

**MINUTES** of the **MEETING** of the **ERIE COUNTY WATER AUTHORITY** held in the office, 350 Ellicott Square Building, Buffalo, New York, on the 16th day of August, 2007.

**PRESENT:** **Frank E. Swiatek, Chairman**  
**Robert J. Lichtenthal, Jr., Vice Chairman**  
**Francis G. Warthling, Treasurer**  
**Robert A. Mendez, Executive Director**  
**Matthew J. Baudo, Secretary to the Authority**  
**Edward J. Kasprzak, Deputy Director**  
**Wesley C. Dust, Executive Engineer**  
**Mark J. Fuzak, Attorney**  
**Ronald P. Bennett, Associate Attorney**  
**Paul H. Riestler, Director of Administration**  
**Karla L. Thomas, Director of Human Resources**  
**Albert J. Meaney, Comptroller**  
**Susan L. Rinaldo, Cash Manager**

**ATTENDEES:** **Joseph Matteliano**  
**Timothy Cashmore**  
**Christopher Knospe**

**CALL TO ORDER**

**PLEDGE TO THE FLAG**

**I. - ROLL CALL**

**II. - READING OF MINUTES**

Motion by %MOTION% seconded by %SECOND% and carried to waive the reading of the Minutes of the Meeting held on Monday, August 6, 2007.

**III. - APPROVAL OF MINUTES**

Motion by %MOTION% seconded by %SECOND% and carried to approve the Minutes of the Meeting held on Monday, August 6, 2007.

**IV. - REPORTS (See "Report" Minutes for Details)**

- A) **SECRETARY/PERSONNEL**
- B) **LEGAL**
- C) **FISCAL**
- D) **OPERATIONS**
- E) **HUMAN RESOURCES**
- F) **AUDIT COMMITTEE REPORT**

**V. - COMMUNICATIONS AND BILLS**

**ITEM 1 - MASTER PURCHASE ORDERS:**

Motion by %MOTION% seconded by %SECOND% and carried to approve for payment of Master Purchase Order Nos. as listed on the attached sheets pages 1-14 after certification by the Comptroller that the orders are in accordance with the quotations and that the Director of Administration be authorized to execute the above and all associated documents after certifying that they are in conformity with applicable laws and the Authority's By-Laws and Purchasing Guidelines, Policies and Procedures.

**VI. - UNFINISHED BUSINESS (NONE)**

**VII. - NEW BUSINESS (RESOLUTIONS 2-19)**

**ITEM 2 - SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE  
OF UP TO \$35,000,000 FOURTH RESOLUTION WATER REVENUE BONDS, SERIES 2007**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, the Erie County Water Authority (hereinafter sometimes referred to as the "Authority") has determined that it is desirable at this time to issue its Bonds under the Act to pay the Cost of Acquisition and Construction of certain improvements and extensions to the Water Works System, as more fully described below;

**NOW, THEREFORE, BE IT RESOLVED**, by the Erie County Water Authority, pursuant to the Fourth General Water Revenue Bond Resolution of the Authority adopted on July 9, 1992, as amended and supplemented to the date hereof (the "General Resolution"), as follows:

## ARTICLE I

### DEFINITIONS AND AUTHORITY

SECTION 1.1. Definitions. (a) Capitalized terms used herein and not otherwise defined shall have the respective meaning accorded such terms in the General Resolution.

(b) The following terms shall have the following meanings herein unless the context otherwise requires:

“Beneficial Owner” shall mean, so long as the Series 2007 Bonds are exclusively in book-entry form as provided in Article II hereof, the owner of a beneficial interest in any Series 2007 Bond through a participant in DTC.

“Bond Payment Date” shall mean each date on which interest on or both principal of and interest on any outstanding Series 2007 Bonds shall be due and payable according to their respective terms.

“Certificate of Award” shall mean the Certificate of Award as described in Section 3.2 hereof.

“Chairman” shall mean the Chairman of the Authority or his agent, deputy or attorney-in-fact.

