NEW YORK CITY WATER BOARD
MEETING

Friday, September 23, 2022 - 8:30 A.M.

Location: 255 Greenwich Street
       Eighth Floor, Room S1/S2
       New York, New York 10007

Note on meeting location and format:
The Board’s meetings will return to the traditional in-person meeting format
starting with the September 23 meeting. An audio recording and written
transcript of the meeting will be available on the Water Board’s website after the
meeting, at nyc.gov/waterboard.

AGENDA

1. Roll Call
2. Resolution: Approval of Minutes of June 6, 2022 Meeting
3. Presentation: Department of Environmental Protection Request for Funding
   Authorization to Solicit and Retain Management Consulting Services
4. Presentation: Department of Environmental Protection Request for Funding
   Authorization to Solicit and Retain Consulting Services for the
   Application and Administration of Inter-Governmental Grants
5. Resolution: Funding Authorization to Solicit and Retain Management
   Consulting Services
A meeting of the New York City Water Board (the “Board”) was held on Monday June 6, 2022 beginning at approximately 11:00 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,
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

Chairman Carney opened the meeting by thanking Omar Nazem for his assistance in helping the Board prepare for the annual meeting and for the ongoing support he provides to the Board. The first item on the agenda was approval of the minutes of the Board’s previous meeting held on April 29, 2022. Upon motion duly made and seconded, the minutes of the meeting held on April 29, 2022 were unanimously adopted.

Adoption of the Fiscal Year 2023 Annual Budget
The next item on the agenda was the adoption of the Board’s Fiscal Year 2023 annual budget. Chair Carney asked Executive Director Murin to provide his comments in connection with the Budget. Executive Director Murin explained to the Board that the budget as proposed provides a measure of protection against the risks of inflation and rising interest rates. Member Zarrilli provided additional comments on the budget, noting that many New Yorkers face increasing financial difficulty due to rent increases and other rising prices, that 40% of the City’s residents live at or near the poverty line, and that the Board must take into account the need to protect New Yorkers when it considers its rate decisions. Member Zarrilli further requested that the Board consider introducing a multi-year rate forecast and undertake a review of the Board’s affordability programs in time for the Board’s rate setting in the next fiscal year. Member Zarrilli also emphasized the importance of the Board continuing to meet regularly, as well as the importance of in-person meetings. Chairman Carney thanked Member Zarrilli for his comments, and noted particular agreement with Member Zarrilli’s remarks about advertising the Board’s existing affordability programs, as well as considering potential improvements to the programs.

Member Freed concurred with Chairman Carney, and further noted that the Board’s affordability programs should take into account the circumstances faced by non-profit landlords, as well as the ability of the programs to deliver benefits to tenants. Member Freed subsequently added his view that the Board should continue to expeditiously examine a sustainable stormwater rate, and thanked the Department of Environmental Protection and Deputy Commissioner Angela Licata for the work performed to date on stormwater rates. Member Freed concluded by offering words of support for the Department of Environmental Protection’s green infrastructure initiatives.

Member Shaw remarked that Board members must consider the water system’s need to obtain financing in the bond markets, as well as what the additional cost to ratepayers would be if access to the bond markets were to become unavailable. Member Shaw praised the Department of
Environmental Protection and the New York City Municipal Water Finance Authority for their work in sustaining the water system’s credit ratings and providing prudent fiscal management.

At Chairman Carney’s invitation, Water Finance Authority Chief Executive Officer David Womack offered comments on the proposed budget, stating that he viewed the proposal as equitable, and noting that nearly all of the water system’s revenues remain in the system.

Member Goldin added remarks that many ratepayers are experiencing financial hardship, and commended the Department of Environmental Protection for balancing the needs of the water system with the need to protect ratepayers, in particular vulnerable ratepayers. Member Goldin added that program capacity is another aspect of the Board’s affordability programs, in addition to advertising, that the Board should consider, and mentioned that some of the Board’s current affordability programs are oversubscribed, an aspect of the programs that should also be considered when reviewing how the programs are advertised. Member Goldin concluded by thanking the Department of Environmental Protection and Treasurer Omar Nazem for their assistance in providing information to the Board in preparation for the meeting.

Upon motion duly made and seconded, the following resolution adopting the Fiscal Year 2023 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 the City’s Water and Sewer System (the
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.

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Adoption of the Rate Schedule Effective July 1, 2022

The next item on the agenda was adoption of the Board’s Rate Schedule effective July 1, 2022. Chairman Carney invited comments from Members and, hearing none, requested that Treasurer Nazem read the Rate Schedule into the record. Treasurer Nazem stated that the Rate Schedule contains numerous billing provisions and that, due to the length of the document, he would highlight the key changes to the proposed rates. Treasurer Nazem informed the Board that, effective July 1, 2022, the water and sewer rates charged to customers in New York City would be increased by 4.9% under the proposed rate increase as compared to the rates in the current rate schedule. Treasurer Nazem further noted that the regulated rate charged to customers north of New York City would be increased from current rates by 1.4%, and that the rate charged to customers north of New York City for amounts in excess of the regulated rate would be increased by 4.9%.

