

# **NEW YORK CITY WATER BOARD**

**NYC Water Board Meeting**

**April 29, 2022**

2 [START RECORDING]

3 MR. ALFONSO CARNEY: Thank you very much,  
4 sir. This is Al Carney. This is the first  
5 meeting of the Water Board of 2022. I believe  
6 this is our first meeting. We have a quorum,  
7 but I'll ask the Secretary and Ethics Officer to  
8 call the roll.

9 MR. ALBERT RODRIGUEZ: Actually, Chairman  
10 Carney, Omar, did you want to make a  
11 presentation about the meeting that you normally  
12 do?

13 MR. OMAR NAZEM: I thought I would, just to  
14 read a few things into the record. I've got a  
15 very abbreviated version. So, this is just for  
16 everyone's benefit. This is a meeting at the  
17 New York City Water Board. We are meeting in  
18 this digital telephone format as authorized by  
19 state law. We normally meet in person. Because  
20 of the ongoing pandemic, and hopefully -- the  
21 pandemic, we are still meeting by digital  
22 conference call.

23 I would ask you, if you are a member of the  
24 public or do not plan to speak at the meeting,  
25 please put your telephone on mute to minimize

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2                   the background noise. You should probably  
3                   gather the meeting is being recorded. A  
4                   transcription and an audio recording of the  
5                   meeting will be on the Board's website within  
6                   the next week or so.

7                   I think most of you are regular attendees.  
8                   This is a business meeting of the Board. Public  
9                   testimony is not part of this. If you have  
10                  questions or comments, you can email them to us  
11                  at nycwaterboard@dep.nyc.gov any time you like,  
12                  any topic you want. This meeting is not a  
13                  public input meeting. We'll have more  
14                  information about the public input forum shortly  
15                  in the meeting, but this is not that meeting.  
16                  Last thing, the meeting materials we'll be  
17                  discussing have been provided already to members  
18                  by email. They are also on the Board's website.  
19                  If you go to the website, which again is  
20                  nyc.gov/nycwaterboard. If you go to the right-  
21                  hand side, Announcements column, it'll say the  
22                  April 29th meeting. There's a link to the  
23                  meeting materials right below it. Open up the  
24                  Media Packet and the materials are there. In  
25                  the PDF packet, too, if you need it there is a

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2 link for the assisted disability, if you have a  
3 difficult time hearing or with someone who has a  
4 difficult time hearing, a link to the  
5 transcription service for that service as well.  
6 So, that's everything. Al Rodriguez, the  
7 meeting is yours.

8 MR. RODRIGUEZ: All right. Hi, I'm Al  
9 Rodriguez--

10 MR. CARNEY: [Interposing] Omar, thank you  
11 very much. Al, please.

12 MR. RODRIGUEZ: Yeah, Al Rodriguez, the  
13 Secretary of the Board, calling the roll.  
14 Chairman Carney?

15 MR. CARNEY: I am present.

16 MR. RODRIGUEZ: Member Fernandez-Ketcham?

17 MS. EVELYN FERNANDEZ-KETCHAM: Here.

18 MR. RODRIGUEZ: Thank you. Member Freed?

19 MR. ADAM FREED: Here.

20 MR. RODRIGUEZ: Member Goldin?

21 MR. JON GOLDIN: I'm present.

22 MR. RODRIGUEZ: Member Hsu?

23 MR. JUKAY HSU: Present.

24 MR. RODRIGUEZ: Oh, thank you. Member Shaw?

25 MS. ARLENE SHAW: Present.

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2 MR. RODRIGUEZ: And member Zarrilli?

3 MR. DANIEL ZARRILLI: I'm here, thanks.

4 MR. RODRIGUEZ: We have a--

5 MR. CARNEY: [Interposing] We have a full  
6 house today.

7 MR. RODRIGUEZ: Yes, we do, and we have a  
8 quorum.

9 MR. CARNEY: Thank you very much, Mr.  
10 Secretary. I want to thank all the members for  
11 joining us today. It's an important meeting.  
12 You have all received copies of the DEP's  
13 recommendation for members of the public who may  
14 join us, and for the purpose of the  
15 transcription, we have not had any prior  
16 discussions of the presentation. Looking  
17 forward to having our new commissioner,  
18 Commissioner Aggarwala, along with Joseph Murin,  
19 the CFO of DEP, to give us that presentation.

20 I want to thank Omar for guiding us through  
21 this, and he has been responsible for getting  
22 most of the information out to us. Omar, thank  
23 you; that's Omar Nazem. I think there's nothing  
24 we need to do before we consider the minutes,  
25 and I don't have in front of me the date of the

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2 last meeting. It was in December of 2021, so  
3 we've not been together for a long time. Am I  
4 correct about that, Omar?

5                   MR. NAZEM: It was December 16. Yes.

6                   MR. CARNEY: December 16. Terrific. You  
7 all have had an opportunity to take a look at  
8 the minutes. Are there any questions,  
9 corrections, concerns? Member Ketcham for --  
10 discussion, did we get your name right this  
11 time?

12                  MS. FERNANDEZ-KETCHAM: Yes.

13                  MR. CARNEY: All right, thank you. Thank  
14 you, Evelyn. Are there any recommended  
15 revisions for the minutes? Hearing none, may I  
16 have a motion, please, to approve them?

17                  MR. FREED: Member Freed. So moved.

18                  MR. RODRIGUEZ: So moved, Mr. Chair.

19                  MR. GOLDIN: I'll second.

20                  MR. CARNEY: Thank you, Adam, for the  
21 motion, and Member Goldin, thank you very much  
22 for the second. I guess because we're in the  
23 teleconference format I should ask the Secretary  
24 to actually call the roll and get to the vote.

25                  MR. RODRIGUEZ: Okay, thank you. Chairman

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2                   Carney, how do you vote?

3                   MR. CARNEY: To approve.

4                   MR. RODRIGUEZ: Thank you. Member  
5                   Fernandez-Ketcham, how do you vote?

6                   MS. FERNANDEZ-KETCHAM: Approve.

7                   MR. RODRIGUEZ: Member Freed, how do you  
8                   vote?

9                   MR. FREED: Approve.

10                  MR. RODRIGUEZ: Member Goldin, how do you  
11                  vote?

12                  MR. GOLDIN: Approve.

13                  MR. RODRIGUEZ: Member Hsu, how do you vote?

14                  MR. HSU: Approve.

15                  MR. RODRIGUEZ: Member Shaw, how do you  
16                  vote?

17                  MS. SHAW: Approve.

18                  MR. RODRIGUEZ: Thank you. And member  
19                  Zarrilli, how do you vote?

20                  MR. ZARRILLI: Approve.

21                  MR. RODRIGUEZ: Okay. Unanimously adopted.

22                  MR. CARNEY: Thank you very much, Mr.  
23                  Secretary. The principal item on the agenda  
24                  today is the DEP approval--I'm sorry, the DEP  
25                  recommendation for the rate to be voted in I

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2 believe it's May, but it may be actually in  
3 June; I'm not certain. I'll ask DEP CFO Murin  
4 to introduce the commissioner, and I will give  
5 the meeting over to the two of you.

6 MR. JOSEPH MURIN: Thank you, Mr. Chair.  
7 Thank you, board members. This is Joseph Murin,  
8 Chief Financial Officer for DEP, and also  
9 Executive Director for the Water Board, and it's  
10 my honor to introduce the agency's new  
11 commissioner, Rohit Aggarwala, who was appointed  
12 by Mayor Adams to the position on January 31,  
13 and who also has the privilege of being the  
14 agency's--or I'm sorry, the city's Chief Climate  
15 Officer. So, without any further ado, I'm going  
16 to let Rit, as he likes to be called, take the  
17 chair, take the mic, and go from there. So,  
18 Commissioner?

19 MR. ROHIT "RIT" AGGARWALA: Excellent.  
20 Thank you, Joe. Thank you, Mr. Chairman, and to  
21 the members of the Water Board. It's an honor  
22 and a privilege to be here, both in this role  
23 leading this important agency, and speaking to  
24 you all. I think the Water Board is an  
25 important institution and I'm very grateful for

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2                   the work that you all do individually and as a  
3                   group.

4                   I'm happy to report that DEP is in very good  
5                   shape, and as our first slide here suggests,  
6                   over the course of the pandemic the most  
7                   important thing is that the water and sewer  
8                   system operated. It was not materially impacted  
9                   by the pandemic, and this is a record that not  
10                  every utility in the United States has, but our  
11                  service levels, as it was related to the  
12                  pandemic, showed no decline, and it's well  
13                  known, as you all discussed at your last  
14                  meeting, that there were some impacts of  
15                  Hurricane Ida on the city and on DEP, but those  
16                  were separate from the pandemic.

17                  We've seen some system operations that have  
18                  been impacted by the ongoing effects of the  
19                  pandemic, including a reduced headcount. As we  
20                  all know, across the whole economy there have  
21                  been people leaving their jobs, hiring has been  
22                  very difficult, particularly in certain skilled  
23                  roles like engineers which DEP has many of. So,  
24                  our headcount is measurably below our budgeted  
25                  personnel levels. That is one challenge, it's a

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2 management challenge right now, I don't think  
3 it's a real danger just yet. But it is  
4 something that we are focused on, both the DEP,  
5 and of course at City Hall.

6                   As you probably know, all city agencies  
7 including DEP returned to the office for a five-  
8 day-a-week in the office approach to work in  
9 September '21. Of course, about half of DEP's  
10 employees were working on the job physically  
11 throughout because their jobs did not allow any  
12 sort of work-from-home accommodation, but  
13 everybody was back in the office as of  
14 September.