“Costs of Issuance” shall mean all items of expense directly or indirectly related to the authorization, issuance, offering and sale of Series 2007 Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, the premium for municipal bond insurance policy, if any, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Series 2007 Bonds, or any other cost, charge or fee in connection with the original issuance of Series 2007 Bonds.

“DTC” shall mean The Depository Trust Company or its successor or successors.

“Letter of Representations” shall mean the Letter of Representations as defined in Section 2.4 hereof.

“Moody’s” means Moody’s Investors Service, Inc.

“1990 Resolution” shall mean the resolution adopted by the Authority on April 6, 1990, entitled “WATER WORKS SYSTEM REVENUE BOND RESOLUTION,” and all resolutions amendatory or supplemental thereto.

“Notice of Sale” shall mean the Notice of Sale as described in Section 3.2 hereof.

“Official Statement” shall mean the final official statement of the Authority relating to the Series 2007 Bonds.

“Owner” shall mean, with respect to any Series 2007 Bond or Bonds, the registered owner of such Series 2007 Bond or Bonds as set forth on the books of registry.

“Prior Lien Bonds” shall mean any bonds issued under the 1990 Resolution.

“Resolutions” means collectively the General Resolution and this Series 2007 Resolution.

“Series 2007 Bonds” shall mean the up to \$35,000,000 Fourth Resolution Water Revenue Bonds, Series 2007, of the Authority authorized by this Series 2007 Resolution.

“Series 2007 Resolution” shall mean this Supplemental Resolution Authorizing the Issuance of up to \$35,000,000 Fourth Resolution Water Revenue Bonds, Series 2007, as adopted on August 16, 2007.

“Series 2007 Serial Bonds” shall mean those Series 2007 Bonds maturing serially from December 1, 2008 through December 1, 2037, or on such other dates to be determined pursuant to the provisions of Article III hereof.

“Series 2007 Term Bonds” shall mean those Series 2007 Bonds which are issued as Term Bonds pursuant to the provisions of Article III hereof.

“Standard & Poor’s” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies, Inc.

“Tax Requirements” means those provisions of (i) the Code, and (ii) the temporary, proposed or final regulations promulgated thereunder by the United States Treasury Department which are applicable to the Series 2007 Bonds and which must be complied with in order that the interest in the Series 2007 Bonds not be, and continue not to be, includable in the gross income of the owners thereof for Federal income tax purposes.

“Vice Chairman” shall mean the Vice Chairman of the Authority or his agent, deputy or attorney-in-fact.

SECTION 1.2. Authority for this Supplemental Resolution. This Series 2007 Resolution is adopted pursuant to the provisions of the General Resolution and the Act.

## ARTICLE II

### THE SERIES 2007 BONDS

SECTION 2.1. Principal Amount, Designation and Series. Pursuant to the provisions of the General Resolution, a Series of Bonds of up to THIRTY-FIVE MILLION DOLLARS (\$35,000,000) in aggregate principal amount due at maturity and entitled to the benefit, protection and security of the provisions of the Resolutions is hereby authorized. The aggregate principal amount of the Series 2007 Bonds and the aggregate principal amount of the Series 2007 Bonds due upon each maturity of the Series 2007 Bonds shall be as determined pursuant to the provisions of Article III hereof and as set forth in the Notice of Sale. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series, by the title, "Fourth Resolution Water Revenue Bonds, Series 2007".

SECTION 2.2. Purposes. The Series 2007 Bonds are being issued for the purpose of providing moneys which will be used (i) to finance the Cost of Acquisition and Construction of certain improvements and extensions to the Water Works System, including without limitation the reimbursement of the Authority for costs previously incurred with respect thereto to the extent permitted under the Tax Requirements, and (ii) to pay Costs of Issuance of the Series 2007 Bonds.

SECTION 2.3. Maturities and Interest. The Series 2007 Bonds shall mature on December 1 in each of the years and in the principal amounts determined pursuant to the provisions of Article III hereof and as set forth in the Notice of Sale, and shall bear interest at the rates determined pursuant to the provisions of Article III hereof and as set forth in the Certificate of Award, payable semiannually on June 1 and December 1 of each year (commencing June 1, 2008), until maturity or prior redemption.

