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NEW YORK CITY WATER BOARD
NYC Water Board Meeting
November 19, 2020

1 [START RECORDING]

2 MR. ALFONSO L. CARNEY JR.: Hello Omar, any
3 time you want to start this, it's fine with me.
4 I think we're...

5 MR. OMAR A. NAZEM: Okay. Well I'm just
6 going to, this is Omar Nazem. I'm the treasurer
7 of the board. I think most of you have been
8 listening to these calls for a while now, so I
9 apologize if this is repetitious for you. But
10 just with this conference call virtual meeting
11 format, we are doing on account of the pandemic
12 and the public health considerations at stake, I
13 wanted just to read a few things into the record
14 and just inform anyone who's not been on these
15 calls before.

16 This is a business meeting of the New York
17 City Water Board. The purpose of the meeting is
18 so the board can consider specific actions and
19 to get updates, information on topics described
20 on the agenda. The agenda and all the meeting
21 materials that we describe, the resolutions, the
22 minutes, and the presentations, are available on
23 the water board website, which is NYC.gov back
24 slash water board, which is W-A-T-E-R-B-O-A-R-D.
25 If you go to the announcement section on the

1 right, there's in big letters, it says download
2 materials. Under that announcement section, you
3 click it. It's one PDF; it's got everything in
4 there.

5 There is also, this is I think the third
6 meeting we're doing this way, we have an
7 accessibility option for anyone who's hearing,
8 who has a hearing difficulty. It is a live
9 text-captioning service that's available. I'm
10 not going to read the URL because it's extremely
11 long. But if you go to that packet I described
12 on the water board website, NYC.gov back slash
13 water board, you look at the second page of that
14 PDF packet. There's the Streamtext.net URL.
15 You copy and paste that into your browser, and
16 you'll get live text captioning of the meeting.

17 Because this is a business meeting, there's
18 not a question-and-answer opportunity. Members
19 of the public with questions can email or call
20 us basically any time they want apart from
21 during this meeting at
22 NYCWaterBoard@DEP.nyc.gov, which is N-Y-C-W-A-T-
23 E-R-B-O-A-R-D at DEP.nyc.gov. And the phone
24 number for the water board is (718) 595-3594.
25 That is everything I've got, so Al Rodriguez,

1 board secretary, let me pass it to you, and you
2 can take the roll call so you can get things
3 going. Thank you.

4 MR. ALBERT M. RODRIGUEZ: Okay, calling the
5 roll. Chairman Carney?

6 MR. CARNEY: I am present.

7 MR. RODRIGUEZ: Member Dr. Carolina?

8 DR. DEMETRIUS CAROLINA SR.: Present.

9 MR. RODRIGUEZ: Member Fernandez-Ketcham?

10 MS. EVELYN FERNANDEZ-KETCHAM: I'm here.

11 MR. JUKAY HSU: The phone, my phone went
12 dead in the middle of the call.

13 MR. RODRIGUEZ: Member Freed?

14 MR. ADAM FREED: Present.

15 MR. RODRIGUEZ: Member Goldin?

16 MR. JONATHAN E. GOLDIN: Present.

17 MR. RODRIGUEZ: Thank you. Member Hsu?

18 MR. HSU: I'm on a conference call right..

19 MR. RODRIGUEZ: Okay, member Hsu, are you
20 present?

21 MR. HSU: Present.

22 MR. RODRIGUEZ: Okay. Member Shaw, are you
23 present?

24 MS. ARLENE M. SHAW: Present.

25 MR. RODRIGUEZ: Okay, and I would ask people

1 to mute their lines if they're not speaking.

2 We have a quorum, Mr. Chairman.

3 MR. CARNEY: I think we have a full house.

4 Mr. Secretary?

5 MR. RODRIGUEZ: I think everybody's present.

6 MR. CARNEY: Yeah, terrific. This is
7 Carney. We're going to start this meeting, get
8 it going. And it will start with the minutes,
9 the approval of the minutes. There's a
10 resolution that is contained in your packet.
11 You all had a chance to review the minutes. Are
12 there any suggested revisions or questions about
13 the minutes? Hearing none, rather than asking
14 for an aye vote, are there any objections from
15 the members to the contents of the minutes?
16 Hearing none, then we will deem the minutes
17 approved unanimously and move onto the next
18 agenda item, which is the approval of amendment
19 to the board's agreement with its rate
20 consultant. And will there be a brief
21 presentation of that, Omar?

22 MR. NAZEM: There will be a presentation.

23 I'll make a few remarks just to explain what
24 this is for the - -. I'll start, Ed Markus and
25 Shan Lin from Amawalk on the phone today--

1 MR. CARNEY: [Interposing] Ed, how are you?
2 Let's say hello. I didn't realize, good to have
3 you.

4 MR. ED MARKUS: Yes, good morning, Mr.
5 Chairman, members of the board.

6 MR. CARNEY: Thank you for being here.

7 MR. WALKER: Our pleasure.

8 MR. NAZEM: The board is familiar with
9 Medved and Shaw [phonetic]. Amawalk has done,
10 in different configurations, and particular has
11 been associated with the board, the city's water
12 supply system since the mid-1980's. They've
13 been with us a long time and have a lot of
14 institutional history with us, a lot of
15 knowledge in extreme detail from, not just
16 financial, but also the engineering aspects of
17 what we do here.

18 The board last put in place a rate
19 consulting agreement with Amawalk in February
20 2017. That vendor agreement is still the one we
21 are working under. It runs until 2022.
22 Originally it offers \$800,000 of compensation
23 under the contract. We are dwindling down to
24 the last \$50,000 under that contract.