15                  Along with many institutions in the broader  
16 economy, we've had innovations that we've  
17 adopted, certain styles of work, not necessarily  
18 working from home on a regular basis, but we've  
19 realized how valuable some of the innovations  
20 we've identified during the pandemic have been.

21                  Looking ahead to the rest of this year, I  
22 think the first thing that we're going to be  
23 focusing on is recruiting and hiring, and  
24 training. We are making a significant effort to  
25 bring our staffing back towards those levels to

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2 which we are budgeted. And I will say, as I've  
3 been talking with the senior staff at the  
4 agency, I think there's going to be an  
5 opportunity to think strategically about the  
6 agency's future.

7 When Vinny Sapienza was commissioner, the  
8 agency, as you probably know, did a strategic  
9 plan. The time horizon of that plan ended along  
10 with the mayoralty of Bill de Blasio, and I  
11 think looking forward it probably makes sense  
12 for the agency to take a clear, analytically  
13 driven look at its needs, its priorities, and  
14 its opportunities to create a vision that can  
15 bind the agency together, can help us ensure  
16 that we are prioritizing future investments in  
17 the best way possible, and we are doing  
18 everything that the agency needs--I mean,  
19 everything that the city needs us to be doing to  
20 serve the people.

21 I will say, actually, mentioning Vinny, that  
22 I think we should all be very, very grateful, as  
23 I am, as I often say, every single day that  
24 Vinny Sapienza has been willing to remain at DEP  
25 as Chief Operating Officer. He brings so much

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2                   expertise and dedication, as you all know on the  
3                   Water Board, and I know, that his continued  
4                   presence is an invaluable contribution, and I'm  
5                   very grateful for that.

6                   MR. CARNEY: Commissioner, may I--this is Al  
7                   Carney.

8                   MR. AGGARWALA: Please.

9                   MR. CARNEY: May I add to that comment? His  
10                  institution, former Commissioner Sapienza who is  
11                  on the phone, brings extraordinary institutional  
12                  history both to DEP and to the water board. We  
13                  have benefitted enormously from his knowledge,  
14                  but also from the directions in which he has  
15                  taken the agency, as well as the Water Board.  
16                  Vinny, I know you're on. I'm sure I'm  
17                  embarrassing you; I apologize for that. But I  
18                  don't retract any of my comments. Thank you so  
19                  much for what you have done to make the agency  
20                  and this board function the way we do; very  
21                  grateful to you for that.

22                  MR. VINCENT SAPIENZA: Thank you, Chair  
23                  Carney, for your kind words, and I'm having a  
24                  terrific time in my new role, and Commissioner  
25                  Aggarwala has been great, and I want to thank

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2 him for his kind words, as well. Thank you,  
3 sir.

4 MR. AGGARWALA: No problem. Thank you, and  
5 of course, well merited. In fact, I'll list a  
6 couple of projects of significance that we've  
7 made real progress on, and again, I'll point out  
8 as the new guy here almost all of this is  
9 entirely Vinny's work and not mine, I just get  
10 to report on it today.

11 Among the major milestones at the agency,  
12 probably the biggest single thing in 2021 was  
13 the implementation of our new billing system,  
14 the UMAX system. Having a new billing tool for  
15 the whole agency is a massive achievement, one  
16 that I think we should all be very proud of,  
17 especially having implemented it successfully  
18 during a pandemic. It was the largest financial  
19 software upgrade undertaken by the agency in 25  
20 years. It addresses a major pain point both for  
21 the public and for the agency internally in  
22 terms of the sophistication of our billing, and  
23 it was a significant effort by key staff  
24 including Deputy Commissioner Lynch, who's on  
25 the phone, who leads the Bureau of Customer

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2                   Service, Vinny himself, Joe Murin, and a number  
3                   of people at the agency. So, it's a big  
4                   achievement. One of the things we are working  
5                   on now is fully exploring what we can do to  
6                   better serve the public with the new  
7                   capabilities we have beyond what's already been  
8                   implemented in terms of the more attractive bill  
9                   and easier to understand bill, and the greater  
10                  accuracy and reliability that it offers.

11                  There's an upside that we will be exploring.

12                  You all know, of course, that work on the  
13                  Delaware Aqueduct Bypass Tunnel is an important  
14                  initiative that is progressing well. It is, of  
15                  course, the largest repair project in the  
16                  history of our water system. We are working  
17                  right now in the home stretch of the project,  
18                  coordinating the timetable for the tunnel  
19                  shutdown. There are lots of factors that go  
20                  into ensuring that we can do a shutdown that  
21                  allows us to cut in the new tunnel. We're  
22                  working with other municipalities that are going  
23                  to be affected. We're working with the  
24                  regulators, and of course, we're undergoing a  
25                  set of operations to ensure that water supply

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2                   will be uninterrupted during the period of the  
3                   shutdown, and we'll have more to report on that  
4                   project when next we meet.

5                   A couple of other things just to note.

6                   We've completed new sewer construction in  
7                   Canarsie in East New York to the tune of \$148  
8                   million. There's been a \$15.7 million set of  
9                   improvements to the Durham Park Reservoir that's  
10                  been completed. We are underway with a \$29  
11                  million package of upgrades at 19 NYCHA  
12                  facilities which are dominated by green  
13                  infrastructure focused on mitigating stormwater.  
14                  We have completed work on an \$18 million  
15                  partnership with the Department of  
16                  Transportation at Montefiore Square, and we've  
17                  commenced work to significant relief to some  
18                  folks in that neighborhood on a \$7 million  
19                  drainage upgrade in the Westerly neighborhood of  
20                  Staten Island, which includes new storm sewer  
21                  and catch basin installations, as well as water  
22                  supply water main upgrades.

23                  Those are just some examples, and I will  
24                  just say beyond what's on the slide, I have met  
25                  with members of the City Council, other elected

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2 members of community boards, and others, as an  
3 incoming commissioner. There is both a huge  
4 level of enthusiasm for the work that DEP does  
5 and its capital investments, a very great level  
6 of respect for the timeliness, for the  
7 professionalism with which those projects are  
8 delivered, but I will say a massive demand for  
9 more, whether it is around completing the work  
10 to bring storm sewers to the entire city,  
11 dealing with the increased, and rightfully so,  
12 concerns about climate change and what that  
13 means for stormwater flooding and any number of  
14 other concerns; there is a real demand.

15                 The final slide that I will present before I  
16 ask Joe to take over is on the next one. There  
17 is good news which is that as many of you know  
18 we have a robust 10-year capital plan ahead of  
19 us. Right now, we're expecting it to be a \$25  
20 billion capital plan that's consistent with what  
21 the mayor presented in his executive budget that  
22 was released earlier this week, and we are  
23 optimistic, I won't say confident, because the  
24 City Council, of course, has to weigh in, but  
25 we're optimistic that the City Council will

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2                   endorse it pretty much unchanged. And members  
3                   who have the document can see that the biggest  
4                   increase over the last two years has been the  
5                   increase in funding for sewers, much of which is  
6                   for stormwater management given what we all  
7                   experienced during Hurricane Ida. Let me pause  
8                   there. Joe, I believe you're going to handle  
9                   the next couple of slides.

10                  MR. MURIN: Yes, thank you.

11                  MR. CARNEY: Before you move on, I'm going  
12                  to ask whether any of the members, Mr.  
13                  Commissioner, have questions for you,  
14                  particularly with regard to sewer--the last  
15                  comments you made. I have a couple of  
16                  questions. Would you rather that we hold them  
17                  'til the end of DEP's presentation, or should we  
18                  ask now those things -- questions?

19                  MR. AGGARWALA: Well, Mr. Chairman, I'm  
20                  certainly going to be here for the duration, so  
21                  perhaps, if you don't mind, let's let Joe and  
22                  Omar complete their portion, and then we can  
23                  have as long a set of conversations and  
24                  questions as the Board wishes.

25                  MR. CARNEY: So, you're going to make me

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2 keep good notes.

3 [Laughter]

4 MR. AGGARWALA: We're all well served when  
5 the chairman of an important institution keeps  
6 good notes.

7 MR. CARNEY: Thank you, sir. Joseph,  
8 please.

9 MR. MURIN: Thank you. Thank you, Mr.  
10 Chair. Thank you, Commissioner. I will move on  
11 to the next slide, but I want to preface before  
12 I get into that, building on what the  
13 commissioner just said in terms of the capital  
14 program, just as a reminder for the general  
15 public and board members know this as well, that  
16 the rates that we implement that raise the water  
17 and sewer revenue are integral to paying for the  
18 two biggest components, which is the operations  
19 and maintenance of the system, as well as the  
20 capital program. The commissioner just went  
21 through the capital program and the debt service  
22 that's related to the capital program. There  
23 have been a lot of variations or changes that  
24 we're dealing with over this past year that  
25 we'll delve into now.

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2           But first starting with the bond market  
3 conditions on slide, which are changing, and the  
4 cost of selling New York City water and sewer  
5 remains low. Market interest rates began  
6 trending upward during the fourth quarter of  
7 calendar year 2021 with most benchmark rates  
8 increasing at an especially sharp increase in  
9 short-term borrowing rates on US government  
10 obligations. The increase in benchmark rates  
11 has led to increased market rates in the  
12 municipal bond market, and despite recent  
13 increases in interest rates the systems can  
14 still borrow at rates comparable to long-term  
15 average borrowing rates.

