

NEW YORK CITY WATER BOARD ANNUAL MEETING

Monday, June 6, 2022 - 11:00 A.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 533 163 509 #. Once prepared, 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: Approval of Minutes of April 29, 2022 Meeting
3. Resolution: Adoption of Fiscal Year 2023 Annual Budget
4. Resolution: Adoption of Rate Schedule Effective July 1, 2022
5. Resolution: Adoption of Wholesale Rates Effective 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
April 29, 2022**

A meeting of the New York City Water Board (the “Board”) was held on April 29, 2022 beginning at approximately 2:30 p.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,

Jukay Hsu

Arlene Shaw, and

Daniel Zarrilli

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

Approval of the Minutes

The next item on the agenda was approval of the minutes of the Board’s previous meeting held on December 16, 2021. Upon motion duly made and seconded, the minutes of the meeting held on December 16, 2021 were unanimously adopted.

Presentation on Proposed Water and Wastewater Rates and Charges to Take Effect July 1, 2022

Next, Water Board Executive Director and Department of Environmental Protection

(“DEP”) Chief Financial Officer Joseph Murin introduced DEP’s new Commissioner, Rohit Aggarwala, who was appointed to the role by Mayor Eric Adams on January 31, 2022. Commissioner Aggarwala also serves as the City of New York’s Chief Climate Officer.

Commissioner Aggarwala made a presentation updating the Board on DEP’s operations, capital program, and strategic projects. The Commissioner noted that former Commissioner Vincent Sapienza was now serving as DEP’s Chief Operating Officer, and commended Mr. Sapienza for his dedication and service to DEP. Chairman Carney added his own words of thanks to former Commissioner Sapienza. Commissioner Aggarwala noted that DEP’s ability to provide water and wastewater services throughout the pandemic was not materially disrupted. The Commissioner further noted that the pandemic has had an impact on certain aspects of DEP’s operations, including the level of staffing, which is lower than prior to the pandemic, and presenting challenges to DEP’s ability to hire new employees, particularly in technical job titles such as engineering roles. Commissioner Aggarwala stated that reduced staffing levels presented a management challenge, but that vacancies were not yet a source of risk to the agency, and that recruiting, hiring, and training would be areas of significant focus for the agency in the coming year. The Commissioner also noted that:

- DEP personnel working off-site during the pandemic returned to the office on a full-time basis in 2021, further noting that approximately half of DEP’s employees continued working on-site throughout the pandemic due to the nature of their job duties;

- The agency’s strategic plan developed during the de Blasio administration covered a time period that ended with the conclusion of the de Blasio administration, and that there is a need for the agency to examine its needs and priorities on an analytical basis to create a vision and viewpoint on investment priorities in the upcoming years;

- DEP’s introduction of the UMAX billing system was a major undertaking, and the

Commissioner commended DEP Deputy Commissioner Jeff Lynch and his team for their work on developing and deploying the system;

- Work on the Delaware Aqueduct Bypass Tunnel has reached an advanced stage, and that the timetable for the Tunnel shutdown is being developed, in cooperation with regulators and local municipalities;

- Sewer construction work in Canarsie was completed at a cost of \$148 million;

- A \$15.7 million set of improvements to the Durham Park Reservoir;

- A \$29 million upgrade program focused on NYCHA has commenced, including green infrastructure and stormwater mitigation among its priorities;

- An \$18 million Department of Transportation partnership for work at Montefiore Square was completed;

- A \$7 million drainage upgrade in Westerly, Staten Island was completed, including storm sewers, catch basins, and water main upgrades.

Commissioner Aggarwala concluded his remarks by mentioning DEP's ten-year capital plan. The Commissioner described the plan's \$25 billion of budgeted funds as robust, and noted that the New York City Council was reviewing the plan, and that expectations are that the Council will approve the plan in substantially similar form to the proposed capital budget. Commissioner Aggarwala then handed the presentation to DEP Chief Financial Officer Joseph Murin.