25 And what we are doing is we're following a

1 form which we've used in the past with our rate
2 consultants where we have the initial VAL
3 [phonetic] authorization, which we expect it to
4 come back, supplement with subsequent funds
5 later on. We did this most recently in 2015,
6 the June meeting. The board, longtime members
7 of the board may recall we had supplemented an
8 existing Amawalk contract with additional funds
9 June. We're trying to repeat that again.

10 And I'd say that the reasons we're doing
11 this are, I think everyone is familiar with the
12 rate consulting services Amawalk provides beyond
13 model maintenance. They do for us the scenario
14 planning, the big upstate billing report that
15 they do.

16 There are a couple of other things I want to
17 flag that members and the public may not know
18 about them, and particularly the revenue
19 recovery work they do for us. The work with our
20 customer service department and the board
21 extensively to look for billing irregularities
22 and lost account-type situations. And the
23 history of that, it's quite an effective
24 program. I don't want to present a vendor, an
25 investment-type of thing. But the history has

1 been that the revenue recovery actually covers
2 the cost of the contract. And that is done in
3 the past, so that aspect of what we do of
4 Amawalk we don't talk about a lot. But it's an
5 important aspect of it I do remember its
6 attention to in particular.

7 So the - - just to summarize is we had - -
8 authorized back in 2017. We want to add 350,000
9 to that, bringing the total contract
10 authorization to 1,150,000. We think that'll
11 cover us through 2022 under the initial term of
12 the contract. It does have some extension
13 options. If we choose to invoke those in the
14 future, we would come back in the future to talk
15 about funding those extension options. But the
16 additional 350 - - is through June 2022 when the
17 current, the agreement expires.

18 MR. CARNEY: Omar, thank you.

19 MR. NAZEM: Yes.

20 MR. CARNEY: Let me make sure I'm clear;
21 it's Al. The additional \$350,000 is a target
22 number. We may not reach that, I gather, by
23 June of 2022.

24 MR. NAZEM: Correct. We may underspend, but
25 we cannot overspend.

1 MR. CARNEY: Got it, all right. I get it.
2 Are there questions from the members?

3 MR. GOLDIN: This is Jon Goldin. Hi, I had
4 a quick question, which is the nature of the
5 contract is one in which we allocate a certain
6 amount. And then are we billed by the hour? Is
7 that why we're not able to have visibility into
8 what the expense will be in the future as
9 opposed to being billed on a flat rate?

10 MR. NAZEM: Yes, it's a professional
11 services contract. It resembles what you see
12 with an accounting or law firm. There are
13 different hourly rates for different level of
14 seniority of Amawalk's professional staff. And
15 there is actually quite a bit of variability
16 month to month in the hours. Two of the things
17 recently that have caused hours to spike I'd say
18 we are probably spending a little more than we
19 expected with, we are undertaking a review of
20 the city water bill, water bill of the city of
21 New York itself. And that's currently billed
22 under an older method that just needs to be
23 refreshed.

24 We did for example solicit agencies for head
25 counts. List of buildings needs to be updated.

1 It's actually quite extensive a project, just
2 given the scope of the city government and the
3 head count of member properties in question.
4 Amawalk has actually done an amazing job of
5 getting that updated - - time-consuming for
6 them. So we see, it has been more drawn hours I
7 think than we had anticipated. We thought it
8 was kind of a refresh. - - quite an extensive
9 research project. That's one thing.

10 And then the second is the, whether there
11 are, where there are administrative disputes say
12 with the State Department of Environmental
13 Protection over our wholesale billing
14 activities, Amawalk gets involved quite
15 extensively there as well. And that becomes,
16 there's considerable discovery-type processes
17 and information exchanges. And it becomes, - -
18 to comply, you answered 100-page-plus
19 questionnaires in some detail that needs to be
20 to the standard of the administrative law judge.
21 So those are the two things that cause a lot of
22 variability around hours. They're just hard to
23 predict. I would echo again, we've kind of in a
24 sense underfunded the contract in the past with
25 the expectation to come back for supplemental

1 funds midstream. So it's not a departure from
2 past practice. The difficulty of projecting the
3 hourly - -.

4 MR. CARNEY: Omar, thank you. Jon...

5 MR. GOLDIN: Thank you.

6 MR. CARNEY: Happy with the answer?

7 MR. GOLDIN: Thank you, yeah.

8 MR. CARNEY: All right. Are there other
9 questions? Hearing none, may I have a motion
10 please to approve the resolution?

11 DR. CAROLINA: So moved, Demetrius Carolina.

12 MR. CARNEY: Thank you, Demetrius. Is there
13 a second?

14 MR. FREED: Second, Adam Freed.

15 MR. CARNEY: Thank you. Again, I'm not
16 going to ask for an aye vote. Are there any
17 objections to the approval of the resolution?
18 Hearing none, the resolution is approved
19 unanimously. I did not, I just realized I did
20 not ask for a motion to approve the minutes or a
21 second, obviously a procedural error. Al, would
22 you, I guess I need to go back, I'm sorry, and
23 ask for--

24 MR. RODRIGUEZ: [Interposing] Well you
25 could, but Mr. Chairman, the best practice is to

1 ask for motions to approve this. You did ask
2 if there was any objection to adopting the
3 resolution. So in a sense, I think that works,
4 although--

5 MR. CARNEY: [Interposing] Mr. Secretary, if
6 it works for me, it works for me, thank you.

7 MR. RODRIGUEZ: Okay. But going forward, I
8 think the best practice is to ask for the
9 motion.

10 MR. CARNEY: Is to ask for the motion,
11 right. And I do agree with that, and I just
12 thought it was an oversight. Ed, before we
13 leave this, let me thank you for the work that
14 you do for all of us. You've been with us for a
15 long time. You've got real institutional
16 history. We are very pleased with the quality
17 of work that you do. I didn't realize that your
18 recovery work actually covers, has in the past
19 covered the cost of your contract. So you're
20 like a, you actually are a profit center for us.
21 Thank you.

