NEW YORK CITY WATER BOARD

NYC Water Board Rate Hearing - Public Meeting 5/22/20

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MR. OMAR A. NAZEM: …the end of FY21. This means the debt service that we build into the --.

[Background noise]

MR. NAZEM: This means that total debt service that we need to build into the rate budget will increase too. However, we expect to continue our program of prepaying indebtedness, and market rates continue to be attractive. So we think this is a manageable and even a sensible balance sheet approach.

MR. ADAM FREED: And Omar, quick question. This is Adam Freed. Quick question on, the graph on the bottom shows an increase in the outstanding debt. How does this relate to debt service payments, and are we going to see increasing payments in the next two to five years as we increase the outstanding debt?

MR. NAZEM: Yeah, so all of, the debt service is a simple calculation. It's the total stock of outstanding debt multiplied by our weighted average cost of, our weighted average interest rate across all the different types of debt we sell. If the total amount of debt is increasing but our cost of debt remains the same. Yes, we would see debt service change. It would increase in proportion to the amount of debt outstanding.

Now in practice, not all else is equal. Market conditions will fluctuate; the cost of debt will move around a little bit. We have the ability to change the composition of our debt too. We can move away from more expensive stuff and substitute cheaper stuff. There's new ways to issue securities that come out. But all else equal yes, you would generally expect if the stock of debt is increasing and we don't change our financing approaches, the debt service we built into the budget would increase by the 2.7% and the 4.8%, in line with the total increase in indebtedness.

MR. JOSEPH P. MURIN: I would add, this is Joe Murin, we also do have a significant portion in the budget each year that either goes toward the defeasance of debt, which is the retiring of older, more expensive debt at a higher interest rate. That's saving interest on that one. We also do have the ability to use cash-financed debt as well, where you pay for, you do a capital asset, but you pay for it using cash, therefore saving on the debt service. So that's another method that we have to monitor and manage some level of how the debt portfolio is growing.

MR. FREED: Yeah, this is Adam. I think you guys have done, I've been very impressed over the past few years, the debt refinancing as well as the pay go program. But just make sure, particularly as we see revenues decreasing, being mindful and balancing the need to take into account the economic climate for customers now with the increases that may result in the future, if debt service continues to go but rates are kept low now. We've certainly seen that in other systems around the country, and in New York's history, that you end up then with double-digit rate increases in future years 'cause you've been able to keep the rates low in the past.

So just making sure we're really being mindful in looking at what those impacts could be, not just on the rates now in the system, but always keeping that view four, five years out so we can keep a level increases for rates if they're needed rather than keeping them low and then having huge shock to the system later on for customers.

MR. NAZEM: We absolutely take that guidance. I'll add we manage the capital plan on a ten-year forecast. We try to level out just how much capital spending we'll have, both for financial reasons and just logistically what we can actually complete in projects in a given year. We manage the system off a published five-year financial forecast, and we have behind the scenes, it's a ten-year model we use for that as well. So we're absolutely looking to lake sure decisions today don’t spike rates or cause an issue seven years down the road. We expect to continue to take that long-term, decade modeling approach. I think that's good advice.

MR. MURIN: So this is Joe Murin again, moving onto slide seven, which is a pie chart of the system's ten-year capital investment plan, and this is in totality that for the ten years covering fiscal year 2020 through 2029, there's the anticipation of having $20.5 million in the capital program. This was what the mayor issued with his executive budget back in April. And it was a very minor change from what was previously issued in January, the January plan, in light of the fact that the budget was colored somewhat by the COVID-19. There was not a lot of changes between the January plan to the April plan.

And as you can see, it was pretty much the same pie chart that - -, state of good repair had a little over a third over 7.1 billion. The mandate had a little over a quarter at 5.4 billion, sewer construction at 3.2 billion, water main construction at 2.1, and Southeast Queens at 1.6 in the balance, and dependability, and other. The changes that did happen between the January plan and the executive budget were there were some additional funds brought forward for non-city projects, which was being funded with federal funds from Sandy resources for the Rockaway wastewater resource recovery plan.

We also accelerated some funds from the out years into the current years for $250 million repair and replacement of sewers and water mains, $56 million for smaller capital repairs, which is our job water contracting program with the Bureau of Wastewater Treatment, and $40 million for the primary settling tanks in the Bowery Bay wastewater resource recovery facility. This ties into the slide that Omar just went through, we're monitoring this very closely. As everyone can imagine, with the COVID situation, there has been a slowdown. We were in, particularly in the construction market, we as a utility, we're not as impacted on that because we are considered an essential service.

So we have for the most part been continuing with our construction project operating under the requirements of being, making sure that employees are safe and socially distancing in the workplace and on the construction sites. We do have some degree of I think slowdown in terms of the system, the way that the city is operating, just by the nature of everybody being teleworking. So it has been a delay in getting contracts issue, which is maybe a side benefit as well because we're not putting as much capital work out as we might have thought. But we're expecting that we will be able to catch up with that in the next year to two years. But we're monitoring it very closely to make sure that we're, as to the member freeze point, managing both the debt services as well as our ability to make sure we're maintaining the infrastructure of the system so that we can continue with water delivery and wastewater treatment.

Moving on, so capital is like 8, capital and operations, maintenance update. So I sort of just did cover the top part of that with the previous slide, talking about the COVID impact on the capital construction and where the accelerated of the $360 million of capital funds, what compromised that. On the operations and maintenance side, like all city agencies, DEP is operating under a conservative - -.