Mr. Murin began by explaining that the water and sewer revenues that stem from customers paying their utility bills are the source of funds to pay for the two largest components of the Board's budget, which are the operation and maintenance costs of DEP and the expenses incurred in connection with DEP's capital program. Mr. Murin explained that while bond market interest rate benchmarks have increased since the fourth quarter of calendar year 2021, current borrowing rates remain comparable to long-term average borrowing costs, while also noting that

rising interest rates would increase the system's costs through higher required interest payments.

Mr. Murin paused the presentation to introduce two representatives of the New York City Municipal Water Finance Authority, Chief Executive Officer David Womack and Executive Director Olga Chernat. Chairman Carney welcomed Mr. Womack and Ms. Chernat, and asked Ms. Chernat to provide a perspective on how rising interest rates would effect the marketing of Water Authority bonds. Ms. Chernat noted that the system has \$32 billion of bonds outstanding in the market, that the Authority expects to sell approximately \$1.8 billion of additional bonds each year through 2026. Ms. Chernat explained that the Authority has an experienced team involve in structuring and marketing the bonds, that the Authority diversifies its bond offering between fixed and variable rate bonds, and between different coupon structures, and that the Authority is prepared to take the required steps to successfully market the bonds. Ms. Chernat concluded by mentioning that the ratings of the Authority's bonds remain just below AAA quality based on ratings from each of the three major rating agencies, Fitch, Moody's, and S&P.

Chairman Carney's next question was whether the rising interest rate environment would influence the types of transactions undertaken by the Authority or the mix of variable and fixed rate instruments issued by the Authority. Mr. Womack replied that the Authority continues to refund existing bonds when lower interest rates are available, and that as interest rates rise, the Authority will continue to refund existing bonds as opportunities present themselves. Mr. Womack further explained that shorter-term variable rate and longer-term fixed rates bonds have seen market interest rates change at different rates, and stated that the Authority moves aggressively when it can refinance fixed rate bonds at less than 1% or in the 1% range, and that the Authority's variable rate debt now trades in the range of 1%, while market rates for fixed rate instruments are in the 2.5% to 3.0% range. Mr. Womack concluded by mentioning that, given the large size of DEP's capital program, borrowing is an essential technique for financing the cost of

the system's capital budget.

Member Shaw asked for an explanation of the reasons the Authority's credit ratings are high. Mr. Womack explained that the quality of management of the system's resources, as well as the strength of the cash flows and the level of coverage with respect to debt service and operating costs were significant factors, especially since the cash flows and coverage did not vary significantly during the Covid-19 pandemic. Ms. Chernat added that the legal design of the bonds includes several structural factors that protect bondholders and support the system's high credit ratings.

Member Zarrilli asked about the importance of the Board's authority to raise rates, and any resulting impact on the system's credit ratings. Mr. Womack replied that the rating agencies consider the Board's independence from the legislative process to be an important factor supporting the credit ratings.

Mr. Murin resumed the presentation by providing the Board with a financial update, noting that revenues through April 27 were \$3.14 billion, an increase compared to the same time in fiscal year 2021 of 3.6%. Mr. Murin noted that DEP faces several financial headwinds, including the balance of overdue customer bills, lowered water consumption, and the availability of collection tools. Mr. Murin added that total water consumption by metered accounts is below the pre-pandemic level, with residential consumption slightly higher, and non-residential consumption approximately 15% below the pre-pandemic level. Mr. Murin noted that DEP's customer base includes a large number of delinquent accounts, and that the dollar value of the delinquencies is large, and that following a legislated pause, the agency resumed sending out delinquency notices after the end of calendar year 2021. Mr. Murin further stated that the system has not conducted a lien sale since 2019, and that no City legislative authorization to conduct lien sales is currently in effect.

Turning to the financial proposal, Mr. Murin noted that revenues from water and sewer rates is projected to increase from \$3.5 billion in fiscal year 2022 to \$3.7 billion in fiscal year 2023, while system operation costs are expected to increase from \$1.6 billion in fiscal year 2022 to \$1.76 billion in fiscal year 2023. He further noted that the Board's rate report, the Blue Book, would be published on the Board's website shortly after the meeting. Turning to the proposed rate increase, Mr. Murin presented DEP's recommendation for a 4.9% increase to water and sewer rates charged in New York City, including a \$30 million customer affordability program, preserving the 50% increase to program funds previously authorized for fiscal year 2022, and noted that no rental payment was expected for fiscal year 2023.