22 MR. MARKUS: It's actually very interesting
23 and fun detective work, working with the folks
24 in BCS and the CIS to mine the system, looking
25 for anomalies. We appreciate the work, and we

1 have fun with it too. So thank you.

2 MR. CARNEY: It's good to have you with us,
3 Ed. Thank you. The next agenda item is the
4 progress report on the implementation of new
5 utility billing computer software. There is as
6 presentation. And there is a resolution
7 afterwards. Who's going to do the presentation?

8 MR. JEFF LYNCH: Jeff Lynch here, the deputy
9 commissioner for customer service. How are you,
10 Chair?

11 MR. CARNEY: Mr. Lynch, I'm fine. It's good
12 to have you with us, thank you for joining us.

13 MR. LYNCH: So I'm here, and I'm also joined
14 by Albert Kramer, who's the project manager
15 running the project, an ever-growing team as we
16 get closer to the end of the project. So I'll
17 do a couple of slides, and he'll be here to do a
18 slide, some slides as well.

19 MR. CARNEY: Mr. Kramer, thank you. Mr.
20 Kramer, thank you very much.

21 MR. ALBERT KRAMER: Good to be here.

22 MR. LYNCH: And we also have Cecil McMaster
23 here if there are questions that are on the
24 technical side as well.

25 MR. CARNEY: Cecil, how are you?

1 MR. CECIL MCMASTER: I'm doing better - -.
2 How are you doing?

3 MR. CARNEY: It's terrific to have you with
4 us, sir. Thank you for joining us.

5 MR. MCMASTER: Thank you.

6 MR. LYNCH: So we're - - the billing for the
7 future update. And I just wanted to remind the
8 board that the last update was actually prior to
9 my joining the team, but it was in December of
10 2019. And obviously a lot has changed since
11 then in the city that has affected our timeline
12 here, and we'll talk a little bit about that.

13 DEP is the board's billing agent that issues
14 water bills for property owners. The overall
15 goal of the project is to replace DEP's existing
16 billing system software, which is more than 20
17 years old, with newer, higher functionality
18 billing system. The new software is going to
19 allow for a better customer-orientated
20 experience, by making account information easier
21 to access and understand. We expect it to make
22 it easier to find tech personnel with the skills
23 to run the system, since the existing software
24 runs on legacy source code. It aligns the water
25 system's technology base with skills, and skills

1 with marketing practices that are more current
2 than when the original system was developed.
3 And it allows for more latitude in future rate
4 design decisions, since your software base
5 constraints will exist and prevent it in the
6 legacy system. That was on slide two. I'm
7 going to turn over to slide three about some key
8 updates on the progress milestones that we've
9 been working through, to Albert here.

10 MR. KRAMER: Sure, thank you Jeff. So as
11 Jeff mentioned, obviously a lot has changed with
12 the pandemic. So as a result of that, we're
13 looking at a new go-live date in the second
14 quarter of next year, calendar year 2021. And
15 that's mainly because of the challenges,
16 logistical and otherwise presented by the
17 pandemic. That being said, it's been a really
18 impressive effort by all of the folks on the
19 customer services information technology team to
20 really rise to the occasion, and our partner
21 consultant as well. And we've got a really
22 great working remote setup going, and we've
23 still made an incredible amount of progress.

24 The thing we really want to update you on is
25 that - - been phased, so that's mainly the time

1 where all of the customization and
2 configuration of the system is done. And
3 there's a lot of work that's been done there.
4 And now we're in what's called the deployment
5 phase, with two really main areas of focus,
6 testing and training. We've done a lot of
7 testing. We're actually right now in what's
8 called user acceptance testing. That's when our
9 DEP testers are really able to go through the
10 system and make sure that it will absolutely
11 work as intended. We're also doing a lot of
12 work on training, training both web-based, so
13 that, sort of things that folks can do from
14 their own computer and are working, or at home.
15 And we're also working on other training
16 activities in the months ahead.

17 We're also focused on organizational change
18 management. You could have the best system in
19 the world, but if the people aren't ready for it
20 - -, it's not good enough. So we're doing a lot
21 of work there, and what we're planning on in
22 terms of end user training, beginning in - -.
23 And then I want to do a little - - for those
24 following, on training. We had customer service
25 week this last October. Again, that's about

1 engaging the larger team in the Bureau of
2 Customer Services, around 500 folks, letting
3 them know what's going on with the project, and
4 how they're going to be trained to help them be
5 successful upon go-live. And then this month -
6 - in here at DEP's facilities. And we're doing
7 a lot of work to set up to be ready to do in-
8 person training in January. And then to the
9 left in graph five, it's just a timeline for
10 folks if they - -.

11 MR. LYNCH: So that was a brief overview,
12 and I would just note we were originally
13 scheduled to go live at the end of this year,
14 and we've again pushed into the second quarter
15 of 2021.

16 MR. CARNEY: You're talking, Jeff, you're
17 talking May of now 2021?

18 MR. LYNCH: Yeah, we have a, right, we're
19 expecting mid-May, and that's the goal at this
20 point.

21 MR. CARNEY: Okay.

22 [Crosstalk]

23 MR. FREED: As that happens from the
24 customer perspective, what will their experience
25 be from one billing system to another? Will it

1 be simply a reformat or a slightly different
2 bill they receive, or will they not see a
3 demonstrable difference?

4 MR. KRAMER: Yeah Adam, this is Albert. My
5 goal is that the customer barely notices.
6 They'll say oh, I have a new color bill, and
7 it's easier to understand. Oh, there's a newer
8 version of my DEP account. The website looks
9 nicer. Otherwise for them, they shouldn't even
10 know. That being said, we will do, we'll have
11 information, bill inserts for customers, we have
12 email addresses. We'll email them letting them
13 know about the change.

