

# **NEW YORK CITY WATER BOARD**

**NYC Water Board Meeting**

**May 10, 2021**

[START RECORDING]

MR. OMAR NAZEM: I'll just run through a couple of opening points, Alfonso, if that's okay. Then I'll give it to the secretary, Secretary Rodriguez to start.

CHAIRMAN ALFONSO CARNEY: Yeah, that's fine. That's what I expected.

MR. NAZEM: I'll be quick. I think everyone has heard this bit before. So good morning, folks. This is a business meeting of the New York City Water Board. We are in the virtual conference format, due to the pandemic. I would ask that everyone please place their phone on mute, unless they are a member or a city official speaking on the call. We are recording the call. And an audio transcript, as well as a copy of the recording will be placed on the Board's website later this week. The materials for this meeting will be discussed and provided to all the board members electronically. If a member of the public wants to review them as well, they are on the Board's website right now, on the far right-hand side, under announcements. Just put NYC Water Board in your search browser

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1 or type the URL, [nyc.gov/nycwaterboard](http://nyc.gov/nycwaterboard), one  
2 word. The last thing, we have that real time  
3 text captioning feature available. It's a long  
4 URL. I won't read it. But if you want the  
5 streamed text.net link, pull the agenda from the  
6 PDF packet I described. Copy and paste the  
7 link. And there is an accessibility option for  
8 those who need it. That's everything from me.  
9 So Mr. Secretary, it's yours.  
10

11 CHAIRMAN CARNEY: Al, it's good to have you  
12 with us. If you would get us going, please.

13 SECRETARY ALBERT RODRIGUEZ: Thank you very  
14 much. Are you ready for me to call the roll?

15 CHAIRMAN CARNEY: Yes sir, I am. Thank you.

16 SECRETARY RODRIGUEZ: Okay. Calling the  
17 roll. Chairman Carney.

18 CHAIRMAN CARNEY: I am with us. I'm with us  
19 here.

20 SECRETARY RODRIGUEZ: Okay, very good.  
21 Member Carolina? Member Fernandez-Ketcham.

22 MEMBER EVELYN FERNANDEZ-KETCHAM: Good  
23 morning, everyone here.

24 SECRETARY RODRIGUEZ: Good morning. Member  
25 Freed. Member Goldin.

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2 MEMBER JONATHAN GOLDIN: I'm here. Good  
3 morning.

4 CHAIRMAN CARNEY: Welcome. Good to hear  
5 you, Jukay.

6 SECRETARY RODRIGUEZ: Jonathan. Member Hsu.

7 MEMBER JUKAY HSU: Here.

8 SECRETARY RODRIGUEZ: Okay. And Member  
9 Shaw.

10 MEMBER ARLENE SHAW: Here.

11 SECRETARY RODRIGUEZ: Thank you. We have a  
12 quorum, Mr. Chairman.

13 CHAIRMAN CARNEY: We have a quorum. Let's  
14 get going, quickly. There's a lot to cover  
15 today.

16 MEMBER ADAM FREED: My apologies. This is  
17 Adam Freed joining.

18 CHAIRMAN CARNEY: Oh, hey, Adam. So we've  
19 got—I'm sorry. We have Freed. We have Goldin.  
20 Is that right?

21 SECRETARY RODRIGUEZ: Yes.

22 MEMBER GOLDIN: Yes, I'm here.

23 CHAIRMAN CARNEY: Okay. So we're missing  
24 Demetrius.

25 SECRETARY RODRIGUEZ: He did not respond.

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2 CHAIRMAN CARNEY: Okay. And forgive me,  
3 Jon, for calling you Jukay a second ago.

4 MEMBER GOLDIN: No worries.

5 CHAIRMAN CARNEY: The first agenda item is  
6 the approval of the transcript—thank you—the  
7 approval of the transcript of the March meeting.  
8 You all had a chance to read the transcript.  
9 Thank you very much, Omar, for getting it in—  
10 getting it to us. Are there any questions about  
11 it, or suggestion for revisions? Hearing none,  
12 rather than asking you to aye or raise your  
13 hand, what I will do is to ask whether there  
14 are—well, I'll ask for a motion first to approve  
15 the minutes of the transcript. May I have that  
16 motion?

17 MEMBER SHAW: So moved, Arlene Shaw.

18 CHAIRMAN CARNEY: Thank you, Arlene. Is  
19 there a second?

20 MEMBER GOLDIN: Second. This is Jon Goldin.

21 CHAIRMAN CARNEY: Jon, thank you very much.  
22 You all have heard the motion. Are there any  
23 objections to the motion to approve the  
24 transcript? Hearing none, are there any  
25 abstentions from the vote? Hearing none, we

1 will approve the transcript as it appears, and  
2 we will do that unanimously. The second agenda  
3 item is the presentation by the New York City  
4 Department of Housing, Preservation, and  
5 Development. Before I do that, let me say that  
6 David Womack and Olga Chernat are on the call  
7 from the Water Finance Authority, and our rate  
8 consultants, Ed Markus and Shan Lin [phonetic]  
9 from Amawalk are on the call. The presentation  
10 will be given by the Department of Housing,  
11 Preservation, and Development. I don't know who  
12 is going to start it, but I'll step back and let  
13 you all have the floor.  
14

15 MS. LIN ZENGZENG: Hi. Good morning,  
16 everybody. Can you hear me?

17 CHAIRMAN CARNEY: Yes.

18 MS. ZENG: Great, thank you. So if you guys  
19 want to turn to your PDF packet, my name—that is  
20 our sort of like title page. So that's slide 1  
21 or page 14 of your packet. So good morning,  
22 everyone. Thank you for this opportunity to  
23 present for the request to the New York City  
24 Water Board to transfer jurisdiction of Block  
25 2494, Lot 6 to the New York City Department of

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Housing, Preservation, and Development. My name is Lin Zeng, and I am the director of Brooklyn Planning at HPD. And today, joining me on the line, are some of my colleagues from HPD, Erin Buchanan, Ariel Goldberg, Dan Moran [phonetic], and Alice Hintermann, who will all be available for questions after this presentation. Please turn to slide 2 of the presentation or page 15 of the packet. Today we will discuss the Green Point Landing Project. It involves the sale of the vacant city-owned property at Block 2494, Lot 6, on Brooklyn's Green Point waterfront, currently in DEP's [phonetic] jurisdiction. I will provide an overview of the larger Green Point Landing Project, a description and history of DEP use on the subject city property, and HPD's request to the Board to relinquish jurisdiction of Lot 6. That will facilitate the development of permanently affordable housing units in Brooklyn Community District 1. The next slide, page 16, is just a title page. But we're going to first go over the overview of the Green Point Landing Project. Slide 4, page 17 of your packet. Green Point Landing is a multi-

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phase development project located in the Green Point neighborhood, along the formerly industrial waterfront within Brooklyn Community District 1. When complete, the entirety of the project will result in approximately 5,500 apartments, which will include roughly 1,400 affordable units. This multi-phase project includes 5 acres of publicly accessible open space, and 5 - - connections to the waterfront. The project also includes new local retail opportunities, both along Commercial and West Streets, and also along the waterfront as well. Lastly, there are ongoing discussions about siting a public school within the development. Next slide, slide 5 or page 18 of your PDF packet, the maps here included on this slide shows the number of units that are anticipated to be developed in each building across the development. As indicated on the map, five buildings have been completed in the last five years that resulted in new waterfront residential buildings that totaled around 1,074 units and nearly half of those, approximately 529 are affordable units. Two buildings are

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1 currently under construction, which are  
 2 Buildings D and H3. And those will also deliver  
 3 another 349 affordable units. And one building,  
 4 H1, H2, is anticipated to begin construction  
 5 this year. After the Green Point Williamsburg  
 6 rezoning in 2005, the city entered into point of  
 7 agreement with the development team, called  
 8 Green Point Landing Associates to complete  
 9 general waterfront, infrastructure improvement  
 10 in the area, as well as the development of 431  
 11 permanently affordable housing units that are  
 12 identified in the red boxes on this map that  
 13 you'll see here. They're known as E3 and H1,  
 14 H2. Please scroll to page 19 of the packet now.  
 15 The points of agreement in 2005 required Green  
 16 Point Landing Associates to deliver 431  
 17 permanently affordable housing units, as well as  
 18 1.5 acres of new public parkland and new  
 19 infrastructure to the area. The 431 units will  
 20 be delivered in two phases. Phase 1 included  
 21 the transfer of development rights and city land  
 22 that resulted in the construction of a 98 unit  
 23 permanently affordable housing building, known  
 24 as E3, which was completed in 2016. So the  
 25

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images on page 19 of the packet, they are images of the completed E3 project. Phase 2, which is related to today's request, includes the development of the remainder of the points of agreement units, 374 affordable units to be located at H1, H2 and infrastructure work, including stabilizing and repairing the waterfront platform and bulkhead, for use as public open space, environmental remediation work, and street and associated infrastructure construction. The sale and conveyance of city-owned Block 2494 Lot 6 is required in facilitating the development of phase 2. And now, if you turn to slide 7, page 20 of-

CHAIRMAN CARNEY: May I ask a question, please?

MS. ZENG: Yes, sure.

CHAIRMAN CARNEY: I don't know what page this is. It begins with Block 2494, Lot 6. Lot 6 is approximately 11,714 square feet and about a quarter of an acre. That's the first sentence on that page. The last sentence on that page is, "HPD is requesting the transfer of the balance of Lot 6, approximately .2 acres, or

2 9,000 plus square feet to facilitate phase 2."

3 It gets confusing. I can't keep up with the  
4 numbers. Help me.

5 MS. ZENG: Sorry. I think you're ahead.  
6 Yeah, I'm sorry. You're a little bit ahead.

7 CHAIRMAN CARNEY: Oh, okay. I'm sorry.  
8 Forgive me.

9 MS. ZENG: No, that's-

10 CHAIRMAN CARNEY: I'll wait for you to catch  
11 up. Forgive me for stepping in.

12 MS. ZENG: No, but I mean, it would be great  
13 if you're on the same slide as I am. So I'm on  
14 page 20 of your packet. That's-

15 CHAIRMAN CARNEY: Okay. I'm looking at page  
16 19 of the packet, and then page 20. Please go  
17 on. I'll catch up with you.

18 MS. ZENG: No, I'm sorry about that. I  
19 don't know if this is the best way of  
20 explaining. But it is page 20 of your packet.  
21 And it has two renderings on that slide.

22 CHAIRMAN CARNEY: Yes, I see that.

23 MS. ZENG: That's where I'm on.

24 CHAIRMAN CARNEY: Okay. I'm on that one  
25 now, too.

MS. ZENG: Great, fantastic. So the images on this slide, they're rendered views of H1 and H2. You have the bird's eye view and the street level view as well. So this is the proposed building. So H1, H2, to be located at Block 2472, Lot 70 will be the affordable housing building associated with Phase 2. It will have 374 affordable housing units. 334 of those units are required through the 2005 point of agreement, and another 40 units required through HPD's inclusionary housing program. So in total, this building will 374 units. The project will be permanently affordable, and it will serve families and individuals making up to 90% of the area median income, which translates to roughly \$96,000 for a family of three. And the rents in this building will range from the lowest, \$215 for a studio, up to \$1,538 for a studio. And for a two bedroom unit, it starts from \$512, going up to \$2,307. So it's based on household size and their incomes. But all the units will be regulated, and that's what I mean when I say "affordable housing." So HPD is-

MEMBER FREED: And sorry. This is Adam

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Freed. Just one question. I see that it says it's making up to 90%. Are there specific units that are being set aside within that income distribution for extremely low income, below 30%, and kind of the range within that?

MS. ZENG: Yes, absolutely, yes. The range is up to—it's up to 90%, but there is a range. And the rents that you see on the slide, it shows that lower range, right? So there are units that are \$215 for a studio. And that, I believe, is for someone, an individual making up to 30% of AMI.

MEMBER FREED: Okay. Thank you.