Chairman Carney asked about how the specific proposed percentage was determined, to which Commissioner Aggarwala replied that the rate increase is the product of a financial analysis and modeling exercise focused on ensuring revenue sufficiency in light of the system's costs, and that all financial models include a degree of variability and that a specific numerical output from any financial model has a level of variability around the precise numerical value. Mr. Aggarwala added that DEP has work to do in the near-term in the areas of hiring and revenue collection, and that while the 4.9% proposed increase is a significant amount, the agency faces pressure to continue to deliver services to the City.

Treasurer Omar Nazem added that the rate increase and budget require striking a balance between achieving the debt and expense coverage ratios that support high credit ratings, while preserving customer bill affordability in the City. Mr. Nazem added that with many of the system's customers still recovering from income losses experienced during the pandemic, DEP and the Board's staff believe that taking a cautious approach with respect to the rate increase is appropriate for fiscal year 2023.

Mr. Carney requested that Ed Markus with the Amawalk Consulting Group, the Board's

rate consultant, provide a perspective on the rate increase, in light of the numerous demands on the system. Member Shaw added that she would value additional information about the economic assumptions underlying the model, in particular how price inflation influences the model.

Mr. Markus explained that Amawalk works in partnership with DEP to develop a rate proposal that ensures adequate cash flows, while maintaining a reasonable customer impact, and offered to walk the Board through the rate model assumptions, if requested by the Board. Chairman Carney stated that he would like the Board to receive some additional financial detail prior to the first public hearing, to which Mr. Markus replied that the information would be made available to the Board, and Mr. Murin added that a cash flow analysis with annotations would be provided to the Board.

Mr. Nazem then presented information to the Board describing the magnitude of the rate increase on typical customer water and wastewater bills, indicating that a monthly increase to a customer's bill of \$3-4 would be the experience of a residential customer with an average level of water consumption, and that customers billed on the minimum charge would not see any increase in their rate. Mr. Nazem then presented DEP's proposed customer affordability program budget of \$30 million, which as proposed would retain for a second program year the 50% increase to the program's budget previously approved by the Board for fiscal year 2022. The programs included under the \$30 million, as proposed, would be the same set of programs offered in fiscal year 2022, including the small property owner program, the affordable rental program available to landlords, and the Board's leak forgiveness program, which makes a partial bill credit available to customers that report and repair a water leak within a specified time period. Mr. Nazem proceeded to present a benchmark of typical water bill costs in the City as compared to an average of thirty other large cities, noting that the cost of water in New York City has consistently been below the thirty city average.

Mr. Nazem then presented several proposed amendments to the Board's rate schedule, highlighting a one-year deferral until June 30, 2023 of the surcharge for properties billed on the Multi-Family Conservation Plan that have not yet demonstrated administrative compliance with the program's requirements, as well as the proposed rule clarification relating to interest charges on delinquent wholesale customer bills.

Mr. Murin presented the preliminary proposal of the wholesale water rate increase, indicating that an increase of up to 4.9% would be required for the regulated allowance quantity rate, which would increase the water component of a typical wholesale customer's bill by \$7 per year. Mr. Murin noted that wholesale water revenues were approximately \$80 million per year, and that the Board's rate consultants with Amawalk would be providing the final rate report on the allowance quantity to the Board following the meeting.

Member Freed mentioned that he has previously worked with Commissioner Aggarwala, and was enthusiastic that his leadership would help to achieve the City's climate agenda and goals. Mr. Freed then asked about the status of the sustainable rate structure study underway by DEP. Mr. Murin replied that DEP's new billing system was deployed in September 2021, that the roll-out of the system is proceeding well, and that alternate rate structures would not be something DEP could consider while the system is still in the post-launch phase, but would be able to begin considering once the post-launch phase is completed.