14 MR. CARNEY: Thank you. Are there other
15 questions for Jeff or for Albert or for Cecil?

16 MR. FREED: Yeah, sure, if I may ask two
17 quick follow-up questions, and appreciate DEP
18 coming today. I think this was my request, and
19 it continues to be a keen interest of mine,
20 particularly as - -, particularly as it relates
21 to our greater flexibility in future rate
22 structures.

23 So I'm just wondering, what functionality or
24 additional functionality does the new billing
25 system provide us for potential parcel-based

1 billing, if we wanted to look at a separate or
2 - - storm water charge? And/or kind of
3 different water rates by customer types, if we
4 ever wanted to look at conservation pricing or
5 further ways of looking at the impacts of low-
6 income customers. Does this give us greater
7 flexibility and ability to think about more
8 innovative or creative rate structures, or is
9 that something that we'd have to go in and build
10 another module into the - - system as they
11 develop this?

12 MR. KRAMER: Thank you Adam, this is Albert
13 again. So the short answer is yes. The
14 approach we've taken is to build the system to
15 match the rate schedule as it exists today so
16 that we can make sure we build it as approved,
17 but also have the flexibility for additional
18 changes in the future, if so decided.

19 MR. JOSEPH P. MURIN: And if I may add, this
20 is Joe Murin, executive director of the water
21 board, that it's also going to add more
22 functionality than just a storm water charge.
23 We'll be able to look at decline in block - -
24 that, variable rates based on various factors,
25 such as I think as, member Freed you brought up,

1 based on affordability or income-type things.
2 It will have a lot more flexibility than we're
3 currently able to get accomplished with the
4 existing TIS [phonetic] system, which will also
5 be contingent on the data that's going into it
6 as well. So we've got to really first get it
7 stood up and have it functioning for about a
8 year after we get rollout, before we can start
9 going down that path of thinking about what are
10 the alternative billing mechanisms and
11 structures we want to look at. Of course that
12 will be very much involved with the board,
13 because it could also change how we're doing
14 rate forecasting projection as well.

15 MR. FREED: Absolutely, absolutely. And I
16 think that the timing of that, when you think
17 about the mapping DEP is doing now for surface
18 flooding as required by - - as we think about
19 the kind of more sustainable billing methods and
20 drainage approaches that DEP is undertaking,
21 there are a lot of things that can come to bear.
22 But this is really the technological and an
23 institutional underpinning that would enable all
24 that to occur.

25 MR. CARNEY: Adam, thank you. I sometimes

1 forget to thank you too for the expertise that
2 you bring to this question, to these questions
3 and this issue. Thank you very much for
4 thinking carefully about this information, these
5 questions with - -. It helps me to understand
6 what our goals are. And without your questions,
7 I'm not sure I would understand this clearly, so
8 thank you very much. Are there other questions?
9 All right. We have a resolution, the approval
10 of - - electronic payment processing - -
11 authorization - - and board funds. You want a
12 chance to read the resolution, but is there a
13 discussion Omar that we should have here?

14 MR. NAZEM: Yeah, this'll be, I'll provide,
15 this is Omar again. I'll provide some verbal
16 comments explaining what this is. This is
17 another vendor action that mimics something we
18 did previously. But it's so long ago barely any
19 members of the board will remember. Since 2012,
20 the way that customers have paid their bills,
21 just - - in terms of transaction processing, is
22 through a contract with Citibank. Citibank is
23 the board's bank. And Citibank has a pair of
24 contractor relationships, subcontractor
25 relationships in place, which are basically one

1 to handle paper-based payments and one to
2 handle electronic-based payments. And that
3 arrangement has actually worked quite well for a
4 time. But there have been some changes that
5 call the question whether we want to make a
6 revision to that three-part arrangement,
7 particularly in light of all the Corona - -
8 happening to the billing system as well as some
9 of the technological changes and requirements
10 that are presented by having newer, more state-
11 of-the-art software.

12 And the answer - - the answer is that we
13 think that the thing that makes sense to do is
14 to pull out the electronic process or piece that
15 currently is under that 2012 Citibank
16 subcontract relationship and have a direct
17 agreement in place looking forward with a
18 different electronic processor company. And the
19 topline reasons for why are that. The company
20 we're looking at, which is a company called
21 Paymentus Corporation, has a preexisting
22 technology and business process relationship
23 with the vendor of the new billing system we're
24 buying. But the system is Microsoft Dynamics-
25 based - -. We're purchasing a product called

1 UMAX [phonetic], which is a utility industry
2 customization designed just for water utilities.
3 It rides that on that Microsoft Dynamics
4 platform. And it's owned by a company named
5 Itineris. So Itineris and Paymentus have a
6 business relationship, a technology
7 relationship, existing source code where the
8 Paymentus electronic processing platform works
9 with the UMAX billing platform. And the source
10 code exists; it's been tested. It's secure, and
11 it's actually live in other markets already, in
12 particular Boston. So that was actually quite a
13 big attraction to our technology and customer
14 service people - - the project management people
15 who actually have to make sure the work happens
16 - -. So that's kind of the overall description
17 of what we're trying to do here with this
18 procurement.