MS. ZENG: Yeah, sure. So HPD, we're expecting to close in financing for this project later this June. And the building should be complete by 2023. So we can move on to—the next slide is just—it's Lot 6 background. So I'll go into that, to page 22 of the packet. So these are two images on this slide. They outline Lot 6 in yellow. So as you see, the site is in close proximity to the waterfront at the corner of Dumont and West Street. And if we turn to the next page, page 23, it is, again, more

1 history of Lot 6. DEP acquired Lot 6 in 1964.  
2 The site contained a sludge storage tank, shown  
3 in the top image there, related to New Town  
4 Creek plant. The tank and its associated  
5 infrastructure were successfully demolished and  
6 removed in 2014. DEP has no further use for the  
7 site. And as shown in the bottom image, the  
8 site is currently vacant and is surrounded by  
9 new residential development and infrastructure.  
10 So if you turn to the next page, 24 is the tax  
11 map. Lot 6, outlined in red on the current tax  
12 map, is approximately—so I've caught up, Chair.

13  
14 CHAIRMAN CARNEY: Yes you have, and thank  
15 you.

16 MS. ZENG: [crosstalk] that you were talking  
17 about.

18 CHAIRMAN CARNEY: Forgive me for getting  
19 ahead.

20 MS. ZENG: No, no apologies needed. So the  
21 Lot 6 is approximately 11,714 square feet. And  
22 currently, it includes a portion of the street  
23 bed of the future West Street. The Board  
24 actually approved the transfer of the roadbed  
25 portion of Lot 6, which is approximately 2,700

square feet to the New York City Department of Transportation, back in November of 2018. And that would help facilitate the construction of West Street, between Dumont and Eagle Streets, which you see on the text map right now. After the street improvements—so currently that street bed has not been improvement. But after the street improvement, the roadbed portion of Lot 6 will be dissolved into the street bed and incorporated into DOT's portfolio for jurisdiction and management. So to facilitate all of this, phase two, and the points of agreement commitment, we are requesting for the transfer of the remainder—the balance of Lot 6, which is sort of right of the easement line within the red box. And that is about 9,011 square feet. So the next page is just another title page. Page 25 we can skip. And if we go to the last page of the presentation, page 26, and it's our formal request. So we're requesting to the members of the Water Board today that Block 2494 Lot 6 be transferred to HPD. That will support the development of affordable housing and infrastructure in the

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Green Point Waterfront. Approval of this request will also help fulfill the commitments made by the city under the 2005 Green Point - - rezoning. After transferring Lot 6 to HPD, Lot 6 and its development rights, including the rights and the portion of the lot transferred to DOT will be conveyed for market value to Green Point Landing Associates. So that will facilitate the remaining infrastructure work and the development of the rest of the 431 affordable units under the points of agreement in 2005. Because the affordable housing requires bond financing, this discretionary approval that we're asking of the Board today must be completed in May, in advance of the New York City Housing Development Corporation's board meeting. So that concludes the presentation. Thank you again for the opportunity. And at this time, myself, my colleagues, Erin Buchanan, Alice Hintermann, and Dan Moran, we'll be happy to take any questions from the members about this request. Thank you.

CHAIRMAN CARNEY: Do the members have questions of the director?

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MEMBER GOLDIN: Mr. Chair, this is Jon Goldin. I have a question. I just want to make sure that I heard something right at the end, and understand it. The parcel that we would be conveying from the water system to HPD, HPD would then be turning around and selling to a private party. What happens to the money that is realized from that sale?

CHAIRMAN CARNEY: You beat me there, Jon. Thank you.

MS. ZENG: Yeah, sure. Yes, that is a very good question. And normally, when HPD sells land, we sell it for a dollar usually because we have a developer developing 100% affordable units on that land. But in this case, what we negotiated was they would pay us market rate value for this land. And in turn, they would build a hundred percent affordable housing on land that they own, so that is H1, H2. That's on lot 70 that I talked about a little bit in the presentation. And then also, they would also build out some of the infrastructure because if you look at the aerial view on page 22, that area is—really hasn't—needs to be

1 developed. There needs to be streets. There  
 2 needs to be infrastructure that needs to be put  
 3 in place. And so part of the negotiated deal is  
 4 that they would also do some of the  
 5 infrastructure. And that would be a credit  
 6 against sort of the appraised value that the  
 7 city is getting for that land. So although  
 8 they're not building the affordable housing on  
 9 Lot 6, that is being built nearby, on Lot 70.  
 10 And so that was the negotiation that the city  
 11 made with this developer.  
 12

13 MEMBER GOLDIN: And just to be clear, the  
 14 money that you will receive from—that the city  
 15 will receive from the sale to the private buyer  
 16 will not be—accrue to the benefit of the water  
 17 system. It will go into the general—the city's  
 18 general fund.

19 MS. ZENG: That's correct. It will go into  
 20 the general fund.

21 MR. JOE MURIN: And if I may interject, Mr.  
 22 Chair, Members, this is Joe Murin, Executive  
 23 Director. Just a reminder that the Board's  
 24 responsibility is that when we acquire land and  
 25 purchase that in any context, those lands are

1 transferred from our—I don't even say it's our  
2 ownership. It's always owned by the city. So  
3 the question before the Board is not the value  
4 we're getting, but is there still any continued  
5 value to this property, to the system, as to  
6 what we would need to continue our operations?  
7 And with the removal of the sludge tank and the  
8 reconstruction of New Town Creek plan, that  
9 sludge tank and its—all of its surrounding land  
10 and everything else became extraneous to our  
11 operation. So that's when we got the new sludge  
12 vessels and how we're operating the New Town  
13 Creek plan at this time. So any of those values  
14 that do accrue, they do accrue to the city, to  
15 the betterment of the city in general.

16  
17 MEMBER GOLDIN: Thank you, Joe. This is Jon  
18 Goldin again. And just, Mr. Chair, may I take  
19 the liberty of asking one8 follow-up question?

20 CHAIRMAN CARNEY: Please.

21 MEMBER GOLDIN: I wonder whether, just in  
22 order to understand what our fiduciary  
23 obligations are here and to whom they run in  
24 connection with Joe's point, I wonder whether we  
25 ought to have an executive session with counsel,

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so that we can have that clarified.

CHAIRMAN CARNEY: Jon, I don't have an objection to that at all. The transfer is clear to me. The ultimate beneficiary is not clear to me, even after Joe's comment. The city, I suppose, is the ultimate beneficiary. But I don't know who determines fair market value. I don't know any of the underlying—the answers to the underlying questions. Executive session, maybe yes. We'd be happy to support that, if that's what you want to do. I just want to understand the money flow. And I'm still not sure I'm clear on that. But that said, Joe is the CFO of DEP. I will accept your view for the moment, for the purpose of this vote, that the appropriate sums of money are going where they should be going. So I accept that. But I want to understand, who determines fair market value here?

MS. ALICE HINTERMANN: I can help with that.

MR. MURIN: I - - HPD, yeah.

MS. ZENG: Oh, go ahead, Alice.

MS. HINTERMANN: Oh sure. Yeah, I can help with that. In this case, it was predetermined

1 as part of the negotiated deal with the  
2 developer that there would be an appraisal that  
3 would determine the fair market value for the  
4 sale of this land and associated air rates.  
5

6 CHAIRMAN CARNEY: Okay. So there is an  
7 appraiser. Is that a single appraiser, or did  
8 we get a couple of appraisals? What is the  
9 process that is followed to make sure that the  
10 numbers are maximized for the city?

11 MS. HINTERMANN: Yeah, so we actually--there  
12 was a pretty intensive process for this and  
13 quite a bit of due diligence. So the agreement  
14 was that the developer, who is purchasing the  
15 land and development rights, would pay the  
16 higher of an appraisal that was done in 2014 and  
17 an appraisal that was done in 2021, more  
18 recently. It turned out, in this case, that the  
19 2014 appraisal was higher. And so they'll be  
20 using that number. And HPD additionally did its  
21 own appraisal in 2021, just a couple months ago,  
22 which also backed up using the 2014 appraisal.

23 CHAIRMAN CARNEY: Okay. Thank you for that.  
24 It's good to know that we had the option of  
25 opting for the 2014 appraisal. Terrific.

MS. HINTERMANN: Yes, definitely.

CHAIRMAN CARNEY: Jon, do you want to have the executive session?

MEMBER GOLDIN: Well, Mr. Chair, I'm not sure what the right way to approach this is, and I defer to your judgment. My question is just the following. This presentation is very impressive, and it seems like a laudable project, and an impressive amount of work has obviously gone into this. And I think we all are supportive of the effort to develop affordable housing. My question is if we are providing for the sale of land that's under control, for the moment, of the water system, shouldn't that money be used to defray the costs of running the water system, therefore enable us to keep costs down, and especially given that we don't use the system for free at this point. And so rather than essentially gifting it to the city treasury, my question is what our obligations are, notwithstanding the fact that this seems like a laudable and impressive project. And so I don't know whether that is best done in executive session or otherwise.

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1 But I do think it's something that we  
 2 [crosstalk].  
 3

4 CHAIRMAN CARNEY: I agree. It's a laudable  
 5 project. It's clear that the powers that be  
 6 have worked on this for a number of years. It's  
 7 also clear that if we vote to do this, the  
 8 benefit is to the city, not necessarily to the  
 9 system. And the city may use that money as it  
 10 chooses. I don't have an issue with that, Jon.  
 11 My questions are all about fair market value.  
 12 And I'm satisfied that we now know—that we have  
 13 a fair market value. I'm willing to concede the  
 14 city has absolute authority to accept that  
 15 money, and willing to concede that the money  
 16 might go to the city without question. But  
 17 there are other board members on this call.  
 18 Does anybody have a comment?

19 MEMBER FREED: Yeah, this is Adam Freed. I  
 20 was just—I was stuck on mute but was going to  
 21 raise all the questions that Jonathan is  
 22 raising, just in terms of—particularly in light  
 23 of the rental payment, if there are  
 24 opportunities in the environment we're looking  
 25 at, as the regulator today also talked about a

1 rate increase, a rate proposal, just thinking  
2 about the flow of the funding, on anything that  
3 can be done to benefit the rate payers of the  
4 city more directly. So just was curious about  
5 the context and the precedent on the transfer of  
6 the property to the city, and then the sale from  
7 there, to the general fund, versus anything that  
8 may benefit the water system.  
9

10 CHAIRMAN CARNEY: Fair comment, Adam. Thank  
11 you. And I had not thought of it, frankly, as  
12 it could affect decisions that we will have to  
13 make with regard to the rate later on. I just  
14 had not—

15 MEMBER GOLDIN: Yes, and thank you, Adam,  
16 for articulating the point much more clearly  
17 than I did.

18 CHAIRMAN CARNEY: All right. Well we're  
19 between a rock and a hard place here. I don't  
20 know that an executive session—Mr. Secretary,  
21 are we in a position to have an executive  
22 session on this matter?

23 SECRETARY RODRIGUEZ: Yeah, this would be  
24 something that you could have an executive  
25 session on. However, Omar, does the current—



1 does the conference call [crosstalk]?

2  
3 CHAIRMAN CARNEY: Enable us to get off and  
4 get on again?

5 MR. NAZEM: Yeah, what we need to do, Al-  
6 what would make the most sense is leave this  
7 line open. Let everyone stay on. I'll set up a  
8 second conference bridge, email it just to the  
9 members and staff in about two minutes. And we  
10 all call into that, and have the executive  
11 session in parallel. Leave this line open.  
12 This will just be on hold. Then we'll come back  
13 onto this line with the members and staff, once  
14 that's done. Is that okay?

15 CHAIRMAN CARNEY: Works for me [crosstalk].

16 MR. NAZEM: [crosstalk].

17 CHAIRMAN CARNEY: Jukay, you're short on  
18 time, and we need your vote, yea or nay,  
19 ultimately for the matter. How much time do you  
20 have? Jukay? Jukay?

21 MALE VOICE: The Chair - -.

22 CHAIRMAN CARNEY: Jukay, you still there?  
23 I'm sorry. Somebody was trying to get my  
24 attention?

25 MALE VOICE: It sounds like Demetrius

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1 Carolina, Dr. Demetrius Carolina is also on, Mr.  
2 Chair.

