

**MINUTES OF THE MEETING OF THE  
NEW YORK CITY WATER BOARD  
OCTOBER 15, 2020**

A meeting of the New York City Water Board (the “Board”) was held on October 15, 2020 starting at approximately 9:00 a.m. via teleconference in accordance with the Governor’s Emergency Order regarding the Covid-19 pandemic. Approximately 40 members of the public dialed into the teleconference. The following members of the Board attended the meeting:

Alfonso Carney,  
Dr. Demetrius Carolina, Sr.,  
Evelyn Fernandez-Ketcham,  
Adam Freed,  
Jonathan Goldin, and  
Arlene Shaw

constituting a quorum. Mr. Carney chaired the meeting, and Albert Rodriguez served as Secretary of the meeting.

**Approval of the Minutes of May 22, 2020**

The first item on the agenda was approval of the minutes of the Board’s meeting held on May 22, 2020. There being no further discussion, upon motion duly made and seconded, the minutes of the meeting held on May 22, 2020 were unanimously adopted.

**Approval of the Minutes of June 19, 2020**

The next item on the agenda was approval of the minutes of the Board's meeting held on June 19, 2020. There being no further discussion, upon motion duly made and seconded, the minutes of the meeting held on June 19, 2020 were unanimously adopted.

### **Financial Update Covering Fiscal Years 2020 and 2021**

The next item on the agenda was a presentation by Vincent Sapienza, Commissioner, Joseph Murin, Executive Director of the Board, Jeff Lynch, Deputy Commissioner of the Department of Environmental Protection ("DEP"), and Omar Nazem, Treasurer of the Board. The presentation focused on 1) an update on the DEP's ongoing response to the COVID-19 pandemic on operations of DEP and the water and wastewater system, 2) an analysis of revenue trends for Fiscal Year 2020 (FY20) and Fiscal Year 2021 (FY21), and 3) an update on DEP's capital and operating expenses.

Commissioner Sapienza opened the presentation with an update on system revenues for FY20 and FY21 noting that revenues have been steadier than expected and that the City is incrementally reopening for business and schools, although a normal pattern of activity has not been resumed yet. The Commissioner also noted that operating and capital expenses for FY20 were both below budget. Commissioner Sapienza reported that since the start of the pandemic operations have been running normally, and that there has been no impact on the quality of the water or the availability of wastewater treatment. Treasurer Omar Nazem provided details on cash revenues and reported that FY20 revenues were only slightly below budget, approximately two-fifths of one percent below budget. Executive Director Murin discussed operating and maintenance expenses for FY20 and noted that they were below budget primarily due to lower spending on contracts, chemicals, and occupancy and personnel expenses resulting from

teleworking. Moving on to FY20 capital expenses, Mr. Murin noted that they were less than expected mostly due to delays in contract processing and construction due to the pandemic. Mr. Nazem provided an update on the financial situation for the current fiscal year, noting that revenues are approximately 11% above revenue through October 13, 2020. Mr. Murin discussed operating and maintenance expenses for FY21 noting that they were re-certified by the City's budget office with an increase of approximately \$11 million, which was the accumulation of a number of smaller adjustments including collective bargaining. On the capital commitment side, Mr. Murin noted that FY21 commitments are lagging mostly due to challenges in processing new contract expenses. Deputy Commissioner Jeff Lynch discussed the impact of COVID-19 on customer payments, noting an increase in customer delinquencies since the start of the pandemic. Chair Carney inquired as to how customers who become 180 days delinquent are treated. Mr. Lynch answered that his team works with customers to enter into payment agreements, and conducts various outreaches to the customer to make sure they are paying to the best of their ability. Mr. Carney requested monthly updates on the percentage of accounts in the 180-day delinquent population and noted that this is an important statistic to monitor for on-going trends. Mr. Murin stated that the Board would be provided with monthly updates on delinquencies. Member Arlene Shaw added a request for granular detail on delinquencies to determine which sectors and types of buildings are most affected by the pandemic. Mr. Murin acknowledged her request and noted that the goal would be to provide a monthly delinquency report with meaningful detail. Ms. Shaw provided further detail to her request, noting the importance of understanding how different classes of property owners are being affected by the pandemic.

Mr. Murin introduced Olga Chernat of the New York City Municipal Water Finance Authority to provide an update on the system's capital program funding. Ms. Chernat noted that the market has remained relatively stable, except for a blip when the pandemic first came into prominence. Ms. Chernat reported that the bond ratings have not changed and all have stable outlooks. Member Shaw noted that she has observed a change in the tone of rating agency reports and opined that it may be due to a conservative financial outlook and the current uncertainty surrounding the pandemic. Ms. Chernat agreed and added that the rating agencies are scrutinizing the future of rental payments to the City as well, and the effect on the system's financial outlook in general considering the pandemic. Member Jonathan Goldin noted the importance of closely monitoring how remote authorities with a steady cash flow base may be affected by the economic hardships of their supported municipalities. Ms. Chernat agreed.