SECTION 2.4. Form, Denominations, Numbers and Letters. (a) In accordance with Sections 3.3 and 4.1 of the General Resolution, the Series 2007 Bond shall be issued exclusively in "book-entry" form. The initial owner of the Series 2007 Bonds shall be Cede & Co., on behalf of DTC, which shall hold one or more immobilized certificates representing each maturity of the Series 2007 Bonds for the benefit of the Beneficial Owners of the Series 2007 Bonds; provided that if DTC shall request that the Series 2007 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or a portion of the Series 2007 Bonds for an equal aggregate principal amount of Series 2007 Bonds registered in the name of such other nominee or nominee of DTC. All transfers of Series 2007 Bonds shall be effected as set forth in Section 4.6 of the General Resolution; provided that the Authority understands and agrees that DTC shall establish procedures with its participants for recording and transferring the ownership of beneficial interests in the Series 2007 Bonds. The Authority shall enter into an issuer letter of representations (the "Letter of Representations") and other documentation necessary and desirable to effectuate the use of book-entry only form for the Series 2007 Bonds. In no event shall the Trustee be liable or responsible for the performance or failure to perform of DTC.

(b) Neither DTC nor Cede & Co. shall consent or vote with respect to the Series 2007 Bonds. DTC and Cede & Co. shall assign their consenting or voting rights to those participants of the DTC system to whose accounts Beneficial Owners are credited on the record date.

(c) For purposes of determining the consents of owners of the Series 2007 Bonds under Article IX, X or XI of the General Resolution, (i) the Trustee shall establish a record date for determination of beneficial ownership of such Series 2007 Bonds and shall give to DTC at least fifteen (15) calendar days' notice of any record date so established and (ii) the Trustee shall treat the consents of the Beneficial Owners as reported to the Trustee by DTC as consents of Owners of Series 2007 Bonds. In addition, for purposes of determining beneficial ownership, the Trustee may conclusively rely on DTC with respect to the identity of the Beneficial Owners.

SECTION 2.5. Dating of Series 2007 Bonds. The Series 2007 Bonds shall be dated as of the date of their original delivery and shall bear interest from such date.

SECTION 2.6. Place and Payment of Paying Agent. The Series 2007 Bonds shall be payable at the Office of the Trustee and Paying Agent, Manufacturers and Traders Trust Company, in Buffalo, New York.

SECTION 2.7. Redemption Prices and Terms. (a) Optional Redemption of Series 2007 Bonds. The Series 2007 Bonds maturing on or after December 1, 2018 will be subject to redemption prior to maturity at the option of the Authority on December 1, 2017 and thereafter on any date, as a whole or in part, at par plus accrued interest to the date of redemption, in such order of maturity as is selected by the Authority and by lot within a maturity; provided, however, that, upon the occurrence of a Change of Control and during such time as the Series 2007 Bonds are subject to a call for redemption pursuant to the provisions of Section 2.7(b) hereof, the Series 2007 Bonds shall not be subject to redemption pursuant to this Section 2.7(a).

(b) Optional Redemption Upon a Change of Control. To the extent permitted by law, upon the occurrence of a Change of Control, the Series 2007 Bonds shall be subject to redemption prior to maturity as a whole, upon the affirmative vote, taken within sixty (60) days of the occurrence of the Change of Control, of a majority of the members of the Authority who were members of the Authority immediately prior to the occurrence of the Change of Control, on any date prior to maturity selected by a majority of such members of the Authority, at a redemption price equal to 110% of the principal amount thereof plus interest accrued thereon to such redemption date. Notwithstanding any other provision contained in the Resolutions, and to the extent permitted by law, any rescission, annulment, cancellation, or other modification of a redemption of Bonds pursuant to this Section 2.7(b), and any amendment of the provision at the end of the first sentence of Section 2.7(a) or of this Section 2.7(b) subsequent to a Change of Control, may only be effected upon the vote, in addition to any other required approval, of a majority of the members of the Authority who were members of the Authority immediately prior to the occurrence of the Change of Control.