3  
4 MALE VOICE: Yeah.

5 CHAIRMAN CARNEY: Oh, outstanding. So if we  
6 lose Jukay, we still have a--well, we had a  
7 quorum, so we've got - -.

8 SECRETARY RODRIGUEZ: Well, Mr. Chairman.

9 CHAIRMAN CARNEY: Yes sir.

10 SECRETARY RODRIGUEZ: And to the board  
11 members, this is Al Rodriguez. For what it's  
12 worth, I think what Joe Murin said, with respect  
13 to the city's interest in the water system is  
14 absolutely correct and reflects the terms of the  
15 lease agreement between the city and the Board.  
16 Anything that's--all the facilities that are  
17 financed by the Water Authority and which are  
18 paid for from revenues, all of those facilities  
19 are, at the end of the day, owned by the city,  
20 although the city--although the Board has a lease  
21 of those properties.

22 CHAIRMAN CARNEY: Well Al, here is the  
23 question. The question is whether or not, and  
24 Adam framed it exactly right. The question is,  
25 if those monies go into the city coffers, as

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opposed to being used by the Water Board to affect the rates, the water rate, and we're going to have that conversation later on, the question is whether or not—and it's Jon's and Adam's question. The question is whether or not the fiduciary obligation that we have to the water system has been met appropriately. And I hear you. But if we can keep the water rate down by applying these dollars to the Water Board consideration, then shouldn't—and well don't we have an obligation to do that?

13  
14  
15  
SECRETARY RODRIGUEZ: Well, I think that's a question for the Board to discuss. And that's what you would discuss in the executive session.

16  
17  
18  
CHAIRMAN CARNEY: In the executive session. That's right. So Omar, if you'll do that, if you'll—

19  
20  
21  
MALE VOICE: Omar just stepped away, Mr. Chair, 'cause he's going down to his office to set the conference call up.

22  
CHAIRMAN CARNEY: Okay.

23  
24  
MALE VOICE: So if you could just bear with us.

25  
CHAIRMAN CARNEY: And we lost Jukay, I

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1 think. Are you still on, Jukay? All right, so  
2 we—Demetrius, thank you for coming on. We lost  
3 Jukay. He had a fairly hard stop just after  
4 9:30. So we will have the executive session  
5 now, and move forward.  
6

7 MS. ZENG: Sorry. This is Lynn from HPD.  
8 What does that mean, in terms of—so you guys are  
9 going to discuss in executive session and vote—  
10 perhaps vote after? Or should we stay on for  
11 questions?

12 CHAIRMAN CARNEY: Yes, we cannot vote during  
13 an executive session. We can't make decisions  
14 that are away from the public during executive  
15 session. But what we're going to discuss, I  
16 think, are questions relating to the Board's  
17 fiduciary duty. We'll address those questions,  
18 if there are questions that we need, and then  
19 for you to address, we'll write those down and  
20 make sure that we ask those when we come back  
21 into the public session. And then, in the  
22 public session, we'll vote.

23 MR. MURIN: And if—this is—

24 MS. ZENG: So we should stay on.

25 MR. MURIN: Yeah. And Mr. Chair, this is

1 Joe Murin again. Lin, could you just tell, for  
2 all of our understanding, what was the appraised  
3 value from 2014 of this parcel?  
4

5 MS. ZENG: I think it comes out to be about  
6 \$35 per square feet. So all together, Alice do  
7 you happen to have that amount on hand?

8 MS. HINTERMANN: Yeah. I can look it up  
9 quickly, no problem.

10 MS. ZENG: And I think—we can look it up.  
11 But I think one of my colleagues is saying that  
12 under the charter, whenever there is city land  
13 that's being conveyed, that it must go to the  
14 general fund. So I don't know if that is  
15 helpful in your discussion [crosstalk].

16 CHAIRMAN CARNEY: If that's the case, then—

17 MR. MURIN: I think—thank you. I think—I'm  
18 sorry, Mr. Chair. Please continue.

19 CHAIRMAN CARNEY: If that's the case, we can  
20 discuss fiduciary responsibility. But if the  
21 money must go to the general fund, if we don't  
22 have a choice in that matter, then we cannot  
23 speculate on whether the monies from this  
24 transaction might have been used to affect the  
25 water rate later on.

1  
2 MR. NAZEM: So it's Omar. So members and  
3 staff, there's an email in your inboxes with the  
4 conference number and passcode to dial into for  
5 the executive session. So all of you should  
6 have that in your inbox now.

7 CHAIRMAN CARNEY: Omar, it never works out  
8 that well, does it.

9 MS. GOLDBERG: Sorry. This is Ariel  
10 Goldberg, the colleague that Lynn referred to.  
11 And that is my understanding, that when he  
12 conveys on behalf of the city, that those funds  
13 do need to go to the general fund.

14 CHAIRMAN CARNEY: If we have no choice in  
15 the matter, then an executive session isn't  
16 necessary. We-

17 SECRETARY RODRIGUEZ: Well that's-Mr.  
18 Chairman, I would verify that. Any funds that  
19 the city receives can't be redirected directly.  
20 It has to go into the general fund. And then  
21 those funds have to be appropriated by the City  
22 Council.

23 CHAIRMAN CARNEY: So this Board now-

24 SECRETARY RODRIGUEZ: There is no way to  
25 redirect those monies.

1  
2 CHAIRMAN CARNEY: So this Board has no  
3 authority to assume that those funds might be  
4 usable in connection with keeping the rate  
5 lower. We can't do that.

6 SECRETARY RODRIGUEZ: Not directly.

7 CHAIRMAN CARNEY: Okay. I got it. So-

8 MEMBER GOLDIN: And then, Mr. Chair, with  
9 respect to--this is Jon Goldin. With respect to  
10 whether or not they could be used indirectly for  
11 that purpose, I think it would be very helpful  
12 for us to know what the appraised value is  
13 because if it is consequential, that may be a  
14 different conversation than if it is, in the  
15 grand scheme of things, de minimis. So-

16 CHAIRMAN CARNEY: I got it, and I agree,  
17 Jon. Why don't we ask HPD to give us that  
18 number during this meeting? I'm coming to the  
19 conclusion that a closed session isn't  
20 necessary, Jon. Adam, I don't know if you  
21 agree. But if we don't have the authority to do  
22 what I thought we had the authority to do, then  
23 there is no reason to--knowing the appraised  
24 value would help. But we cannot, ourselves,  
25 redirect that money, according to the secretary.

1  
2 MR. MURIN: But based on what Alice said—I'm  
3 just—if it's \$35 a square foot, and the lot is  
4 11,000 square feet, so that would give an  
5 appraised—11,714. That gives us an appraised  
6 value of somewhere around \$400,000. Alice or  
7 someone—

8 MS. HINTERMANN: Sure, I can jump in with  
9 the value.

10 MS. ZENG: I think I misspoke. I think it's  
11 135.

12 MR. MURIN: Oh, \$135, okay.

13 MS. HINTERMANN: Yeah, and it's related to  
14 the amount of air rights that's tied to the  
15 site. So the appraised value is approximately  
16 \$8.2 million, and there would be some discounts  
17 to that that are related to infrastructure work  
18 that the developer is doing in the Green Point  
19 Landing area. So back of the envelope, I think  
20 it's more like \$5.2 million, after those  
21 credits.

22 CHAIRMAN CARNEY: Okay. All right.

23 MEMBER GOLDIN: Just to be clear again,  
24 those credits are not for water infrastructure,  
25 correct?



CHAIRMAN CARNEY: Right.

MS. HINTERMANN: Correct.

MEMBER GOLDIN: So from the perspective of the water system, it's what did you say, 8.2?

MS. HINTERMANN: That's correct.

MEMBER GOLDIN: Thank you.

CHAIRMAN CARNEY: All right. Jon, are you— it's not the best solution, but are you comfortable that we do not now need an executive session?

MEMBER GOLDIN: I think if without vitiating any privilege, if counsel can give us some comfort that in his opinion, this does not create any kind of an issue with respect to our fiduciary duties to the water system, then I think that we do not need an executive session.

CHAIRMAN CARNEY: And if counsel's view on this is what I think it is, I agree with you.

SECRETARY RODRIGUEZ: Yeah, and this is Al Rodriguez. In addition to my—this is just for public information. In addition to my duties as secretary for the Board, I do, from time to time, provide legal advice to the Board in my capacity as an attorney with the New York City

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1 Law Department. And in my opinion, the Board  
 2 would not be contravening any fiduciary duty  
 3 they have to the system or to its customers.  
 4 The Board doesn't have any legal right to the  
 5 money. And that's the basis of that. If you  
 6 don't have control over the money, then you  
 7 don't have a fiduciary duty related to it.

8  
 9 CHAIRMAN CARNEY: But we do have a fiduciary  
 10 responsibility to inquire, Al, which is what  
 11 we're doing.

12 SECRETARY RODRIGUEZ: Oh, that's exactly  
 13 right.

14 CHAIRMAN CARNEY: I'm comfortable that we  
 15 have answered the questions as best we can,  
 16 under the circumstances. We are in a position  
 17 where the—it's unfortunate for the HPD deal that  
 18 we are also looking at the water rates during  
 19 this meeting. The two have actually come  
 20 together. Had they happened separately, it  
 21 probably wouldn't be an issue. But if you're  
 22 comfortable that we have met our fiduciary  
 23 obligation to the water system—and I think—I  
 24 personally think we have, then we don't have to  
 25 go to a separate meeting. Adam, where are you

1 on this?

2  
 3 MEMBER FREED: Sorry, I was all stuck on  
 4 mute. If the precedent and the legal obligation  
 5 is that we do not benefit and that it conveys  
 6 back to the city, that seems fairly  
 7 straightforward to me. And just share your  
 8 broader concerns on the timing and also  
 9 understanding some of the mechanisms with the  
 10 rental payment and other things, where their fee  
 11 is passed on to rate payers without some of the  
 12 benefits. But it does make sense that the city  
 13 would lease the property and it would then  
 14 convey back to the city for it to dispose of, to  
 15 go to the general fund. So from a legal  
 16 standpoint, that sounds like it—it makes sense,  
 17 if that's the reading from counsel.

18 CHAIRMAN CARNEY: Adam, thank you for that.  
 19 Other members on the call, Arlene, you've become  
 20 the legal conscience of this Board. What do you  
 21 think?

22 MEMBER SHAW: [Laughter].

23 CHAIRMAN CARNEY: I knew you'd like that.

24 MEMBER SHAW: I'm not the legal conscience.  
 25 There are fundamental issues that I have with

1 what we talk about, but it has nothing to do  
 2 with what we're being asked to vote on. So  
 3 there is no soapbox here today 'cause what I  
 4 want to soapbox about has nothing to do with-it  
 5 sounds like, as a legal matter, it's kind of a  
 6 foregone conclusion for what we can and cannot  
 7 do. Whether or not the city should-what is the  
 8 true value, right? How long do these units have  
 9 to remain affordable? There's a lot of other  
 10 questions I have, but they're not the subject of  
 11 this conversation.  
 12

13 CHAIRMAN CARNEY: Absolutely right. Of  
 14 course you're right about those things. But  
 15 you're right. Those are not the subject matters  
 16 of this conversation.

17 MEMBER SHAW: Yeah, no. So the legal  
 18 conscience of the group hears what the great  
 19 minds in the room have said, and I get that we-  
 20 our vote is yea or nay on whether or not we sell  
 21 the land. And if you think about what it means  
 22 for redevelopment, and green space, and how the  
 23 transformation of green space has been to  
 24 communities in and around Brooklyn. And as a  
 25 parent, you appreciate that. So it sounds like

1 the other issues I have, I should have been at  
2 the community board meeting to voice them.

3  
4 CHAIRMAN CARNEY: Well, you missed that  
5 opportunity, Arlene. You'll have to try the  
6 next community board with the next proposed  
7 transfer of property. Affordable housing, for  
8 me, is the big issue here.