[Background noise]

MR. MURIN: With respect to the rest of fiscal year '20 and '21, we have not in any way diminished as we noted in the opening, the scope of service we're providing. All of our employees that are deployed in the field such as our wastewater treatment plants, in the streets to maintain sewers and water mains, and in the Upstate reservoir operations, are reporting to duty. And we have not had any disruption. We have had, as we noted as well, a number of those personnel that do work in the operations of administrative support, engineering, scientific, technical. 80% of those are teleworking now; it's worked very effectively. As - - noted at the beginning, we have a very robust IT staff and capability that has been able to position us very well, effectively manage teleworking both for the short term, and we're expecting for the long term as well. So we have not made any significant changes to the operations and maintenance budget at this time in light of the COVID.

There have been some minor changes such as some labor settlements, some adjustments - - light and power based on anticipation that maybe the oil prices that have been going down significantly will be playing out in what we pay for fuel and for gas. But overall, it's been pretty much trying to keep a steady state. We are monitoring it very closely though, given that we do not, we want to be poised should we need to move either up or down in terms of what our flexibility is as we see how the revenue picture develops.

Onto slide nine, this shows the rate proposal that we are putting forth to the board for consideration. We're proposing no change to rates and to continue billing customers at the current water and wastewater rate. There would be no increase for customers in-city and no increase for those systems north of the city that draw upon the water system. And we would continue the $20 million for affordability and bill credit programs that we have in operation. I think this was a prudent decision on our part to put forth to the board, given how much uncertainty that both we as the system have as well as what our rate payers are facing right now, given the economic hardship that so many are going through. We will be monitoring this situation very closely, but we think it's prudent as I said at this time to keep the rates as they are so that we could, both we as well as our rate payers can see how they're going to manage over the next 6 to 12 months.

MR. ALFONSO L. CARNEY: Joe thank you, it's Al. And I don't know how the board will decide on the proposal. But it sounds to me from your comments and Omar's as well as Adam's questions to you with the possibility of, what we want to do is to avoid double-digit rates in the future. It sounds to me like sometime during the year, maybe in the fall early, we need to get together, need to have you all sit with the board, call it a special meeting. And describe to us our financial condition with regard to revenue at that time so that we can see what your projections were now and what your projections are going forward and how revenues are actually being affected by the two things you just described, unemployment or reduced employment and simply the virus itself. It sounds like if the board were to approve this as you currently proposed it, that we would need to look more carefully than we have in the past at what the numbers look like at an earlier time in the fiscal year. I'm not suggesting that you would agree with that. But I'm saying it for the purpose of letting the board know that I'm going to push pretty hard to have you all do that with us in a board meeting, such that we can hear it and then make some decisions about whether we need to consider making changes before we might normally make those changes with regard to rates. I'm concerned about what I just heard you all say. And I'd like to talk about it Joe with you, and with Omar and anybody else who wants to listen sometime in the next week, just to see if you think that we should and could do that.

MR. MURIN: No, I think that's a very good suggestion, Mr. Chair. And we are definitely open to that. I do want to make, understand that we are presenting a balanced budget and one that is sustainable we think given the conditions as we know them right now. But as you noted, there are a lot of uncertainties, and we think it is just prudent for, to put forth that and for us to consider that we are going to have to rethink and maybe look at these again. But for now, we think that with the zero, we could sustain that as needed and move forward. But it's definitely consideration of how does that play itself out for the long term as well.

MR. FREED: Yeah, this is Adam. I echo the chair's comments. And I'd also love to have a conversation, just getting an understanding of what the next five years look like and knowing there's a lot uncertainty, are there are any scenario planning of have we seen revenue growth as normal, whether we see the declining trend over a number of years. And then how that impacts with the increase in debt service, just continue to be concerned about increased debt service payments and knowing that these are investments we need to make. So not questioning those, but just making sure we can avoid the double-digit shock in the future that has occurred both in the New York system and then just the system throughout the county. So would love just to see a five-year projection on revenues and debt service payments so we can get an understanding whether there's going to be a larger disconnect in the future as we consider this year's rate increase.

MR. CARNEY: But Adam, you would agree I think that it's too soon to get that now. There's no way to know now--

MR. FREED: [Interposing] Well certainly we'll know…

MR. CARNEY: Or to determine the accuracy of any projections we would make now. It sounds to me like that's something that ought to happen maybe mid-summer, maybe the end of the summary as opposed to trying to get a projection now.

MR. FREED: There's certainly a projection that can be done on debt service payments.

MR. CARNEY: True, true.

MR. FREED: So that would be, and then even a scenario planning of a couple of different types of here's what business as usual would have been - - revenues, and here's what a kind of moderate amount would be. That could be done or even as a business as usual. But I just, I'd love to get a better sense of what our debt service payments are going to be, and then we can have a sense of how that could or could not impact rates in the future.

MR. CARNEY: I don't - - issue at all. I think if staff is comfortable doing that, then we should go forward with that. I just don't want to have to do two or three reviews of projections. You're right; the debt service can be projected. We can know precisely what that, or within, what that may be. But certainly we can't talk about revenues now. They can't give us any reliable projections on revenues. Do you agree?

