

NEW YORK CITY WATER BOARD MEETING

Friday, April 29, 2022 - 2:30 P.M.

VIA TELECONFERENCE

Note on meeting location and format:

This public meeting will take place by teleconference. Members of the public can listen to the meeting by dialing phone number 347-921-5612, and entering passcode 487 747 206 #. Once prepared, it is expected that an audio recording and written transcript of the meeting will be posted to the Water Board's website, at nyc.gov/waterboard.

AGENDA

1. Roll Call
2. Resolution: Vote on Approval of Minutes of December 16, 2021 Meeting
3. Presentation: Department of Environmental Protection: Proposed Approach to Water and Wastewater Charges To Take Effect July 1, 2022

The public is reminded that this is a business meeting of the Board. As such, members of the public are asked to refrain from asking questions, and to keep their phones muted. The public is welcome to submit questions to the Board at any time, besides during public meetings, by sending an email to nycwaterboard@dep.nyc.gov or by telephone using phone number 718-595-3594.

There is a meeting accessibility option for members of the public who have difficulty in hearing, or who would otherwise like to access the meeting using real-time text captioning. To access this accessibility option, please visit this link using your internet browser:

<https://www.streamtext.net/text.aspx?event=CFI-NYCWaterBoard>. This is a text only access option, so for audio access please use the phone number and passcode listed above.

**MINUTES OF THE MEETING OF THE
NEW YORK CITY WATER BOARD
December 16, 2021**

A meeting of the New York City Water Board (the “Board”) was held on December 16, 2021 beginning at approximately 11:30 a.m. via teleconference in accordance with the Governor’s Emergency Order regarding the Covid-19 pandemic. Members of the public called into the teleconference to listen to the meeting, in addition to the availability of a live text captioning option. The following members of the Board attended the meeting:

Alfonso Carney,

Evelyn Fernandez-Ketcham,

Adam Freed,

Jonathan Goldin,

Arlene Shaw, and

Daniel Zarrilli

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

Acknowledgment of Greg Acierto

Chairman Carney started the meeting by acknowledging the imminent retirement of Greg Ascierio, a Department of Environmental Protection (“DEP”) employee who served as an attorney and ethics officer for the Board for many years. Chairman Carney noted that Mr. Ascierio had always provided him sage advice and proved to be quietly enormously effective. Omar Nazem, the Board Treasurer, noted the significant contributions Mr. Ascierio had made to Board operations over his 28-year tenure with DEP and thanked him for his service. Member Goldin also thanked Mr. Ascierio for his service.

Approval of the Minutes

The next item on the agenda was approval of the minutes of the Board's previous meeting held on October 14, 2021. Member Fernandez-Ketcham noted her name was misspelled in the minutes and requested it be corrected. Upon motion duly made and seconded, the minutes of the meeting held on October 14, 2021 were unanimously adopted, subject to the correction noted by Member Fernandez-Ketcham.

Presentation by DEP Commissioner Vincent Sapienza on System Operations in 2021

Next, DEP Commissioner Vincent Sapienza made a presentation summarizing City Water and Sewer System operations for calendar year 2021. Commissioner Sapienza noted that 2021 was a relatively successful year despite the ongoing COVID-19 pandemic and discussed the following:

- the vast majority of DEP employee reported to work every day with the remainder teleworking;

- \$1.8 billion worth of funded capital construction was completed during the year;

- \$3 billion dollars of new Water Authority debt was issued to pay for capital projects and refinance older bonds;

- work on the Delaware aqueduct bypass tunnel has continued successfully;

- \$100 million of work was completed at Pugsley Creek in the South Bronx to mitigate combined sewer overflows; and

- a \$125 million plus upgrade at the Coney Island wastewater treatment plant was started.

Commissioner Sapienza also spoke about the record rainfall caused by Hurricane Ida on the night of August 31st which exceeded the capacity of the sewer system and resulted in severe flooding in parts of the City and the death of about a dozen people. He noted the City needs to

assess a variety of tools that will enable us to absorb the rainfall caused by these type of storms including green and grey infrastructure improvement that will decrease the amount of run-off water and to identify capital funding for these improvements.

With respect to System finances, the Commissioner noted that:

-revenues are 2.5% ahead of year to-date plan and 1.6% of where we were last year which equates to \$50 million ahead of this time last year and \$32 million ahead of plan;

-there was a slowdown in billing as the new billing system rolled out in September;

- the Board did not participate in the 2021 lien sale last year because the new billing system was being installed and for other factors;

-water consumption has started to come back to levels prior to the start of the pandemic;

-payment delinquencies have increased during the pandemic. At the beginning of the pandemic, delinquent customer balances totaled approximately \$380 million, an amount that has doubled since then. DEP will continue to look for ways to recover more of that money including tapping into a new federal program that will assist low-income households to pay their water bills.