9 MEMBER SHAW: Or I want to be given the  
10 opportunity to buy it 'cause I would have bought  
11 that for 1.4.

12 CHAIRMAN CARNEY: Of course. Demetrius,  
13 you've heard a lot of the discussion back and  
14 forth. Do you have any questions?

15 MEMBER CAROLINA: I have no questions. And  
16 again, I certainly stand satisfied, with regard  
17 to the obligations of the Water Board, with  
18 regard to this particular parcel of land. And I  
19 do understand also there is a time constraint to  
20 this as well.

21 CHAIRMAN CARNEY: Yes there is. Thank you  
22 very much, Demetrius. Then we're not going to  
23 go to executive session. Omar, thank you very  
24 much for setting it up. Are there other  
25 questions from the members about the substantive

part of the HPD presentation?

MEMBER FREED: This is Adam Freed. No questions, but just wanted to, since we got so much time stuck about the legal issues around the conveyance, just recognizing HPD for the merits of this project and for the tremendous work that they've been doing as a national leader on housing and housing affordability issues, and creatively reusing city-owned parcels I think is one of the key ways of doing this. So notwithstanding the questions we've been asking does not demonstrate a lack of enthusiasm, appreciation, and excitement for the type of work and the role that the Water Board can play in facilitating that.

CHAIRMAN CARNEY: You said it far better, Adam, than I could ever say it. Thank you so much. Affordable housing has become a principal issue for me in New York. This project demonstrates that we are giving serious thought, and we are actually acting on that thought, in making, at least the Brooklyn community, affordable for more and more people. It's a terrific effort that HPD has made. And HPD gets

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1 all the appropriate accolades for having done  
2 it. Thank you all very much. There is a  
3 resolution. It has to be voted upon. If there  
4 are no further questions, I'll ask for a motion  
5 to approve the resolution.  
6

7 MEMBER FREED: So moved.

8 CHAIRMAN CARNEY: Thank you, Adam. Is there  
9 a second?

10 MEMBER CAROLINA: Second.

11 CHAIRMAN CARNEY: Demetrius, thank you very  
12 much. We'll vote differently. I will ask  
13 whether there are any objections to the  
14 resolution, and to the motion as offered.  
15 Hearing none, are there any abstentions from the  
16 vote? Hearing none, the motion passes. It  
17 passes unanimously. The resolution is approved.  
18 We now go on to item 4 on the agenda. I think  
19 that's right. Omar, are you there?

20 MR. NAZEM: Yes, we are rolling.

21 CHAIRMAN CARNEY: Okay. We are at agenda  
22 item 4, which is the DEP presentation on the  
23 FY2022 water rates.

24 MR. NAZEM: Okay. All right, folks. This  
25 is Omar Nazem, the treasurer, Commissioner

1 Vincent Sapienza and chief financial officer  
 2 and board executive director, Joe Murin are here  
 3 too. We're going to tag team this presentation,  
 4 in cooperation of a couple of other folks who  
 5 may jump in on specific subject matters. Let me  
 6 go to page 2 of the rate proposal presentation.  
 7 This is the blue and white sheet that says,  
 8 "Agenda for today," at the very top. This is  
 9 what we're going to talk about. We're going to  
 10 give you an update on what's been happening at  
 11 the agency over the last year, with the pandemic  
 12 - - still going. We'll give you a financial and  
 13 capital markets update. We're going to tell you  
 14 what we are proposing to the Board as the  
 15 approach for the coming fiscal year's water and  
 16 sewer rates in the city. We're going to walk  
 17 you through some administrative policy update  
 18 proposals that will go into the rate schedule.  
 19 We'll give you a first look at what we think the  
 20 Board's FY22 budget will be on preliminary  
 21 numbers. And then we'll finish up with a  
 22 proposed approach to water rates for our  
 23 customers outside the city, those communities  
 24 north of the city, in Westchester and the

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surrounding counties, who we've got a lot of wholesale rates. I'm going to pass it to Commissioner Sapienza now.

COMMISSIONER SAPIENZA: Thank you, Omar. And good morning, Chair Carney and members. I'll jump right in. This is slide 3 now of the water rate presentation. So just wanted to give a quick overview of DEP operations in the last year. Needless to say, there were a lot of changes. But water and wastewater services were fully maintained throughout the pandemic, without interruption. It's certainly a credit to our frontline employees, who reported to work every day, throughout the entirety of the pandemic. We followed close CDC guidelines for both our field staff and in-office staffs, to make sure that employees were kept safe. For those employees who were able to work remotely in a digital format, like our administrative and legal staff, they did primarily telework from home, through most of the pandemic. And for those who did have to come in to either the office of the field, we conducted social distancing, on-site temperature checks, and PPE.

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We've now, as of last week, on May 3rd, started to having the telework staff come back into the office more frequently. So as of last week, we had about 70% of DEP personnel on site, either in the office or the field. Some of the pandemic measures remain in place, as we continue to move forward. There is still a moratorium on water shutoffs, and there's digital work permitting, as well as a pause on certain filing deadlines, such as billing appeals. That's where we are there. And if there's no questions, I'll move on to slide 4 in the deck. This is just some of the capital construction work that was either completed or begun over the past year. And certainly, last spring, around this time, projects were being delayed because of the pandemic. But we quickly picked up probably around last June, and here is just a handful of some of the great projects that were either completed or started, drainage improvements in Queens along Shore Boulevard and Astoria Park, done last summer. In the fall, we commenced seven new miles of water mains in Graves and in Sheep's Head Bay, Brooklyn. In

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1  
2 October, the big Pugly Creek cleanup in the  
3 Bronx. This was a combined sewer overflow job,  
4 \$106 million, was completed. In November, we  
5 started work in the Bronx on the Morris Avenue  
6 Plaza. That was water main and sewer work. And  
7 in that same month, flooding mitigation work.  
8 And Southeast Queens is part of the big effort  
9 to improve drainage there, was committed. In  
10 December, work in Staten Island for Bay Terrace,  
11 along trouble there for flooding. That work was  
12 done. In January, we completed work on a large  
13 water connection between Randall Zone [phonetic]  
14 and Wards Island for Manhattan, a new water main  
15 there, to serve those on the island. And then  
16 in February, this is our big Delaware aqueduct  
17 bypass tunnel, the 2.5 mile tunnel that was  
18 completed. We installed the final liner, 14-  
19 foot diameter inside concrete liner. And that  
20 was done. Work is on time, on schedule. And  
21 next year we will actually be doing the shutdown  
22 of the Delaware aqueduct to connect this new  
23 tunnel.

24 CHAIRMAN CARNEY: How long will that take,  
25 Commissioner? It's Al Carney. [crosstalk].

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2 COMMISSIONER SAPIENZA: Yeah, Chair Carney-

3 CHAIRMAN CARNEY: Yes?

4 COMMISSIONER SAPIENZA: Yeah, so the  
5 Delaware Aqueduct, which provides about 50% of  
6 the city's water supply currently will be  
7 [crosstalk].

8 CHAIRMAN CARNEY: Yes.

9 COMMISSIONER SAPIENZA: Will be shut down  
10 for about a five-month period, starting in the  
11 fall of 2022 and into early 2023. We will be  
12 using water from the Catskill system and the  
13 Croton systems. But the work will be done  
14 during the colder months, when city demands for  
15 water are lower.

16 CHAIRMAN CARNEY: When supply is less-I'm  
17 sorry, demand is less. That's a big deal, to  
18 shut down 50% of the water supply to New York  
19 City. That's huge.

20 COMMISSIONER SAPIENZA: It certainly will  
21 be. But we've been preparing for years for  
22 this, Chair Carney. And we think we've got it  
23 all figured out, so-

24 CHAIRMAN CARNEY: And I have no doubt you  
25 do. I just-it struck me that this is a big

1 deal, and for five months. And the other  
2 supply, the remaining—the two sources of supply  
3 that we will use as an alternative will provide  
4 the volume that you all believe is going to—it  
5 may not be the same, but it will be sufficient  
6 to meet the need?  
7

8 COMMISSIONER SAPIENZA: It will. So from  
9 the Croton system, we completed the filtration  
10 plant in 2015. That can provide up to 30% of  
11 the city's water demand. And from a system that  
12 traditionally we haven't used much, the older  
13 Croton system. It meets all water quality  
14 standards now, with the plant in place. And  
15 then the other 70%, the other 700 million  
16 gallons from the Catskill system. So we have  
17 adequate supplies from both during the colder  
18 months.

19 CHAIRMAN CARNEY: Commissioner, thank you  
20 for permitting me to interrupt you this way. It  
21 struck me as a huge deal. It is a huge deal.  
22 Thank you for explaining.

23 COMMISSIONER SAPIENZA: A pleasure. I'll  
24 now hand it off to Joe Murin.

25 MR. MURIN: Thank you, Commissioner. Good

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1 morning again, everyone. This is Joe Murin,  
 2 chief financial officer for DEP. And I'm on  
 3 slide 5, an update on Board's operating revenue  
 4 trends. And what we have here is a bar chart,  
 5 which compares like to like, which is a 10-month  
 6 period for the fiscal years 2019, 2020, and 2021  
 7 of actual revenue collections. And as you can  
 8 see from there, we had a steady increase for 19,  
 9 over 20. But then it's a drop from 20 to 21 of  
 10 \$175 million in revenue, year over-or month to  
 11 month over the years, from there. So that still  
 12 continues to be a concern to the system that  
 13 we're not quite back from where we were in the  
 14 pre-pandemic. The Board's fiscal year 2021  
 15 budget assumed revenue would be reduced, due to  
 16 the pandemic. So that was-some of this  
 17 reduction was baked into our assumptions there.  
 18 The system still faces considerable financial  
 19 uncertainty, and there is less financial cushion  
 20 than prior to the pandemic, due to this  
 21 reduction in revenues. In addition, overdue  
 22 bills at the 180 day mark, as of March 31st, are  
 23 up 26.6% than last year, including additional  
 24 \$16,651 newly delinquent accounts since last  
 25

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1 year. So this is really giving us pause for  
 2 continuing the extremely cautious, and the  
 3 assumption we'll be going through as we look at  
 4 the proposed rate projection. I'm going to  
 5 pause there, to see if any of the board members  
 6 have questions on this portion of the  
 7 presentation.  
 8

9 MEMBER FREED: This is Adam Freed. One  
 10 question about the loss of revenues or revenue  
 11 reduction. Is DEP or the water system receiving  
 12 any revenue replacement, through the ARP or  
 13 have there been discussions about how some fed  
 14 funding could help support the decrease in  
 15 revenues for the water system?

16 MR. MURIN: At this time, Board Member  
 17 Freed, we have not yet received any, but we are  
 18 working with City Hall and the city's  
 19 legislative team to make sure that we're going  
 20 to be able to access as much of those fundings  
 21 that are available. We believe that there are  
 22 some—we just have to insure what those revenue  
 23 streams are going to be, and how they would  
 24 make their way from the federal government,  
 25 through—sometimes the state is the conduit, and

then to the city and over to the system.

CHAIRMAN CARNEY: Joseph, it's Al. I'm guessing that you all have done projections. In furtherance of Adam's question regarding how long we will be able to maintain the system and payments that we have to make, given the increasing number of delinquencies. Can you tell us how long the system can operate with this increasing number, without receiving the federal funds?

MR. MURIN: Yeah, I think it's—we could sustain it for a period of time, going to another year, to two years. But I'm going to let Omar. And then if he needs to, he can also have a rate consultant, Ed Marcus, also speak this.

CHAIRMAN CARNEY: I was just going to ask whether or not Ed is listening to this, and whether or not he might be able to help. Thank you.