MR. MURIN: This is Joe Murin, and I agree, Mr. Chair. I think it's a reasonable request, and I think we'll be willing and able to accommodate it to member Freed's request, that is. But I think as you noted, that it is something that I think we're probably going to have to at least get past the summer and into the fall, because you're really not going to, there are so many different variables at play right now, between the economy, the revenue, what the usage is going to be like, also what our very budget situation is as a system as well as the city as well. And that also has to do with what we're going to be seeing within, while we don't receive an inordinate amount of federal and/or state support, there are areas that they make decisions that could impact us. And there are also, which could be the benefit as well. There is a lot of talk going on right now about a stimulus package, which we had happen down in, back in 2009. And we benefitted greatly from when President Obama put forth the American Reinvestment and Recovery Act. Whether President Trump will be putting forth something similar like that, there's a lot of talk going on. So I think probably late summer, maybe mid-fall, we may have a better idea, and I think we could come back to the board and talk about where we think we're going to be. And I think we'll work closely with the chair and the members to see that we can make sure that you've got the knowledge and the resources to be able to guide you in terms of decisions we're going to have to be making.

[Crosstalk]

MR. CARNEY: I agree with Adam with regard to the debt service projections. I think that's doable. That number may change marginally, but it's depending on refunding. But I don't think that that's going to be a tough projection. I think the tougher projection is going to be whether or not we can service the debt adequately with the revenues that we have. And we're not going to know that, assuming that your proposal passes, we wouldn't know that until well into the summer at least. And Adam, you may disagree with that, and if you want them to pull together the projections before that, then nobody here would stand in the way of that. But it's a project, and it might not be reliable a month after it's completed.

MR. MURIN: And I would also, I agree Mr. Chair, and I would also add that it's important to remember that while we're going through this, on the other side of the house, the Water Finance Authority is responsible for the debt service side. And they are in the process right now, we're going to be going out into the market for refinancing or an offering in the next few weeks. So we have to be very cognizant of what we're saying and what we're providing, that are we creating a disclosure responsibility? So I would turn to, I will be talking to Olga Chernat, the executive director there. And we'll probably have to coordinate what we can be able to give to the board in the context of what she would be having to issue with the offering statement, the official statement.

MR. FREED: This is Adam just with one follow-up question. In the event that revenues continue to decline, there's economic hardship for the system between now and the next scheduled and normal cadence of our rate proposals, are there opportunities for the board to come back and say we need to have an interim increase or decrease, whatever the case may be? Or is it only set on the one year, kind of May, June cadence?

MR. CARNEY: Adam, that was my point. If we were to call a board meeting and do the comparisons, literally look at the strategic planning and how close to our plans we came, both in the positive and maybe in the negative, it might be necessary to consider a rate resetting without having any sense now whether that might be necessary. And it would assume the approval of the proposal. It's just that's being made now, assuming we pass it might it be necessary to do something mid-term. And I would argue that for the system, the answer to that ought to be yes. But I don't know that answer. I'm telling you that we ought to be able to figure that out. One would hate to do it, but it might be necessary at least to consider it, so yes.

MR. NAZEM: This is, the board has fiduciary and statutory responsibilities to raise the revenue it needs to run and maintain the system to a high standard. And there is no prohibition on what part of the calendar you can take action to fulfill those duties. So I would just add that as a comment.

MR. FREED: Perfect, thank you on that.

MR. CARNEY: Thank you, Omar.

MR. FREED: That answers both of our questions.

MS. ARLENE M. SHAW: This is Arlene Shaw. Just a quick question. Do we have a sense as to where the rating agencies are coming out in terms of rating debt and sort of what they're, if there's any change in methodology vis-à-vis that debt, given COVID.

MR. NAZEM: We've had a few conversations with the rating agency. So the general tenor the agencies are taking toward the industry, toward the publicly-owned water utility industry is stable outlook. Most utilities are in the same boat we are. They're seeing usage decline, higher on the residential side, lower on the commercial side, lower overall. There's a recognition that these are typically - - source-type businesses. Water is obviously an essential input commodity for most activities as well as your ongoing existence. And utilities have the scope to change billing practices as they need to, to make their financials work. So the overall outlook on the industry has been a stable outlook. There are - - within that, but again, the industry-wide outlook is a stable outlook.

MS. OLGA CHERNAT: And this is Olga Chernat, executive director of the New York City Water Authority. I just would like to add that as Joe and Omar discussed earlier, the authority is preparing to be in the market with the refunding and the new money transaction in early June. And we already received Moody's confirmation of their AA1 rating for the system's bonds in advance of this transaction. We're still working with S&P and Fitch and - - to hear from them shortly.

MR. CARNEY: Olga, that's good news. The--

MS. SHAW: [Interposing] And just a quick question on that. Sorry, Al.

MR. CARNEY: I'm sorry; I cut somebody off. Please.

MS. SHAW: This is Arlene, just a question on that, just a follow-up. In terms of the underlying rating, is there a requirement for them to rerated on an annual basis? 'Cause as we think about the question, and just to sort of run through my thought here, as we think about sort of whether or not we need to come back and raise ratings, just thinking about sort of are you getting annually rerated on the existing debt, the worst thing in the world for us would be that we freeze revenue and then that leads to some sort of ratings downgrade. So that's sort of where I'm thinking about it, as being someone who issues bonds myself, and have been talking to the rating agency. I just know that liquidity and income is something that they're all supremely focused on. So just wondering what's the rerating schedule kind of generally on that bonds that we have existing, as well as the new one that we're planning to issue?

MS. CHERNAT: So we on average are in the market around eight to ten times a year. And we request ratings for every time we issue bonds. So with this frequency, we're basically in price with the ratings agencies pretty much continuously. Basically two weeks of the state of emergency was declared to COVID-19. We reached out to the rating agencies to touch base to let them know what's going on, that the system is operating as expected. And we have very close communications with them basically throughout the year. But ratings are formally requested every time we have a bond transaction in the market.