After the Commissioner's presentation, Member Freed posed several questions: first, regarding the storm water study and flood risk maps that were completed in advance of Hurricane Ida, how did those maps align with the areas most impacted by the hurricane; second, what type of options, such as blue belt expansion or other infrastructure improvements, could be implemented to mitigate the effect of these types of events; and third, how those options may align with the sustainable rate study DEP is conducting.

In response to the first question, the Commissioner stated that, while overall the flooding totals experienced during the storm aligned closely to the mapping, there was deeper flooding than anticipated in some areas. In response to the second question, Deputy Commissioner Angela

Licata stated that planning is underway for numerous green infrastructure improvements to support areas most vulnerable to flooding including, among other things, initiatives to increase water storage, drainage improvement and flow improvements to treatment plants. Finally, Deputy Commissioner Licata noted that a presentation on the rate study would be provided later in the meeting.

Member Zarrilli then asked if DEP had considered alternative pathways for stormwater drainage particularly for low-lying areas vulnerable to flooding and whether the City's vaccine mandate had had any impact on DEP's workforce. With respect to the vaccine mandate, Commissioner Sapienza stated DEP did have some early vaccine holdouts, totaling approximately two dozen people, but more than 99% of the DEP workforce has received at least the one dose of a vaccine. Most DEP employees are fully vaccinated with boosters. In response to the question on stormwater drainage, Commissioner Sapienza said that when the sewers are full and cannot take any more water, stormwater accumulates in those lower lying "bowls" where water could be six or eight feet high, an area where DEP is interesting in identifying opportunities to mitigate the stormwater flows. Deputy Commissioner Licata added that DEP is conducting scenario planning to better understand the drainage pathways in the City and the various vulnerabilities posed by the different types of storm events that we may experience. One of the ideas being analyzed is a system of flood sensors.

Chairman Carney then asked to what extent do we try to protect the City from a once-in-a-generation or twice-in-a-generation storm, how much will it cost, how do we pay for it and whether there are realistic options to protect the City from weather contingencies. Commissioner Sapienza said that rebuilding 7,400 miles of sewers to accommodate storms as massive as Hurricane Ida is not affordable, however DEP is looking at a variety of tools and their relative costs and implementation timelines to meet the new climate reality. Deputy Commissioner Licata

added that a cost-benefit analysis of the tools that can be used to deal with extreme weather events is very important and that green infrastructure tends to be the most effective. She said there will be some trade-offs in order to balance the budget against competing costs and public pressures.

Report of the Governance Committee

Next, Member Goldin, as the chair of the Governance Committee, gave a summary report on the Committee's meeting that was held prior to the Board meeting. Among other things, he reported that the Committee concluded to recommend a change to the Board's contracting policy. Currently, the Board is required to be notified of a no-bid contract entered into by DEP only if it is over \$25,000. By consensus, the Committee agreed to propose to the Board that it receive a report on all no-bid contracts irrespective of whether they meet the \$25,000 threshold or not. Member Zarrilli asked what types of procurements are being done on a sole source or no-bid basis and the extent of the practice Member Goldin replied that his impression was that the practice was not frequently used but DEP staff would provide more details as to how often its deployed. It was agreed that Omar Nazem, the Board Treasurer would provide more information to the Board on this matter.

Appointment of the Board Ethics Officer

Next on the agenda was appointment of a new Ethics Officer for the Board. Greg Ascierio has served for years as the Board's Ethics Officer and with his retirement, a new Ethics Officer needs to be appointed. Chairman Carney proposed that Al Rodriguez, the Board's Secretary, be appointed as the Board's new Ethics Officer. Upon motion duly made and seconded, the appointment of Mr. Rodriguez as Ethics Officer was unanimously approved by the Board.

Update on the Sustainable Rate Structure Study

Next, Deputy Commissioner Licata provided a status update on the three-year sustainable rate structure study being conducted by DEP with the assistance of the Board, the Water Authority,

the Mayor's Office and OMB. Ms. Licata noted that a lot of research has been conducted and cited the several public stakeholders meetings that have been held and the completion of a comparative rate structure analysis as the most important accomplishments to date. The comparative rate structure analysis looks at rate implementation options adopted by major U.S. water utilities, the upsides and downsides of each rate structure and how these rate structures might impact the Board's customers. She noted that most U.S. water utilities have implemented a fixed fee rate schedule which is not linked to consumption. One advantage of fixed rates is that it gives customers cost certainty and revenue certainty for the utility.