Commissioner Aggarwala reiterated that the agency faces significant vacancies, with approximately 900 current job openings compared to 5,200 currently onboarded staff, and noted that DEP is in discussions with the City's Office of Management and Budget and with City Hall about staffing priorities. Commissioner Aggarwala mentioned that he believes the agency faces a challenge to identify what it should look like once fully staffed, recognizing the importance of taking a forward-looking approach to the job titles and skills required by the agency.

NEW YORK CITY WATER BOARD

June 6, 2022

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 the City’s Water and Sewer System (the “System”) and

WHEREAS, the Board has received certification from the Authority regarding the Authority's Budget for the fiscal year commencing July 1, 2022 (“Fiscal Year 2023”) 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 certification 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 2023 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 the fiscal year commencing July 1, 2022 pursuant to Section 8.2 of the Lease; and

WHEREAS, the Board has received certification 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 budget for the Board's own anticipated expenses for the fiscal year commencing July 1, 2022, and combined with the proposed expenses for the Authority and the City, the Board has prepared an annual budget for the ensuing fiscal year (the "Annual Budget"); and

WHEREAS, the Board has received certification from Amawalk Consulting Group, LLC ("Amawalk"), Rate Consultant to the Board, regarding forecasted cash flows and anticipated revenues for the fiscal year commencing July 1, 2022; and

WHEREAS, the Board has reviewed the Rate Consultant's forecasted cash flows and the Board's proposed Annual Budget for the fiscal year commencing July 1, 2022 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 Annual Budget of the Board for the fiscal year commencing July 1, 2022, a copy of which is attached hereto, is hereby adopted.

**New York City Water Board
Annual Budget
June 6, 2022**

	<u>Fiscal Year 2021 Actual</u>	<u>Fiscal Year 2022 Estimated Final</u>	<u>Fiscal Year 2023 Adopted</u>
<u>City of New York</u>			
Operations, Maintenance, and Central Services ¹	\$1,559,773,000	\$1,656,900,000	\$1,811,362,000
True-up for Prior Year O&M Payments	(93,684,726)	(\$38,900,000)	0
Rental Payment Pursuant to System Lease	137,000,000	0	0
Payments to City of New York	<u>\$1,603,088,274</u>	<u>\$1,618,000,000</u>	<u>\$1,811,362,000</u>
<u>Water Finance Authority</u>			
Debt Service	\$1,356,600,000	\$1,458,500,000	\$1,663,738,250
Water Authority Expense Budget	45,900,000	45,184,295	50,496,057
Defeasance / Cash-Funded Capital Projects	706,897,375	584,157,000	350,000,000
Target Balance for Next Year Roll-forward	1,080,000,000	1,108,200,000	1,110,000,000
Adjustments for Expense Offsets:			
Roll-forward of Prior Year Revenues	(1,081,000,000)	(1,080,000,000)	(1,108,200,000)
Investment Income	(25,800,000)	(2,000,000)	(17,100,000)
Releases of Cash from Escrows	(118,400,000)	(115,300,000)	(87,200,000)
Payments to NYC Water Finance Authority	<u>\$1,964,197,375</u>	<u>\$1,998,741,295</u>	<u>\$1,961,734,307</u>
Water Board Expense Budget	\$49,800,000	\$48,750,000	\$64,255,000
Expenses recoverable through utility revenues	<u><u>\$3,617,085,649</u></u>	<u><u>\$3,665,491,295</u></u>	<u><u>\$3,837,351,307</u></u>

Note 1: includes allocation of City shared costs for legal settlements and central functions, such as legal, accounting, and administrative functions, and any required additions the O&M Reserve Fund

NEW YORK CITY WATER BOARD

June 6, 2022

RESOLUTION

WHEREAS, the Board is authorized pursuant to Section 1045-g(4) of the New York City Municipal Water Finance Authority Act (the “Act”) to establish, in accordance with Section 1045-j of the Act, fees, rates, rents or other charges for the use of, or services furnished, rendered or made available by the water and wastewater system of the City of New York (the “City”); and