There being no further discussion, upon motion duly made and seconded, the following resolution adopting the Rate Schedule effective July 1, 2022 was unanimously approved.

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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.

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Adoption of Rates for Customers North of New York City

The next item on the agenda was adoption of the Board’s water rates for users north of New York City effective July 1, 2022. Chairman Carney asked Treasurer Nazem how the Board should approach the adoption of the wholesale rates. Treasurer Nazem explained that the Rate Schedule contains all of the Board’s rates in a single document, including both the rates charged
in New York City as well as the rates charged north of the City, for the convenience of customers seeking to locate information about rates. Treasurer Nazem further explained that the New York City rates and the rates charged outside of the City are implemented with separate resolutions, since the rates are charged to different customer groups. There being no further discussion, upon motion duly made and seconded, the following resolution was unanimously approved.

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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.
Adjournment

Department of Environmental Protection Commissioner Rohit Aggarwala thanked the Chair and the Members of the Water Board for their time and efforts throughout the rate-setting and budget adoption. Commissioner Aggarwala emphasized the importance of reserves in managing the water system, and stated his view that there is an opportunity to examine the Board’s current affordability programs and their suitability for customers facing challenges paying their water bills. Commissioner Aggarwala also emphasized the importance of collection efforts by the Board and the Department of Environmental Protection that focus on customers with an ability to pay their water bills but do not. Commissioner Aggarwala indicated that the Department may request support from the Board in establishing a strategic plan that fits with the current challenges facing the water system. Chairman Carney thanked Commissioner Aggarwala for his comments, and noted the Board’s interest in receiving updates about the Department’s planning efforts and in receiving the types of information and advice that can help the Board in its decision-making. Chairman Carney further commented that that Board would benefit from continuing to meet regularly to discuss issues affecting the Board.

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

/S/
SECRETARY
RESOLUTION

WHEREAS, pursuant to Sections 1045-b and 1045-g of the New York City Municipal Water Finance Authority Act (the "Act"), the New York City Water Board (the “Board”) is authorized to enter into contracts and to retain private consultants on a contract basis for the purpose of obtaining professional or technical services to assist the Board in carrying out its responsibilities; and,

WHEREAS, the Board’s primary duty under the Act is to establish and collect water and wastewater rates and charges in an amount sufficient to place the water supply and wastewater systems of the City of New York on a self-sustaining basis; and

WHEREAS, the New York City Department of Environmental Protection (DEP), which operates the City’s water and wastewater system and serves as the Board’s customer service and billing agent, has requested that the Board assist in identifying and retaining a management consulting firm with the ability to undertake a strategic review of the current state of DEP’s operations and to develop both a strategic plan and a plan of operational achievement, as well as to undertake a comparative study of the City’s water and wastewater operations in reference to other comparable systems; and

WHEREAS, DEP is confronting numerous strategic and operational challenges as a result of the pandemic, including cost inflation and supply shortages in specific areas, a workforce that is sixteen percent smaller than budgeted staffing levels, a substantial and growing plan of capital improvements and regulatory requirements involving the system, and increasing requirements to deploy new technology products and cybersecurity protections throughout the system’s operations; and

WHEREAS, DEP’s last strategic plan covered the fiscal years 2018 through 2022, and the agency wishes to develop a new strategic plan that fits with the City’s current needs and the
priorities of the new Mayoral administration, in particular preserving water and wastewater bill affordability and ensuring the availability of appropriate customer affordability programs; and

WHEREAS, the Board wishes to authorize the Board’s Executive Director to undertake a competitive solicitation and negotiation process, conducted in accordance with the Water Board’s Policy on the Procurement of Goods and Services, in particular, Section 4 (selection based on the best combination of technical merit and price) and Section 5.i (prior approval of contracts where the cumulative value exceeds $100,000); it is therefore

RESOLVED, that the Executive Director is hereby authorized and directed to undertake such a process of solicitation, and to identify and negotiate a professional services agreement with one or more suitable management consulting firms, for an initial one-year term with one additional one-year extension at the Board’s option, upon such terms and conditions as the Executive Director may deem reasonable and appropriate; and be it further

RESOLVED, that the total compensation for services performed for the term of the agreement, including both the first year and the second year, should the one-year extension option be exercised, shall not exceed $3,000,000 of Board funds.
New York City Water Board

Requests for Funding Authorization for Management Consulting and Inter-Governmental Grant Services