Ms. Licata noted that DEP would also be evaluating the impact of a new rate structure on vulnerable populations and economically disadvantaged communities and potential customer assistance programs. Chairman Carney posed a question about the ability of the new billing system to help identify at-risk customers and how do we address those customers in the greatest need. In response to Chairman Carney's questions, Member Freed noted that the current scope of the work is for the study and does not include work on implementation of a new rate structure.

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

/S/
SECRETARY

Water Rate Outlook for the Fiscal Year Beginning July 1, 2022

April 29, 2022



Agenda

INTRODUCTION OF COMMISSIONER AGGARWALA

Commissioner Rohit T. Aggarwala
introduced by CFO Joseph Murin

DEP AND CAPITAL PROJECT UPDATE

Rohit T. Aggarwala
Commissioner, NYC DEP

FINANCIAL UPDATE & WATER RATE PROPOSAL

Joseph Murin
Chief Financial Officer, NYC DEP

QUESTIONS & PUBLIC HEARING SCHEDULE

DEP and Capital Project Update



Introduction to DEP's new commissioner



Mayor's Office of Climate and Environmental Justice Will Consolidate and Incorporate Four City Agencies

Mayor Adams Announces Appointments of Climate Leadership Team, Streamlines Multiple City Environmental Agencies Into One

January 31, 2022

DEP maintained operations during the pandemic, although some aftereffects remain

- The water and sewer system's operations were not materially impacted by the pandemic, and the uninterrupted provision of water and sewer service continued throughout the pandemic
- System operations have been impacted by some of the ongoing effects of the pandemic, including a reduced headcount caused by difficulty in hiring during the pandemic. Our onboarded headcount is currently below budgeted personnel levels
- Along with other City agencies, DEP returned to a traditional, five days per week in the office work format in September 2021
- Many of the digital and productivity innovations introduced during the pandemic are expected to remain part of DEP's workflows
- Recruitment, hiring, and training are agency priority areas for the rest of 2022, with a focus on restoring staffing to budgeted levels

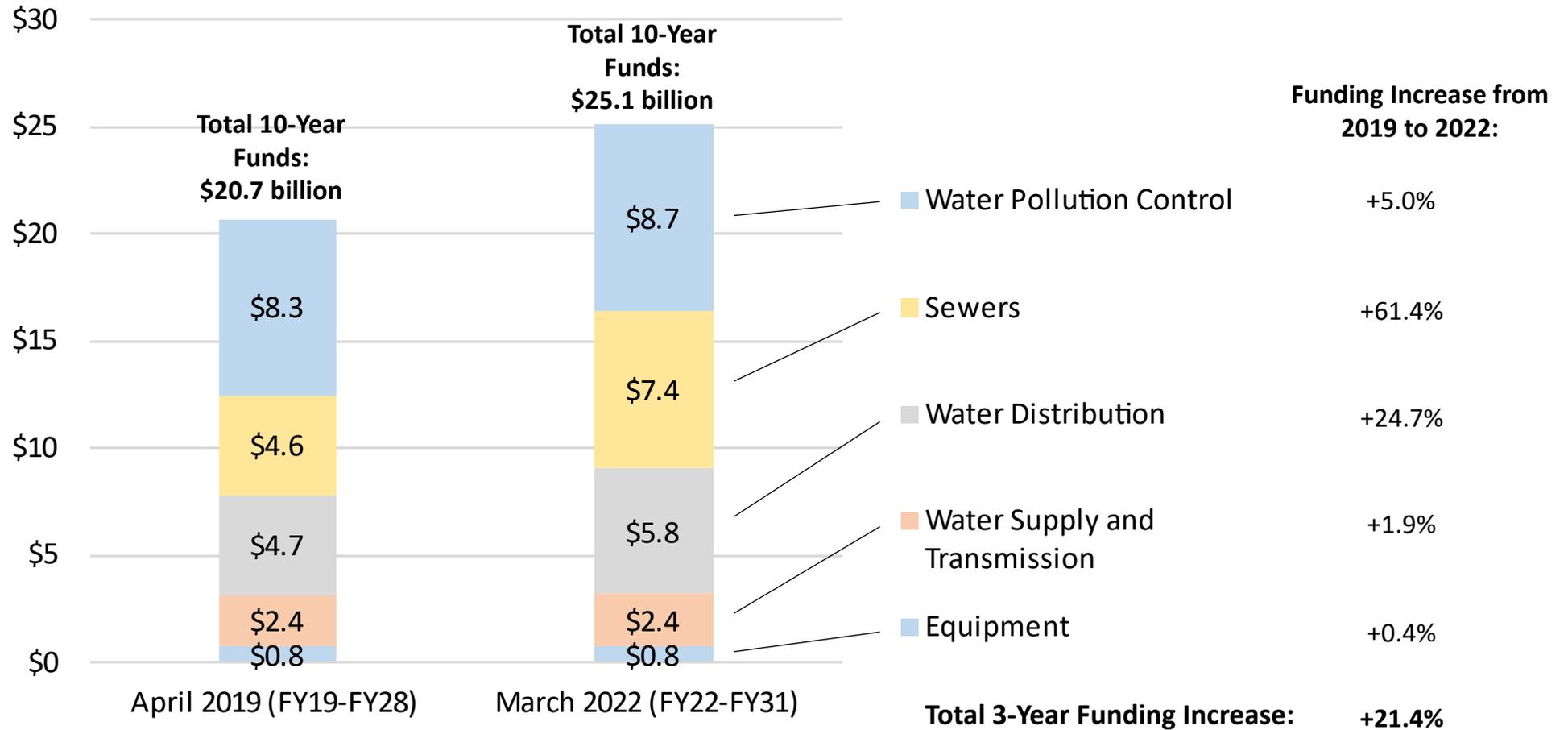
We have significant progress to report on key agency projects