MS. SHAW: Thank you, that was helpful.

MR. CARNEY: That was helpful, thank you very much. You answered my question too.

MR. JEFF LYNCH: So this is Jeff Lynch [phonetic] again. I'm sorry; go ahead. This is Jeff Lynch again. I'm on line ten on the typical DEP bills, which will remain the same at the current level based on our proposal. I'll just quickly run through and not go through all the details since they are the same from FY20 to FY21. The average single family charge will remain the same, at about $967 on average for 70,000 gal. per year. The average multi-family metered charge for FY21 will be able $718. The Multi-Family Conservation Program will be about $1,052 on average. And the minimum charge properties will be about $463. And these again are the same rates as they were--

[Background noise]

MR. NAZEM: This is Omar again. We're onto slide 11. This is an overview of what we're doing on the affordability front. - - on some comments from Arlene and some things the rating agencies have touched on as well. Affordability, particularly the lower end of the income distribution is a big area of concern, both for policy and for the rating agencies. With that in mind as well as the overall emphasis, the administration on affordability, we are maintaining the package of bill credits and affordability measures we had in the budget last year as well and for FY20. It's a $20 million allocation spread across three different programs. There's a $6 million program for small property owners tied to people who have a property tax discount because they're a senior citizen, because they have a certain income threshold, or because they have a disability status. That’s a bill credit of $116 per recipient, and it covers about 52,000 small property owners across all five boroughs.

The second program is a rental affordability-type of program. It targets owner-operators of larger, so these are tax class two, so four-unit, not multi-family properties, subject to a rental affordability agreement with either HPD or HDC, where there's at least 15 years left on the agreement. It can be a new 15-year, 31 halfway done. There's got to be 15 left, however it happens. It's $250 per credit per unit. You can get more than one credit per property. We have a methodology, allocating those out to make sure everyone can participate. But you can get more than one credit per property is the point. You've got to have water efficiency, conservation measures in place. You got to be metered to qualify. And we're going to preserve the thing we introduced last year as well. Since the program is typically oversubscribed, in terms of allocating which buildings get the credits first, we give them to the most affordable properties first, where affordability is defined as what's the average rent for the property, divided by the area needing income in the zip code where the property is located. So that’s no change from last year. It is a change from the early days of the program where it was first come, first serve. But the same methodology, the same size, the same ranking formula will be used in FY20.

The last program is budgeted at $4 million, and that's not a cap. We can do as much as - - what we're thinking will happen. This is where you have a property. It can be any type of property. There's no property type qualification. The property has a leak. The leak is substantial. It's 2X or more what you were using same time last year. If you fix the leak as evidenced by the usage went down, we'll credit you back half of the dollar cost of that leak. So you had a $200 bill normally. You had 1,000 this year because of the leak. The difference is 800. We'll give you 400 back as a bill credit. So across the three programs, 20 million, all program terms and dollar amounts again consistent what we did last year FY20.

MR. LYNCH: This is Jeff Lynch again. I'm on slide 12. New York City rates remain below other major cities in the country. I'm not going to go through every line here, but you can see the trend from, over the last five years from 2016 to 2020, where the New York City average as of last year was down, it was 17.6% below the 30 largest cities. This year, again we don't have a rate increase. So that'll at least stay at that percent, or that number will go up depending on what other cities do. We don't have all those numbers analyzed yet. But when we do, we will update this.

MR. CARNEY: Jeff, thank you. You all eliminated a slide that I very much look forward to, and that's the slide that literally compares the New York, or maybe it's further on, compares the New York City, based on New York City usage, what people are paying in New York versus what other folk in large cities are paying.

MR. NAZEM: Yeah, we don't have in this presentation, but we have, we actually have that slide, and we have the data. So we can fix it on the website and circulate it to the members as well. We have that. We just don't have it in this presentation.

MR. CARNEY: Thank you, thank you.

MS. REBECCA PRYOR: Rebecca Pryor.

MR. CARNEY: And I'd appreciate it seeing it.

AUTOMATED VOICE: Is now exiting.

MR. NAZEM: So this is back to Omar. This is slide 13. We circulate it to members, and it'll be on the website to a mark - - of the rate schedule, just comparing what's different to, from this year to last year. The answer is basically nothing. It's all the same rates and charges. It's a very light markup. But we did want to draw attention to one change that will be in there. We have a billing plan called the Multi-Family Conservation Plan, which is a flat rate plan. It's a little over 1,000 bucks per apartment unit for properties in the plan. You got to be in this, to be in this program, you have to have water efficiency meters, water efficiency fixtures installed in at least two-thirds of the units. You got to be metered, a couple of other smaller criteria. And most people, most properties on this billing plan conform to that standard. We have a small subclass of properties that were on old, ancient frontage-type flat rate billing plans who we migrated as a group onto this billing program several years ago. And we gave them a grace period to prove there compliancy was, which many of them have done. Not all have. To try and address that dwindling pool of properties on the rate plan who hadn't yet demonstrated compliance, we introduced a 10% surcharge concept that would be…

[Background noise]

MR. NAZEM: That would be added onto their bill. And that charge was going to be assessed in FY20. We made the decision not to assess in FY20. Or we're proposing to the board rather, we made a decision - - the rate schedule. We're proposing to the board not to assess in FY20 and not to assess in FY21 either. We just don't think now is the right time to be issuing a sizeable surcharge that would be felt considerably by some of these properties, particularly in light if you look at what types of properties are in that pool, it's a heavily affordable property, affordable rental-type of profile. You have a lot of HDFC properties, other affordable housing, rental-type formats, as well as a lot of owner-occupied co-ops with balance sheets that would struggle to adjust to a large surcharge shock like that. So we're suggesting editing the rate schedule to no penalty in FY20 and no penalty in FY21, not the right time with all that's going on. And then to revisit how we structure this in a future rate year.