19 And to get in a couple more details, the
20 Paymentus platform is, it's a cloud-based
21 product. So the source code is not only more up
22 to date, but continuously upgraded. If you look
23 at what we have now, a lot of custom coding was
24 done back in 2012 and '13 - - made work
25 miraculously sometimes. But it is legacy source

1 code that needs to get upgraded and go through
2 additional testing and security checking if we
3 were to make it work with the UMAX platform. -
4 - bought something off the rack that we know
5 already works because it's been tested in other
6 markets. In addition, the Paymentus product
7 works out of the box with the entire category of
8 payment channels we don't currently accept, and
9 those are the big technology company platforms.
10 So things like the Apple Pay, the Google Pay,
11 PayPal, Venmo, and so on, you can't pay your
12 water bill with those right now. Under the
13 Paymentus/UMAX configuration, you could. That's
14 a big draw, because it's particularly, we have a
15 lot of younger customers becoming property
16 owners in the city. And they look to pay their
17 bills with those types of methods. It's not
18 something we do currently. With the Paymentus
19 platform, they could.

20 I said this in my application, but to say it
21 point blank, Citibank will remain the bank.
22 There's no change. The deposits will stay at
23 Citibank. Paper payments will continue to be
24 processed by Citibank's existing subcontract.
25 No change to banking, no change to paper

1 payments. We're just talking about electronic
2 payments moving over.

3 In terms of cost, there is a cost increase
4 to the model projection. You have to make some
5 assumptions around payment mix and volumes. But
6 we think it's about an incremental \$400,000 per
7 year to run on Paymentus versus KUBRA. That is
8 a meaningful uptick. Now a couple of things to
9 say about that. One is our existing pricing, we
10 could likely not obtain again in the market
11 today. It's legacy 2012-13 pricing. So there
12 is some, there is kind of a one-time
13 inflationary step-up there.

14 In addition, there are some fairly
15 considerable one-time software development costs
16 we'd have to undertake with our existing vendor
17 to get them where they need to be to integrate
18 with UMAX. So we'd kind of skip that process
19 and avoid those software development costs we'd
20 otherwise have to incur. So it is more
21 expensive, but it has better functionality, more
22 secure, and we're avoiding the cost of - - some
23 stuff we'd have to do otherwise.

24 Last point I will make is that, this is a
25 bit of payment error point - -, I understand

1 that. But what we're going to be doing with
2 one specific category of payments, I mention
3 this because we may come back to the board again
4 to discuss this because it - - procedurally with
5 the exact flow of funds. If you look at
6 automatic clearing house payments, these are
7 basically bank-to-bank electronic payments that
8 are domestic. Those have to get cleared
9 somewhere.

10 And the way the Paymentus product works is
11 that they have a web payment relationship with a
12 company called Braintree, which is a PayPal
13 subsidiary. Under their existing business
14 process, the data exchanges, the ACHs get
15 cleared at Wells Fargo, which is a different
16 financial institution than Citibank obviously,
17 which is not problematic. - - cash and get
18 wired over to Citibank daily, so there's not
19 really, it'd be a one-time transition, but not
20 an ongoing effect on the - - balances - - cash
21 to the board after we make that transition. It
22 would mean that if we go with Paymentus, we may
23 need to come back to the board in the next month
24 or two and ask the board to designate Wells
25 Fargo as a second acceptable banking institution

1 to the board under the local water fund
2 classification, so it'd be Citibank as the
3 primary bank and then for solely ACH purposes,
4 Wells Fargo. I mentioned that so you don't get
5 surprised if we come back with that resolution.

6 Lastly, I should mention how we did the
7 selection of this. We formed a nine-person
8 technical team, drawn from the technology
9 department, the customer service department, the
10 budget office, and the water board. And we
11 employed a standard scoring sheet of, I think it
12 was 12 criteria, and we assigned weightings, - -
13 have a standard - - technical evaluation
14 committee-type framework-type scoring sheet.
15 And everybody got a chance to kick the tires.
16 We did basically a beauty pageant where both the
17 vendors demoed their products, showed us what it
18 looks like, showed us what they could do - - to.
19 And in the scoring, I think it was eight of the
20 nine selectors thought Paymentus was the better
21 option. In the overall scoring, they thought it
22 made more sense given the project, to make the
23 migration to Paymentus from the incumbent
24 vendor. So we went through that selection
25 process - - give everybody a chance to present

1 and do the Q&A and do the product demo. So
2 that was a lot of information, so I'll stop
3 talking and ask are there any questions from the
4 board that we can answer for you.

5 MR. CARNEY: Do the members have questions?

6 MR. GOLDIN: This is Jon Goldin. Yes, thank
7 you. This is Jon Goldin. Omar, thank you for
8 walking us through that and for all of the
9 effort that obviously went into this process.
10 Sounds like this decision was one that was well
11 thought through and involved a lot of due
12 diligence. The question that I have is how the
13 payment structure works with this vendor. Is it
14 a one-time license fee? Is it an ongoing
15 subscription payment? Do they get payment in
16 connection with individual transactions the way
17 that credit card companies or other payment
18 networks might? How do the payments work?

19 MR. NAZEM: Yeah, so it's similar to how we
20 do it now. The way it works now is, it's
21 volume-based. So there's a per-transaction fee,
22 which is generally a fixed number of cents per
23 transaction, with the exception of credit and
24 debit cards, which are a percentage fee. But
25 those are - -. But I would say they are not a

1 large part of our payment mix. That's not,
2 about 1% of our customers are using cards, not
3 in - -. All of those transaction-based fees get
4 collected and reported on the monthly Citibank
5 invoice we get. So right now we're paying, we
6 pay a once-a-month invoice to Citibank to cover
7 Citi's cost, for all the paper-based payment
8 costs and all the electronic processor costs.
9 What would happen in the new state is just the
10 electronic processing costs would come out from
11 under the Citibank contract, and we'd be getting
12 a second monthly invoice from Paymentus. It
13 would report the exact number, a mix of
14 payments. And then depending on what it was,
15 whether it was an ACH or a different, or
16 obviously a Venmo payment, there would be a
17 different per-transaction cost. So you'd see a
18 long list of payment channels. Then volumes
19 multiply by, - - per-transaction rate. Again,
20 the one variance in that would be the credit
21 card transactions where you'd see a percentage
22 of the dollars that's the basis for the fee.
23 But those are again 1 to 2% of the dollars we
24 actually collect and not most - -.