- DEP's new UMAX/Microsoft Dynamics billing system serves as the core water billing tool for the agency following its launch in September 2021
- The UMAX/Microsoft system conversion was the largest financial software upgrade undertaken by DEP in 25 years, and required a major effort by the involved agency personnel
- Work on the Delaware Aqueduct Bypass Tunnel is progressing well. The project is the largest repair project in the history of the New York City water supply system, and DEP is coordinating the timetable for the tunnel shutdown with the affected municipalities outside the City, as well as the system's regulators, in order to ensure the availability of water supply to NYC residents.
- Completion of work on \$148 million of new sewer construction in Canarsie and East New York
- Completion of work on \$15.7 million of improvements and upgrades to the Jerome Park Reservoir
- Work commenced on a \$29 million package of upgrades at 19 NYCHA properties, focused on construction of green infrastructure to mitigate stormwater flows
- Completion of work on an \$18.4 million partnership project with the Department of Transportation, to improve water infrastructure and facilities at Montefiore Square in Harlem
- Work commenced on a \$6.9 million drainage upgrade in the Westerleigh section of Staten Island, including new storm sewer and catch basin installations, as well as water main and hydrant upgrades
- Work on improving Queens sewer infrastructure and flood mitigation continues, including 2021 project completions in Hollis and Queens Village

Financial Update

DEP's capital construction program remains robust and well-funded

\$ in billions



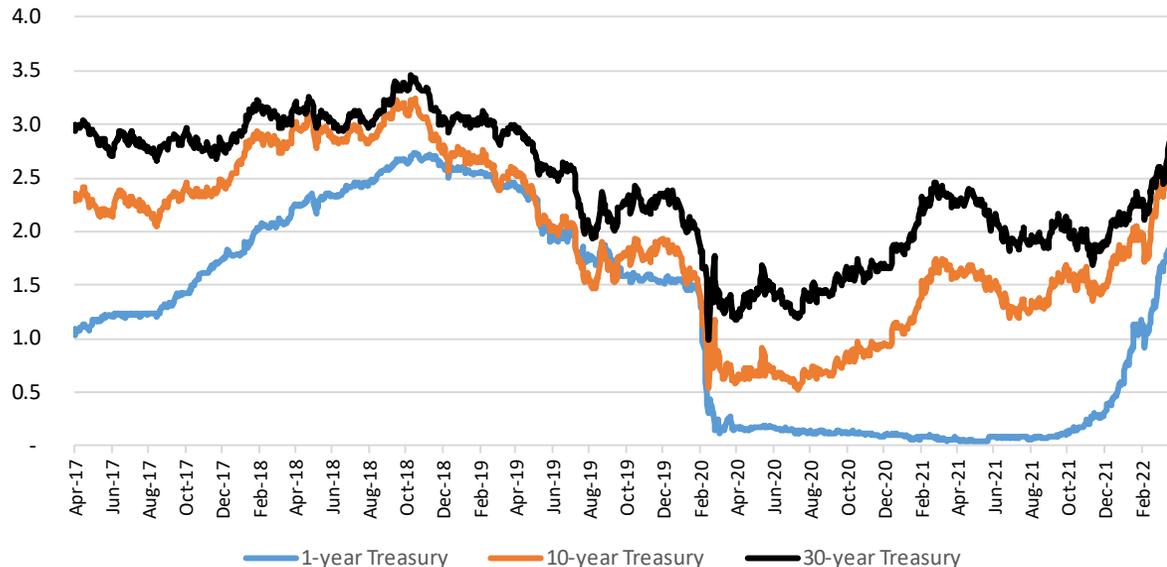
Note: chart includes City funds; does not reflect additional capital project funds from Federal sources