MR. NAZEM: So it depends how you want to—it depends how you define sustained and what metrics you choose to look at. In terms of the most narrow definition of does the system have



1 the revenues to reimburse the city for DEP's  
 2 running expenses? And does the system have the  
 3 revenues to provide the water authority, what it  
 4 needs to meet contractual debt service owed to  
 5 the bondholders, which are the two biggest line  
 6 items, and I would say the ones you think of  
 7 first, when you think of what utilities and  
 8 expenses are. Under the current revenue-

10 CHAIRMAN CARNEY: In the reverse order,  
 11 Omar.

12 MR. NAZEM: Reverse order. Whichever order  
 13 you choose. But you think of those two items.  
 14 The current revenues, even at their lowered  
 15 rate, and the projections on which you have-it  
 16 has a multi-year recovery from the pandemic  
 17 baked into it. It's not a bounce back. It's  
 18 not an L-shaped recovery. It's sort of a slow  
 19 parabolic curve type of recovery that we're  
 20 forecasting. We're okay on that front, for some  
 21 time to come. If you look at it from the credit  
 22 rating side or the investor community side,  
 23 where the focus is on things like the ratio of  
 24 revenues to debt service, the kind of questions  
 25 around if there were a shock in market rates or

1 market receptivity to bonds and things got  
 2 worse, do you have the money there to absorb  
 3 changes in the debt structure, things like how  
 4 do you—how much—when you end the year, you have  
 5 a cushion at the end that you roll forward to  
 6 prepay next year's debt, as we do, as we have  
 7 done for years on the structural features that  
 8 the investment community values highly. For  
 9 those things, we could sustain it for a time,  
 10 but every year that goes on at the lowered  
 11 revenue rate would diminish a little bit the  
 12 amount of buffer in that safety cushion, the  
 13 investor community and the rating agents would  
 14 look for. And after a time, they would start—  
 15 you would start to hear comment and there would  
 16 be criticism that went on for too long. In  
 17 terms of the - - money on the debt. You  
 18 reimburse the city for the utilities running  
 19 cost. Those we are good today and we are good  
 20 for some time to come.

21  
 22 CHAIRMAN CARNEY: Okay. Thank you, Omar.  
 23 And Adam, thank you for the question. Mr. - -?

24 MR. MURIN: I don't know. Ed, would you  
 25 like to add anything to that, just as the rate

consultant?

ED: I was just going follow up on Omar's point that we are assuming a gradual recovery, both in terms of water consumption by the non-residential customers, which are down roughly 20%. Also, a recovery, in terms of collections as well. But we spread that out and assumed now that it's not really until 2025 that the system is completely back to the pre-pandemic days. But the other point I wanted to make too, and Olga Chernat could add to this too is that the system has also been positively impacted by a terrific interest rate environment, both in terms of the cost of variable rate debt, as well as fixed rate debt, so that has produced some significant savings on the cost of service side, which has helped out quite a bit, not just in the last year, in prior years too, but particularly this past year.

CHAIRMAN CARNEY: Olga, are you on? Could you expand on Ed's comment, if you are?

MS. OLGA CHERNAT: Hi, everyone.

CHAIRMAN CARNEY: Hi, good to have you with us.

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MS. CHERNAT: And Ed, that's totally correct, the system and the financing program of the system have benefitted for a number of years of incredibly low interest rate environment. I don't think this is news to anyone - -. I feel like we - - pretty much every year. But post market disruption of last March due to COVID, which luckily was very brief, the market actually--the market conditions were very favorable for issuers, including water authority. And so we were able to sell and market 1.3 billion of new money bonds at incredibly low rates. We were also able to bring to the markets 2 billion of refunding bonds, which got us about \$450 million of net present value of savings. So all of that is supporting the current rate picture.

CHAIRMAN CARNEY: That's terrific. What is your crystal ball telling you about interest rates, going forward?

MS. CHERNAT: Oh, that's a question that I think even the brightest minds of Wall Street really - - the answers. But we'll see how things will develop. Right now the market is

1 getting more concerned about inflation. And  
2 inflation does mean high interest rates.

3  
4 CHAIRMAN CARNEY: High interest rates. I  
5 agree.

6 MS. CHERNAT: So it's always a very  
7 difficult thing to predict because you have  
8 multiple factors. Certain factors tend - -  
9 rates and certain tax rates, like the pace of  
10 the economic recovery, post COVID pushing for  
11 lower rates. So we'll have to be prepared for  
12 either environment.

13 CHAIRMAN CARNEY: And I absolutely agree,  
14 Olga. I won't ask you about unemployment and  
15 how that will affect interest rates going  
16 forward, because nobody knows right now. But  
17 what has just happened, what we have seen in the  
18 last two-in the last week with regard to  
19 unemployment is troublesome. And we all have  
20 our notions about what impact that will have on  
21 interest rates. But fingers crossed. Thank you  
22 very much for taking the time to answer my silly  
23 questions.

24 MR. MURIN: Okay. If there's no other  
25 questions on slide 5. Hearing none, I'm going

1 to turn over slide 6 to Omar.

3 MR. NAZEM: So as Joe highlighted, revenues  
4 are, year to date, lower than they were in  
5 either of the last two fiscal years. That's  
6 something we anticipated and built into the  
7 budget. There are really two principal causes  
8 for that. One Joe mentioned, the higher  
9 delinquency rate. If customers don't pay their  
10 bills, we can't recognize the revenues, if there  
11 isn't a payment to recognize. The second is on  
12 the bills that are going out, there is generally  
13 lower water use. Most of our customers are  
14 billed on a metered basis, where they're billed  
15 essentially the quantity of water used,  
16 multiplied by the rates. Less usage means lower  
17 bills, even for those customers who are  
18 remaining current on their bills. It's quite a  
19 different story, and Ed hinted to this, based on  
20 the type of property you look at. We show this  
21 on the chart, really, in kind of three segments.  
22 On the residential side, the small properties  
23 are actually up somewhat, compared to last year,  
24 which is not totally surprising, since folks  
25 were at home much more than they used to be.

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1 And the smaller properties are generally owner  
2 occupied, year-round city residents for the most  
3 part. The larger residential is showing a small  
4 decline. Again, there is some—that is the  
5 investment property world. I've got folks who -  
6 - multiple cities in cases. So you're seeing a  
7 small decline there but nothing out of the  
8 ordinary for year-to-year fluctuations, a modest  
9 decline, I described it. It's when you go to  
10 that non-residential category, which is only  
11 one-fifth of the revenues, but a large  
12 footprint, in terms of the city's economy and  
13 the built environment. You've got a nearly 20%  
14 year over year decline. And we've got a bunch  
15 of stuff squeezed into that one category in the  
16 interest of not overwhelming you with detail,  
17 but there's considerable variance, whether you  
18 look at the schools and retail, which had  
19 smaller declines, all the way to the airports,  
20 and the theaters, and the entertainment venues,  
21 which were down 50%, 60% year over year. So  
22 those are large customers, in terms of their  
23 bills and the water usage. So it's certainly a  
24 headwind, in terms of where the revenues are,  
25

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1 and the second part of that story, in addition  
2 to the rise in delinquencies issued. But 5-7,  
3 we have the water finance authority folks on the  
4 phone too, who I'm sure will jump in. I'll just  
5 summarize this. The key points I think we  
6 wanted to get across on this slide were in  
7 contrast to the very volatile capital market  
8 conditions we saw last spring, the marketability  
9 of all tax exempt bonds has improved, compared  
10 to then. And the interest rates that investors  
11 are requesting to buy the bonds are dramatically  
12 improved. One data point, just to emphasize  
13 that is on the variable rate bonds, which are  
14 not most of what we sell. They're about one  
15 quarter of our total debt outstanding. Today  
16 the rate of interest, though, is less than one-  
17 tenth of 1%. If you went back to last spring,  
18 we were north of 5%, which is—the spread between  
19 the two rates speaks for itself. - - the  
20 rockiness last year, the markets are settled  
21 down now. The Authority has been able to sell  
22 its bonds at good rates. Our credit ratings,  
23 which are top notch or next to top notch from  
24 all the big three rating agencies are still

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1 there. There has been no change in the ratings,  
 2 no change in outlook. The other thing—we show  
 3 this in the chart on the bottom, just to kind of  
 4 give you a sense of where things are headed.  
 5 Basically the total system debt outstanding has  
 6 been sideways for several years. It's bounced  
 7 around a little bit, small percentage changes up  
 8 and down. But we are starting to show  
 9 projections where we think that in the next year  
 10 to two there will be—we'll start to see small  
 11 increases in the total amount of debt  
 12 outstanding, nothing I would describe as kind of  
 13 unusual. But we are expecting to start to see  
 14 more than those kind of hovering around 0%  
 15 growth increases in the total stock of debt.  
 16 David and Olga I'm sure have a lot more to say,  
 17 have more up to the minute market commentary on  
 18 what is going on, on the bond side.

20 CHAIRMAN CARNEY: David, Olga, do either of  
 21 you want to comment? I'm happy with Omar's  
 22 comments, but if you have anything to add, we'd  
 23 love to hear it.

24 MR. DAVID WOMACK: Hi, Al. This is David  
 25 Womack, the chief executive officer of the Water

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Authority. Omar covered it pretty well. The markets did—as you heard, the markets recovered quite rapidly, and we benefitted—the Water Authority benefited significantly through re-financings and its new money offerings. Our credit ratings remained strong. However, as the agencies have started to notice, the pressure on rates - - our forecast debt load, and it's something we have to watch. It's something we have to be very careful of. Ratings are very—as you know, are very precious. And that helps us secure capital at the lowest possible cost. And we're very protective of that. Olga, would you like to add anything to that?

MS. CHERNAT: No, I think that just in summary I would say that we're happy to report that the financing program is working well. And again, we were able to take advantage of an incredibly favorable rate environment in fiscal 2021 year to date. And as well as we are careful about rate forecast and positioning ourselves to be able to run the program in any interest rate environment.

CHAIRMAN CARNEY: Thank you, Olga. Do the

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1 members have questions for David or Olga? Any  
 2 questions about the interest rate environment  
 3 particularly? But also the ratings environment  
 4 for our bonds. No? Okay. Thank you very much.  
 5 Omar, you're on.

7 MR. NAZEM: - -. I'll do this next slide,  
 8 which is slide 8 in the presentation, looking at  
 9 the 10-year capital investment plan, which for  
 10 fiscal 22 through fiscal 31 is \$20.4 billion.  
 11 Rather than using a pie chart, we tried this  
 12 graphic, and each of the rectangles just shows  
 13 the relative size of that particular item, as a  
 14 percentage of the \$20.4 billion. So as you can  
 15 see through there, a little more than a third is  
 16 going towards wastewater treatment and  
 17 wastewater management. \$5 billion of the 20.4  
 18 is going for sewer extensions and replacements,  
 19 including the blue belt program. So that's  
 20 mostly for water drainage. For water  
 21 distribution, about another \$5 billion, and that  
 22 includes the dam safety program. And then water  
 23 supply and transmission, \$2.33 billion, the rest  
 24 for - -, so that's the breakdown of the 10-year  
 25 plan.

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MEMBER FREED: And this is Adam. Do you have an estimate for how much the green infrastructure and kind of blue belt oriented programs represent within that?

MR. MURIN: Adam, this is Joe Murin. I think it's somewhere close to just maybe shy of a billion. But let me get back to you with an exact number.

MEMBER FREED: Appreciate that very much.

MR. MURIN: Yeah.

CHAIRMAN CARNEY: And Adam, would you share that number with us, once-

MR. MURIN: I'll shoot it to all the Board, Mr. Chair.

CHAIRMAN CARNEY: Thank you, Joe.

MEMBER FREED: Thanks, Joe.

MR. MURIN: And I would also point out, at this point, that none of this funding has any assumption to the earlier question from I think it was Member Freed, for any stimulus funding at this point. We are continuing to have those discussions, as I said, internally and with the administration, and with our federal and state contacts, to see what and how much we may be

1  
2 able to leverage, both from the existing  
3 program, as well as the proposed infrastructure  
4 program that may be coming from the Biden  
5 administration.

6 CHAIRMAN CARNEY: Thank you, Joe.

7 MEMBER FREED: And I would just note there  
8 that there's a distinguishing between the ARP,  
9 which has been passed and has money flowing, and  
10 we just need to understand how it flows, as  
11 opposed to the American Jobs Plan, which still  
12 needs to be designed and passed.