Moving onto slide 14 as well, this one's me, what we've got here is we have an outlook for the FY21 budget. And we have a preliminary forecast of FY21. I emphasize both of these are an estimate or preliminary. Things will change for FY20 as the year closes. We may have to make some modifications to FY21 in light of changes that we're seeing day by day out there. The main message I have on this budget for proposed FY21 is it is a smaller budget. We're estimating FY20, it will be a nearly 12% reduction in total revenue and expenditures. We are not bridging that gap by shortchanging DEP fundamental water and sewer operations. Those will be about in line in FY21 with what we did in FY20. We are making the adjustment more on the balance sheet side than the operating side, in particular though adjustments to our target year-end cash reserve that we use as a prepayment - - the following year's debt as well as certain debt service savings compared to what we'd modeled previously. We're also releasing a small amount of cash from escrow. With some good - -, we can use that to offset part of the change as well. And we're also modeling no recurrence of the rental payment. We're taking the administration's guidance that the FY20 rental payment was a one-time event that will not occur in FY21. So altogether, we are looking at a nearly 12% reduction to the budget. And it does not come off the back of core water and sewer operations or system integrity. It's more balance sheet side adjustments that bridge the gap. Are there questions on this one?

MR. FREED: Yeah, this is Adam Freed. Just flagging the rental payment and the one-time reinstatement, I was really disappointed to see that occur. I think there's been a lot of focus on that in the past couple of years about and was thrilled to see that be forgiven. I would love to see that, if there's a permanent way of ending that rental payment so it doesn't loom as risk recurring for customers, that it can be coming back in, and making sure that we're not balancing other fiscal issues on the backs of rate payers with that. I think the affordability programs continue to be a hallmark of the administration and a tremendous benefit we're providing to rate payers. I just want to make sure that that trend continues and that we don't see the rental payment reinstated in future years and coming in and out as we face economic uncertainty in other realms of the city budget.

MR. NAZEM: Yeah Adam, amen.

MR. CARNEY: Yes, thank you Adam. We hear you on that.

MR. MURIN: Okay, so this is back to Joe Murin. Just to recap, the rate proposal for July 1st is basically no change. So continue billing customers at the FY20 water and wastewater rates. So no increase to in-city, water for the north city. And a continuation of the $20 million for affordability bill credit program. I'll just take the last two slides as well, which is so the Water Board public hearings, the Water Board will hold one New York City public hearing on Monday, June 15th. So that will be opportunity for any of those on the call who wish to give their opinion or statement to the board on the rate proposal, they can come forth at that time. The hearing will be conducted - - conference call, and a transcript of the hearing will be available on the Water

Board website afterwards. Comments are in the package that is on the website. You can email, as Omar said, that's NYPDWaterBoard@DEP.NYC. You can fax (718)595-3595, could mail 59-17 Junction Blvd., eighth floor, Flushing, New York, 11373. So the schedules for the hearings are in city public hearing by conference call on June 15th at 2:00 p.m. And then the next Water Board meeting to have the board consider and then vote on the proposal for fiscal year will be via conference call on June 19th at 8:30 a.m. That concludes the presentation portion of this meeting. I turn it back to Chairman Carney and to, there's any closing on that part, on this part of the…

MR. CARNEY: Thank you very much, Joe. Of course the members recognize and understand that we need to take no action on this. There will be a public hearing as Joe has pointed out on the 15th of June, where we hope there will be public testimony. In that circumstance, one never knows. And based on whatever testimony we hear plus the views of the members themselves on the proposal we've just heard, on the 19th of June we're going by conference call, we're going to meet and make a decision on the rate proposal. Hope everybody can be there. Are there any other questions for Joe or Jeff, or Omar? Hearing none, we'll move to the next agenda item. It's a resolution, which if approved by the Water Board, would complete the appointment of Grant Thornton as the auditors for the…

[Background noise]

MR. CARNEY: For the Water Finance Authority, as well as for the Water Board, just for your information, the information of the members, and for any guests on the phone. The auditors are approved by the respective boards of the two groups, the Water Finance Authority and the Water Board. Prior to that, there is a meeting of a joint audit committee of the Water Board and the Water Finance Authority. That meeting was held several days ago, at which the proposed auditors, Grant Thornton, new auditors, made a presentation. It was, in my view it was a good presentation. Good to meet those folk. Bob Valducci [phonetic] led that meeting, Bob. And knew as much as the joint committee needed to know about the process of getting to recommending Grant Thornton. The agreement is a four-year agreement. Grant Thornton audits the city's financial statements, interestingly enough. As a part of the city, it makes sense then that we would be audited by the same folks. The system's financial statements will be audited by the audit firm. There is a maximum proposed rate of $732,000. Bob, I don't remember how that compares with last year's rates. It's been my experience that when you hire a new auditor, because the learning curve is so steep for the first year, that very often their rate is higher than the rate of the departing firm. But I don't remember our prior auditors' rate last year.