Source: NYC Municipal Water Finance Authority official statements dated 4/10/19 and 3/2/22

Bond market conditions are changing, although the cost of selling New York City water and sewer debt remains low

- Market interest rates began to trend upward during the fourth quarter of calendar year 2021, with most benchmark rates increasing, and an especially sharp increase in short-term borrowing rates on U.S. government obligations
- The increase in benchmark rates has led to increased market rates in the municipal bond market
- Despite recent increases in interest rates, the system can borrow at rates comparable to long-term average borrowing rates
- Together with higher rates of price inflation, higher borrowing costs are likely to increase the system's costs
- Credit ratings on water bonds remain high based on the Board's authority and willingness to set rates that meet the system's funding requirements

Market Yield on U.S. Government Treasury Securities



Source: St. Louis Federal Reserve, data series DGS1, DGS10, DGS30

Rate Changes and Benchmark Rates for Municipal Bond Issuers

	Current Market Yield	Change From 1-Month Ago	Change From 1-Year Ago	20-Year Average
1-Year	1.94%	0.38%	1.89%	1.10%
2-Years	2.20%	0.43%	2.13%	1.29%
5-Years	2.41%	0.40%	2.03%	1.83%
10-Years	2.68%	0.46%	1.74%	2.61%
30-Years	3.03%	0.46%	1.48%	3.56%

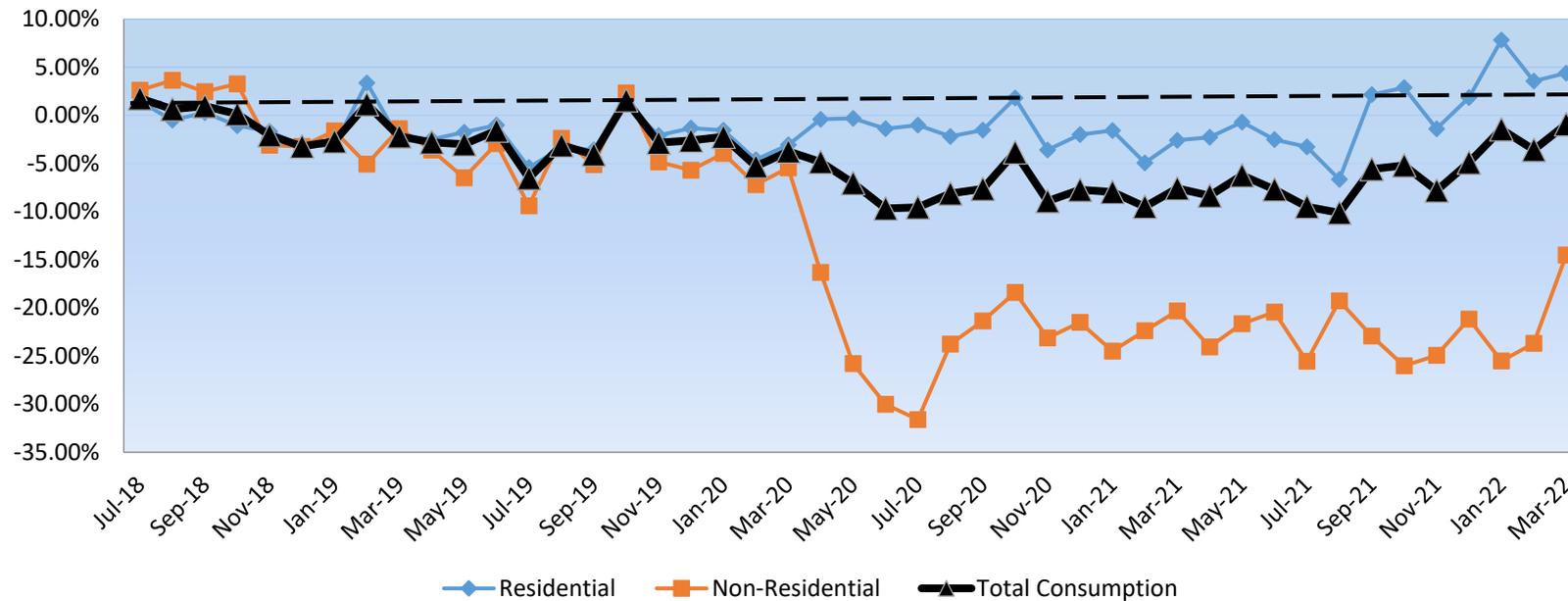
Source: Refinitiv, AAA Municipal Market Data (MMD)