(c) Mandatory Sinking Fund Redemption. The Series 2007 Term Bonds may be subject to mandatory sinking fund redemption established pursuant to the provisions of Article III hereof. Such sinking fund installments shall become due on December 1 in each of the years determined pursuant to the provisions of Article III hereof in an amount sufficient to redeem on such date (or in the case of the last such sinking fund installment to pay at maturity), at 100% of the principal amount thereof plus accrued interest thereon to such redemption date, the Series 2007 Term Bonds determined pursuant to Article III hereof, the particular Series 2007 Term Bonds to be redeemed to be selected by lot. The Series 2007 Serial Bonds shall not be subject to mandatory sinking fund redemption pursuant to this Section 2.7(c).

SECTION 2.8. Application of Bond Proceeds. The Authority hereby irrevocably directs that simultaneously with the delivery of the Series 2007 Bonds (i) the amount, if any, received upon delivery of the Series 2007 Bonds as accrued interest shall be paid to the Trustee for deposit unto the Interest Account in the Bond Fund, and (ii) the balance of the proceeds for the sale thereof together with such other legally available funds of the Authority, in such amount as may be determined by the Chairman or Vice Chairman, shall be applied, pursuant to the provisions of Article III hereof, for the purposes set forth in Section 2.2 hereof.

SECTION 2.9. Form of Series 2007 Bonds and Registrar's Certificate of Authentication. Subject to the provisions of the General Resolution, the form of the Series 2007 Bonds and the form of the Trustee's Certificate of Authentication with respect thereto shall be substantially as follows, with such changes (i) as may be necessary to comply with the requirements of DTC, or (ii) as may be approved by the Chairman, and not inconsistent with this Series 2007 Resolution, the Chairman's signature on such Bonds to constitute conclusive evidence of such approval; provided, however, that the bracketed provisions of the following form shall be applicable only with respect to Series 2007 Term Bonds, if any:

Registered

THE TERMS AND PROVISIONS OF THIS BOND WHICH ARE NOT SET FORTH ON THE FACE HEREOF BUT WHICH ARE CONTAINED IN THE CONTINUATION HEREOF, SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

Number 2007 - \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF NEW YORK

ERIE COUNTY WATER AUTHORITY  
FOURTH RESOLUTION WATER REVENUE BOND  
SERIES 2007

Interest Rate: \_\_\_\_\_%

Maturity Date: December 1, \_\_\_\_\_

Dated Date: \_\_\_\_\_, 2007

CUSIP NO: \_\_\_\_\_

Registered Owner: \_\_\_\_\_

Principal Amount: \_\_\_\_\_ (\$ \_\_\_\_\_)

The Erie County Water Authority (hereinafter called the "Authority"), a body corporate and politic constituting a public benefit corporation, in the County of Erie, State of New York, for value received, hereby promises to pay to the Registered Owner named above, or registered assigns, but solely from the sources hereinafter specified and not otherwise, on the Maturity Date specified above the Principal Amount (stated above) upon presentation and surrender of this Bond, at the principal office of Manufacturers and Traders Trust Company, in the City of Buffalo, New York, Trustee and Paying Agent under the Resolution hereinafter mentioned, or its successor in trust from time to time thereunder, plus interest accrued thereon at the Interest Rate (stated above) semiannually on June 1 and December 1 of each year, beginning June 1, 2008, in any coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of New York to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the Authority, does not exceed any constitutional, statutory or other limitations of indebtedness prescribed



by law for the Authority.

IN WITNESS WHEREOF, THE ERIE COUNTY WATER AUTHORITY has caused this Bond to be signed in its name and on its behalf by its Chairman and attested by its Secretary (the facsimile signatures of said officers and the Authority's seal are to be affixed or reproduced hereon, and said officials by the execution hereof do adopt as and for their own proper signatures the facsimile signatures appearing on each of the Bonds), all as of the Dated Date specified above.