13 CHAIRMAN CARNEY: They say fleshed out.

14 Thank you, Adam.

15 MR. MURIN: Correct. All right. Let's move  
16 on. Slide 9 now. So this is the rate proposal  
17 for the next fiscal year, fiscal 22. So we're  
18 proposing a 2.76% rate increase for customers in  
19 New York City. That funds the needs of the  
20 system, as well as an increase in the customer  
21 affordability programs, from \$20 million a year  
22 to \$30 million a year, which we think is  
23 important, as we still face pandemic challenges.  
24 The last bullet on that slide also, the mayor's  
25 executive budget calls for no rental payment

1 from the water system in FY22, so that's  
2 included in this projection.  
3

4 CHAIRMAN CARNEY: When will we know that  
5 that projection—I guess there is no way to know  
6 when we will know if that's accurate.

7 MALE VOICE: Well the budget office has  
8 actually—the budget office is required to  
9 deliver the Board a—it's a budget certificate  
10 each year, which includes—it's got certified,  
11 operating, and maintenance expense, as well as  
12 rental. We received a certificate already for  
13 FY22.

14 CHAIRMAN CARNEY: Oh, have we? Okay.

15 MALE VOICE: And the rental line is zero.

16 CHAIRMAN CARNEY: okay.

17 MALE VOICE: The legal documents we have, it  
18 is zero.

19 MR. MURIN: And I think that answered that.

20 CHAIRMAN CARNEY: Joe, please.

21 MEMBER GOLDIN: Sorry.

22 MR. MURIN: Go ahead, Jonathan. I'll let  
23 you go first.

24 MEMBER GOLDIN: Oh, thank you. I was just  
25 going to ask, on Omar's point about the

1 certificate, if I recall from at least one prior  
 2 year, if not two, we've had situations where the  
 3 certificate has been amended retroactively. And  
 4 so I just—I want to make sure we're thoughtful  
 5 about what we're putting on that line, in terms  
 6 of what that expenditure is reasonably expected  
 7 to be. And hopefully, we can consult with our  
 8 auditors and whoever else, whatever other  
 9 professionals are appropriate, in order to make  
 10 that determination because I think that we've  
 11 had the experience a couple of times where we  
 12 have in fact deemed that liability to be zero.  
 13 And it's been changed after the fact. And I  
 14 want to make sure that we're responsible, in  
 15 terms of really trying to create thoughtful  
 16 projections, so that we don't end up then in a  
 17 situation where we are underfunded.

19 MR. MURIN: And I'm glad you asked that,  
 20 Jonathan.

21 CHAIRMAN CARNEY: Jonathan - - reminding  
 22 this Board. Thank you for that. Joe would you  
 23 respond, please to Jon's concern?

24 MR. MURIN: Sure. And I'm glad I did let  
 25 Jonathan because to build—and he is correct. We

1 did have amended certificates go out, but we did  
2 get-

3  
4 CHAIRMAN CARNEY: Wait, wait. What's  
5 important about that is that it was retroactive.  
6 They did the certificate and then amended the  
7 certificate retroactively, to change the number.  
8 That's what is significant.

9 MR. MURIN: Yes. And that was, I think  
10 given the time and place we were in last spring-  
11 summer, in the depth of the pandemic, and the  
12 financial situation the city was in. Given the  
13 significant funding stream that the city is  
14 going to be experiencing and has already gotten  
15 from the federal government, we've been given a  
16 very, very strong assurance from the  
17 administration that the rental payment will not  
18 be given. And barring some sort of unforeseen  
19 financial circumstances, which of course could  
20 happen in any instance, we are very, very  
21 confident that there will be no request for a  
22 rental payment for fiscal year 22.

23 CHAIRMAN CARNEY: Fair enough. Joseph,  
24 thank you. I know it's a representation. It's  
25 the best you have to offer. We will rely on it



and keep our fingers crossed, but we know that some other horrific financial situation, I suppose, could change the city's decision. We'll keep our fingers crossed.

MR. NAZEM: Switch to Omar, slide 10. So slide 10, to try and make the rate increase, the proposed rate increase more relatable to a healthful budget, what we do on this slide is we look at the total year on year change, and then we spread it out over the 12 months, just to try and related it to how households typically see their budget. And the short version is for whichever one of these rate plan assumptions you want to make, the monthly increase is somewhere in the range of \$1.50 to \$2.50, which is not a huge dollar sum, with the exception of customers who are on the minimum charge, this is the rate plan you get if you're using less than 90 gallons a day, where we switch you off - - metric and put you on as the-yeah. It's 49 cents a day for water, plus the - - surcharge. It's \$464 bucks a year. Those rate plans will have no year-over-year rate increase. Everyone else, for typical use is somewhere between \$1.50

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and \$2.50 a month.

CHAIRMAN CARNEY: Okay.

MR. NAZEM: Slide 11 is a little more detailed on the customer affordability program expansion the commissioner mentioned. What the slide lays out is we have three bill credit programs that we think of as our marquee customer affordability programs. One is targeted at multi-family properties of four units and up. The second is targeted at smaller, mostly owner occupied properties, in the one to four unit range. And then we have a leak mitigation program, where we write off part of a charge for leaks that are notified, and they tell us about it. Then they fix it. And you get a bill credit off for the excess charge. There's no change to leak forgiveness this year that we're proposing. But we are talking about the two water assistance programs. The multi-family plan is a bill credit program where if a property is affordable, meaning it's subject to an affordability agreement with the city or state housing entity and had 15 years left to run on it, and is generally in good standing and

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1 charges rents that are affordable, based on an -  
 2 median income calculation. You get a \$250 bill  
 3 credit for each qualified apartment unit in the  
 4 building. That's a very successful program.  
 5 It's essentially fully subscribed every year,  
 6 and we're going to increase the funding on that  
 7 one by \$2 million, which lets us do an  
 8 additional \$8,000 apartment units worth of  
 9 credits, compared to what we've been doing the  
 10 last couple of years. The larger dollar change  
 11 is on the second program, the smaller property  
 12 owner home water program. We're doing two  
 13 things there. We're going to expand  
 14 significantly the list of property tax benefits  
 15 and exemptions that qualify for the program.  
 16 We're going to bring in the veterans, disabled  
 17 crime victims, and a couple--some of the other  
 18 smaller property tax exemption categories we  
 19 haven't included before. To date, it's been  
 20 more senior focused and - - seniors with  
 21 disabilities or lower incomes, principally.  
 22 We're going to expand the pool dramatically by  
 23 bringing in the vets and the disabled crime  
 24 victims, one which increases the number of  
 25

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1 properties. And then two, we're going to move  
 2 the bill credit size itself. It's about \$116  
 3 now, basically. We want to move it up to—from  
 4 \$116 to \$145. So everybody in the pool is going  
 5 to get a bigger bill credit, if the policy is  
 6 adopted as proposed, in addition to an expansion  
 7 of the pool of people eligible for the program.  
 8 The total dollar cost of that is a movement from  
 9 6 to 14, so that's—\$8 million to \$10 million  
 10 expansion is on the small property program. The  
 11 other two is on the larger, multi-family  
 12 program. And then the small property owner  
 13 program too is close to fully subscribed every  
 14 year. Both programs are very popular with the  
 15 public.  
 16

17 CHAIRMAN CARNEY: Okay, thank you.

18 MR.NAZEM: All right. Slide 12, this is  
 19 kind of the [crosstalk].

20 MEMBER FREED: I'm sorry. This is Adam.  
 21 Just a quick question. Appreciate the  
 22 multifamily conservation program. Can you talk  
 23 about the per residential unit increase. Do we  
 24 have a sense of how many—what the average amount  
 25 of units per building is?

1  
2 MR.NAZEM: It's an interesting- I'll actually  
3 steer you away from the average because  
4 in the multifamily world-

5 MEMBER FREED: Or mean, or median.

6 MR.NAZEM: Yeah, actually most of the properties  
7 have 30 units and under. We have some larger.  
8 They get into the hundreds. If you kind of do  
9 the curve, it's like a big J-shaped curve. Most  
10 of them are in that kind of smaller 30-really,  
11 when you get past the low 100s, it starts to  
12 become pretty scarce, in terms of who is  
13 applying. They're more in that kind of smaller  
14 property universe. The one exception to that is  
15 some of the nicer properties are eligible. We -  
16 - participation at 20% of the program. Some of  
17 those properties are on the larger side. But  
18 generally, it's kind of smaller real estate-  
19 smaller investor owned or smaller housing group  
20 type owned properties who get most of the  
21 credits.

22 MEMBER FREED: And then my other question, I  
23 think this goes back a couple slides, just as we  
24 think about the delinquencies I know the  
25 emergency rentals program continues to be

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1 expanded, and a lot of money flowing to New  
 2 York, obviously not to completely meet the need.  
 3 One of the eligible expenses within that is to  
 4 pay delinquencies on utility bills. Do we  
 5 anticipate some of those funding kind of  
 6 trickling into the Water Authority for  
 7 delinquent bills? Or is that an open question,  
 8 at this point?  
 9

10 MR. MURIN: We've been exploring that  
 11 because we're not a hundred percent clear how  
 12 those funds are going to flow. I should say the  
 13 understanding is they're going to be coming from  
 14 the Health and Human Services Administrations,  
 15 usually not a federal entity that we as DEP deal  
 16 with. So again, we're coordinating with City  
 17 Hall, in terms of—and then it also will come  
 18 down through New York State. So how those funds  
 19 will make their way from the state to the city,  
 20 and then how the city then decides to distribute  
 21 those—we're assuming that we will be getting  
 22 some portion of those. But [crosstalk].

23 MEMBER FREED: Yeah, well I thought cities  
 24 were getting direct allocations for ERAP  
 25 [phonetic] from Treasury, not flowing through

1 the state. I know that most major cities were  
 2 able to apply for direct allocation, in addition  
 3 to anything they could receive from the state.  
 4

5 MR. MURIN: Okay. So yeah, I wasn't aware  
 6 of that, but if that's the case, Adam, I'm going  
 7 to follow up. Angela Licata, deputy  
 8 commissioner Licata, you're aware she's been--  
 9 she's been running point on this for us. So I'm  
 10 going to talk to her, and we'll - -.

11 MR. NAZEM: When we go to follow-up, Adam,  
 12 that's [crosstalk].

13 MEMBER FREED: Yeah, just as we look at kind  
 14 of the - - there's a huge pressure on landlords  
 15 and people who own these buildings, so--and that  
 16 cascades to us. So thank you. I appreciate  
 17 that.

18 MR. MURIN: Hey, and we want to make sure  
 19 that we're going to maximize whatever our  
 20 ability is to avail ourselves of those funds as  
 21 well.

22 MR. NAZEM: Okay. If there are no  
 23 additional questions on slide 11, I'm going to  
 24 flip over to slide 12 now. This is a chart  
 25 we've shown for several years. Really, the

1 point it makes is although the city's water  
 2 charges generally go up as our expenses go up,  
 3 and running costs go up, other cities are  
 4 increasing their rates, their water rates, at an  
 5 even higher percentage rate in a typical year.  
 6 So if you compare that the typical user in this  
 7 city is paying to a typical water customer in a  
 8 pool of 30 other large, comparable cities, we  
 9 are on a relative basis becoming actually more  
 10 affordable, compared to other cities, even  
 11 though our charges go up slightly each year.  
 12 We've been in the 1%, 2%, 3% world for quite  
 13 some time, and others are in the 4%, 5%, 6%, 7%  
 14 rate increase world. So some comfort. You  
 15 raised my bill but compared to what's going on  
 16 elsewhere, it's actually relatively more  
 17 affordable than many other cities.  
 18

19 CHAIRMAN CARNEY: Omar, thank you. I  
 20 appreciate this slide. I appreciated more, I  
 21 think, the slide that actually compared our  
 22 increases to specific cities, the large urban  
 23 areas, the metropolitan areas that you all did  
 24 not include this year.

25 MR. NAZEM: We actually have. We were

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1 trying to get the presentation, I'm sure. We  
2 actually have that slide, which we can post to  
3 the website and send to the members, no problem  
4 [crosstalk].  
5

6 CHAIRMAN CARNEY: Thank you. I'd like to  
7 see it. I'd love to. Thank you.

8 MR. NAZEM: We were trying to be - - too.  
9 We had a big debate, which one of the two do you  
10 want to do? And we [crosstalk].