September 23, 2022
Today’s agenda is focused on presenting and explaining two requests for external consulting assistance to the Water Board

• Today’s presentation is a request for the Board to authorize funds and contracting authority to hire two professional services firms through two separate Water Board procurements

• The proposed actions would allow DEP, in its capacity as the system operator and the Board’s billing agent, to:
  - Design a strategic plan that identifies key priorities that align with both the policy goals of the new Mayoral administration and challenges and demands facing DEP over the next decade, including climate change, regulatory pressures, and an uncertain economic recovery
  - Assess DEP’s performance and efficiency relative to its main comparable water and wastewater utilities to identify areas of operational improvement
  - Ensure that DEP’s capital plan is aligned with and enables the implementation of the agency’s strategic priorities and is responsive to future system demands
  - Pursue and obtain external sources of funding for areas of critical importance, including improvements to system capital assets and cybersecurity measures, with a focus on Federal grants

• DEP believes that retaining external advisors via the Water Board will result in:
  - More secure and reliable service delivery
  - More effective support for low-income New Yorkers
  - Improved operating efficiency at the utility to lower required water rate increase
  - Reduced demands on revenues to fund the system’s capital plan by using Federal funds
DEP is at a strategic inflection point, as a result of the emerging post-pandemic era and the pressures of climate change

- DEP’s last comprehensive strategic plan was its June 2018 plan titled “Enriching Our Legacy”, which spanned the four-year planning period between 2018 and 2022. The plan’s objectives were largely accomplished, leading in part to a $25 billion capital plan that must be legible to the public and that explains the potential need for future rate hikes.

- The last 20 years of DEP’s work have been driven by regulatory demands in a low-inflation environment. After a series of large rate increases between 2007 and 2012, and the operational changes introduced through the Operational Excellence program during 2011-2016, the agency and the Water Board have increased rates by low percentages or not at all for an extended period.

- The realities of climate change will place new demands on the agency, most visibly in stormwater management but also in water supply and in the treatment facilities. At the same time, DEP is likely to play a role in meeting the growing demand for large-scale organics processing in NYC. Further, emerging questions around PFAS and ambient water quality make clear the potential for significant further changes in the regulatory landscape.

- At the same time, supply chain and commodity price pressures, the Covid-19 pandemic, the rising cost of shelter, and other factors have created an inflationary environment that will affect DEP and the Water Board, as well as the ability to attract and retain staff.

- The Sustainable Rate Study is ongoing, and will help address concerns about affordability, with final conclusions expected within the next two years.

- The Adams administration will outline its long-term sustainability agenda in a new, legally-mandated update to PlaNYC/OneNYC, which will be delivered in 2023. DEP’s strategic plan will need to be fully incorporated into this agenda.
DEP faces a unique and evolving set of challenges that experienced outside advisors can help the agency navigate

State of Good Repair
✓ Growing demands on the capital budget
✓ Replacing or upgrading old infrastructure
✓ The complexity of large New York construction projects
✓ The complexities of the City’s procurement cycle
✓ Managing a large roster of outside contractors
✓ Addressing staffing resource constraints

Climate and Resiliency
✓ Need for climate and resiliency investments
✓ Requirement to reduce the agency’s carbon footprint
✓ Evolving priorities of regulators
✓ Cybersecurity and asset control
✓ Deploying new utility industry technologies

Financing
✓ Rising bond market interest rates
✓ Rising inflation for DEP input goods and services
✓ Accessing new and emerging funding sources in Washington and Albany
✓ Customer billing delinquencies at an elevated level

Customer Experience
✓ Environmental justice issues
✓ Changing water and property use patterns in the City

Organizational Health
✓ Aging workforce/succession issues
✓ Expanding use of advanced workplace technology
✓ Employee demands for human capital development
DEP’s strategic plan will inform future rate increases and chart a path to improved service delivery for New Yorkers

Inputs & Challenges

- Climate Change
- Shift to Clean Energy
- Regulatory Pressures
- Inflation and Uncertain Economic Recovery

Goals

1. Ensure the absolute reliability of drinking water supply, quality, and delivery
2. Provide high quality customer service
3. Continue the improvement in the quality of New York Harbor
4. Protect New Yorkers from flooding
5. Ensure our infrastructure and assets are climate-resilient and zero-carbon
6. Ensure a world-class operation that reflects the diversity of New York City
7. Be a valued presence in the watershed
8. Manage water rates for all New Yorkers and especially those least able to pay
DEP proposes a strategic planning process involving the assistance of consultants beginning in Q4 2022

Jan ‘23  April ‘23  Oct ‘23  Ongoing (at DEP/WB discretion)*

Vision and strategy definition, DEP-led  Diagnostic analysis and benchmarking, Consultant-led  Strategic development, Consultant-led  ...  Planning and implementation, DEP-led  Quarterly Board updates