16           I would draw the attention of the Board and  
17 the public to the bottom table off to the right  
18 where it shows that the current rates are  
19 slightly higher but not that variable from the  
20 20-year average. Most of our debt is within the  
21 longer-term portfolio of 20 to 30 years out  
22 there, versus more short-term and variable  
23 rates. Together with higher rates, price  
24 inflation, and higher borrowing costs are likely  
25 to increase the system's cost. Credit rating on

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2 the Water Board bonds remain high based on the  
3 Board's authority and willingness to sell rates-  
4 --set rates, I'm sorry, that meet the system's  
5 funding requirements.

6 I'm going to pause there because I do know  
7 that we do have--because I know this is probably  
8 something that maybe deviates from the  
9 commissioner's request, but that we do have Dave  
10 Womack, the Chief Executive Officer from the  
11 Water Finance Authority, and also Olga Chernat,  
12 the Executive Director. So, if there were any  
13 questions that the members and the chair or  
14 others had on the rates that it might be a good  
15 time just to interject at this point.

16 MR. CARNEY: Well, one of our members is a  
17 very expert bond lawyer. I'll ask Arlene  
18 whether she has questions, or whether she wants  
19 to wait until the end of the presentation to  
20 raise any questions that she may have. We also  
21 have a water expert on this board, Adam Freed,  
22 and Adam may have some questions based on  
23 several things that have been said already. You  
24 may both choose to wait until the end of the  
25 presentation to raise your issues or questions,

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2 but don't hesitate to raise them now.

3 MR. FREED: Thank you, Mr. Chair. I'm happy  
4 to wait until the end.

5 MR. CARNEY: All right. Member Shaw?

6 MS. SHAW: It's Arlene. I'm happy to wait  
7 'til the end as well. Yeah, I'm happy to wait  
8 'til the end as well.

9 MR. CARNEY: Outstanding. Then let's ask  
10 Olga Chernat to tell us where she sees the  
11 marketing of our bonds. Are we going to be able  
12 to achieve the price that we believe is  
13 reasonable given the rise of interest rates?

14 MR. DAVID WOMACK: Olga, do you want to take  
15 that?

16 MS. OLGA CHERNAT: Good afternoon. David,  
17 maybe I can start and please chime in if I  
18 missed anything.

19 MR. WOMACK: Sure.

20 MS. CHERNAT: Great. Maybe let me start  
21 with saying that the Authority currently has \$32  
22 billion of bonds outstanding and to finance  
23 DEP's capital programs which the Commissioner  
24 introduced on the previous slide. We are  
25 expecting to sell about \$1.8 billion of

2 additional bonds annually, and that's over the  
3 next five years, so through 2026. There is a  
4 lot of debt but we have a very experienced team,  
5 and we have a number of tools at our disposal.  
6 We always diversify our bond offerings between  
7 fixed-rate bonds, variable-rate bonds, and  
8 different couponing structures. Still, while  
9 it's been [background noise] which is the  
10 capital markets that we've experienced, I would  
11 say more recently since probably the start of  
12 this calendar year, we are prepared to do what's  
13 needed to place the bonds efficiently in the  
14 market the best we can.

15 I want to say that our credit ratings remain  
16 stable and high. For the second resolution  
17 bonds which our credit is just one notch below  
18 the highest AAA rating from all three ratings  
19 which is that rate the bonds and that's Fitch,  
20 Moody's, and S&P. And that's a great plus  
21 because the changing markets credit matters, and  
22 having strong credit ratings will be [background  
23 noise] very important. It is very important now  
24 and it will be very important going forward.

25 MR. CARNEY: Olga, thank you. Are we

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2 trending--are we refunding? I'm sure we are, I  
3 know we are. But are we seeing more refundings  
4 as interest rates rise and are we seeing a shift  
5 from variable rate to fixed-rate instruments  
6 going forward? How do you--I know you don't  
7 have your crystal ball with you today, but if  
8 you did have it, what do you think it would say?

9 MR. WOMACK: Al, maybe I'll take that. We  
10 have been aggressively refinancing and refunding  
11 our debt, the Authority's debt, to lower  
12 interest rates, and we've enjoyed quite a run  
13 for the last few years as rates have stayed at  
14 historical lows. Certainly, as rates rise,  
15 we'll continue to have refunding opportunities.  
16 They may not be as robust as they were, but they  
17 are still there. What you're probably seeing,  
18 oddly enough, is fixed rates have risen faster  
19 than short-term variable rates, so you may  
20 actually see a shift in the other direction or  
21 away from fixing out debt, at least on the city  
22 side.

23 We have aggressively fixed rates when we  
24 could finance at less than 1% or in the 1%  
25 range. But with market rates in the 2.5 to 3.0

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2 range, our variable rate has an all-in cost of  
3 like 1%. So, again, as Olga said, we try to  
4 take advantage of every opportunity there is in  
5 the market. You can see by the size of the  
6 capital program we don't really have a choice  
7 not to borrow. This capital program has to be  
8 executed. Ratings are very important because as  
9 rates go up there's going to be a wider spread  
10 between higher- and lower-rated credits. So,  
11 we've seen credits between triple-As and double-  
12 As, and double-As and single-As widen  
13 significantly as rates have gone up, so that's a  
14 critical factor for us.

15                  MR. CARNEY: Wow. Thank you. Thank you  
16 very much, David. Commissioner, you asked us to  
17 wait. Forgive me. I didn't want to lose those  
18 questions. And David and Olga, thank you both  
19 very much for filling in that space for me.  
20 Appreciate it.

21                  MR. WOMACK: Not a problem, Mr. Chairman.  
22 It's your meeting.

23                  MS. SHAW: Wait, sorry. This is Arlene. I  
24 lied as well. So, just wanted to sort of pause  
25 on that point right now. Yeah, no, I lied, I

2 lied. Just wanted to [crosstalk]. Do we have a  
3 sense--I think it would be helpful if we could  
4 sort of high-level give some of the broad  
5 strokes and analysis as to why the credit rating  
6 for the agency is so high because I think that  
7 that becomes critical in making sure we  
8 understand how we preserve that as rates become  
9 higher. Just--as someone who deals in bonds, I  
10 know the variable difference between selling  
11 triple-A paper versus even going a notch down.  
12 So, I just wanted to understand from the rating  
13 agencies, what is the sense as to why it's so  
14 highly rated.

15 MR. WOMACK: Olga, do you want me--I'll  
16 start, and you can fill in. I think it has been  
17 the Authority's and DEP's management of its  
18 resources, its ability to maintain very solid  
19 cash flow and coverage of its debt service and  
20 operating costs, and that even through the  
21 pandemic it has not varied significantly, it's  
22 been able--and the Authority and DEP have been  
23 able to manage very effectively.

24 So while, for example, some of the city's  
25 general obligation ratings were put on negative

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2 watch and there was at least one downgrade, the  
3 Water Authority, that did not happen. It's a  
4 dedicated revenue credit, and in some precincts,  
5 the investors prefer that. But from a credit  
6 standpoint, it's just been the steadiness of the  
7 management and the reality of the cash flows  
8 that the Authority and DEP have been able to  
9 maintain the cash flow levels consistent with  
10 those high-grade ratings. Olga?

11                  MR. CARNEY: So, that's great news, David.  
12 Thank you.

13                  MS. CHERNAT: And another point I just  
14 wanted to add is also structural. The Authority  
15 bonds are structured as a gross lien pledge and  
16 the bonds also have a number of important legal  
17 protections that help support the strong ratings  
18 on the Authority's debt.

19                  MR. CARNEY: It'll be interesting to hear  
20 further in this presentation the impact of the  
21 rising level of receivables on the two subject  
22 matters that you all just raised. It may be too  
23 soon to know. It may be that these are issues  
24 that we are working hard to resolve and know how  
25 to resolve, but it'll be interesting to see if

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2                   the receivable levels will impact our ratings,  
3                   ultimately. But I'll wait and see what folks  
4                   have to say about that.

5                   David, thank you, and thank you, Olga, for  
6                   your leadership here. These are very, very  
7                   important matters that people don't think about.  
8                   Rate payers don't think about why it is  
9                   important that we understand the bifurcation  
10                  between fixed and variable debt. You are on it,  
11                  and of course, that's what we pay you for; thank  
12                  God. Fingers crossed. Hang in there.

13                  MR. ZARRILLI: Mr. Chairman, this Dan  
14                  Zarrilli with a quick question on this. I'm  
15                  curious the role of the Board's ability to raise  
16                  rates in the way that it does, and how much that  
17                  impacts the high rating of the debt itself. How  
18                  would you characterize the importance of that  
19                  piece of information?

20                  MR. CARNEY: Is this a David question?

21                  MR. WOMACK: I'll start. It is important,  
22                  because the agencies view the Board as  
23                  independent, and view the rate-setting mechanism  
24                  as somewhat--as independent of the political  
25                  process, in that it's not a legislatively

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2                 decided amount. Obviously, it's a public board,  
3                 and there's public input, but they do view the  
4                 independent rate setting mechanism as a  
5                 positive. Olga?

6                 MS. CHERNAT: Okay, and I would just add to  
7                 those, as a utility bond--that the ratings are  
8                 definitely taken into account debt service  
9                 coverage levels. So, to the extent the system  
10                generates--the system needs to generate  
11                sufficient -- financing those coverage levels  
12                that the rating agencies have come to expect to  
13                see. So, it's definitely a very important role  
14                that the Board plays in setting the rates and  
15                ultimately that helps the bond rating.

