase. Mr. Murin elaborated on the proposed rate increase later in the presentation, describing the 8.5% proposal as partly attributable to the new rental payment requests, which accounted for 3.1% points of the increase, and flagged both the capital plan and the related debt service, O&M costs, and lower water consumption as additional factors. Mr. Murin added that DEP and the Board look at a multiyear financial forecast when developing a rate proposal.

Deputy Commissioner Albert Kramer presented the Board with information about some of the customer service and accounts receivable trends DEP was seeing, and described some of the revenue enforcement efforts DEP was pursuing. Member Zarrilli asked Mr. Kramer to clarify the number of accounts with delinquencies and asked a follow-up question about water shut-offs, with Mr. Kramer explaining that

currently 93,000 accounts were delinquent and seven properties had seen water shut-offs during 2024, with Mr. Zarrilli noting that the number of delinquent accounts was substantial. Member Freed noted that bill nonpayment created fairness issues, since revenues and rate increases fell more heavily on paying customers as a result of nonpaying customers not providing the system with cash revenues. Commissioner Aggarwala characterized some of the dynamics around the accounts receivable, mentioning that multifamily properties had significant delinquencies, and noting that the difficulty of shutting off water to larger buildings was one of the factors behind the size of the multifamily receivables. Commissioner Aggarwala agreed to a request from member Freed for a description at a future meeting of how receivables had trended over time by customer segment, and noted that improved receivables collection could have an impact on the required rate increases.

Mr. Murin provided some thoughts on the role of the lien sale, explaining that since the lien sale had not been available to DEP as a revenue enforcement tool for several years, DEP was working with the City Council on a potential reauthorization of water and sewer liens, and noted that resuming the practice of selling liens, including liens secured by multifamily properties, could be a useful collection approach in the absence of water shut-offs.

Mr. Zarrilli acknowledged that the City had authority to request a rental payment from the Board, while also urging the City not to request rent from the Board, prompting Mr. Zarrilli and Chairman Carney to discuss the scope that might exist to request that City Hall reconsider the proposed increase and rental payment, with Chairman Carney indicating his belief that the City was budgeting based on an expectation that the rental payment would be available as indicated in the City's financial forecast. Mr. Murin added that it was unlikely the City would revise its financial request of the Board for fiscal year 2025.

Mr. Zarrilli indicated interest in having the Board publicly presented with a forecast of future rate increases over a four to five year time horizon, which he stated would, along with understanding the financial sensitivities and assumptions, assist the Board in its decision making, particularly since the City's current financial projections forecast rental payment requests for the next several years.

David Womack, the chief executive officer of the City's Water Authority, presented the Board with

information about debt market and interest rate trends, noting that interest rates have increased in recent years and that the credit ratings of the City's water and sewer bonds are based in part on the system's financial profile.

Turning to wholesale water rates charged north of the City, Executive Director Murin described the proposed 1.82% rate increase for wholesale water sales, noting that the proposed rate increase was lower than the previous year's rate increase and that water sold in excess of the allotted amounts was charged at the same rate as water sales within the City. The presentation materials indicated that the excess rate would increase by the same amount as the proposed in-City rate increase, or 8.5%.

Deputy Commissioner Kramer described the customer and affordability programs available to DEP's customers and the agency's efforts to partner with other government agencies to obtain additional governmental funding. Member Zarrilli requested additional detail about the Board-sponsored programs, and whether the program funds tended to be fully utilized. Treasurer Nazem provided a description of the Board's small property owner and multi-family bill credit programs, noting that the proposal would retain the programs for another year on the same funding terms and according to the same selection criteria as used the year before, and briefly described the Board's leak forgiveness program. Members Fernandez-Ketcham, Freed, and Zarrilli all expressed interest in ways to potentially increase participation in the leak forgiveness program.

Next, Commissioner Aggarwala provided a briefing on the Board's multifamily conservation program (MCP). The Commissioner explained that under the proposal, the surcharge on MCP properties not yet in documented administrative compliance with the program's terms would continue to be deferred through the end fiscal year 2025, and that he would be returning to the Board at a future date to discuss ideas for updating the program. Chairman Carney asked if it would make sense to get advice on ideas for reform from the Board's consultants at McKinsey, to which Commissioner Aggarwala replied that DEP had not reached out to McKinsey, although the Commissioner agreed it could make sense to seek advice from an outside advisor.

Executive Director Murin gave an overview of the schedule of public hearings to solicit public input

on the proposed rates. Member Zarrilli expressed his support for ensuring that members of the public are provided with as many ways to provide public testimony as possible, including potentially allowing the public to watch public hearings via the internet.

Following Commissioner Aggarwala's recap of the proposed rate increase and public hearing schedule, Member Zarrilli asked about the possibility of exploring conditional rate adoptions, in the event that the City's budget forecast might be revised prior to the June vote on water rates. Board counsel Al Rodriguez advised that the Board has the authority to revise billing rates and the Board's budget, and that each time a proposal for new billing rates or a revised budget is presented, the rate adoption and public hearing process needs to be repeated. Commissioner Aggarwala added that the annual billing presented some limitation on the flexibility, since preparing the technology and operations processes to issue the annual bills required sufficient advance notice. Mr. Rodriguez added that one consideration for the Board was whether the rate increase would conform to the measurements of debt service coverage required by the agreements between the Board, the Authority, and bondholders.

Adjournment

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

/S/
SECRETARY