- Workshops with senior leadership to identify:
  - Trends and inputs that will affect the agency
  - DEP’s vision and aspirations
  - Challenges and opportunities in achieving the agency’s goals
- Intense work period to assess DEP’s organizational capacity, operational performance, and business processes
- Incorporate external perspectives through stakeholder outreach and benchmarking
- Identification of strategic and operational initiatives to deliver on DEP’s vision
- Present findings and action plan to the Water Board
- Discuss potential budgetary implications with OMB in Q1 2023
- Inform DEP inputs to PlaNYC revision to be released in April 2023
- Position DEP for FY24 water rate proposal and hearings from March-June 2023

* DEP recommends soliciting proposals for Phase I. At the Water Board’s discretion, and subject to future funding authorization, the contract may be amended to include a Phase II, a multi-year planning and implementation process, with additional scope and pricing to be determined.
# DEP is seeking approval to retain two professional services firms to carry out strategic planning and grants management

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<tr>
<th>PURPOSE</th>
<th>TIMING</th>
<th>PRELIM. COST</th>
<th>KEY ACTIVITIES</th>
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<tbody>
<tr>
<td><strong>RFP 1: Strategic Review and Organizational Efficiency Options for the Agency</strong></td>
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| • Assist DEP Commissioner and senior management team with:  
  - Conducting a strategic agency assessment  
  - Establishing a multi-year agency priorities and efficiency enhancement plan | • Project start during CY 2022 Q4  
• Bulk of work done in FY 2023  
• Option at DEP and WB discretion to expand contract for 3-4 years (Phase II), subject to future funding authorization | • ~$3 million for 5-10 person team  
• Optional Phase II pricing would be determined with refined scope  
• Target small business, MWBE component | • Conduct comprehensive review of DEP to assess the agency’s current state, identify potential for performance improvement, and develop forward-looking strategy  
• Assess DEP’s operational, financial, and customer service performance against peer water utilities to identify areas for operational improvement  
• Develop revenue strategy, including identifying opportunities to enhance collections and evaluating low-income assistance programs  
• Ensure capital plan priorities address true system needs  
• Assess organizational structure & staffing needs  
• Optional Phase II would include multi-year effort to develop detailed plans and implement priority initiatives to sustain performance improvement |
| **RFP 2: Inter-Government Funding Program Management and Assistance** | | | |
| • Identify opportunities for new external funding  
• Grant administration efficiencies | • Project start during CY 2022 Q4  
• 2-4 years | • $3 - $5 million for 4-6 person team  
• Target small business, MWBE component | • Identify, apply for, and manage sources of outside grant funding, including the Federal Infrastructure & Jobs Act, the Federal Inflation Reduction Act, and additional Federal and state legislative sources of funding, including state revolving fund sources |
The strategy consultant’s tasks and deliverables will facilitate strategy discussions and guide implementation

**Phase I: Diagnostic Activities & Materials**
- Diagnostic analysis of current state of DEP operations, including review of existing DEP work product, reports, and records
- Benchmarking of key DEP performance metrics against peer national and international water utilities
- Conceptual and strategic advice, including serving as a sounding board for DEP senior managers
- Meeting facilitation, including structured and open discussions, brainstorming sessions, and individual and small group fact-gathering sessions
- Alternatives analyses, including associated advantages/disadvantages and estimated economic costs/benefits
- Analysis of internal and external data sets, including graphical and tabular summaries explaining key findings
- Final report summarizing strategic review

**Phase II: Planning & Implementation Materials (Optional)**
- Facilitation of internal teams to develop detailed implementation plans for DEP-selected priority initiatives
- Written work plans and project timelines
- Organizational or business process flowcharts and diagrams
- Computer spreadsheet models
- Training and instructional manuals and how-to guides
- Templates for documents, spreadsheets, and presentations
The grant funding consultant will assist with identifying and obtaining sources of funding for DEP’s operating and capital budgets

Opportunity Identification and Selection
- Research and evaluate new Federal grant programs, including State administrative conduits
- Size the available funding opportunity and establish DEP eligibility and an appropriate application strategy
- Coordinate cross-agency teams to identify projects and expense streams within the agency that may qualify for government grant funding

Grant Application and Funding
- Coordinate with agency personnel to author convincing grant application materials
- Assist the agency with creating business cases, benefit-cost studies, and environmental justice assessments of DEP initiatives

Grant Administration and Monitoring
- Track progress and performance of grant funded projects
- Prepare reports and updates for governmental funders
- Update partner agencies, Water Board, and Water Authority on grant-funded project progress
The Federal Infrastructure and Jobs Act of 2021 and the Inflation Reduction Act of 2022 include significant funding for water utilities (1)