16                MR. CARNEY: Olga, thank you, and David,  
17                thank you. Dan, are you comfortable? Was that,  
18                the answer that--hopefully it's the answer you  
19                hoped for. How's that?

20                MR. ZARRILLI: It's insightful. I  
21                appreciate the answer. Thank you.

22                MR. CARNEY: Thank you. Thanks very much.  
23                I don't have any further questions. Arlene, do  
24                you have anything else? Okay, then why don't we  
25                continue, Mr. Commissioner, with the DEP

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2 presentation?

3 MR. MURIN: So, I'll take back up then.

4 Thank you, Mr. Chair. I'm now on the slide  
5 which will be headed DEP and the Board Maintain  
6 Billing and Collection Activities in Fiscal Year  
7 2022 While Facing Challenges from Customer  
8 Delinquencies and Lower Water Consumption. So,  
9 this will get into the revenue and the accounts  
10 receivable.

11 Billing and collection activity by DEP and  
12 the Board faced the headwinds of customer  
13 payments deferral and lower water consumption  
14 during fiscal year '22. Through April 27, 2022,  
15 revenues were \$3.14 billion, which was an  
16 increase compared to the same time in fiscal  
17 year 2021 of 3.6%, above the 2.76% rate increase  
18 that was implemented for fiscal year 2022.

19 Financial headwinds faced by DEP and the  
20 Board include: A) the balance of overdue  
21 customer bills, which was higher than before the  
22 pandemic; B) the water consumption levels below  
23 the quantity of water used prior to the  
24 pandemic, which we'll get into in the next  
25 slide; and, C) availability of collection tools

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2                   including reauthorization and ability to sell  
3                   liens secured by the overdue water bills.  
4                   During the pandemic, residential and commercial  
5                   customers faced with loss of income deferred  
6                   paying their water and sewer bills. As the  
7                   recovery progressed, we are seeing signs of  
8                   customers who fell behind on their water and  
9                   sewer bills starting to make payments to restore  
10                  the balance to good standing.

11                  Where this leads to on the next slide, water  
12                  consumption by metered accounts remained below  
13                  pre-pandemic level, with recent consumption data  
14                  showing an upward trend. So, we have on that  
15                  slide the graph showing the breakdown between  
16                  the residential and non-residential consumption.  
17                  As you can see from the start of July '18, which  
18                  would have been fiscal year 2019, they started  
19                  to see a downward trend, particularly in the  
20                  non-residential, which went as high as negative  
21                  30-plus-percent but has recovered somewhat but  
22                  is still in the minus 15%.

23                  The residential was not as severely impacted  
24                  with the decline ranging anywhere from below 4  
25                  to 5% range, but has slightly--has recovered for

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2                   the most part. Remember that residential bills  
3                   account for about 80% of our revenue source  
4                   there. So, we're seeing the consumption  
5                   uptrend, which is helpful, not so much so on the  
6                   non-residential side. This has also been  
7                   compounded, was alluded to is the fact that we  
8                   did see a decline in customer payment. Accounts  
9                   receivable grew during the pandemic. At this  
10                  point in time, we're at about \$778 million of  
11                  accounts receivable greater than 30 days old.  
12                  We've started--part of this was compounded by  
13                  the fact that we were prohibited under executive  
14                  order from the governor in terms of sending out  
15                  delinquency notices, and this went across the  
16                  state for all utility bills. That was lifted at  
17                  the end of calendar year 2021, and subsequent to  
18                  that we have started to issue the delinquency  
19                  notices once again, and we're getting some  
20                  positive trends.

21                  We're not yet certain enough that it's going  
22                  to be able to reverse the trends, the decline in  
23                  customer payments, but we are also in  
24                  conjunction with sending out the delinquency  
25                  notices. We are beginning to look at other

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2 measures that we could look into in terms of  
3 collections, one of the most significant ones  
4 being the lien sale. The lien sale was deferred  
5 from 2019. We did not have one last year, and  
6 that was also not done because we were going  
7 through the billing system being rolled out, so  
8 it wouldn't have been really doable for us with  
9 the pandemic and with the constraints of having  
10 to roll out a new billing system, to also have  
11 gone through the lien sale. Lien sale  
12 authorization has expired at this time. So, the  
13 administration is working to have it  
14 reauthorized with the Council; those  
15 negotiations are ongoing. The assumption is  
16 built into the rate proposal that we are putting  
17 before the Board today that lien sales will be  
18 reauthorized and they will be held sometime  
19 during fiscal year '23. So, that's up to the  
20 end of July 2023. We cannot say with certainty  
21 when that will happen, and we will have to  
22 monitor that very closely.

23           As I said, concurrently we're also working  
24 to implement other aggressive collection methods  
25 where possible to be able to reach out and have

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2                   our--especially those rate payers that have been  
3                   delinquent during the pandemic period. We think  
4                   many of those were temporary situations, so  
5                   hopefully as the economy recovers those  
6                   individuals will also be able to get back on  
7                   their feet and be able to make their payments  
8                   again.

9                   What I will add at this point before we go  
10                  onto the slide with the rate proposal, is that  
11                  part of what we have built into this, and the  
12                  context again of the entirety of the package  
13                  here, is the revenue that will be raised by the  
14                  water and sewer rates, which we have going from  
15                  \$3.5 billion to about \$3.7 billion from fiscal  
16                  year '22 to '23. So, that's what the rate  
17                  proposal will encompass there.

18                  As I said, that encompasses the payment for  
19                  the systems operations costs which are expected  
20                  to go from about \$1.6 billion in fiscal year '22  
21                  up to \$1.76 billion in fiscal year '23. Part of  
22                  that is inflation. We have seen increase in  
23                  costs related to chemicals. We've seen  
24                  increased demands and need for operations and  
25                  maintenance expenses throughout the system.

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2 We've seen some increase in our cost of  
3 collective--I'm sorry, not collective  
4 bargaining. Collective bargaining is just a  
5 small part, but for the fringe benefits, that  
6 was another element, and then some of the  
7 related costs for upstate operations, as well.  
8 Overall, the financing part, the debt service,  
9 defeasance, cash financed capital, and the  
10 Authority, and the Board's expenses are for the  
11 most part steady.

12 The cash flow, which that the rate  
13 consultant, Amawalk, who's also on the phone,  
14 those are being finalized. We expect that  
15 report which we call colloquially the Blue Book  
16 which we normally had ready for the public  
17 hearing, now we're in the process of pulling  
18 together and we'll be getting that out to the  
19 board members as well, which will lay out some  
20 of the--many of the elements which I just went  
21 through.

22 So, with that being said, that leads to the  
23 rate proposal. DEP is recommending that the  
24 Board increase rates by 4.9%; that's the in-city  
25 rate. This will also include \$30 million of

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2 proposed customer affordability programs,  
3 funding, preserving the 50% increase that was  
4 authorized last year by the Board in fiscal year  
5 '22 to carry into fiscal year 2023. There is no  
6 budgeted rental payment that the city is  
7 expecting to get from the system in fiscal year  
8 2023.

9                   I think in this slide you'll see this is a  
10 relatively moderate rate increase comparatively,  
11 and I believe it's inconsistent with what other  
12 municipalities have been doing over this past  
13 year, maybe a little higher, but then we also  
14 did have a number of lower years when other  
15 entities were raising their rates. As noted,  
16 this ensures revenue sufficiency to fund the  
17 system's expanding capital construction program.  
18 It maintains the high rating from the--it  
19 maintains our ability to continue to get high  
20 ratings from the bond rating agencies. It  
21 protects the system from the risk of rising  
22 interest rates and inflations. It'll support  
23 hiring and retention initiatives to return  
24 headcounts at budgeted levels, and it supports  
25 expanded analytical capabilities, including

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2 analysis of customer data enabled by the new  
3 billing system.

4 With that being said, I will pause now to  
5 see if the chair or any of the members have any  
6 questions before I turn it over to Omar.

7 MR. CARNEY: Are there questions from the  
8 members? Joseph, nobody wants to suggest that a  
9 recommendation of 4.9% is not high enough, and  
10 I'm certainly not going to suggest that, but I  
11 wonder why 4.9% rather than 5% or 5.1%, whatever  
12 the numbers might have been. Why is that  
13 number--which is clearly below 5, that may have  
14 been the objective--why is that number in the  
15 view of DEP an adequate number? If we raised  
16 the rates by 5.1%, clearly, we would not be  
17 popular, but we would not be popular by one-  
18 tenth of a percentage point. I'm wondering  
19 whether we--and it's [background noise] in my  
20 view a legitimate question--are we doing--are we  
21 doing the rate-payers a disservice by not  
22 raising the rates even higher?

23 MR. MURIN: Mr. Chair, I'm going to defer to  
24 the commissioner first if he wants to answer  
25 that. Commissioner, -- [crosstalk]?

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2                   MR. AGGARWALA: Yeah. Well, let me just  
3 say, Chairman, first of all, as we all know,  
4 projections are projections.

5                   MR. CARNEY: Of course.

6                   MR. AGGARWALA: Whenever it comes to a tenth  
7 of a percentage point, even with a one-year  
8 outlook you start questioning whether your model  
9 is really accurate enough to say 5.0 versus 4.9  
10 is justified whereas 4.9 is not, or something  
11 like that. So, I think we have to recognize  
12 that even though we're dealing with very large  
13 numbers here, a tenth of a point is an error  
14 bar. Again, I think we do, of course, want to  
15 keep rates as low as we can as long as we are  
16 being responsible in terms of funding what the  
17 system needs.