25 MR. GOLDIN: And have we looked at, into

1 which the per-transaction fees are
2 competitive? I know you said that this vendor
3 would result in some additional expense, albeit
4 relative to the contract that had been
5 negotiated some time ago. But just in terms of
6 the individual transaction fees, because we're
7 talking about so many specific transactions, and
8 even though we're talking about pennies, I think
9 it's just important that we have a sense as to
10 whether it is, the offering is consistent on a
11 general basis with market pricing.

12 MR. NAZEM: I think the answer to that is
13 yes. It is a step up in terms of fees. It will
14 again be invisible to nearly all customers; I'll
15 start with that since the board absorbs the cost
16 of everything besides those card payment fees.
17 So there's no customer impact either way. In
18 terms of no, that doesn't mean we're indifferent
19 to it of course. I think the overall, I think
20 the overall balance, is there is a step up in
21 the transaction fees. It is meaningful. It's
22 not a tiny step, but it is a step up worth
23 mentioning. We thought that was an acceptable
24 thing for the board to do, again for the
25 reasons, that you're getting those additional

1 payment channels, you're skipping probably a
2 year's worth of software development that would
3 be required to get the incumbent vendor to where
4 they need to be to even match out-of-the-box
5 functionality. You've got some security
6 enhancements as well because - - automatically
7 will allow the source code updates any time they
8 - -. Hopefully not, but if there's ever a
9 security issue identified, it gets fixed
10 enterprise-wide on the Paymentus side to the
11 automatic rollout of that source code. We get
12 real-time posting of payments as well, which is
13 when you pay your bill, it's immediately
14 reflected in the payment billing system.

15 Right now there's a lag of several hours or
16 even a day because the data file exchange has to
17 happen. So I would say although there is a
18 step-up in cost, we think it's consistent where
19 the market is today. And we think it's
20 acceptable both because of the enhanced
21 functionality, the enhanced payment channels,
22 and the additional security we're getting. So
23 it's not, it wasn't a stretch to optimize just
24 for price comparison. It was - - of the whole
25 package of things we'd get the customer in terms

1 of their optionality and their security and
2 does that justify the cost step-up, the
3 conclusion was yes, it does.

4 MR. GOLDIN: Thank you. Yeah, it sounds
5 like your process was thorough in determining
6 that it was a superior alternative. And I was
7 just trying to get a sense as to whether the
8 pricing was generally consistent with what other
9 vendors would be charging in the market these
10 days. And it sounds like you're comfortable
11 that that is in fact the case.

12 MR. NAZEM: That's correct, yes, on a fully
13 - -, that's correct.

14 MR. GOLDIN: And just my last question is,
15 is there, are we paying them a fee in addition
16 to the per-contract, per-transaction fee? Or is
17 it only the per-transaction fee that they get
18 paid?

19 MR. NAZEM: Yeah, there's a de minimis,
20 there's a few thousand dollars fixed cost we
21 pay. But no, 99% of the money is variable
22 transaction-based. There's a de minimis fixed
23 cost.

24 MR. GOLDIN: Great, thank you.

25 MR. CARNEY: Omar, thank you. Are there

1 other questions for Omar? I do have a couple,
2 Omar. This is a potential 11-year commitment
3 that will not exceed \$8 million. Am I reading
4 the last paragraph of the resolution correctly?
5 Five years and two three-year extensions.

6 MR. NAZEM: Well not exactly. I think the
7 intent of the resolution is to assure funding
8 for the first five years. I think it's likely
9 we, if we do exercise the extension, this would
10 cover those periods as well. But we generally
11 don't seek funding to cover extension periods
12 under vendor agreements that haven't had the
13 options exercised yet. So I would describe this
14 really as funding for the five-year initial
15 term. And then if we...

16 MR. CARNEY: But then shouldn't, I'm sorry,
17 shouldn't we say that? Shouldn't this last
18 paragraph be revised to say what you've just
19 said? We can vote on it today Omar if you'd
20 like, that's fine, as long as we all understand-
21 -

22 MR. NAZEM: [Interposing] I think that's a
23 reasonable amendment, yes, yes. That - - more
24 closely, absolutely.

25 MR. CARNEY: So we're talking about a five-

1 year term that may cost \$8 million. And in
2 addition, there are two three-year extensions,
3 the cost of which is unknown now, the aggregate
4 cost of which is unknown.

5 MR. NAZEM: I wouldn't say, I'd say we
6 wouldn't want to seek funding prior to
7 exercising an option.

8 MR. CARNEY: Yes, I think we're saying the
9 same thing.

10 MR. NAZEM: Okay.

11 MR. CARNEY: I'm not suggesting that we
12 recognize what the extensions may cost us now.
13 I'm saying, I think you're saying that the two-
14 year, the two three-year extensions will be at a
15 cost that we cannot recognize now.

16 MR. NAZEM: Yes, I'm saying we can't ask for
17 money before we've exercised the option to
18 actually extend the..

19 MR. CARNEY: Yeah, of course. And we may
20 not--

21 [Crosstalk]

22 MR. CARNEY: It may be that at the end of
23 five years, we don't like these - - and we can
24 move forward--

25 MR. NAZEM: [Interposing] Exactly, exactly.

1 MR. CARNEY: Okay, all right. And how
2 does the cost, the five-year cost at \$8 million,
3 compared to what we're spending now? I mean I
4 understand the increased functionality; I
5 understand that there is additional security.
6 But I'm unclear as to what we're paying for a
7 service now, that we think is less than what
8 we're getting. And such that I can compare
9 apples to apples.