DEP and the Board maintained billing and collection activities in FY 2022, while facing challenges from customer delinquencies and lower water consumption

- Billing and collection activity by DEP and the Board faced the headwinds of customer payment deferrals and lower water consumption during FY 2022
- Through April 27, 2022, revenues were \$3.14 billion, which was an increase compared to the same time in Fiscal Year 2021 of 3.6%, above the 2.76% rate increase that was implemented for Fiscal Year 2022
- Financial headwinds faced by DEP and the Board include (a) the balance of overdue customer bills, which is higher than before the pandemic, (b) water consumption levels below the quantity of water used prior to the pandemic, and (c) availability of collection tools, including reauthorization of the ability to sell liens secured by overdue water bills
- During the pandemic, residential and commercial customers faced with loss of income deferred paying their water and sewer bills
- As the recovery progresses, we are seeing signs of customers who fell behind on their water and sewer bills starting to make payments to restore balances to good standing

Water consumption by metered accounts remains below the pre-pandemic level, with recent consumption data showing an upward trend

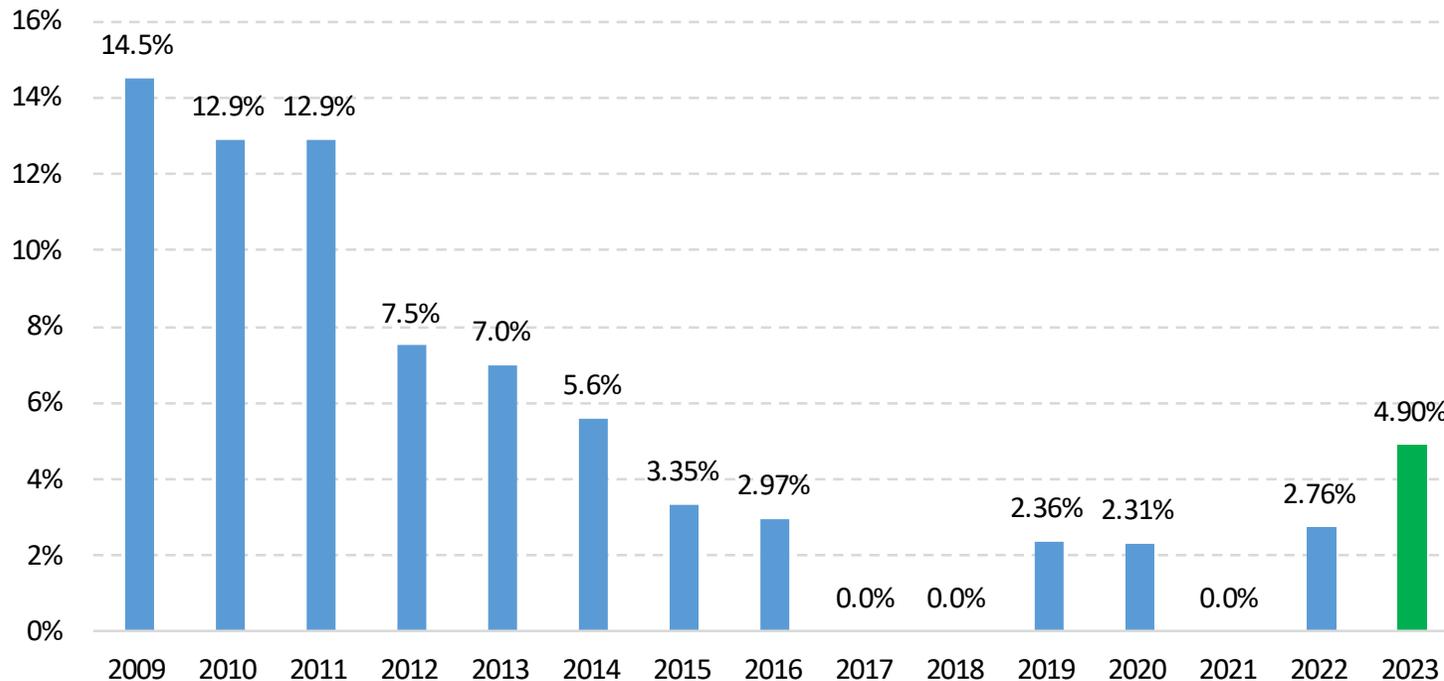
Meter-Billed Percent Change in Demand by Month July 2018 to March 2022 versus Baseline (FY 2018)



	FY2018	FY2019	FY2020	FY2021	FY2022 YTD
Daily Avg Billed Consumption (MGD)	719.40	711.93	687.68	663.58	690.13
Calendar Days	365	365	366	365	274