18                  I think with these projections, especially  
19 combined with, as Joe pointed out, we are--I am,  
20 in fact, very optimistic that our efforts to  
21 collect the overdue, the delinquent revenue will  
22 pay off, and it will probably pay off a little  
23 bit in the current fiscal year, but more in the  
24 next fiscal year, and we have reasonably  
25 conservative budgets for that. So, there's some

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2 upside here as long as we do a good job of  
3 collecting all of those delinquencies, and  
4 again, I think we will. If you want to give us  
5 a 5.0 or 5.1, I'm sure we'd be happy to. As you  
6 know also, though, we have a history of having a  
7 small surplus at the end of the year, so we've  
8 just tried to balance--

9 MR. CARNEY: [Interposing] I was going to  
10 point that out, actually. Thank you.

11 MR. AGGARWALA: We were just going to try to  
12 balance the fact that this is--you can look at  
13 the data. This is the largest--if you all  
14 approve this rate increase it will be the  
15 largest in nine years. So, we recognize the  
16 fact that it is a significant increase. We also  
17 know that there are pressures that may push us  
18 to do more in the future, but we want to do so  
19 based on analysis and based on the work we have  
20 to do in the very near term of building up the  
21 hiring and collecting the delinquent revenue.  
22 Joe or Omar, feel free to chime in.

23 MR. MURIN: I'll get to the commissioner's  
24 comment, and what you also just, I think,  
25 commented on too, Mr. Chair, is that we--and we

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2 do have, as I noted, Ed Markus from Amawalk, the  
3 system's rate consultant who is the one that  
4 puts all these factors into the model, that  
5 comes up with the rate that we put forth to the  
6 Board. There are always externalities that come  
7 in and out of this, such as there might be a  
8 surplus, there might be some deficits that we  
9 haven't taken into account, too.

10 We try as much as possible to make full  
11 account of those, such as we know that one thing  
12 that's in here but maybe is not as fully funded  
13 as it should be is heat, light, and power, which  
14 we factor in for a certain amount. When the  
15 mayor released the budget the other day it was a  
16 higher amount there. It wasn't higher enough,  
17 though, that it would make--that we'd have to  
18 deviate from the model as we get there, because  
19 we also have other factors that are in here that  
20 aren't fully considered, such as the revenue  
21 which we talked about earlier.

22 We're running, as the slide indicated, we're  
23 3.76%--I'm sorry, what is it, Omar? We're 3.6%  
24 ahead of revenue target right now, so that's  
25 going to give us a little bit of cushion that we

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2 could then use to offset some of the  
3 inflationary elements from there. Omar, I'm  
4 going to just turn to you if you want to add  
5 anything from your perspective.

6 MR. NAZEM: It's always a balancing test  
7 between funding the system, maintaining the  
8 coverage that keeps the rating agencies not just  
9 satisfied but pleased to give the bond the  
10 ratings they do, and maintaining average bills  
11 to the customers that are digestible to them.  
12 It's a tricky balance in any year. It's a  
13 little more--it's not as tricky as it was last  
14 year, but it's still tricky this year with the  
15 income shock of the pandemic wearing off.

16 I think all of us a little bit have the  
17 sense of, well, it may be beneficial to be a  
18 little cautious, just since the economy is still  
19 recovering, incomes still are recovering, and it  
20 may make sense to go a little softer on people  
21 this year than in two years from now or three  
22 years from now. Now, a footnote, it is a big  
23 financial model at the end of the day. There's  
24 an error term around every assumption you make,  
25 and you can tweak assumptions and come up with

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2 slightly different numbers, of course, but I  
3 think our view was in trying to strike that  
4 balance between funding the system, assessed by  
5 -- constituencies, and not shocking the  
6 households of something--we come with the view  
7 that for so many of them it was a bad time, to  
8 be a little more cautious in terms of  
9 [crosstalk].

10 MR. MURIN: Mr. Chair, I don't know if you  
11 want to also inquire of Ed Markus.

12 MR. CARNEY: I know that Ed's on the phone  
13 and I was actually going to--I'm sure that he  
14 has been pivotal in your decision making here.  
15 Amawalk has been with us for a long time and we  
16 have relied on them very heavily. Ed is--I've  
17 gotten to know you, Ed, and I'm glad that you're  
18 with us on the phone today. I don't want to be-  
19 --I don't like the idea that the record will  
20 indicate that I asked the question about whether  
21 or not it's rationale to look at and consider a  
22 higher rate increase.

23 But I'd love to hear you on this. We can do  
24 it at the end of the meeting after Omar's  
25 presentation or not, as you see fit. But I need

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2 to get a sense of whether or not we're being  
3 overly cautious given the issues that we are  
4 dealing with. We have to increase hiring, we  
5 have to diminish receivables, we have to spend  
6 time understanding what impact the pandemic will  
7 continue to have. But to the commissioner's  
8 point, it is the maintenance of the system that  
9 is my primary concern. I want the rate payers  
10 to be comfortable that we're doing everything we  
11 can, and I think we are, but it's the  
12 maintenance, the quality maintenance of the  
13 system that gets my attention all the time. To  
14 the extent, Ed, that you think that we can do  
15 this, there may be higher increases later, but  
16 I'd like to hear you at some point, and maybe we  
17 do it later on. You don't have to do this now.  
18 Sorry to put you on the spot, but [crosstalk]  
19 Amawalk on this at some point.

20 MS. SHAW: Sorry, this is Arlene Shaw again.  
21 I think, Mr. Chairman, what may be helpful too  
22 is if we sort of have an understanding of what  
23 you got--obviously we don't want to dig through  
24 your financial model, but I think it may be  
25 helpful, to the chairman's point, if we could

2 see some sort of idea about what inflationary  
3 and industry-wide, macroeconomic trends that are  
4 built into the model, because just like when  
5 we're talking about cash flow and cash flow  
6 being king in terms of our ratings, and  
7 understanding increased cost of chemicals and -  
8 -. So, just kind of understanding what  
9 assumptions we're building in to deal with the  
10 macro--the economic environment right now, I  
11 think would probably help to reassure everyone  
12 that we're choosing the right rate because  
13 that's driving all of the environmental  
14 pressures. Russia, Ukraine, cost of chemicals,  
15 the fact that China is shut again, and a lot of  
16 chemical production happens in Asia. Just sort  
17 of understanding what environmental things we're  
18 building into those models.

19                   MR. ED MARKUS: There are always many moving  
20 parts, but this year the moving parts are  
21 perhaps quite a bit larger in terms of the range  
22 of outcomes, but every utility in the Northeast  
23 and mid-Atlantic is facing the same type of  
24 situation in terms of that balance that the  
25 commissioner and Omar talked about. In that,

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2 looking to make sure that the cash flows are  
3 adequate, but at the same time, a reasonable  
4 impact on customers. But I'd be happy to  
5 discuss our assumptions and other information  
6 later, if you like.

7 MR. CARNEY: Ed, thank you. I think,  
8 Arlene, you're absolutely right, it would be a  
9 discussion that we would all benefit from, and  
10 maybe this board in another public meeting  
11 between now and the first borough meeting would  
12 benefit from having Ed and his folks give us a  
13 sense of what the econometric models look like.  
14 I would like the benefit of that, Ed. Or you  
15 could do it with us individually. There may be  
16 board members who have no interest in this at  
17 all, but I'd like to understand, to Arlene's  
18 point, what was considered in the ultimate--in  
19 the analysis that got us to the ultimate  
20 conclusion.

21 Mr. Commissioner, would you--you don't have  
22 to authorize it--but if we chose to have a  
23 meeting, a quick meeting, a half-hour meeting  
24 between now and the first borough hearing, I'd  
25 love to do something like that and get clear

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2 from Ed and his people, and from Omar, and from  
3 you and Joseph as well. Just want to make sure  
4 that we've considered everything, the Board is  
5 clear on the elements of the decision.

6 MR. MARKUS: Of course, we're happy to  
7 provide whatever the Board needs to feel  
8 comfortable with its recommendations.

9 MR. CARNEY: Okay, terrific, terrific,  
10 terrific. Then, Omar, if you would--I hate to  
11 ask you to do this because I know how difficult  
12 it is to get the members of this board together  
13 on a phone call, but it would be great to--not  
14 do it now, but to do it later in a call where Ed  
15 Markus is a principal presenter.

16 MR. MURIN: If I may interject, this is Joe  
17 Murin, Mr. Chair, one thing I would suggest is,  
18 as I indicated Ed Markus has put together and  
19 we're finalizing cash flow analysis, and I think  
20 that will proper answer I'd say probably 90% of  
21 the questions raised. But we can also go  
22 through and probably annotate that, and then  
23 have it available for the public hearings as  
24 well, and have a preview for the board members  
25 as well. So, we could probably circulate that,

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2 and then once you and the members have had a  
3 chance to review it, we could then assess  
4 whether we want to have a follow-up meeting to  
5 go through those details so you understand, and  
6 be able to go--I think it'll probably answer a  
7 lot of the questions.

8 MS. SHAW: Yeah, I think that's a great  
9 suggestion, because I think it'll show people  
10 sort of cash in, cash out, and where we're  
11 increasing percentages to make sure the cash in  
12 matches the cash out.

13 MR. MURIN: Yeah, I wanted to be cognizant  
14 of the timing, and again, if the Board does want  
15 to have a convene before, we can do that as  
16 well, but I think it'll probably answer most  
17 everything that was raised so far in this.