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<thead>
<tr>
<th>Funding Category</th>
<th>Funding Pool</th>
<th>Summary of Eligible Activities</th>
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<tbody>
<tr>
<td>Lead service line replacements and related planning</td>
<td>$15 billion</td>
<td>Identification, removal, and planning for removal, of lead water service lines</td>
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<td>and engineering work</td>
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<tr>
<td>State Revolving Fund – Drinking Water Program</td>
<td>$11.7 billion</td>
<td>Funding assistance for municipally-sponsored water projects</td>
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<tr>
<td>State Revolving Fund – Clean Water Program</td>
<td>$11.7 billion</td>
<td>Funding assistance for municipally-sponsored treatment projects</td>
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<tr>
<td>Drinking water decontamination programs</td>
<td>$10 billion</td>
<td>Funding to improve safety of drinking water systems, including removal of contaminants such as PFAS</td>
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Federal funding for these program are allocated to New York State and DEP expects to receive approximately $1 billion in low-cost financing and grants from these sources.
The Federal Infrastructure and Jobs Act of 2021 and the Inflation Reduction Act of 2022 include significant funding for water utilities (2)

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<tr>
<td>Cybersecurity and Infrastructure Security Agency</td>
<td>$1 billion</td>
<td>Identify and manage cybersecurity risks and cybersecurity threats to information systems</td>
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<tr>
<td>Energy Efficiency and Conservation Block Grant Program</td>
<td>$550 million</td>
<td>Reduce, capture, and re-use methane and other greenhouse gases</td>
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<tr>
<td>Energy Efficiency Revolving Loan Fund Capitalization Grant Program</td>
<td>$250 million</td>
<td>Energy efficiency audits, upgrades, and retrofits to increase energy efficiency</td>
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<tr>
<td>Hydroelectric Efficiency Improvement Incentives</td>
<td>$75 million</td>
<td>Capital improvements to hydroelectric facilities at existing dams to achieve specified efficiency improvements</td>
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<tr>
<td>Rebuilding American Infrastructure Sustainably and Equitably (RAISE) Grants</td>
<td>$7.5 billion</td>
<td>Surface transportation projects and the replacement or rehabilitation of culverts or to prevent stormwater runoff</td>
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| Funding to support domestic production of biofuels | $245 million  | • Production of aviation suitable jet fuels  
• Potential for partnership with City-based aviation industry                                                                                      |
| Funding to purchase heavy-duty clean vehicles | $1 billion    | • Grants to cover purchase cost of high-emission vehicle categories                                                                                     |
| Funding available to surface transportation facilities to manage or reduce stormwater run-off | $1.9 billion  | • Grant funding obtainable by high run-off transportation facilities may mitigate the demands on DEP and the City’s capital budgets                      |

With $12.5 billion in funds available for these programs, DEP could reasonably expect to obtain grants of at least $50 to $100 million across funding categories
Monitoring and reporting during the post-award phase can be ongoing for up to a decade

Years 1-2
Application and award process

Post-award phase

Years 2-10
Design, approval, and construction phase

Years 9 - 11
Project completion and final report phase

Reporting and monitoring time period to grantor: 6 to 10 years
Previous consulting work via the Board generated a high return on investment for ratepayers

- Looking just at the incremental revenues from the large meter replacements, the return on investment of the entire Operational Excellence project, a 2011 Water Board contract, exceeded a 36% annual return on investment. The total return on investment through Fiscal Year 2022 was 4.2x the aggregate combined cost of all Operational Excellence consulting fees plus the entire equipment and installation cost involved in replacing all 24,897 meters.

- Between 2012 and 2015, DEP replaced 24,897 large water meters, selected from among a replacement pool using a selection algorithm that incorporated factors that predicted a meter’s likelihood of under-registering actual water consumption.

- When meters under-register consumption, the water system receives less revenue than more accurate billing would provide, and customers receive inaccurate price signals about their water consumption and opportunities for improved water efficiencies.

- Applying meter analytics to a pool of installed water meters allowed the agency to identify nearly 6% more water consumption than was previously being recorded and, since larger meters were the focus of the analysis, the incremental revenue provided to the system exceeded $45 million per year.