A discussion then ensued regarding the revision of budget documents and Member Goldin requested that Board members be notified immediately of receipt of any revised budget documents. Treasurer Nazem acknowledged the delay in providing revised FY20 and FY21 budget revision documents and promised that going forward revisions would be provided in a timely manner. The discussion segued into the City's rental payment requests. Mr. Murin noted that there were no rental payment requests from Fiscal Year 2017 through Fiscal Year 2019, inclusive. However, due to the disruption of the pandemic, the City requested partial rental payments in FY20 and FY21. Mr. Murin stated that the FY20 rental payment was funded using debt service savings, pre-paying less debt than in past years, and by ending the year with a smaller cash balance. He added that the FY21 rental payment would require the Board to amend its budget, which is before the Board for consideration today. He also noted that there remains a

level of uncertainty regarding future rental payments that must be taken into account. Member Adam Freed requested an analysis as to what extent these rental payments will affect the need for future rate increases, specifically the requested amount for FY21 of \$137 million. Mr. Murin directed the Board's rate consultant, Amawalk, to provide a follow-up answer to the Board. Ed Marcus of Amawalk Consulting indicated that such an analysis would be provided to the Board at a later date.

Mr. Lynch then gave an update on the lien sale, providing that the lien sale has been in existence since 1996 and is an important collection enforcement mechanism. He noted that this year's lien sale has been postponed three times to provide additional customer relief in light of the pandemic. He further noted that the authorization to sell liens expires at the end of this calendar year and that, while there is no guarantee, the current expectation is that the lien sale will be finalized during this calendar year. Mr. Lynch further noted the intention to pursue reauthorization, but also with a similar caveat. Mr. Murin cautioned that the lack of a lien sale reauthorization for an extended period of time could have significant impact on delinquencies. Chair Carney noted the importance of satisfying both sides of the equation, the need to prevent delinquencies and the difficulties imposed by the pandemic. To that end, Chair Carney requested an update at a future meeting regarding this balance. Executive Director Murin stated that a presentation on collection initiatives and programs for distressed property owners would be provided at the next meeting. Mr. Lynch highlighted some programs, such as customer outreaches and payment agreements with no down payment, as well as the current reduction in the late payment interest rate.

The next item for discussion was the projection for Fiscal Year 2022's proposed rate increase. Executive Director Murin noted that the proposed 6.1% increase resulted from decreased revenues related to the pandemic and the deferral of the FY21 increase. Board Member Goldin inquired as to whether the proposal includes any projections for the system's lease obligations. Executive Director Murin noted that it did not and that any additional rental requests would result in a re-assessment of the proposal. Mr. Goldin noted the importance of budgeting for possible rental obligations and the exploration of creating a reserve to cover any future requests. Member Freed made an additional point regarding the importance of avoiding large increases and the need to ascertain a level of certainty regarding rental requests in the future, to the extent possible.

#### **Acceptance of the Independent Auditor's Report for Fiscal Years 2020 and 2019.**

The next item on the agenda was the presentation and acceptance of the Independent Auditor's Report on the Audited Financial Statements of the Water and Sewer System for the Fiscal Years ended June 30, 2020 and June 30, 2019 and authorization of the public release of such audited financial statements. Chair Carney reported that the Joint Audit Committee of the Water Board and the New York City Municipal Water Finance Authority met with the System's independent auditors, Grant Thornton, and reviewed their report. Grant Thornton reported that the financial statements fairly present the net position of the System in conformance with generally accepted accounting principles and provided a letter, which stated that they found no material weakness in the System's internal controls over financial reporting. After such review, the Joint Audit Committee unanimously approved a recommendation that the Board and the Authority accept the auditor's report and authorize the public release of the financial statements.

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

### **RESOLUTION**

**WHEREAS**, the New York City Water Board (the “Board”) and the New York City Municipal Water Finance Authority (the “Authority”) established a joint Audit Committee in light of their joint role in the financial operations of the water and wastewater system of the City of New York (the “System”); and

**WHEREAS**, pursuant to the joint Audit Committee Charter and the Board resolution of January 25, 2008 establishing the joint Audit Committee, the Board and the Authority each acting separately, after receiving a recommendation from the joint Audit Committee, shall annually approve the audited financial statements of the System; and

**WHEREAS**, on October 14, 2020, the Audit Committee met with the independent auditors and reviewed their report on the System’s audited financial statements for the fiscal years ended June 30, 2020 and June 30, 2019; and

**WHEREAS**, the Audit Committee believes the independent auditors’ report and the financial statements are reasonable and appropriate and has recommended that the Board and the Authority accept the independent auditors’ report and authorize the release of the financial statements; and

**WHEREAS**, the Board of Directors of the Authority approved the auditors’ report and authorized the release of the financial statements contingent on their approval by the Board; it is therefore,

**RESOLVED**, that the Board hereby accepts the independent auditors’ report on the audited financial statements of the System for the fiscal years ended June 30, 2020 and June 30, 2019 and authorizes the release of such audited financial statements, provided that both the independent auditors’ report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller of the Authority.