WHEREAS, in accordance with Section 1045-j (3) of the Act, and in light of the COVID-19 pandemic, public hearings concerning certain proposals regarding water and wastewater system rates and charges were held by teleconference on May 25, 2022 and on May 26, 2022, and a transcript of the hearings and all written statements submitted by May 31, 2022 have been received and reviewed by the Board; and

WHEREAS, in accordance with certifications received from (i) the New York City Municipal Water Finance Authority (the “Authority”) with respect to the Authority's annual budget for the fiscal year commencing July 1, 2022 (“FY 2023”), (ii) the City with respect to (a) the amounts which the City reasonably anticipates it will expend during FY 2023 in connection with the operation and maintenance of the water and sewer system and (b) rental payments, if any, requested by the City from the Board, (iii) AECOM USA, Inc., Consulting Engineer, with respect to the reasonableness of the City's certification of certain expenses, and (iv) Amawalk Consulting Group, LLC, Rate Consultant to the Board, regarding forecasted cash flows and anticipated revenues for FY 2023, the Board has on this day adopted its annual budget for FY 2023; and

WHEREAS, based on the requirements set forth in the Board's annual budget for FY 2023 and the testimony and statements submitted at the aforementioned public hearings, the Board has determined that the rates for all customers will increase by 4.90% compared to those rates that first went into effect as of July 1, 2021; and

WHEREAS, the Board has further determined that the proposal recommended by staff to (1) not administer the surcharge, for Fiscal Year 2023, to the bills issued to accounts enrolled in the Multi-Family Conservation Program (MCP) that have not yet established administrative compliance with the Program's requirements, (2) continue the Home Water Assistance Program (HWAP) at a program size of up to 96,000 potential bill credit recipients, and to allow the program to issue a \$145 bill credit to qualifying one, two, three, or four residential unit properties, based on the program criteria of the property in question receiving at least one of three property tax credits from the New York City Department of Finance, including a Senior Citizen Homeowners' Exemption (SCHE), or a Disabled Homeowners' Exemption (DHE), including Physically Disabled Crime Victims, or a Veteran's Exemption, or otherwise having a City Finance Department-verified income of less than \$50,000, (3) continue the Multi-Family Water Assistance Program (MWAP) at a program size of 48,000 affordable apartment units to receive a bill credit of \$250 per qualifying apartment unit, (4) clarify the requirements for inspection under the Board's Cap on Metered Charges billing program, (5) clarify the property categories eligible for billing under the Board's frontage rates, other than the Multiple-Family Conservation Program, and (6) make clarifications to various existing policies and procedures, as each such proposal is set forth in the proposed Water and Wastewater Rate Schedule Effective July 1, 2022, it is therefore

RESOLVED, that said Water and Wastewater Rate Schedule Effective July 1, 2022, as well as the new and modified billing policies and programs as described above, is hereby approved.

NEW YORK CITY WATER BOARD

June 6, 2022

RESOLUTION

WHEREAS, the Board is authorized pursuant to Section 1045-j of the New York City Municipal Water Finance Authority Act to establish rates and charges for services furnished by the Water System of the City of New York (the “City”); and

WHEREAS, pursuant to the Water Supply Act of 1905 as set forth in Section 24-360 of the Administrative Code of the City of New York, the City is required, upon request, to furnish a supply of water to certain municipalities and water districts north of the City at a rate determined on the basis of the total cost of the water to the City (the “Regulated Rate”) in quantities not to exceed the daily per capita consumption in the City multiplied by the number of inhabitants in each municipality or water district as documented by the final release of Federal decennial census statistics (the “Allowance Quantities”); and

WHEREAS, the proposal to the Board for the Regulated Rate is to increase the rate to an amount of \$2,083.48 per million gallons; and

WHEREAS, the proposal to the Board for the Excess Rate is to increase the rate to an amount of \$5,617.46 per million gallons; and

RESOLVED, that effective July 1, 2022, the Regulated Rate shall be charged in an amount equal to \$2,083.48 per million gallons, and the Excess Rate shall be charged in an amount equal to \$5,617.46 per million gallons, for water provided to wholesale customers north of the City.