- The economic benefits realized through the project’s cost analysis components further increased the returns, and are not included in the figures above – for example, $8 million of recurring annual savings were identified through such rationalizations as consolidating telephone lines and reducing the number of mobile devices issued to staff, streamlining management of birds when present on the system’s surface water storage assets, undertaking scheduling and shift rationalizations to allow for greater staffing flexibility and personnel availability, and analyzing the cost and contracting methods used in procuring janitorial supplies.
DEP will assess prospective vendors using criteria that identify cost-efficient vendors with relevant technical expertise

- Demonstrated ability to identify issues and structure problem solving frameworks involving complex organizational and operational challenges
- Demonstrated ability to make accurate assessments quickly
- Ability to work with a diverse civil service workforce, with titles ranging from construction and skilled trades to legal, engineering, and customer service
- Understanding of the unique operational, organizational, and financial constraints and challenges that water and sewer utilities face
- Familiarity with the dynamics of local and state governments
- Selection criteria will include:
  - Consideration for the scope of proposing firms’ New York City employment and footprint
  - A scoring adjustment factor for firms with an MWBE ownership profile
  - Balanced weighting between best price and best technical competence
DEP proposes a 3-4 month timeline to obtain Board approval, issue the RFPs, and complete negotiations and legal documentation

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>• Funding request made to the Board via public presentation, with request to vote on an authorization for funds</td>
</tr>
<tr>
<td>Late September</td>
<td>• RFPs noticed to market</td>
</tr>
<tr>
<td>November</td>
<td>• Proposals due from bidders</td>
</tr>
<tr>
<td>Late November</td>
<td>• Selection committee formed</td>
</tr>
<tr>
<td></td>
<td>• Preliminary vendor selection made</td>
</tr>
<tr>
<td></td>
<td>• Legal negotiations commence</td>
</tr>
<tr>
<td>By end of 2022</td>
<td>• Legal negotiations concluded</td>
</tr>
<tr>
<td></td>
<td>• Contracts signed</td>
</tr>
<tr>
<td>December 2022</td>
<td>• Consultant teams begin work</td>
</tr>
<tr>
<td>June 2023</td>
<td>• Board receives first interim update on project status</td>
</tr>
<tr>
<td>Thereafter</td>
<td>• Board receives quarterly project updates</td>
</tr>
</tbody>
</table>
Questions?
III. SCOPE OF WORK

The Board seeks to retain a consultant or consultants to provide management consulting services to the Board in the areas of strategic planning and other specific areas as described in subsequent sections of this RFP. DEP will be undertaking an internal strategic review during Fiscal Year 2023; the consultant selected to perform this consulting work will play an integral and leading role in assisting DEP to perform the background research and analysis and to co-author the review and other work-product alongside DEP. The key deliverable will be the development of a strategic plan to guide DEP’s operations and investments over the next 10 years and beyond and position the agency to keep water rates affordable.

It is anticipated that the consulting engagement will be undertaken through an initial Phase I of work, which is the subject of this RFP and includes the work described by the Scope of Work herein, and a prospective Phase II that is outside the Scope of Work of this RFP, but that would be informed by the conclusions drawn during Phase I. The work contemplated in a prospective Phase II may be performed by the consultant(s) selected through this RFP selection, at the sole discretion of the Board and subject to future modification of the consultant’s agreement, or the work may be the subject of a new Board RFP in the future. The funding authorized by the Board for work under this RFP includes funding for only Phase I of the contemplated work.

During Phase I, the consultant(s) will assess internal and external challenges and trends that will impact DEP’s operations; assess DEP’s existing performance against appropriate benchmarks; recommend strategic opportunities to improve the delivery of water and sewer services while maintaining efficient operations that remain within budgeted parameters; and articulate specific and actionable recommendations and conclusion in a detailed written report.

**Phase I:** The consultant(s) will be expected to produce:

**Task 1: Diagnostic Review of Agency and Context**

- Undertake a comprehensive review of the challenges and demands facing DEP over the next 10 and 20 years. This is expected to include, but not be limited to, the impact of:
  - Climate change, both in-city and in the watershed
  - Regulatory changes and evolving water quality standards
  - An inflationary environment and uncertain economic recovery
  - Technological innovations that enable improved asset management, reduced operating costs, and the achievement of emissions reductions goals
  - The needs of neighboring jurisdictions that share watershed resources with the City, including New York State communities located north of the City and the states of New Jersey, Pennsylvania, and Delaware, as well as communities sharing below ground water resources with the City, including Nassau County and Suffolk County

**Task 2: Benchmarking Analysis**

- Assess DEP’s performance and efficiency relative to comparable water and wastewater utilities serving large populations and involving a mix of older and newer infrastructure, to
establish benchmarks by which improvements can be measured. This analysis is expected to include operational performance, financial performance, capital efficiency across the use of all system revenues, and customer service, considering adjustment factors that differentially affect DEP and its peers.