### **Approval of Investment Guidelines and the Fiscal Year 2020 Investment Report**

The next agenda item was the presentation and approval of the Board’s Investment Guidelines and the Fiscal Year 2020 Investment Report as annually required by the New York State Public Authorities Act.

Treasurer Nazem discussed the highlights of the report. There being no further discussion, upon a motion duly made and seconded, the following resolution was unanimously approved by the Board.

**RESOLUTION**

**WHEREAS**, the New York City Water Board (the “Board”) adopted Investment Guidelines to establish policies for the investment of its funds on May 2, 1986 and subsequently amended the Investment Guidelines on October 24, 1990 and February 14, 1997; and

**WHEREAS**, pursuant to the Investment Guidelines, the Board is required annually to review and approve both the Investment Guidelines and an Investment Report; and

**WHEREAS**, the Board has reviewed the Investment Guidelines as contained in the Fiscal Year 2020 Investment Report and finds both the guidelines and report to be reasonable and appropriate; it is therefore

**RESOLVED**, that the Investment Guidelines and the Fiscal Year 2020 Investment Report, copies of which will be filed with the minutes of this meeting, are hereby approved.

**Adoption of Amended Fiscal Year 2021 Annual Budget**

Executive Director Murin noted that the financial presentation and related discussion in the earlier part of today’s meeting covered all areas of the amended budget. Upon motion duly made and seconded, the following resolution adopting the Amended Fiscal Year 2021 annual budget of the Water Board was unanimously approved by the Board.

**RESOLUTION**

**WHEREAS**, pursuant to a Financing Agreement dated as of July 1, 1985, as amended, between the New York City Water Board (the “Board”), the New York City Municipal Water Finance Authority (the “Authority”), and The City of New York (the “City”), the Board is required to adopt an annual budget which includes, among other things, expenses of the Authority and the City relating to the operation and maintenance of City’s Water and Sewer System (the “System”) and

**WHEREAS**, the Board has received an amended certification, dated July 9, 2020, from the Authority regarding the Authority's Budget for the fiscal year commencing July 1, 2020 (“Fiscal Year 2021”) reflecting Authority Expenses and estimated Aggregate Debt Service (as such terms are defined in the Authority's General Revenue Bond Resolution); and

**WHEREAS**, the Board has received an amended certification, dated July 9, 2020, from the Director of Management and Budget of the City regarding the amounts that the City reasonably anticipates it will have expended during Fiscal Year 2021 in connection with the operation and maintenance of the System as described in paragraphs (a) through (e) of Section 8.1 of the Agreement of Lease dated as of July 1, 1985, as amended, between the Board and the City (the “Lease”), and the rental payment, if any, requested by the City for Fiscal Year 2021 pursuant to Section 8.2 of the Lease; and

**WHEREAS**, the Board has received an updated certification, dated September 24, 2020, from AECOM USA, Inc., Consulting Engineer, pursuant to Section 8.3(a)(ii) of the Lease to the effect that amounts certified by the City for costs incurred or to be incurred in connection with paragraphs (a) and (b) of Section 8.1 of the Lease are reasonable and appropriate; and

**WHEREAS**, the Board has reviewed a proposed amended budget for the Board's own anticipated expenses for Fiscal Year 2021, and combined with the proposed expenses for the Authority and the City, the Board has prepared an amended annual budget for the ensuing fiscal year (the “Annual Budget”); and

**WHEREAS**, the Board has received amended certification, dated October 2, 2020, from Amawalk Consulting Group LLC (“Amawalk”), Rate Consultant to the Board, regarding forecasted cash flows and anticipated revenues for Fiscal Year 2021; and

**WHEREAS**, the Board has reviewed the Rate Consultant’s forecasted cash flows and the Board’s proposed amended Annual Budget for Fiscal Year 2021 and has determined that such provision for anticipated expenditures is reasonable and appropriate to enable the Board to exercise its powers and carry out its purposes in accordance with the New York City Municipal Water Finance Authority Act; it is therefore

**RESOLVED**, that the amended Annual Budget of the Board for Fiscal Year 2021, a copy of which is attached hereto, is hereby adopted.

### **Presentation on Water Demand Response in New York City during COVID-19**

Deputy Commissioner Angela Licata gave a presentation on water demand in New York City during COVID-19. Ms. Licata indicated that overall consumption was consistent, noting

that decreases in non-residential demand were offset by increases in residential demand. She provided additional insight that increases in residential demand do not always equate to increases in revenue due to non-meter billed residential customers. Deputy Commissioner Licata highlighted some areas of noticeable reductions in consumption including schools and colleges and restaurants. She further highlighted that we are starting to see a slight uptick in these sectors as the City slowly returns to business as normal. Member Freed noted the importance of a sustainable rate structure and requested engagement with various stakeholders in shaping a rate structure for the future. Mr. Freed requested a further update at a future meeting on DEP's sustainable rate study initiative.

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

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SECRETARY