18 MR. CARNEY: That's a great idea, Joe.  
19 Thank you very much for offering it up. We will  
20 go in that direction, fingers crossed.

21 MR. MURIN: Yeah.

22 MR. CARNEY: Okay. I'm sorry, Omar, you are  
23 the next presenter. Forgive me for interrupting  
24 the flow here. But we'll have a lot of  
25 questions for you, too.

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2                   MR. NAZEM: Okay. Well, I'm on the side of  
3 residential customers with normal levels of  
4 water use will see a small increase in their  
5 monthly bills. What we do is we take that  
6 recommended rate increase and we apply it to  
7 some illustrative customer situations. We, of  
8 course, have tens of thousands of different  
9 situations based on people's buildings and usage  
10 patterns. We try to abstract that away and pick  
11 a few representative cases in the residential  
12 market. What you get to if you do that exercise  
13 is you're seeing on a monthly basis if the  
14 typical household increases the water and sewer  
15 in the \$3-4 a month range, we expressed it in  
16 per-month because that's the unit of budget  
17 people tend to intuitively think about.

18                  The three or four bucks a month, it's not  
19 nothing, but if you compare it to a typical  
20 cable company increase of 5 or 6% a year, a  
21 \$200-a-month bill, it's less than that, and  
22 that's a cost a lot of people will be familiar  
23 with, and they won't love paying that increase  
24 either, of course. But compared to the  
25 inflation we see in many other things going into

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2 household budgets, it's a more palatable number.  
3 Just in terms of what those examples are, we  
4 have two metered examples on this page, and  
5 [background noise].

6 MR. CARNEY: Somebody needs to go on mute.  
7 We're getting interference in the call.

8 MR. NAZEM: In terms of these--thank you,  
9 Alfonzo--we have two metered examples on the  
10 page, and two unmetered examples. The two  
11 metered examples are typical freestanding or  
12 attached single-family residents, probably on  
13 one of the boroughs, using 70,000 gallons a  
14 year. 70,000 gallons a year of water is in the  
15 scheme of household usage not particularly high.  
16 If you go to a suburban environment people are  
17 using 160,000 gallons a year. 70,000 is fairly  
18 water efficient. It's typical usage in the city  
19 of New York.

20 We also look at what is the typical multi-  
21 family apartment unit. The multi-families tend  
22 to use less water per unit since there's no  
23 yard, there's less space in the apartment on  
24 average than a house. There's about 52,000  
25 gallons a year is typical usage for an apartment

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2 unit. The two unmetered rates we look at  
3 conservation-oriented, multi-family conservation  
4 rate which is really geared toward affordable  
5 houses that installed water efficiency  
6 improvements. They got an installed meter,  
7 actually they have a meter and they don't track  
8 the usage, but they're not billed on a metered  
9 rate. It's about \$1,100 a year per unit for  
10 that rate. The monthly increase there in the  
11 affordable -- is about four bucks a year.

12                 The last one we have, it's a tiny rate, not  
13 many people mention it because it's an  
14 attractive rate for a lot of properties, but a  
15 retiree or a small household profile, if you're  
16 using less than 90 gallons of water a day your  
17 annual bill works out at \$465 or so, and we're  
18 not increasing that rate at all, the so-called  
19 minimum charge rate. We're going to hold that  
20 one steady. We've held that steady for a number  
21 of years now. So, if you're using water at a  
22 very water-efficient rate, less than 90 gallons  
23 a day, your rate won't increase at all. Even  
24 for those households here in the rate increase,  
25 \$3-4 a month is the typical -- look for. Are

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2 there any questions on that slide?

3 MR. CARNEY: No, sir. Not me.

4 MR. NAZEM: I'm going to flip onto the next  
5 slide, this is a table that shows the package of  
6 customer affordability programs, and the table--  
7 the slide is identical to what we had last year,  
8 other than the title. So, the recommendation is  
9 to carry forward the four-bill credit--the  
10 three-bill credit affordability package as we  
11 had it last year into this year.

12 I want to kind of emphasize that what we did  
13 last year, what the Board did last year, was to  
14 put through a fairly large increase in the  
15 dollar funding for the program. We were running  
16 a \$20-million-a-year affordability program. The  
17 Board upped it up to 30 last year. DEP is  
18 proposing let's keep the 30 in place again this  
19 year. The funding expansion was broad-based, it  
20 was distributed across both of the programs.  
21 There's a single-family small property owner  
22 program, the Home Water Assistance Program aimed  
23 at mostly single-family properties where the  
24 household is in a property tax abatement program  
25 or in a utility bill assistance program, and

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2 there's income verification performed for the  
3 program by one of our partner agencies.

4                   The other program is similar to the MCP  
5 program geared toward the affordable housing  
6 world, and in that case it's application-based,  
7 but the landlords apply, they receive a per-  
8 apartment credit as approved, and then a portion  
9 of that benefit flows through into the rent  
10 roll, and it results in rent abatement for the  
11 tenants in those buildings.

12                  The last program is the smallest funding on  
13 the page, but I always mention it because people  
14 don't know about it, it's just for public  
15 awareness. It's the Leak Forgiveness Program.  
16 If a household has outside water consumption  
17 because of a leak, whether it's a plumbing  
18 amenity or something happens and the leak is  
19 corrected, if you report it in, it shows the  
20 change in consumption, we can verify it in the  
21 billing system, we knock off half the dollar  
22 cost of the leak. So, it's a very--you fix the  
23 leak quickly, let us know about it, and you get  
24 half off type of program. People don't know  
25 about it, it's an underutilized program in my

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2 view, but it's in here as an important  
3 affordability initiative. So, are there any  
4 questions I can take from folks on that slide?

5 MR. CARNEY: None here, Omar. Thank you.

6 MR. NAZEM: And the next one, this is the  
7 slide we've seen in a number of formats over a  
8 number of years, but what we do is we look at a  
9 representative single-family property, that  
10 brownstone in Brooklyn or that single-family  
11 house in Queens, and we compare water use to  
12 what for similar consumption you would see in a  
13 basket of 30 other large cities scattered around  
14 the country. We've been below that benchmark  
15 basket of prices for many years, but what's  
16 happened, as we've managed the system well and  
17 maintained costs well, and the Authority's done  
18 a stupendous job of keeping the balance sheet  
19 and the cost of debt low, you've seen year after  
20 year our relatively affordability increases.

21 So, while we are increasing rates from a 30-  
22 city basket is increasing rates, our increases  
23 have been less than what you've seen elsewhere,  
24 and that relative affordability has grown and  
25 grown and grown. People don't -- my rates

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2 going up, but then more affordable, but you sort  
3 of are if you think about, well, if you don't  
4 pay the rate here, you're paying it elsewhere,  
5 and they're going to get 5, 6% here. It's been  
6 1, 2, 3%; even now it's kind of below the  
7 benchmark rates.

8                   So, it makes the point, even though the  
9 bill's going up, on a relative basis, you have  
10 to pay water somewhere, it's going up  
11 [background noise] elsewhere. So, that's all--  
12 so, I'm going to flip to the next one. This is  
13 the policy amendment slide. I won't go through  
14 all these in detail, but we're going to have the  
15 marked--the Board's rate schedule which is the  
16 big legal document that describes all the  
17 minutiae about how we do the bills and the  
18 charges and how we calculate kind of regular  
19 billing situations or special requests for  
20 accommodation.

21                  We have four changes we're going to put  
22 through here. The two I'm going to flag are the  
23 second and third points on the list. The multi-  
24 family plan had a surcharge in place for  
25 properties that hadn't provided paperwork and

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2 completed applications by the end of this fiscal  
3 year. It was a 10% surcharge. We're going to  
4 push the surcharge one more year in the  
5 recommendation packet to June 30, 2023. So, the  
6 recommendation is to push the surcharge one year  
7 back, otherwise it would be implemented--it  
8 would need to be implemented next year, but for  
9 a change or an extension of the compliance  
10 deadline.

11 The third bullet is the other one I'll  
12 mention. We're just clarifying how late  
13 interest charges are calculated on the wholesale  
14 bills. This is obviously an MC-focused meeting  
15 but we're going to be--we're clarifying how late  
16 interest is charged on the wholesale bills if  
17 you don't pay the bill on time. The other two  
18 will be detailed in the rate schedule. We'll  
19 all be the subject of the rate hearings, but  
20 those are the two I wanted to draw attention to.

21 MR. MURIN: I believe the next slide is  
22 mine, Mr. Chair.

23 MR. CARNEY: Yes, sir.

24 MR. MURIN: Okay. So, DEP recommends the  
25 Board also increases water rates for the

2 wholesale customers. We're requesting the Board  
3 to consider an allowance quantity rate increase  
4 of up to 4.9% for wholesale customers north of  
5 New York City. Wholesale rates have only been  
6 increased twice in the last six fiscal years,  
7 and we can see that if you look down at the bar  
8 chart below. The typical end consumer water  
9 bill would increase by \$7 per year. The  
10 recommended rate increase for an amount in  
11 excess of the allowance in line with the city's  
12 increase of 4.9%. So, this is our upstate  
13 wholesale water sale which come to  
14 approximately--I have the numbers somewhere  
15 here. Omar, what's it, about \$80 million?

16                   MR. NAZEM: \$85 million.

17                   MR. MURIN: Right. So, the actual increase  
18 some of these residents or users upstate might  
19 be more than this proposed cap or ceiling of  
20 4.9% because they may add on charges. But we  
21 think it's actually going to be less than this  
22 4.9%. The rate consultant Amawalk is still  
23 working on it. They should have that finalized  
24 by the time we bring the final proposal to the  
25 Board. But this allows us to be able to go

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2 forth and propose the rate increase and have the  
3 hearing on that one, as well.