Task 3: Development of Strategic Goals:

- Identify the highest priority investments and practices that DEP should implement to maintain efficient operations, manage costs, and reduce the need for water rate increases. Recommendations may include operational, policy, and/or technology improvements that DEP should implement to maintain will meet the following objectives:
  
  o **System Reliability**: Long-term reliability of the water supply, considering water quality, service interruptions, security, and staffing.
  
  o **Water Quality**: Long-term protection of the water quality and natural ecology of the waterways that surround New York City, in particular New York Harbor and the major rivers, bays, and sounds.
  
  o **Flooding Resiliency**: Citywide resilience to stormwater flooding events and groundwater flooding.
  
  o **Clean Energy**: Reduction of greenhouse gas emissions across DEP’s facilities and operations to further the City’s climate goals, including shifting to clean energy.
  
  o **Resource Recovery**: Enable DEP to use its in-City assets to support Citywide approaches to achieving resource recovery objectives that create long-term value, maximizes benefits, and minimizes costs.
  
  o **Customer Service**: Achieve world-class customer service and experience for ratepayers, the development community, and the general public.
  
  o **Affordability**: Achieve fairness and incentivize efficiency in revenue collections. This analysis should include a review of the Board’s affordability programs and an assessment of DEP’s currently installed meter base.
  
  o **Human Resources**: Become an attractive employer and align organizational structure with the agency’s vision.

- Create a framework to evaluate DEP’s capital plan and budget. This analysis will assess the capital plan’s investments in the context of achieving system reliability, water quality, and other identified objectives.
Develop a detailed roadmap, including both quick win initiatives that can generate short-term outcomes and longer-term initiatives that will enable DEP to deliver on its strategic goals.

Over the course of Phase I of the project, the consultant will conduct activities that will include, but are not limited to, the following:

- Interviews with the Board’s professional staff, DEP management and staff, stakeholders, select utility industry peers, and subject matter experts
- Data analysis and benchmarking, including computer spreadsheet models
- Significant workshopping with DEP staff
- High level analysis of quantifiable performance improvements, cost reduction, and/or efficiency gains expected from key strategic initiatives
- Process analysis and mapping, including identification of pain points and areas to implement best practices

The specific deliverables requested from the selected consultant for Phase I will include, but are not limited to, the following:

- A comprehensive, detailed written report stating specific, actionable conclusions supported by the undertaken analysis and benchmarking, including an explanation of the specific improvements and changes that would result from implementing a proposed recommendation
- A summary written report from DEP to the Board outlining DEP’s strategy and rationale
- Presentation slides excerpting and visually explaining the key messages of all written reports
- Benchmarking models demonstrating what changes would be required to achieve benchmark hurdles or peer parity
- Datasets to be developed for DEP’s future use to facilitate operational improvements and performance management, along with an approach to maintaining them
- Graphics, spreadsheet models, and document templates for DEP to use on a go-forward basis
- Meeting facilitation, project management services, and coordination with other City agencies or external third parties as requested
• An audit trail explaining all data sources and calculations sufficiently detailed to allow the reconstruction of the calculations and analysis in the future

Substantially most of the work involved in Phase I of the consulting engagement will involve DEP’s utility operations. A small portion of DEP’s operations are not funded with utility service revenues, and are funded directly by the City. To the extent the project involves work with DEP’s non-utility operations, the project hours involved in performing non-utility work will be tracked separately from the rest of the project work, and will be reimbursed directly by DEP, not by the Board, at the same hourly rates as included in the consultant’s agreement with the Board.

At the end of Phase I, DEP management and the consultant(s) will review all recommendations of the consultant(s) and determine what recommendations, if any, should be considered for detailed planning and implementation in Phase II and what options may be available for pursuing a Phase II of the project.

The firm will make all materials and work papers developed during the term of the contracts available to the Board upon request.

The firm selected under this RFP has no assurance that the firm will also be selected to perform the work in Phase II and the Board and DEP may, in their sole discretion, choose not to pursue any of the contemplated Phase II work, or to pursue Phase II with a different firm or firms than those involved in the Phase I work.

**IV. TERM**

The initial term of the proposed contract is expected to be for one-year with an additional one-year extension available, at the option of the Board.
Financial update for NYC Water Board for September 23, 2022 meeting

Millions of dollars

<table>
<thead>
<tr>
<th>Operating revenues</th>
<th>Actual FY 2021</th>
<th>Actual FY 2022</th>
<th>Actual FY 2023</th>
<th>Budget FY 2023</th>
<th>YTD Variance to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>$1,360</td>
<td>$1,375</td>
<td>$1,505</td>
<td>$1,458</td>
<td>FY 2021</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FY 2022 Plan</td>
</tr>
<tr>
<td>[revenues through 9/21/22, or the equivalent 57th business day for prior years]</td>
<td>9.4%</td>
<td>3.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>[note: the draft version mistakenly showed $1,415 in place of $1,315 through the 53rd business day; the figure above corrects that error]</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounts receivable