10 MR. NAZEM: So the old MV [phonetic] pool
11 right now is about \$800,000 a year for
12 everything, for paper and electronic. The - -
13 pool, if we go to Paymentus will be about \$1.2
14 million a year for everything. But the step-up
15 is entirely on the electronic payment side.

16 MR. CARNEY: So the difference, the annual
17 cost difference is about \$400,000.

18 MR. NAZEM: Correct, correct - - 400.
19 That's again the combination of the inflationary
20 step-up, the security enhancements, the
21 functionality, et cetera.

22 MR. CARNEY: Omar, may I suggest then that
23 on a six-month or rolling basis or a 12-month,
24 staff should decide what it wants to do, we get
25 an update on how this new, once we vote, on how

1 the new vendors are performing?

2 MR. NAZEM: Yes, absolutely. We can do
3 quarterly. I think, if you go back in the
4 distant past, if you look at what we did when
5 the 2012-13 arrangement went into place, I think
6 we did some reporting to the board along those
7 lines. It became less frequent as the kind of
8 confidence grew in that, we can go back to
9 quarterly briefings. I think that would be
10 completely reasonable and not a big ask of us.
11 We could have a comprehensive financial - -
12 quarterly with a big focus on how the electronic
13 side of things is doing. We can absolutely do
14 that for the board.

15 MR. CARNEY: It'll work for me, Omar. Thank
16 you. Are there other questions for Omar on this
17 resolution?

18 MR. RODRIGUEZ: Mr. Chairman, it's the
19 secretary. And this is a question for the board
20 and Mr. Nazem. So I would suggest that the last
21 resolve of the resolution read as follows.
22 Resolve that the total compensation for services
23 performed for the initial five-year term shall
24 not exceed \$8 million of board funds. Is that
25 what you all agree to?

1 MR. CARNEY: Sounds Al like that's what we
2 agreed to. Do the other members agree that
3 that's where we are?

4 MR. FREED: Yes.

5 MR. CARNEY: Okay, terrific.

6 MR. RODRIGUEZ: Okay, so we'll show that
7 that resolution will be for the record when it's
8 entered into the record, that last sentence will
9 read as we just stated.

10 MR. CARNEY: Thank you very much, Al. May I
11 have a motion please to approve the resolution
12 as amended?

13 MR. FREED: Member Freed so moves.

14 MR. CARNEY: Adam, thank you very much. Is
15 there a second?

16 MR. GOLDIN: Member Goldin, second.

17 MR. CARNEY: Jon, thank you very much.
18 Again, rather than asking for a voice vote, are
19 there any objections to the approval of the
20 resolution as amended? Hearing none, the
21 resolution is approved unanimously. Thank you
22 very much, thank you all very much. The next-
23 to-last agenda item is the financial update.

24 MR. NAZEM: It's Omar again. This is a
25 short, it's a one-pager. We gave a long update

1 quite recently. The message is actually very
2 much the same from the last meeting. And to put
3 this into short, succinct sentences, revenues
4 are ahead of plan. We are doing better than we
5 had budgeted for in terms of revenues at this
6 time of the year, number one. Number two, we
7 are nonetheless down compared to last year, year
8 over year, mainly, I would say entirely because
9 of the impact, the knock-on effects of the
10 pandemic.

11 And then three, we are seeing an increase in
12 delinquencies compared to where we were this
13 time last year. To put some specific numbers on
14 those, through the 17th, which was Tuesday of
15 this week, operating revenues were \$1.84
16 billion. That was 9% ahead of where we were
17 budgeted to be this time of year, and we set the
18 budget in June. That's a positive variance of
19 \$153 million. That is, however if you compare
20 through November 17th, 2020 to November 17th,
21 2019, one year ago, we are down 6.2%. And that
22 is a negative 122 million variance. So doing
23 better than we had thought we would, and we - -
24 conservative budget, I think we all agree is
25 prudent. And we're outperforming that, which is

1 very good. But we are nonetheless down from
2 last year by over \$100 million. On the revenue,
3 that's the big picture.

4 If you go to what's going on with the water
5 consumption, and just for the public's benefit,
6 most of our customers are billed on a meter
7 basis, which means we know how much water is
8 being used. That's a pretty good predictor of
9 where your revenue is going to come in, 'cause
10 you charge them a dollar rate times the amount
11 of water. So it's a good leading indicator of
12 where revenues are headed. And then you - -
13 back into what's going on out there in the
14 economy by looking at who's using more, who's
15 using less.

16 If you go through the fiscal year-to-date
17 through the end of October, you've got some
18 pretty wide variances here. Residential water
19 use is up about 2% compared to where it was last
20 year, October 2019. But meter consumption by
21 commercial customers is down nearly 21% compared
22 to last year, a reflection, I think the very
23 intuitive change in where people are spending
24 their time with the variance transit disruptions
25 and lockdowns and work-from-home arrangements

1 the pandemic has led everyone to adopt, or led
2 many to adopt.

3 If you look at what's going on with
4 delinquencies, this is kind of the flipside of
5 that revenue decline. If the customers aren't
6 paying as much money, it's got to pop up
7 somewhere. Well it's popping up in the amount
8 owed balance, the accounts receivable balance.
9 And as that balance ages, it flips from this
10 normal money owed into a delinquency-type thing,
11 and then we start reporting on that and start
12 paying attention to that.

13 The overall delinquent dollars which were
14 past the due date on the invoice was 21%, or
15 almost 21% higher at the end of October 2020
16 compared to last year. And that was a
17 combination of two things. The main thing it
18 was, was we had over 16,000 more delinquent
19 accounts in October 2020 than we did last year.
20 We also had a very slightly higher average
21 delinquency balance. But really the main effect
22 was just more accounts were delinquent, because
23 of the economic hardship that the pandemic has
24 caused and continues to cause.