4 That ends this portion of the presentation  
5 about the rate proposal, so I'll turn it over to  
6 you, Mr. Chair and the Board, to see if there  
7 are any questions for follow-up there.

8 [Crosstalk]

9 MR. CARNEY: You were kind of, Adam, to  
10 delay your questions, but I think you had a few  
11 earlier in the presentation.

12 MR. FREED: Thank you so much, Mr. Chair,  
13 and I also first wanted just to welcome Mr.  
14 Aggarwala. I've had the pleasure of working  
15 with Rit on a variety of different functions,  
16 known him for over 13 years, and could not be  
17 more excited for his able leadership of the  
18 organization and its alignment with the city's  
19 overall climate agenda and goals, and just I'm  
20 so thrilled to have him in the new continued  
21 leadership at the organization. So, I just  
22 wanted to formally go on the record of welcoming  
23 him and the tremendous skills that he's going to  
24 bring to the organization.

25 One question which probably won't surprise

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2 the staff, in light of the billing study--  
3 billing changes that have been recommended and  
4 the sustainable stormwater rate study that is  
5 happening, just curious how that relates to this  
6 year's rate proposal, thinking about adding in a  
7 storm water charge and how that might relate to  
8 future years.

9 MR. MURIN: I'll address that, Adam, and  
10 Omar can expand if need be. At this point in  
11 time since we did implement the new billing  
12 system last September and we basically are  
13 allowing ourselves a year's period to go through  
14 the testing and shakedown of all the issues  
15 there.

16 So, we have the capacity to add alternative  
17 rates within the new billing system, however, we  
18 would not be really contemplating any of that  
19 until post this calendar year, so moving into  
20 calendar year--what am I at right now--that  
21 would be starting into '23 that we would start  
22 being able to consider whether we wanted to do a  
23 storm water charge, whether you wanted to do  
24 some sort of fixed charge, other types of  
25 billing mechanisms.

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2 I believe we're--I will say, and Deputy  
3 Commissioner Lynch is on the phone as well, but  
4 the billing roll-out has been going well. We've  
5 been seeing a lot of improvements. There still  
6 is some--one of the challenges being with the  
7 staffing level as we talked about throughout  
8 this, but the work has been going well, and we  
9 think we're going to be successful at that, so  
10 we are hopeful that we'll be able to get into  
11 new rate-setting structures once we have that,  
12 which would include considering the storm water  
13 charge.

14 MR. FREED: Excellent, thank you.

15 MR. CARNEY: Thank you, Joseph. Thanks very  
16 much. Are there other questions from members?  
17 I do have one, and it's about staffing. What's  
18 the objective, the number of DEP staff that we  
19 believe we should focus on, and how--where are  
20 we with regard to that number?

21 MR. MURIN: Rit, I don't know if you want  
22 to--

23 MR. AGGARWALA: [Interposing] Yeah, let me  
24 go ahead and say, and by the way, this touches  
25 on something you mentioned earlier, Mr.

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2 Chairman, about one of your concerns. I think  
3 it's important to recognize that we have--and  
4 Joe, you would have the precise number, no  
5 doubt--but somewhat above 6,000 lines in our  
6 budget that's authorized, budgeted staff.

7                   We now have roughly 900 vacancies, so we're  
8 operating at a headcount of roughly 5,200 staff  
9 across the agency. What's significant in one  
10 respect about that is we've got so much hiring  
11 we need to do that we're completely fully  
12 budgeted under the numbers that you're being  
13 presented here. So, there's no need for higher  
14 rates to deal with the staffing issues that we  
15 face.

16                  MR. CARNEY: Got it. Understood.

17                  MR. AGGARWALA: And I think we are in  
18 ongoing conversations with the Office of  
19 Management and Budget and City Hall about what  
20 our staffing prospects are. Of course, there's  
21 twin issues of concerns by the mayor and OMB of  
22 keeping city employment, city government  
23 employment at reasonable numbers, but there's  
24 also the headwind which is this is a difficult  
25 economy in which to hire, and that's true for

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2 every employer.

3 I think we are focused right now on a  
4 handful of areas where there are either serious  
5 issues where we are right now, for example,  
6 asking understaffed divisions to work overtime,  
7 or understaffed teams to work overtime to make  
8 up for understaffing, and we're seeing impacts  
9 there. We are also looking at--we are also  
10 focusing our efforts on employment vacancies  
11 where there are knock-on effects, because one  
12 person or one team is a bottleneck because it is  
13 understaffed and therefore it is undermining or  
14 slowing down work going on elsewhere in the  
15 organization. So, that's kind of the focus  
16 right now.

17 I do think, and I'll first of all say thank  
18 you to Member Freed, Adam, for your kind words,  
19 but to Adam's point about the storm water rate,  
20 this is one of the reasons I think that DEP  
21 needs to take a step back over the course of  
22 this year and think about a number of things  
23 that are changing and how it relates to our  
24 strategy. We know that the climate is changing  
25 and requires a strategic response from the

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2 agency. We know that the economy is changing;  
3 that also requires a strategic response from the  
4 agency.

5 Some of you will remember that 10 years ago  
6 or so there was an effort done called  
7 Operational Excellence. It was focused on  
8 finding efficiencies with the agency. I think  
9 we may actually have a different task right now  
10 which is actually to identify and justify what  
11 does the agency look like when it is fully  
12 staffed at the appropriate levels across the  
13 board, because we also know, and it does tend to  
14 be the case, that the "lines" that you are  
15 budgeted for tend to be backward-looking; that's  
16 the historic tradition. As we look ahead to  
17 what we really need to be at, we want to make  
18 sure that we are growing those areas that need  
19 growth, some of which is around thinking  
20 differently also about the skills and the job  
21 titles, as well.

22 MR. CARNEY: Got it, got it.

23 MR. AGGARWALA: So, in any case, it's  
24 something that we are taking very seriously,  
25 it's something I'm taking very seriously. In

2 fact, just prior to this I was having a  
3 conversation with our HR DC about this, and I  
4 think it is something that we will have a lot  
5 more to say to you about over the course of the  
6 year.

7 MR. CARNEY: I'm sure you're paying a great  
8 deal of attention to this issue, Commissioner,  
9 and know that we on this board are very grateful  
10 for that, and you're bringing a new set of eyes  
11 to solving a problem that was unforeseeable  
12 three years ago. It's unbelievable that we are  
13 in the situation we're in, but good luck, keep  
14 fingers crossed. I'm sure you'll figure out,  
15 because, well, you don't have a choice.

16 MR. AGGARWALA: That is true.

17 MR. CARNEY: Are there questions, other  
18 question, from members? Hearing none--

19 MR. ZARRILLI: [Interposing] Mr. Chairman,  
20 this is Dan Zarrilli. I do have a few things.

21 MR. CARNEY: Yeah.

22 MR. ZARRILLI: One, again, I'd like to echo  
23 Adam's congratulations to the commissioner and  
24 former Commissioner Sapienza for his continued  
25 service, and looking forward to all the great

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2 things you're going to do with DEP.

3 A small thing. I'm curious if at some point  
4 this board can have a short conversation around  
5 the format of these meetings and whether these  
6 phone calls are the most appropriate way going  
7 forward, but I'll put that aside for a little  
8 bit.

9 Mr. Chairman, I have a slightly different, I  
10 think, framing on the point and the question you  
11 raised around why 4.9%, and from the other angle  
12 of wanting to be sure that any increase  
13 certainly, of course, needs to cover the capital  
14 expenses, the operating expenses, make sure the  
15 system is functioning in this new environment--  
16 this new climate era that we're all in, and  
17 certainly happy to see additional sewer and blue  
18 belts and other green infrastructure investments  
19 across the system. Incredibly vital, given  
20 everything we know about what's changing in our  
21 climate.

22 I also appreciate the impact of any increase  
23 on lower-income households, especially given  
24 everything else that's happening in the economy  
25 right now, whether it's inflation, some of the

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2 media we've seen around potential rent  
3 guidelines, board increases, and how all of that  
4 continues in small ways to add up to an  
5 unaffordability crisis that we continue to have  
6 in the city. So, any increase is not trivial.  
7 So, just to partly make that point, and to  
8 understand whether or not we can see as a board  
9 in these continuing conversations around the  
10 cash flows and things, whether there is a  
11 forward-looking sense of what the rate increases  
12 might be, not just this year, but some  
13 projections of what they could look like in the  
14 future. If we make a 4.9% choice this year,  
15 does that mean we can do a little less next  
16 year, or understand how that fits into a longer-  
17 term protection, and [crosstalk]--

18 MR. CARNEY: [Interposing] Dan, I very much  
19 appreciate your question. It is one of the  
20 issues I would raise with Ed Markus in any  
21 meeting that we might have, but to Joe Murin's  
22 point, there is a document that may answer these  
23 questions, and may or may not offer projections  
24 for possible rate increases, or the lack thereof  
25 going forward. I'm very anxious to know the

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2 answers to those questions, and I thank you for  
3 raising them, and the language you've raised is  
4 really clear. Thank you for doing that.