11 CHAIRMAN CARNEY: I got it. I understand.  
12 Thank you for [crosstalk].

13 MR. NAZEM: I like - -.

14 CHAIRMAN CARNEY: All right, thank you.

15 MR. MURIN: I agree with - -. I like that  
16 other one better. But-

17 CHAIRMAN CARNEY: Yeah. Thank you, Joseph.

18 MR. NAZEM: Okay. I'm going to go on to  
19 slide 13 then. So these next four slides are  
20 all-to a lot of the public - - going to come  
21 across as rate schedule minutia. But they're  
22 going to be the subject-they're going to be on  
23 the agenda for the public hearings and they are  
24 important. The Board is going to be asked to  
25 vote on them. So bear with me if these veer

into legalese at times.

CHAIRMAN CARNEY: Omar, let's not. I mean [crosstalk].

MR. NAZEM: Okay. I'll do the one sentence summaries. Okay. Slide 13, we have—I said earlier most customers build on the metered rate. We have some customers who are not. Most of those customers are large multi families enrolled in what's called the multi-family conservation program. You've got to be metered and have to be water efficient to be in the program and be generally affordable. If you are, then you get billed on a flat rate. To be in that program, you have to file paperwork, verifying you did all the things we said you have to do. We have a tiny group of properties which is down to about 6,000 now who we automatically enrolled in this program a few years ago because they were on a rate plan we were phasing out. And not all of them have filed the paperwork yet. In the rate schedule there's a surcharge. You're supposed to get assessed if you don't do that. We're reluctant to do that because of the pandemic, because the

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1 properties were generally affordable, and  
 2 because a lot of them are actually complying  
 3 with the program. They just haven't gotten  
 4 around to filing the paperwork yet. So what  
 5 we're asking to do here is like we did last  
 6 year, suspend the penalty for one additional  
 7 year, the surcharge I should say, through the  
 8 end of 2022. There's a lot of history to that  
 9 program. But they basically ask is we're going  
 10 to suspend that surcharge for another year. So  
 11 that's slide 13.

13 CHAIRMAN CARNEY: That's a great idea too.  
 14 Thank you. Go ahead.

15 MR. NAZEM: Slide 14, so if you don't pay  
 16 your bill on time, DEP is required by state law  
 17 to charge late interest on the bills. That's  
 18 the statutory requirement to do that has been  
 19 the same since we were set up in 1985. There  
 20 has been no change. It's a little tricky  
 21 because the interest rate we're required to  
 22 charge is supposedly the same one that is  
 23 charged on overdue property tax bills in the  
 24 city, which makes sense. For a technical  
 25 computer system limitation reason, for several

1 years we've been charging, of the two different  
 2 interest rates you're supposed to charge, based  
 3 on whether a property is more or less valuable,  
 4 we've been charging the lower rate, which is 5%  
 5 because the computer system is an older computer  
 6 system that only handles a single rate of  
 7 interest. We have a new computer system which  
 8 we've talked about in the past, which is a  
 9 really nice Microsoft dynamic system, and the  
 10 entire agency has been involved in it. It's  
 11 going to be coming online sometime in calendar  
 12 year 2022, or 2021, I should say, this calendar  
 13 year. And it can charge the two interest rates.  
 14 So what we're doing is simply restating the  
 15 state statutory authority that's been in place  
 16 for a long time, that you've got to charge the  
 17 two interest rates and amending the rate  
 18 schedule to say that, instead of saying what it  
 19 says currently, which is the actual  
 20 administrative practice, based on the fact we  
 21 can only charge one of the two interest rates.  
 22 So that's the long description of that. We're  
 23 going to restate the legal authority and set up  
 24 the actual administrative practice on the  
 25

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1 interest rates issue. The number of our 840,000  
 2 accounts, the number of accounts who would  
 3 actually be impacted by this is about 40,000.  
 4 So that's accounts in the higher value bucket  
 5 who have unpaid bills. So most accounts will be  
 6 completely unaffected by this. If you pay your  
 7 bills on time, you're totally unaffected by it.

9 CHAIRMAN CARNEY: Okay.

10 MR. NAZEM: Slides 15 and 16 I'm going to  
 11 group together. We have two different things on  
 12 the rate schedule that were put in place to  
 13 incentivize property owners to install recycling  
 14 assets. There is one—there's basically a water  
 15 recycling asset in one building provision, and  
 16 there is a wastewater recycling asset, or  
 17 private wastewater treatment billing discount in  
 18 the second provision. We did this because we  
 19 wanted to incentivize people to install green,  
 20 environmentally friendly improvements. We have  
 21 not had a lot of uptake on these two billing  
 22 discounts. Between the two, I think we have  
 23 fewer than 10 properties, of our 840,000 who  
 24 receive either of the discounts. So there are  
 25 things that do have to have green

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1 environmentally friendly benefits. So we're  
 2 doing two things here. We're asking the Board  
 3 to consider doing two things here. The first  
 4 ask is true of both billing discounts. We want  
 5 to amend the rate schedule to move away from the  
 6 idea that only a single property can apply for  
 7 the recycling asset and retain that, but also  
 8 let groups of properties, as in the case of  
 9 larger developments apply if they had a single  
 10 water-wastewater recycling asset that they share  
 11 and they used in different contributions,  
 12 withdrawal percentages. If you look at what is  
 13 going on with some of the larger developments,  
 14 that's what they're doing. There might be seven  
 15 properties in a larger development, connected to  
 16 a single water re-use system. And the rate  
 17 schedule simply doesn't let you apply right now.  
 18 It's based on a single property construct. So  
 19 what we want to do is we want to say if you  
 20 apply as a group, every property is going to  
 21 have a single standalone application. If  
 22 there's a change in ownership or - - enabling  
 23 the owners to cooperate, you'll lose the  
 24 discount. You've got to have the cooperation to  
 25

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1 get the discount in the first place. But it  
2 doesn't have to be a property, a recycling  
3 asset. It can be a group of properties sharing  
4 a recycling asset, either water or wastewater.  
5 And that's a common change for both the water  
6 reuse and the private wastewater treatment plan.  
7 We're asking for the same thing for both of  
8 them, in effect. On the wastewater one,  
9 specifically, there is a second change we're  
10 asking the Board to look at, which is in the  
11 rate schedule now, what the rate schedule  
12 basically says is if you install a private  
13 wastewater treatment plant on the property and  
14 there is any release of sewage whatsoever into  
15 the city system, whether it's treated or  
16 untreated, you can't get the discount. Again,  
17 there's a single number of properties who have  
18 actually received this discount and qualified  
19 for it. So what we're suggesting the Board look  
20 at is moving that floor for - - release from 0%  
21 to 10% of the annual flows. And that's subject  
22 to a calculation, a schematic analysis, and a  
23 long engineer's report, and all of it is subject  
24 to extensive internal review by our billing  
25

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department and our engineering teams as well.  
 But the 0% allowable release has not attracted a  
 lot of interest. - - we're eager to see if  
 there is more interest forward, like somewhat a  
 higher threshold than 0% allowable release.  
 Those are the rate schedule asks. We're going  
 to have a long markup of the whole document on  
 the website later today, showing the exact  
 language for people in the industry, as well as  
 the new rates, to the exact penny for all the  
 different dollar amounts, so people can review  
 it. Are there other questions about any of the  
 four rate schedule ideas?

CHAIRMAN CARNEY: None here, Omar. If we go  
 then to—where are we going to?

MR. NAZEM: I'm going to hand it back to Joe  
 for slides—

MR. MURIN: Right. So board members, we're  
 on slide 17, which is the preliminary water  
 board financial outlook. And this is a  
 comparison of what we estimate where we're going  
 to land for fiscal year 2021, and then comparing  
 it to what our preliminary estimate is for  
 fiscal year 2022, both of which were used going



1 into establishing the rates that we're proposing  
2 to the Board today. And to the Chair's earlier  
3 point, our biggest component of course being for  
4 debt service, the water authority, doing our  
5 financing on the capital projects that the  
6 commissioner went through. And that has a  
7 slight change, not really in a percentage, in  
8 dollar amount, going from 1.8 to just about a  
9 little under \$1.8 billion. Then on the DEP  
10 operations and maintenance, which covers all of  
11 the cost of maintaining the system, running the  
12 staff, and all the related contracts and other  
13 expenditures, that has a slight increase—not so  
14 slight, I shouldn't say, but it's about going  
15 from 1.49 to 1.629. And there is some movement  
16 within that because we did, as a result of the  
17 pandemic last year, we had significant  
18 underspending. And that was both because of  
19 slowdown in the processing of things, and just  
20 the general economic delay in a lot of things.  
21 And some of those things were deferred or just  
22 pushed into fiscal year 2020, to this fiscal  
23 year as well, and into the fiscal year 2022.  
24 When you look at the details, there are some

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1 additional increased expenses that we do have  
 2 out there, one being that we are starting to  
 3 plan for Gwanis [phonetic] Canal remediation  
 4 design. This is our obligation to put in place  
 5 designs for the in-canal remedy, which is being  
 6 undertaken by National Grid, but which we as a  
 7 city and the system as a subcomponent of the  
 8 city's obligation, is being required to pay for  
 9 that remedial design and eventually for the in-  
 10 canal remedy that is going to have to take  
 11 place. There is also additional funding for  
 12 dewatering at the Halisted [phonetic] plant,  
 13 which is necessary because there is dock repair  
 14 going on, and that's having to take into account  
 15 those repairs taking place, so that's about \$10  
 16 million. There's increased chlorine cost.  
 17 That's about \$7.8 million. And there's also the  
 18 increased-the additional costs that we'll be  
 19 incurring for the billing system, which Omar  
 20 referenced before, in terms of us putting that  
 21 out and getting that up and running for fiscal  
 22 year-it will happen in fiscal year 22, but we'll  
 23 be in-we're looking towards the fall, early  
 24 winter of calendar year 21. And then there's

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1 about \$6 million for marine fleet operations for  
 2 the wastewater treatment plant. There are any  
 3 number of other things moving through there, but  
 4 those are the biggest items on there. I'll  
 5 pause for a moment, to see if any of the board  
 6 members have any questions before I move on to  
 7 the other items. I'm hearing none right now.  
 8 And then there's also Water Board operations and  
 9 Water Authority operations. Those are primarily  
 10 the financing charges for the system, the Water  
 11 Board operations. Again, there is a big pass  
 12 through here, which is for—and Omar, you could  
 13 speak to this, for the AWR, which is the service  
 14 line protection program, which basically, we  
 15 access the conduit. We collect, and then we  
 16 just re-disburse it back to—

18 MR. NAZEM: But the Board is about half of  
 19 the budget of 110, and the - - service line plan  
 20 are 90% of the Board's half. So—

21 MR. MURIN: Yeah, so it's not a—

22 MR. NAZEM: And the Authority has similar  
 23 concentration - - the interest. The Authority  
 24 liquidity fees, I think. You can correct me,  
 25 but similarly a very large percentage of the

Authority - -.

MEMBER FREED: And this is Adam.

Recognizing this is a really small part of the budget, but the one that kind of directly links to us in many ways. It's about a 10% increase that we're seeing. Is this related to the pass through for AWR or are there particular expenses that we're incurring as the Board, that have changed?

MR. NAZEM: No, it's not--there's some level of growth in the AWR program built in. We do have a new--there's a new--there's a couple of new agreements on the Board side. There's a - - agreement for electronic payment processing will be - - a couple million dollars. And the design build specialists when they get started will add probably another half a million. But if you look at the history of these budgets, the Board and Authority combine to come in about 10% below budget. So I think what we're seeing here is kind of similar budget and practice in the past, where you show growth and then come in under budget in the end.

MR. MURIN: Olga, you were going to add

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1 something on the Water Authority side?

2  
3 MS. CHERNAT: Yes, so a very large part of  
4 the Authority's budget relates to liquidity fees  
5 and re-marketing agent fees. And those are  
6 services that are needed to support variable  
7 rate programs. And there has been some built-in  
8 inflation in those numbers. So our budget has  
9 moderately grown from fiscal 2021 to 2022,  
10 largely as a result of these two categories.