MR. BOB VALDUCCI: Sure, so this is Bob Valducci. I did take a look at it. The rate for the upcoming fiscal year is about $4,000 more than last year. And the rates going across the term of the contract, it increases, and that is normal even if we were to have retained an existing firm.

MR. CARNEY: Thank you.

MR. VALDUCCI: So we find that the rate's very comparable and competitive.

MR. CARNEY: And not at all material.

MR. VALDUCCI: Yes.

[Crosstalk]

MR. CARNEY: Right.

MR. VALDUCCI: Yeah, that's probably the competitive part. As the companies become competitive, the rates become competitive as they bid.

MR. CARNEY: So there is always the possibility that we'll pay more, but that’s because we may have need of their expertise to do special projects. The AICPA prohibits an audit firm from auditing the system, the financial statements. It prohibits projects that relate to the audit work that they perform for the firm. So any special projects will be away from the audit of the financial statements in some other part of the either Water Board or the Water Finance Authority. And with that, Bob Valducci is on the phone. Adam, Jon, and I are all three on the phone. Are there any questions from the other members? Hearing none, I guess I can't just ask for a motion to approve, yes I can. So may I have a motion to approve the selection of this auditor?

MR. FREED: Adam Freed, so moved.

MR. CARNEY: Thank you, is--

MR. JONATHAN GOLDIN: [Interposing] Jon Goldin, second.

MR. CARNEY: Jon, Adam, thank you both. I'm going to do the voice vote. Dr. Carolina, how do you vote?

DR. DEMETRIUS CAROLINA: Yes.

MR. CARNEY: Okay. Evelyn Fernandez-Ketcham?

MS. EVELYN FERNANDEZ-KETCHAM: Yes.

MR. CARNEY: Adam?

MR. FREED: Yeah.

MR. CARNEY: Jon Goldin?

MR. GOLDIN: Yes.

MR. CARNEY: JUKAY HSU?

MR. JUKAY HSU: Yes.

MR. CARNEY: Thank you, Jukay. Arlene?

MR. JASON VOLKER: Jason Volker [phonetic].

MS. SHAW: Yes.

MR. CARNEY: Thank you, Arlene.

AUTOMATED VOICE: Is now exiting.

MR. CARNEY: And I vote yes. That means that the motion approved and seconded has been, motion made and seconded has been approved unanimously. And we go onto the next item. The next item is the presentation by DEP on a proposed grant of easements. I think there are four, to property owners in Olive, New York. And we've got Matt Schwab from DEP's Bureau of Water Supply and Lisa, is it Sofia or Sofio?

MS. LISA SOFIO: Sofio, thanks.

MR. CARNEY: Okay, thank you very much, from DEP's legal department. You have the floor.

MR. MATTHEW SCHWAB: Thank you, Mr. Chairman and everyone else on the call. My name is Matthew Schwab. I'm a real property manager with the Bureau of Water Supply based out of Kingston, New York. And I just want to give a brief overview of the project that this resolution is related to. And then Lisa can give some details about the easements and the rationale behind the request. So the project that we're, we need these easements to be granted is known as CAT-252. And it's a capital project involving reconstruction and repair and maintenance of some of the infrastructure that was put in place when the Ashokan Reservoir was built over 100 years ago. Just this real quick review, and for the members of the board, there's some location maps in your packet. The Ashokan Reservoir was built between 1905 and 1915. Those are rough dates. It was the first reservoir constructed west of the Hudson River. The reservoir is located in three towns in Ulster County, the towns of Olive, Hurley, and Marbletown. It's obviously a major disruption to build a reservoir of that size. And so as part of construction of the reservoir, there were road networks in the valley that became inundated when the Esopus Creek was dammed, and the city was required as part of the authorization for the reservoir, to build certain infrastructure to replace and create a new road network around the new body of water. And included in that were a significant bridge over the Esopus Creek. You go to the second map in the packet, at the northwestern extreme of the reservoir. The Esopus Creek flows from north to south, and the hamlet of Boiceville is just to the north of the reservoir. And so the city constructed a bridge over the Esopus Creek for vehicular use. That bridge is over 100 years old. And the city of New York also built Route 28, what is now known as Route 28A, which is a small state highway that goes all the way along the southern border of the reservoir from one end of the reservoir to the other. CAT-252 involves upgrades, very necessary upgrades to that old infrastructure. We're reconstructing, we're relocating the Esopus Creek bridge so that it's just downstream to the south of the existing bridge. That'll allow the existing bridge to be used during construction. That new bridge will improve the floodwater capacity to flow underneath the bridge. There's been a lot of flooding problems in Boiceville. And basically replacing that 100-year-old bridge. I think you've probably, many of you probably heard about the Ashokan Rail Trail, which the city partnered with Ulster County on, which has been a big success. It opened up this year, and CAT-252 will enable the city to improve the parking at the northern terminus of that rail trail. And then there will be a recreational lane for walking and pedestrian, bicycle use over the new bridge so that people using the rail trail can get into the hamlet of Boiceville.

