

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

A meeting of the New York City Water Board (the “Board”) was held on April 9, 2010, at 8:30 a.m. at the New York City Department of City Planning, 22 Reade Street, Spector Hall, New York, New York 10007. The following members of the Board were present:

Alan M. Moss,

Marcia Bystryn,

Donald Capoccia,

Amaziah Howell,

Mehul Patel, and

Benjamin Tisdell,*

constituting a quorum. Mr. Moss chaired the meeting, and Albert F. Moncure, Jr., served as Secretary of the meeting.

Adoption of Minutes

The first item on the agenda was approval of the minutes of the Board’s previous meeting held on March 19, 2010. There being no discussion, upon motion duly made and seconded, the minutes of the meeting held on March 19, 2010, were unanimously adopted.

Temporary Delegation of Powers and Duties of the Office of Treasurer

The next item on the agenda was the temporary delegation of the powers and duties of the Office of Treasurer to Executive Director, Steven Lawitts. Mr. Lawitts explained the delegation is needed to fill the vacancy created by the recent resignation of Acting Treasurer Lindsey Ganson. Mr. Moss commended Ms. Ganson’s work during her tenure as

*Mr. Tisdell arrived after the votes on the resolutions adopted at the meeting and consequently did not participate in such votes.

Acting Treasurer. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously adopted.

WHEREAS, pursuant to Section 1045-g(8) of the New York City Municipal Water Finance Authority Act, the Board appointed Lindsey Ganson as Acting Treasurer on September 25, 2009; and

WHEREAS, the Board has been advised of the resignation of Ms. Ganson from her employment with the New York City Department of Environmental Protection as of April 2, 2010 thereby creating a vacancy in the office of Treasurer of the Board; and

WHEREAS, pursuant to Article II, Section IV of the Board's by-laws, in the absence of the Treasurer, such officer's powers and duties may be temporarily delegated to another Board officer, it is therefore,

RESOLVED, that the powers and duties of the Treasurer's Office shall be temporarily delegated to the Executive Director of the Board, Steven W. Lawitts, until such time as the vacancy in the office of Treasurer is filled, and it is further,

RESOLVED, that the JPMorgan Chase Bank (hereinafter called the Bank) as a designated depository of the Board is hereby requested, authorized and directed to honor all checks less than \$2,500, drafts or other orders for the payment of money drawn in the Board's name on its accounts when bearing or purporting to bear the facsimile signatures of both of the following:

Steven W. Lawitts, Executive Director
Carmelo Emilio, Deputy Treasurer

And the Bank shall be entitled to honor and to charge the Board for all such checks, drafts or other orders for the payment of money, regardless of by whom or by what means the actual or purported facsimile signature or signatures thereon may have been affixed thereto, if such facsimile signature or signatures resemble the facsimile specimens from time to time filed with the Bank by the Secretary or other officer of the Board.

Fiscal Year 2011 Rate and Billing Policy Proposals

The next item on the agenda was a presentation by DEP Commissioner Cas Holloway on the Fiscal Year 2011 Rate and Billing Policy Proposals.

Commissioner Holloway briefly described the rate adoption process which, he said, includes public hearings in all five boroughs. He noted that there would be two hearings instead of one in Manhattan this year and that all hearings would be scheduled at convenient times for working adults.

He then compared the current financial outlook for Fiscal Year 2010 with forecast results for the same period which were projected last year. He said that actual water consumption has decreased in Fiscal Year 2010 by 5% from the May 2009 projection. Revenues, debt service costs, and the System rental payment are respectively, 4%, 18%, and 13% lower than previously forecast. Operating and maintenance expenses have increased in this Fiscal Year by 7% reflecting increased personal service costs attributable to the recent DEP labor settlement with two unions.

Commissioner Holloway said that debt service cost, although less than projected in Fiscal Year 2010 because of lower interest rates and bond refinancing, is nevertheless the fastest growing category of expense for Fiscal Year 2011. This is attributable, he said, to the pace of capital construction which, in turn, is largely driven by regulatory mandates. Examples of such mandates are: the Croton Filtration Plant, the Ultra-Violet Disinfection Facility (the “UV Facility”), and the Newtown Creek Sewage Treatment Plant upgrade.

On the plus side, he said, these projects will create thousands of new construction jobs. Moreover the \$1 billion cost of the UV Facility, which is being constructed to treat Catskill/Delaware System water to remove cryptosporidium, is significantly less than the cost, estimated to be \$10 million or more, would be to filter Catskill/Delaware System water if the City had not received a Filtration Avoidance Determination (“FAD”) from the EPA. Responding

to Mr. Capoccia, Commissioner Holloway said the FAD was originally issued in 1997, renewed in 2002 and 2007, and currently expires in 2017.

Commissioner Holloway next described progress on the Newtown Creek Wastewater Treatment Plant upgrade, the Paerdegat Basin CSO Project, and Water Tunnel No. 3.

He then discussed the financial outlook for Fiscal Year 2011 and the corresponding impact on DEP's recommended rate increase. Consumption is projected to decline 1%. Operating and Maintenance expenses are projected to decline by \$100 million because of DEP headcount reductions and other budget reductions. Debt service, however, is forecast to increase by \$400 million and the System rental payment is expected to grow by \$50 million. The in-City revenue need will be \$2.8 billion requiring a 12.9% rate increase to prevent a projected \$322 million shortfall which would occur if rates remained unchanged. Commissioner Holloway noted that the proposed rate increase is lower than the 14.3% increase forecast last year.

Other significant billing proposals include a 1% discount for customers enrolled in the direct debit program pursuant to which water and sewer charges are automatically deducted from customer bank accounts and an increase in the service termination fee from \$500 to \$1000.

Another significant proposal is that, in accordance with a recommendation in the rate structure study, there would be a stormwater sewer charge pilot program applicable to parking lots which are not connected to the water system and as such do not currently pay a sewer charge. The new charge would reflect the cost to remove precipitation runoff from such

properties through the stormwater sewer system. The proposed charge is \$.05 per square foot and there would be a credit for parking lots which capture and retain stormwater.

Responding to Ms. Bystryn, Commissioner Holloway said that other recommendations in the rate structure study such as fixed charges and conservation pricing would require further analysis and study.

Commissioner Holloway said the water and sewer rate increase would average about \$85 per year for single family accounts enrolled in the direct debit program and \$93 per year without direct debit. The impact on the average multi-family unit would be approximately \$50 per year with direct debit and \$61 per year without direct debit.

Commissioner Holloway observed that New York City water and sewer rates have grown by an average annual rate of 6% over the last 10 years which compares favorably with the 6.6% average rate of increase among other large U.S. cities for the same period.

Responding to Ms. Bystryn, Commissioner Holloway explained that the System rental payment is increasing because the rental payment equals 15% of debt service on Water Authority bonds and bond debt service is increasing. Commissioner Holloway observed that the benchmarking analysis in the rate structure study indicated that most public water utilities in large U.S. Cities make some sort of inter-governmental transfer to the local government similar to the System Lease rental payment.

Adjournment

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

SECRETARY