DEP is recommending that the Board increase rates by 4.9%

- Proposing a **4.90% rate increase** for customers in New York City
- \$30 million of proposed customer affordability program funds preserves the 50% increase authorized in Fiscal Year 2022 into a second program year
- No budgeted rental payment to the City for Fiscal Year 2023



The rate increase will:

- Ensure revenues sufficient to fund the system's expanding capital construction program
- Maintain high ratings from bond rating agencies
- Protect the system from the risks of rising interest rates and inflation
- Support hiring and retention initiatives to return headcount to budgeted levels
- Support expanded analytics capabilities, including analysis of customer data enabled by the new billing system

Residential customers with normal levels of water use will see a small increase to their monthly bills

Annual water and wastewater charges	FY 2022	Proposed FY 2023	Monthly Increase
Average Single-Family Charge (70k gallons per year)	\$994	\$1,041	\$3.90
Average Multi-Family Metered Charge (52k gallons per year)	\$738	\$773	\$2.90
Multi-Family Conservation Program (per residential unit)	\$1,081	\$1,134	\$4.42
Minimum Charged Properties (using less than 90 gallons per day)	\$464	\$464	\$0.00

Note: representative charges are calculated using projected actual billing rates, rounded to two decimal places; year-over-year change in illustrative billed amounts may be slightly different than 4.9% due to rounding to two decimal places

DEP recommends that the Board continue its \$30 million affordability budget, which would extend the 50% budget increase authorized last year

	Pre-Expansion Annual Program Budget	FY 2022 Program Expansion, Proposed to Extend into FY 2023	Proposed FY 2023 Program Budget
Multi-Family Water Assistance Program (4-unit +)	\$10 million	Additional 8,000 affordable apartment unit credits, for 48,000 total credits of \$250 each	\$12 million
Home Water Assistance Program (1-4 unit)	\$6 million	Larger \$145 bill credit to all recipients, and additional 45,000 new recipients (96,000 total)	\$14 million
Leak Forgiveness Program	\$4 million	Program in line with current terms, 50% bill credit for self-reported leaks that are fixed	\$4 million
Total Affordability Programs	\$20 million	Proposal includes extending the \$10 million program funding expansion adopted in FY 2021 for a second program year	\$30 million

Note: budgeted funds available for the Leak Forgiveness Program are an estimate; program funding can be increased based on availability of a pool of qualifying program applicants

Residential use charges will remain lower than in other large cities

Typical Annual Residential Water Charges

		New York City	30 Large City Average ¹	NYC vs. Average
Based on 80k gallons per year	2016	\$1,055	\$1,101	-4.2%
	2017	\$1,055	\$1,156	-8.7%
	2018	\$1,055	\$1,205	-12.4%
Based on 70k gallons per year	2019	\$945	\$1,119	-15.5%
	2020	\$967	\$1,173	-17.6%
	2021	\$967	\$1,216	-20.5%
	2022	\$994	\$1,262	-21.2%
	2023	\$1,041	NA	NA

Note 1: based on rates in effect as of February of each calendar year, using rates in effect during each fiscal year to calculate representative charges