And then the third component, which is the one relevant to this action, is that we're realigning Route 28A, and we're removing a long-term concern of a dangerous sharp turn in the road. And that's the area where the driveways need to be extended. So if you go to the two map at the end of the list on this packet, there are three, the road is going to be relocated to the south and east from its existing alignment, which is going to remove that sharp turn. And in doing so, there are three driveways that need to be extended to meet up with the new road. So the road is going to move further, it's on city property already. And the new road will be somewhat to the east, south and east, as I mentioned, necessitating extensions of the driveway between 60 and 135 ft. Since these new driveway extensions will be on city land, there's a need for a written agreement between the city and the property owners to govern their use of city land. The general outline of the proposal is that the city will build these driveway extensions as part of CAT-252. They'll be for the use of those private owners who will then be responsible for maintenance of the driveway. They will have to plow the road, the driveway. And they will have to do any resurfacing that they want to do. So that is in a nutshell the reason why these easements, or permission to grant these easements is being sought, and maybe Lisa can just give a little detail about the nature of the easements and process to do so.

MS. SOFIO: Sure. Hi, this is Lisa Sofio, DEP Bureau of Legal Affairs. I'm happy to answer any other questions. But just briefly, the authority to grant these easements comes from Title 4, Section 106-9 of the Administrative Code. And in addition to in setting forth the maintenance obligations of the property owners that the driveways will serve--

[Background noise]

MS. SOFIO: We are also getting indemnification from them. And we have - - approval from the law department for the form of easement that we've drafted.

MR. GOLDIN: Mr. Chairman, this is Jon Goldin. May I ask a question or two?

MR. CARNEY: Absolutely.

MR. GOLDIN: Thank you. So a couple of questions that I have resulting from this. The first is just so I understand it, we are, we would be moving the road because of the bend in the road. Is that the only reason that it's being relocated?

MR. SCHWAB: It has to be relocated somewhat because the bridge is going to move. So as you cross Esopus Creek, the new bridge is going to be 50 to 100 ft. south of the old road. So the original part of the old road where it met the old bridge will have to move. There also are going to be a lot of improvements, and one thing I didn't mention is parking for the rail trail will be improved because it's very popular. And so the parking area on city land is really insufficient. So they're going to be connecting to that new parking area.

But this road, it happens that this safety concern, which like I said is longstanding, is only a couple hundred yards further down Route 28A. So the project incorporated fixing this, essentially an outdated road design is being fixed for safety reasons. So the entire road segment needs to be relocated, both for the bridge and to fix the safety concern.

MR. GOLDIN: But just so I'm clear, and this is John Goldin again, the map that we're looking at that shows the beginning of the old road and the newly constructed road as being virtually adjacent to one another. So I'm assuming that the new bridge would be able to be connectable to the old road, at least as shown in this diagram. Is that right?

MR. SCHWAB: Yes, but the, I guess what you're pointing out is that the alignment veers away from the old road. If you look at Exhibit A3, which is closer to the bridge, you'll see that the old road is somewhat, it's very close, but it's above the, and therefore to the west of the new location. So that new road is going to continue down to meet up with the bridge. I'm sorry I don't have a map of the entire road realignment.

MR. GOLDIN: So the other question I had also I understand that under the original circumstances of the creation of the reservoir over 100 years ago, the city had the obligation to create a road. Why is it the city's obligation now to create a new road with a preferable design in this area?

MS. SOFIO: So this is Lisa Sofio. The

obligation was to construct the roads. And it's also to forever repair and maintain the roads.

MR. GOLDIN: Just to be clear, so it's not to create any new roads. It would be just to maintain and repair the existing road.

MS. SOFIO: Right.

MR. SCHWAB: Correct.

MR. GOLDIN: Sorry, the last question I just wanted to ask is on the, well actually sorry, two more questions. One is, is it customary when a new road is built, that the polity that's building the road construct a driveway to meet that road for the private landowners?

MS. SOFIO: So in the state highway law, it provides for state, for state highways and county roads, specifically provides for just this. And where the change to the road results in a situation like this, these, it gets a little tricky because while these are state highways, they're owned by the city. And we felt it was prudent in consultation with the law department to act if the state and county would because we are - - sort of anomalous situation where there's a city owning a state highway outside of our borders.

MR. GOLDIN: Thank you, and then the last question I had is, is it required that an easement be provided as opposed to a license, that gives us, the city and the system more flexibility as time progresses rather than creating a perpetual right that - - the land?

MS. SOFIO: It is not a requirement that there be an easement as opposed to a license. We felt from a liability perspective that the easement actually, although we're giving them a right, it actually helps us, because then they're not a guest. And they have the responsibility to maintain, and we have the indemnification. And we think, the easement runs with the land. If it was a license, we'd have to worry about changes in ownership and negotiate with any new owner.

MR. GOLDIN: So I guess what all of my questions are really centering around, is what is the system getting out of this, number one. Or number two, what obligation is the system fulfilling by doing all of this? Putting aside for the moment the obligation to maintain the old road, and I understand we have that obligation. But what's the consideration - -?

MS. SOFIO: So the consideration for granting the easements is the indemnification and maintenance obligations. And they're getting, I hear what you're saying, that this is really to benefit them. But we are moving the road away from their driveway. And as a result of that, that's what's causing the need to extend the driveway and therefore if we're going to do that, we think it's prudent to give them an easement for the liability reasons I mentioned.

MR. GOLDIN: And I realize the question of the road is not what you're before us today about. And I hear you on the easements for the driveway. What about the whole point of moving, of creating an entirely new road?

MR. MURIN: Jon if I may, this Joe Murin, interject on that one. Be mindful that we as DEP have numerous projects that are either ongoing or will be ongoing, particularly around the Ashokan. The Ashokan is in a very, very bad need of a lot of repair. We're going to be planning to do over probably close to $1 billion worth of work around the entirety of the Ashokan

Reservoir over the next ten years and going beyond the existing capital plan. During that time, there is numerous obligations and coordination that we have to do between us, New York State, and with the relevant towns and counties up there. And also at the same time, we're also responsible with our obligations under the - -.