25 If you drill down on how that almost 21%

1 increase in dollar delinquencies is spread
2 out, all subcategories of water accounts have
3 seen an increase in delinquencies. But again,
4 there is some considerable variability in where
5 it comes from. Smaller residential properties,
6 the tax class one properties are up 15% compared
7 to last year. The larger residential
8 properties, those four-unit and up properties,
9 are 21% higher compared to, or 20.6, almost 21%,
10 compared to last year. And commercial property
11 is mimicking that big consumption decline we
12 just talked about, are up 41% year over year.
13 So they're reflecting the different levels of
14 stress that are being experienced by owners of
15 these properties. That's it for the updates.
16 Those are kind of the key statistics on where we
17 are. It's a similar story to what we told the
18 board previously. Can I answer any questions
19 about any of that?

20 MR. CARNEY: None here, Omar. Are there
21 questions from other members? Hearing none--

22 MR. FREED: [Interposing] I guess one
23 question I have is has there been any thought
24 around what the rebound may look like or not
25 from an economic recovery or not in terms of,

1 are we projecting that the rate of delinquent
2 accounts continues to increase and the average
3 amount goes up, do we think there'll be a
4 leveling off? Or is it a V or U or W-shaped
5 recovery that we'll see - - just thinking, we're
6 thinking about these different scenarios as it
7 comes to future budgeting and funding
8 requirements.

9 MR. MURIN: Jon, this is Joe Murin, the
10 executive director.

11 MR. NAZEM: Joe, I'm sorry; that was Adam.

12 MR. FREED: It was Adam.

13 MR. MURIN: Adam, I'm sorry; I'm sorry. But
14 at this point, I would say no. We're just still
15 trying to bring in the information, best
16 estimate where it's going. And we've been
17 working closely with both the authority in terms
18 of what they're doing in the bond offerings, as
19 well as with OMB [phonetic], in terms of how
20 they're looking at some of the economic factors
21 that are coming into play.

22 So I think we're still continuing to be, to
23 Omar's point, looking, being, trying to be
24 optimistic, but also being duly cautious as
25 well, in terms of how we're proceeding and what

1 we're looking at both for the short term and
2 the long term in terms of the capital programs
3 as well as on the expend side as well.

4 MR. CARNEY: Joe, that's a great segue into
5 the information that I asked for that the board
6 has now received. We have a fixed procedure for
7 dealing with delinquencies. That procedure
8 hasn't changed. We are I'm sure trying to be as
9 reasonable as possible. But have we looked at
10 the prospect of changing the procedures in any
11 way, given that we have no way to project?
12 Omar's 41% number was a bit scary for me. Real,
13 but scary. Are we looking at whether or not we
14 can ease any of the pain of those folks who are
15 delinquent and where those delinquencies are
16 increasing, both in percentage and in dollar
17 amount?

18 MR. MURIN: Where we are considering, I
19 don't want to I think it's still early for us to
20 say how we're going to proceed, though. I think
21 one thing that we're very hopeful is that there
22 is presumably going to be a new administration
23 within the federal government starting January
24 22nd I believe. And we're hopeful that that may
25 have some easing of impact, both either another

1 stimulus bill, or an infrastructure bill or
2 both.

3 And that will help us, and that will
4 hopefully help our customers as well. And that
5 will then help guide us in terms of what
6 measures we may or may not have to take in terms
7 of mitigating those delinquencies. And we
8 reported that when we gave the financial update
9 back in, a month or so ago.

10 When the stimulus checks were going out
11 during the early part, in the spring and the
12 summer, we had that uptick, and then we had a
13 decline because people I think were reallocating
14 the funding they were getting from the federal
15 government to go and pay their bills. Should we
16 get another round of funding like that coming
17 out of the federal government, that probably
18 will help us as well. And that would mitigate
19 hopefully any measures we would have to take.

20 So again, I think we're just being very
21 cautious, and we're trying to think things
22 through. But we're very much aware of I think
23 what you and the other board members brought up
24 at the last meeting, in making sure that we're
25 keeping the most vulnerable uppermost in our

1 mind while also making sure that we're still
2 maintaining and collecting enough money to keep
3 the system running, and seeing how we could take
4 measures both on the day-to-day expense side as
5 well as in looking at the capital programs to
6 say how do we, if we need to come back even from
7 where we are now, what are those measures that
8 we would have to do. And we're working closely
9 with OMB in terms of, that they will go through
10 and do their January update on the capital and
11 expense budget, and we expect to work closely
12 with them at that time.

13 MR. CARNEY: So thank you. Are there
14 questions from any of the other members?
15 Hearing none, a couple of things before we close
16 the meeting. I did not thank Jeff and Albert
17 and Cecil for their presentation at the end of
18 their presentation. It was excellent, and I was
19 grateful to hear it, grateful to receive it,
20 good information. I also did not thank them for
21 this beautiful photograph that they used - -.
22 It's just unbelievable, just a beautiful
23 picture. So for the record, I want to thank the
24 group for the quality of that presentation. Is
25 there any other business to come before the

1 board? Hearing none, may I have a motion
2 please to adjourn the meeting?

3 MR. GOLDIN: I'll make that motion, Mr.
4 Chairman. This is Chairman Goldin.

5 MR. CARNEY: Thank you, Jon. Is there a
6 second?

7 MR. FREED: I'll second, Adam Freed.

8 MR. CARNEY: Thank you, Adam. Hearing no
9 objections, the meeting is adjourned. Thank you
10 all very much.

11 [END RECORDING]

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C E R T I F I C A T E

1
2 The prior proceedings were transcribed from
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9
10 Signature *Rene Edelmann*

11 Date November 23, 2020
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