Proposed updates to Board policies and rules

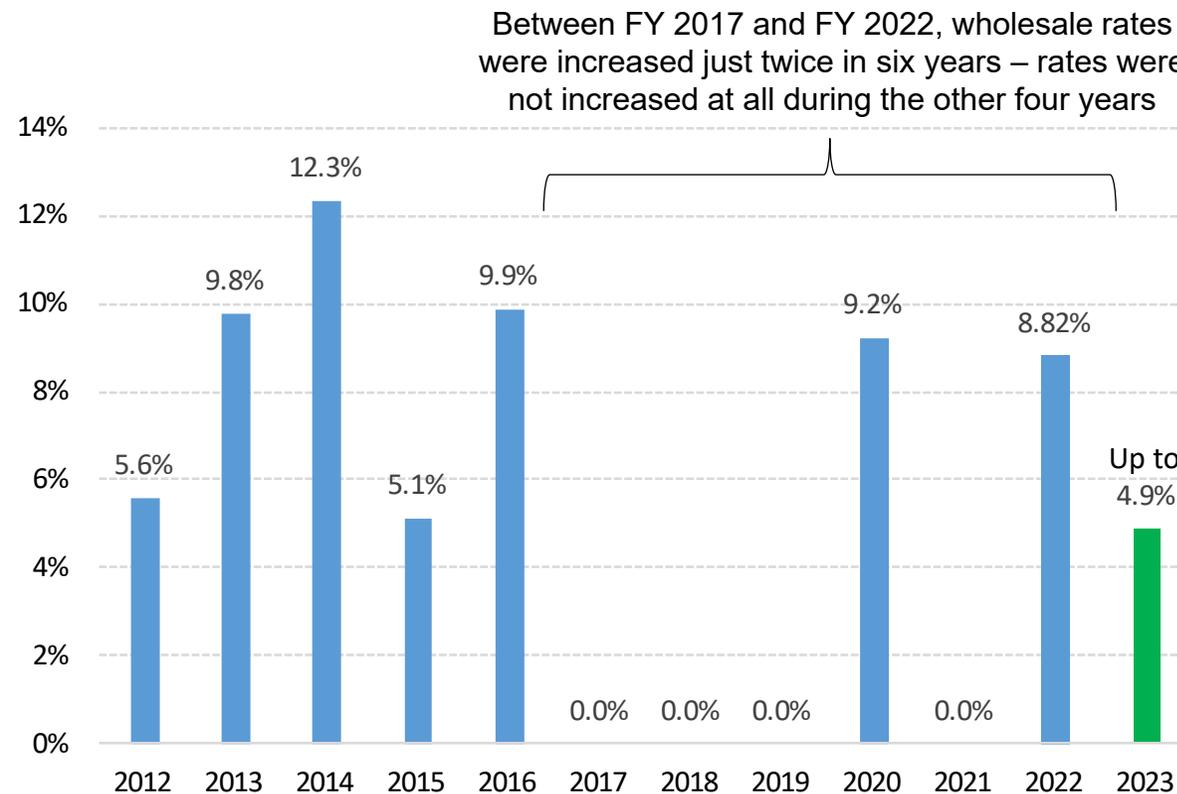
- Update the Cap on Metered Charges (Part IV, Section 4 of the Rate Schedule) to clarify that (a) the required leak and waste inspection must occur during the period of time for which the Cap would apply, in instances where the billing convention may be applicable to a customer's account, and (b) the required leak and waste inspection must be performed by DEP, thereby removing the previously available option of permitting the inspection to be performed by either DEP or a DEP-authorized contractor
- The Additional Charge for Non-Compliance with MCP Requirements will be suspended until June 30, 2023; previously, the Additional Charge was suspended through June 30, 2022
- Clarification that interest charges on overdue wholesale bills will accrue interest at the highest interest rate charged on overdue amounts owed by customers located in the City of New York (currently 13.0% annually¹). Previously, the applicable rate of interest on overdue wholesale bills was the percentage printed on the customer's invoice
- Clarification that unmetered water rates are unavailable to properties that are newly constructed or substantially renovated²

Note 1: subject to change based on the interest rates set each year by the New York City Council for real property taxes due on property located in the City of New York

Note 2: the proposed change would affect frontage rate plans; the Multi-Family Conservation Plan flat rate billing program is available to newly constructed or substantially renovated properties, since properties enrolled in the rate are required to install a meter

DEP recommends that the Board also increase water rates for wholesale customers

- Requesting the Board consider an allowance quantity **rate increase of up to 4.9%** for wholesale customers north of New York City
- Wholesale rates have only been increased twice in the last six fiscal years
- A typical end consumer's water bill would increase by \$7 per year
- Recommended rate increase for amounts in excess of the allowance quantity in line with in-City increase of 4.9%



Update on DEP's Sustainable Rate Study

- The working group has completed a comparative rate structure analysis and held several public stakeholder meetings
- DEP is working with its consultant to complete the remaining portions of the study
- The upcoming phases of the project include the Revenue Requirements and Rate Options assessment stages of the project
- Once these tasks are completed, the project team will assess options for implementation and assess the potential customer impacts of any prospective rate changes
- The project will conclude with the team issuing a Final Report and Recommendation, in which DEP will present recommendations for potential inclusion in the Board's Rate Schedule
- The project team estimates that the remaining project stages can be completed by the first quarter of calendar year 2023, and that a Final Report and Recommendation can be issued by fall of calendar year 2023

Calendar of events leading up to the start of the next fiscal year

Event	Date	Location	Time
DEP rate proposal to Water Board	Friday April 29	Conference call Phone: 347-921-5612 Code: 487 747 206 #	2:30 p.m.
Wholesale Rate Public Hearing – daytime	Tuesday May 24	Conference call Phone: 347-921-5612 Code: 324 213 058 #	11:00 a.m.
New York City Public Hearings – daytime	Wednesday May 25	Conference call Phone: 347-921-5612 Code: 835 020 477 #	2:00 p.m.
New York City Public Hearings – evening	Thursday May 26	Conference call Phone: 347-921-5612 Code: 941 587 106 #	6:00 p.m.
Water Board meets to vote on budget and final rate	Wednesday June 1	Conference call Phone: 347-921-5612 Code: 427 762 372 #	1:00 p.m.

Questions?