<table>
<thead>
<tr>
<th></th>
<th>8/31/21</th>
<th>8/31/22</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>180 days or greater</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollars receivable</td>
<td>$747</td>
<td>$815</td>
<td>9%</td>
<td>$68</td>
</tr>
<tr>
<td>Number of accounts</td>
<td>115,015</td>
<td>94,967</td>
<td>-17%</td>
<td>-20,048</td>
</tr>
<tr>
<td>365 days or greater</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollars receivable</td>
<td>$593</td>
<td>$673</td>
<td>14%</td>
<td>$80</td>
</tr>
<tr>
<td>Number of accounts</td>
<td>78,437</td>
<td>71,514</td>
<td>-9%</td>
<td>-6,923</td>
</tr>
</tbody>
</table>

Daily Water Distribution into NYC

- The City saw less precipitation during the summer of 2022 than is normal.
- Despite the drier-than-usual conditions, reservoir levels remained steady, and sufficient quantities of water were available in the City, including on days with above normal consumption.
- Water distribution into the City is +4.8% for YTD FY23 vs. FY22. YTD average 1.10 billion gallons/day.

Reservoir storage levels:

<table>
<thead>
<tr>
<th>Date</th>
<th>Current FY23</th>
<th>Normal</th>
<th>Variance to Normal</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/31/22</td>
<td>95.9%</td>
<td>99.8%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>6/15/22</td>
<td>94.3%</td>
<td>97.9%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>6/30/22</td>
<td>91.6%</td>
<td>96.2%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>7/15/22</td>
<td>87.7%</td>
<td>93.1%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>7/31/22</td>
<td>82.9%</td>
<td>90.3%</td>
<td>-7.4%</td>
</tr>
<tr>
<td>8/15/22</td>
<td>77.7%</td>
<td>87.1%</td>
<td>-9.4%</td>
</tr>
<tr>
<td>8/31/22</td>
<td>72.3%</td>
<td>84.2%</td>
<td>-11.9%</td>
</tr>
<tr>
<td>9/16/22</td>
<td>71.4%</td>
<td>79.9%</td>
<td>-8.5%</td>
</tr>
<tr>
<td>9/22/22</td>
<td>70.5%</td>
<td>78.2%</td>
<td>-7.7%</td>
</tr>
</tbody>
</table>
Active Water Board Contracts & Amendments as of September 16, 2022

<table>
<thead>
<tr>
<th>Consultant</th>
<th>Purpose</th>
<th>Original Start Date</th>
<th>End Date</th>
<th>Total Authorized Compensation</th>
<th>Expenditures to Date</th>
<th>Remaining Authorized Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amawalk</td>
<td>WB Rate Advisor</td>
<td>7/1/2017</td>
<td>6/30/2023</td>
<td>$1,150,000</td>
<td>$1,004,850</td>
<td>$145,151</td>
</tr>
<tr>
<td>American Water Resources (AWR)*</td>
<td>Service Line Protection Program Contractor</td>
<td>1/10/2013</td>
<td>7/11/2023</td>
<td>$50,000,000</td>
<td>$8,973,387</td>
<td>$41,026,613</td>
</tr>
<tr>
<td>Arup</td>
<td>Design Build program consultant</td>
<td>11/1/2021</td>
<td>11/1/2022</td>
<td>$998,267</td>
<td>$121,981</td>
<td>$876,286</td>
</tr>
<tr>
<td>Citibank</td>
<td>Lockbox and other payment processing</td>
<td>11/12/2013</td>
<td>11/12/2024</td>
<td>$16,000,000</td>
<td>$5,654,604</td>
<td>$10,345,396</td>
</tr>
<tr>
<td>Dar Yaskil</td>
<td>Multi-family Water Assistance Program consultant</td>
<td>4/1/2022</td>
<td>3/31/2024</td>
<td>$97,500</td>
<td>$0</td>
<td>$97,500</td>
</tr>
<tr>
<td>Greg Ascierto</td>
<td>UMAX billing consultant</td>
<td>5/19/2022</td>
<td>5/18/2024</td>
<td>$98,500</td>
<td>$14,533</td>
<td>$83,967</td>
</tr>
<tr>
<td>Jeffrey Helmuth</td>
<td>BWS Water Supply Analysis</td>
<td>12/16/2021</td>
<td>12/15/2023</td>
<td>$50,000</td>
<td>$7,767</td>
<td>$42,233</td>
</tr>
<tr>
<td>Paymentus Corporation</td>
<td>Cloud service provider/UMAX electronic payment processor</td>
<td>2/22/2021</td>
<td>2/22/2026</td>
<td>$8,000,000</td>
<td>$752,823</td>
<td>$7,247,177</td>
</tr>
<tr>
<td>WorkLab Consulting LLC</td>
<td>Organizational redesign consultant</td>
<td>1/15/2014</td>
<td>1/15/2023</td>
<td>$500,000</td>
<td>$369,934</td>
<td>$130,066</td>
</tr>
</tbody>
</table>

* AWR compensation and expenditures reflect FY 2023 amounts only