[Background noise]

MR. MURIN: So there are any number of arrangements, I guess I should say, that we make with the, when we're doing work up there. And this is more explicit I think because as Lisa has pointed out, we do have an obligation as the owners of that road. But there is also the obligation we have as a good neighbor and working cooperatively with our upstate partners to make sure that we're doing everything to maintain the integrity of not just the reservoir, but all the system that circumnavigates around the reservoir, meaning the roads and the access and everything to that, and as you probably know from the many programs such as the septic program, the farm easement program, all under the filtration avoidance determination. So there is other consideration that we do take into account when we do enter into these types of agreements. So this particular road, I don't know how much Matt wants to be able to talk to that as well, but this has been a very troublesome area within that area for any number of years. So it's a long - - developing this whole restructuring of 28A that we've been working on for a number of years. So this is just a component piece of making sure that we can proceed with that. So I hope that addresses some of your concerns about where, what is the consideration that we as DEP and the system are getting for this work.

MR. CARNEY: Joe, thank you, unless Jon has a further question.

MR. GOLDIN: No, I don't. Thank you, Mr. Chairman.

MR. CARNEY: I actually have one. I didn't read the resolution. Normally I would do that, but it was late, and there wasn't an opportunity to do it. And Ms. Sofio, the question is really for you. We are going to approve one resolution which will approve several easements and permit the contracts obligating the grantee to maintain the driveway part that the city is going to provide. Or are we doing four resolutions or whatever the number is, which would do that for each of the landowners?

MS. SOFIO: So as we've prepared it, it's one resolution that approves a farm easement. And it's just one instrument that you would be approving. And we have a contract with them. But that’s not a property disposition. And as we got the law department to approve it as a standard class, just one document, so that's how we've structured the resolution.

MR. CARNEY: Okay, that’s fine. I just wasn't quite sure what the mechanism for the transfer was going to be. Are there other questions? Hearing none, may I have a motion please to approve the resolution?

MR. FREED: This is Adam Freed, so moved.

[Crosstalk]

MR. CARNEY: Say again?

MR. FREED: This is Adam Freed. I motion to vote.

MR. CARNEY: Thank you, Adam. Is there a second?

DR. CAROLINA: Second, Demetrius.

MR. CARNEY: Demetrius, thank you very much. So we have a motion on the table on which we can vote. I'm going to call for a voice vote from each of you. And just ask you to, I'll identify you as I've done in the recent past. Just let me know whether you approve or disapprove. Dr. Carolina?

DR. CAROLINA: Approved.

MR. CARNEY: Thank you. Evelyn Fernandez-Ketcham?

MS. FERNANDEZ-KETCHAM: Approved.

MR. CARNEY: Mr. Freed?

MR. FREED: Approved.

MR. CARNEY: Thank you. Of course, you seconded the motion. Jon Goldin? Jon Goldin?

MR. GOLDIN: Sorry, I was on mute. Approved.

MR. CARNEY: Thank you. Jukay?

MR. HSU: Approved.

MR. CARNEY: Thank you, Arlene?

MS. SHAW: Approved.

MR. CARNEY: So the motion properly moved and seconded has been voted unanimously.

MR. ALBERT M. RODRIGUEZ: And excuse me Mr. Chairman, how do you vote on this issue?

MR. CARNEY: I approve it.
MR. RODRIGUEZ: Very good.
MR. CARNEY: Thank you, sorry. Thank you, Al. I can't see if there's any other business, is there other business to come before this board?
MR. NAZEM: No, there is not.
MR. CARNEY: Thank you. Then is there any objection then to concluding the meeting? Hearing none, we're going to adjourn the meeting and assume that the vote was unanimous. What do you think, Al?
MR. RODRIGUEZ: Are there any objections to closing the meeting from any of the board members?
MR. FREED: No objections, and thank you to all the Water Board or DEP staff for staffing this.
MR. GOLDIN: I think it's fine to adjourn the meeting, Mr. Chairman.
MR. CARNEY: Thank you. Let me say a couple of things before you all take off. This is off the record - -.
MR. FREED: Adam Freed…
AUTOMATED VOICE: Is now exiting.

MR. CARNEY: As I said earlier, organizing this meeting, it must have been a tremendous hurdle to get over. It's been handled without a glitch. I want to thank everybody who had anything to do with that. We've just begun the weekend that is often considered the beginning of summer. It's not technically, but I get it. And as we all shelter in and try to distance safely and all the other things, please be aware that it's a holiday weekend. Try your best to enjoy it, but please, please, please, everybody on this call, be careful.

MR. GOLDIN: Thank you, Mr. Chair.

MR. CARNEY: You all take care.

MR. SCHWAB: Thank you.

MS. FERNANDEZ-KETCHAM: Thank you, thanks everyone.

MR. CARNEY: Have a good holiday.

[Crosstalk]

MR. MURIN: Wonderful weekend, everyone.

MR. GOLDIN: Thank you, thanks everyone.

AUTOMATED VOICE: Multiple people are now exiting. Multiple people are now exiting. Multiple people are now exiting.

[END RECORDING]

C E R T I F I C A T E

The prior proceedings were transcribed from audio files and have been transcribed to the best of my ability. I further certify that I am not connected by blood, marriage or employment with any of the parties herein nor interested directly or indirectly in the matter transcribed.

Signature Anne Edelman

Date May 24, 2020