5 MR. ZARRILLI: Thank you. So, just one last  
6 piece on that, is just to also understand how  
7 the choice of the \$30 million affordability  
8 program, whether that's the right number,  
9 whether it needs to be a different number. I'm  
10 certainly glad to see the rental payment  
11 eliminated in this calculation; that's been  
12 incredibly important. So, these are the things  
13 that are on my mind as we're considering any  
14 rate increase, and just would love to have that  
15 conversation and see that information when it's  
16 available. Thank you, Mr. Chairman.

17 MR. CARNEY: Member Zarrilli, thank you very  
18 much. You're really clear and pointed. I very  
19 much appreciate it. Commissioner, we will look  
20 to you and to Joe Murin and Omar Nazem for  
21 information as it becomes available that we  
22 might review. So, thank you very much. We'll  
23 be looking for that. Are there other questions  
24 for the staff? Hearing none--

25 MR. GOLDIN: [Interposing] This is Jon.

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2                   MR. CARNEY: Yes, sir. Yes, sir.

3                   MR. GOLDIN: -- thank you. I'm just  
4                   wondering if there is anything that we can do to  
5                   insulate the system against rising inflation.  
6                   We've come up with several different contexts  
7                   during the meeting -- on an annual basis. Is  
8                   there anything we can do from the natural  
9                   perspective that we can build into the system to  
10                  provide that resilience --?

11                  MR. CARNEY: It's a great question, Jon, but  
12                  how do we insulate any segment of the economy  
13                  against inflation? It's madness, what's  
14                  happening now, and there are reasons for the  
15                  madness. But it's a fair question and one that  
16                  I think the Chief Financial Officer and the  
17                  Treasurer of the Water Board might want to  
18                  address. It may not have an answer. There may  
19                  not be an answer for how we insulate the system  
20                  against the vagaries of inflation, but why not  
21                  see if Joe or Omar might have and answer?  
22                  That's a terrible thing to do to the two of you,  
23                  but what the hell [laughter].

24                  MR. MURIN: To that point, Mr. Chair and  
25                  Member Goldin, we and the rate consultant--and

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2 we have had a longstanding practice in the rate  
3 model, and this gets also to Member Zarrilli's  
4 point as well, where when we do, we'll have the  
5 forward-looking aspect of the rate proposal. It  
6 includes an inflation factor. We have generally  
7 covered using the 3%, and in years' past, as  
8 this past decade-plus have shown, that has been  
9 more than adequate to cover both cost increases,  
10 collective bargaining needs, where there's been  
11 vagaries in inflationary items, it may not be  
12 sufficient if we're entering into a higher  
13 inflation mode. So, that may be something we'll  
14 have to think about.

15                 I think to your point, Mr. Chair, to Member  
16 Goldin's question, it's very hard to have you  
17 hedge against that because it's really, really  
18 difficult unless you're willing to pay a lot of  
19 money or have a lot of reserves on-hand, which  
20 means that we could be raising rates even higher  
21 just to have more--to have cash available just  
22 on those contingencies.

23                 So, I think we could probably address this  
24 in what I put forth in that when we get to the  
25 Board and then to the general public how we came

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2 up with the rate proposal, and also, I think  
3 we'll be able to address Member Zarrilli's  
4 question, as well. So, we could sort of weave  
5 those in there and hopefully address the  
6 questions as raised, and be able to then either  
7 answer them or have--elicit a further discussion  
8 with the board.

9 MR. GOLDIN: Thank you very much.

10 MR. MURIN: I do want to add, Mr. Chair,  
11 that there are two more slides that we need to  
12 go through, unless that's the end of the  
13 questioning. I don't want to stop the Board  
14 from asking anything more. Did we lose the  
15 chairman?

16 MR. NAZEM: Alfonso, do we have you?

17 MR. MURIN: Do we have everybody else?

18 MR. ZARRILLI: This is Dan Zarrilli. I'm  
19 still here.

20 MS. FERNANDEZ-KETCHAM: Yes.

21 MR. GOLDIN: We're still here, yeah.

22 MR. MURIN: So, I guess--

23 MR. RODRIGUEZ: [Interposing] We still have  
24 a quorum.

25 [Crosstalk]

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2 MR. MURIN: I will point out--

3 MR. CARNEY: [Interposing] I'm sorry,  
4 [crosstalk].

5 MR. MURIN: Go ahead, Chair.

6 MR. CARNEY: My participation was ended very  
7 unceremoniously.

8 [Laughter]

9 MR. MURIN: I don't think you missed  
10 anything that we could get to in the transcript.

11 MR. CARNEY: I'll be fine, I'll be fine.  
12 Were you all finished with your comments on the  
13 member questions that you got just before I  
14 dropped off the call?

15 MR. MURIN: I believe I finished and we were  
16 reopening to see if there were any other member  
17 questions before we moved on to the last two  
18 slides.

19 MR. CARNEY: Well then, let's move on to the  
20 last two slides.

21 MR. MURIN: So, those were we have the  
22 update on DEP's sustainable rates study. I  
23 won't read it because I think it will be--it's  
24 on the presentation and I don't think--it's  
25 really an update and I know that Member Freed

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2 and other members are very interested in this,  
3 so I think it's consistent with what we've been  
4 saying, and what the group that's been meeting  
5 on a periodic basis, as well. But I will ask if  
6 any members do have--or the chair have questions  
7 regarding the sustainable rate study.

8 MR. CARNEY: I don't have any. It's the  
9 chair.

10 MR. MURIN: Hearing none, the last item in  
11 the package is the proposed calendar of hearings  
12 on the rate proposal, which all will be virtual.  
13 We have the one we're doing today. The first  
14 wholesale rate public hearing, which is the  
15 upstate rate, will be on Tuesday, May 24. The  
16 first New York City public hearing will be on  
17 Wednesday, May 25 at 2 p.m. The evening public  
18 hearing for in-city will be on Thursday, May 26  
19 at 6 p.m. Then the Board will convene again on  
20 Wednesday, June 1, to consider the rate proposal  
21 that's before them. As noted, there may be an  
22 interim meeting depending on the package that we  
23 get to the Board for their review in terms of  
24 the financials that have been raised.

25 MR. CARNEY: Joe, thank you very much. Are

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2 there any questions or concerns about the  
3 schedule? I want to thank you all for arranging  
4 a schedule that only has one Friday meeting, the  
5 one we're having now. For those of who likes to  
6 get down to the Chesapeake, Monday and Friday  
7 meetings are hard, and I want to thank you all  
8 very much for working around my silly schedule.  
9 I'm old and I like what I do with my spare time.  
10 Thank you very much for that. Are there  
11 questions from the members? Are there matters  
12 that need to be raised before I ask for a motion  
13 to adjourn? Hearing none, may I have a motion  
14 to adjourn?

15 MR. FREED: So moved.

16 MR. GOLDIN: I'll make that motion.

17 MR. FREED: I'll second it.

18 MR. GOLDIN: Then I'll second--sure.

19 MR. CARNEY: Thank you very much, Adam, and  
20 thank you, Jon. Mr. Secretary, I guess we have  
21 to call the roll to get the matters on the  
22 record.

23 MR. RODRIGUEZ: Yes.

24 MR. CARNEY: Okay, so let's--

25 MR. RODRIGUEZ: [Interposing] Yeah, I think

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2                   that's the suggested process, Mr. Chairman.

3                   MR. CARNEY: That works for me, and the  
4                   motion is approved.

5                   MR. RODRIGUEZ: You want me to call--

6                   MR. CARNEY: [Interposing] Yeah, I want you  
7                   to go through the members list.

8                   MR. RODRIGUEZ: Okay. This is the secretary  
9                   taking the roll on a motion to adjourn the  
10                  meeting. Chairman Carney, how do you vote?

11                  MR. CARNEY: To adjourn.

12                  MR. RODRIGUEZ: Member Fernandez-Ketcham,  
13                  how do you vote?

14                  MS. FERNANDEZ-KETCHAM: Adjourn.

15                  MR. RODRIGUEZ: Member Freed, how do you  
16                  vote?

17                  MR. FREED: Adjourn.

18                  MR. RODRIGUEZ: Member Goldin, how do you  
19                  vote?

20                  MR. GOLDIN: I vote to adjourn.

21                  MR. RODRIGUEZ: Member Hsu, how do you vote?  
22                  Okay, we might--we'll go back to Member Hsu at  
23                  the end here. Member Shaw, how do you vote?

24                  MS. SHAW: Adjourn.

25                  MR. RODRIGUEZ: Member Zarrilli, how do you

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2           vote?

3           MR. ZARRILLI: To adjourn.

4           MR. RODRIGUEZ: Okay. And checking in with  
5 Member Hsu once again. Member Hsu, are you on  
6 the phone? Okay, but I--we--

7           MR. CARNEY: [Interposing] Thank you very  
8 much, Mr. Secretary. We are adjourned. Mr.  
9 Commissioner, thank you so much, and former  
10 Commissioner Sapienza, thank you for joining us  
11 today. I'd love to get together and sit and  
12 talk a little bit about this meeting with both  
13 you and the commissioner when there is an  
14 opportunity to do that.

15           MR. AGGARWALA: Thank you, Mr. Chairman.  
16 Would look forward to that.

17           MR. CARNEY: Thank you, sir.

18           MR. AGGARWALA: All right. Be well,  
19 everybody. Thank you.

20           MR. CARNEY: All adjourned.

21           MS. FERNANDEZ-KETCHAM: Okay. Have a good  
22 weekend, everyone.

23           [Crosstalk]

24           [END RECORDING]

25

C E R T I F I C A T E

I, Gabrielle Atkinson, certify that the foregoing transcript of NYC Waterboard 4.29.2022.mp3 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:

Date: May 4, 2022