11 MR. MURIN: And then, as noted, we do not  
12 have budgeted for fiscal year 22 any payment on  
13 the rental. So they're fairly steady, but there  
14 is, at \$3.5 billion for operational and  
15 financing charges, but some movement within  
16 that. Again, I'll pause to see if Chair or any  
17 of the members have any other questions.

18 CHAIRMAN CARNEY: Thank you, Joe. None  
19 here.

20 MR. MURIN: All right. Hearing none, I'm  
21 going to turn it back over to the commissioner  
22 for—oh, I'm sorry. Omar, you're going to handle  
23 this one. I'm sorry.

24 MR. NAZEM: This is just, for members of the  
25 public, most of the Board's revenue base and

rate structure deals with charges for water use inside the City of New York. We have a second water supply aspect to what we do, which is selling water on what's known as a wholesale basis, to communities and water districts located north of the city. There is a legal reason for this, which is if you're a town in a county where the city owns water supply assets, usually the land, aqueduct - - and reservoirs, you have the right to buy water from us at this wholesale rate. This arrangement has been in place for 150 years. The rate design is completely different because it's across city lines, basically it's subject to review by the state to make sure the rate follows normal, appropriate rate setting methodologies. You can't compare the dollars and percentages of the in city to the upstate rate. They're completely different. And from the charts alone, you see that. The recent history has been the in-city rate goes up by inflationary type rates each year. The upstate rate is very complicated, and there is often an administrative process going on in the background. You adjust past charges

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1 or review the appropriateness of protected  
 2 charges. And the recent history of that has  
 3 been the rate increases have been less regular  
 4 on the wholesale side. If you kind of work out  
 5 the math, the actual annualized increase is in  
 6 the 2% to 3% range for both in city and  
 7 wholesale. But the way it's delivered on the  
 8 wholesale side is more sporadic. You have years  
 9 without and then you have years of large rate  
 10 increases, which is the difference in the nature  
 11 of the rate framework that's in place. What  
 12 we're proposing to do for FY 22 is to make the  
 13 year's rate increase on the wholesale side with  
 14 these specific rate increase for the--there are  
 15 two different--there's basically a low usage rate  
 16 and a high usage rate. Most of the water  
 17 revenues are associated with the lower usage  
 18 tiered rate. We're proposing to increase that  
 19 lower usage tiered rate by 8.82%. The exact  
 20 decimal there to make the math work on the - -  
 21 on the rate itself, which is considerably higher  
 22 than what we did last year, which is no  
 23 increase, or we did in a few fiscal years  
 24 recently. It's similar to what we did in FY 20,  
 25

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1 the last time this rate was increased and  
2 similar to what we did back in FY 16, the time  
3 before that. There is a second rate we charge  
4 as well, which is—in terms of the water volume  
5 is tiny. It's basically a sort of higher usage  
6 tiered rate, and we're going to propose to  
7 increase that second tier rate the way we have  
8 in years past, which is in line with the in city  
9 increase of 2.76%. So the lower usage tiered  
10 increase, where most of the water revenues are  
11 is an 8.82% proposal. The second higher usage  
12 tier is a 2.76% proposal. And we'll have there—  
13 there's a lot of supporting schedules and a  
14 report will be up on the Board's website  
15 shortly, detailing the assumptions and the  
16 calculation. And it will be discussed at the  
17 rate hearings as well. And we'll come to those  
18 in a second, for those—for anyone on the phone  
19 focusing on the wholesale side.

21 CHAIRMAN CARNEY: Thank you, Omar.

22 MR. MURIN: I'm sorry. But I would add that  
23 be mindful that the upstate—the revenue that we  
24 get from the upstate rates is a very minor  
25 portion of the overall revenues. It's about in



the mid-70 million range. And this will probably bring us closer to like \$80 million plus of the close to \$3.5 billion that we do collect.

CHAIRMAN CARNEY: Thank you.

MR. NAZEM: If there are no further questions, I'm going to flip to slides 19 and 20. These explain the public hearing plan. We're going to do—we're going to be in this virtual hearing format through most of June, at least. So what we're going to do is a little bit different. On the in-city side, we're going to have two public hearings, one in the daytime, one in the nighttime on different dates. The idea that you - - five. You can just call in from anywhere at one of these two times, one evening, one lunchtime. So we thought that would make sense and would be an efficient use of folks' time. The information, the dates and times, and call-in information are on slide 20. It will be up on the Board's website. They're actually on there already, in the presentation materials. And you'll see the public notice go up there later today, and in the newspapers

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1 tomorrow. Then we'll do one rate hearing on  
2 June 3rd on the wholesale side. That's a  
3 daytime hearing as well. And you can see the  
4 conference numbers and phone numbers on slide 20  
5 as well. The other event we need to announce is  
6 the actual reconvening of the Board to vote on  
7 what the final package of rates and the budget  
8 for next year will be. And we need to schedule  
9 that, and that will be up on the board's website  
10 shortly. One thing I'm going to add is that we  
11 - - a lot of email inquiries. We have an email  
12 list at the Board, which if you're interested in  
13 signing into our email list, it has all these  
14 notices and announcements, and events, and  
15 links. Send an email to the Water Board  
16 website, at [nycwaterboard@dep.nyc.gov](mailto:nycwaterboard@dep.nyc.gov). If you  
17 want to just get on the list and see the  
18 information that comes out, sign up for that  
19 email. That's probably the best way to get it.  
20 So that's everything on the logistics.

22 MEMBER FREED: And Omar, my apologies. This  
23 is Adam again. And sorry for being the person  
24 that keeps chiming in. Just one question on  
25 only having two hearings for the city. We

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1 typically have done five, one in each borough.  
2  
3 And knowing that we're not in physical  
4 locations, but just wondering if there is any  
5 contemplation of - - more hearings to mimic what  
6 we've typically done in the past.

7 MR. NAZEM: The thought was two really—our  
8 viewpoint was if you do the two hearings  
9 virtually and you kind of take—you give people a  
10 lot of time to submit written testimony, and to  
11 email, answer the questions, we found that you  
12 get pretty good coverage that way. Also, one  
13 thing driving this, if you look at the in-person  
14 hearings we had in the past, the typical  
15 attendance in recent years, in like the last  
16 five or six years, I'm talking about, a typical  
17 hearing might have at most a dozen people.  
18 There have been a couple over the years where no  
19 one showed up. And these virtual hearings are  
20 running—whether it's a meeting or a hearing, are  
21 running 40, 50, 60 people. So if you have a  
22 single public hearing, my best guess is the  
23 attendance would be in excess of the entire  
24 attendance of the in-person hearings in recent  
25 years. And if you have two of them, you might

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1 be like tenfold, where in-person attendance was.  
 2 So the thinking was the two virtuals are  
 3 accessible and just the realized attendance is  
 4 like so much higher. We talked a little bit - -  
 5 why, if you're getting so much—if you do one and  
 6 you get such good attendance. So right now we  
 7 were not. We're thinking of either just two,  
 8 one daytime, one evening would probably draw a  
 9 fairly large crowd. If that's something the  
 10 Board wants to talk about, we certainly can talk  
 11 about it. But right now, the thinking is just  
 12 the two, one day, one evening. And our  
 13 expectation is it tends to be—

15 CHAIRMAN CARNEY: Omar, it's Al. I tend to  
 16 agree with the decision to stay with the two  
 17 public hearings, for the reasons that you  
 18 enunciate. We get better attendance when people  
 19 don't have to come out in the rain, and can sit  
 20 at home and get on the phone. It makes sense.  
 21 Adam, you may want to have more hearings. Right  
 22 now, though, I don't see that that's—I don't  
 23 know that that's a good use of the board's time  
 24 because people can call in whenever they choose,  
 25 if they see that there's a hearing being held.

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1 It doesn't matter what borough they're in, they  
2 can call in. Life is good.

3  
4 MEMBER FREED: My only concern is we're  
5 giving - -. If we're getting the higher  
6 attendance, to me that seems to be working well.  
7 But I assumed it was-

8 CHAIRMAN CARNEY: No, no, I agree.

9 MEMBER FREED: --being driven by that but  
10 also wanted the public folks on the call here,  
11 to get their rationale and reasoning behind that  
12 in the results we've seen.

13 CHAIRMAN CARNEY: If we're getting good  
14 numbers, and much larger numbers, you and I have  
15 been at hearings together where nobody showed  
16 up. It is what it is. If folk can call in and  
17 are calling in in multiple numbers of what we  
18 see in person, then I'm comfortable with two.  
19 Is there anybody else on the phone who has a  
20 point of view?

21 MEMBER GOLDIN: This is Jon. I would just  
22 ask, if we have any kind of legal, or statutory,  
23 or regulatory obligation.

24 CHAIRMAN CARNEY: I'm pretty sure they've  
25 answered that question, Jon. But I don't think

we have. We have had hearings in each of the five boroughs, but Al, if you're on and you have a point of view, let's [crosstalk].

SECRETARY RODRIGUEZ: Yeah, I'm still on the phone. And the public officers law that requires us and the Water Board statute that requires us to have in-person meetings have been suspended by the governor's executive order that started way back, at the beginning of the pandemic. So that's still in effect. Currently it's in effect-

MEMBER GOLDIN:

SECRETARY RODRIGUEZ: --until - -.

CHAIRMAN CARNEY: I'm happy to stay with the number of meetings-I'm sorry, the two meetings that are accessible by anybody from any of the five boroughs. It makes sense to me. So my recommendation is we stay with that. And we're losing people faster than a speeding bullet. I think we've used up our time. People are ready to go. How are we-so we're looking at what I think is the last slide. We will prepare to have meetings in early June. Is there anything else we need to cover in this meeting?

1  
2 MR. NAZEM: No, that's everything. Well  
3 we'll be posting some additional information to  
4 the Board's website later today. And if folks  
5 check the website, or if they want to sign up  
6 for the email list, that's the way to get  
7 information about this.

8 CHAIRMAN CARNEY: Terrific, Omar. Thank  
9 you. I want to thank the Commissioner for  
10 joining us today, if he's still on.

11 COMMISSIONER SAPIENZA: Thank you, Mr.  
12 Chair.

13 CHAIRMAN CARNEY: Commissioner Sapienza,  
14 it's been terrific to have you. Thank you very  
15 much for your presentation. I also want to  
16 thank Al Rodriguez, who has done a magnificent  
17 job today of helping us to think through our  
18 fiduciary responsibility. Al, thank you. Very  
19 grateful for your sort of thinking out loud with  
20 us about what we need to do.

21 SECRETARY RODRIGUEZ: Thank you, Mr.  
22 Chairman, for the acknowledgement. I appreciate  
23 it.

24 CHAIRMAN CARNEY: And then finally, the  
25 people at HPD. They offered us a terrific

1 presentation today, and I think the Board  
2 members were real clear in their questioning.  
3 Thank you all very much for what you did for us  
4 today, just to make the real estate matter as  
5 clear as you did. Are there any other matters  
6 to come before the Board? Hearing none, if  
7 there are enough board members left, for me to  
8 ask for a motion to adjourn.  
9

10 MEMBER GOLDIN: This is Jon. I'll move to  
11 adjourn.

12 CHAIRMAN CARNEY: Thank you, Jon. Is there  
13 a second?

14 MEMBER FREED: Adam, I'll second.

15 CHAIRMAN CARNEY: Adam, thank you very, very  
16 much. If there are no objections to the motion  
17 and no abstentions from the vote, then we'll  
18 assume the motion passes unanimously, and the  
19 meeting stands adjourned.

20 MALE VOICE: Thank you.

21 FEMALE VOICE: Have a good day, everyone.

22 MR. MURIN: Thank you all.

23 [END RECORDING]



C E R T I F I C A T E

I, Michelle R. Killen certify that the foregoing transcript of NYC Water Board Meeting - 5-10-2021 was prepared using standard electronic transcription equipment and is a true and accurate record 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:

*Michelle R Killen*

Date: May 17, 2021