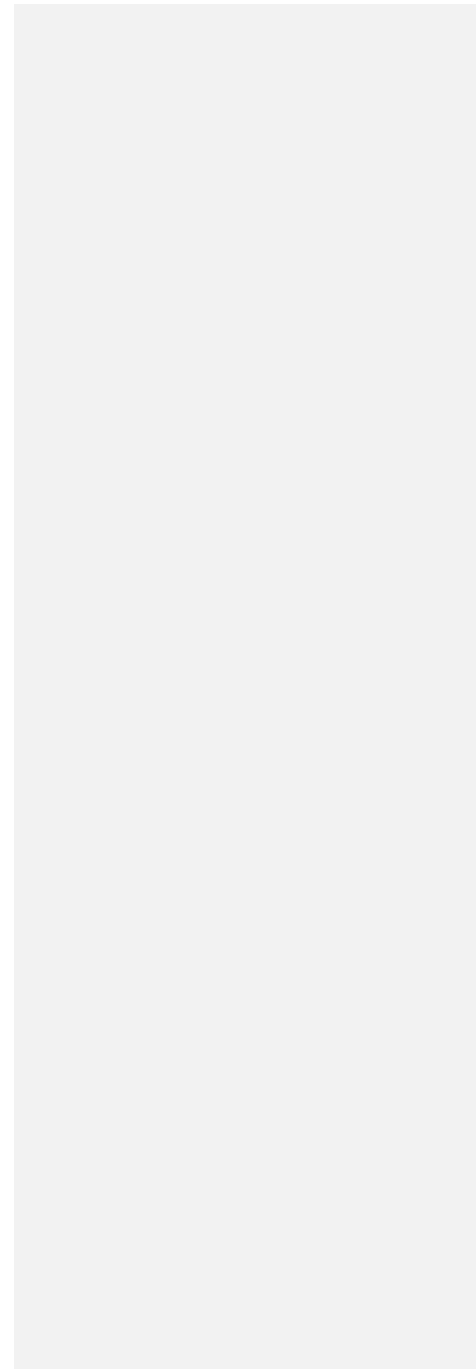
ERIE COUNTY WATER AUTHORITY

ATTEST:

By: \_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

[SEAL]



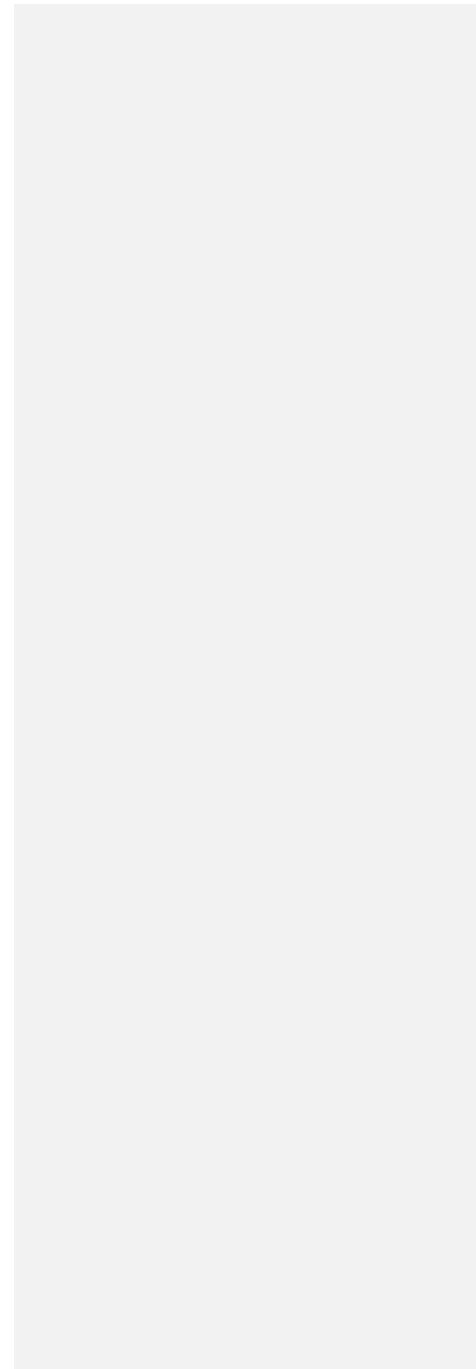
[REGISTRAR'S CERTIFICATE OF AUTHENTICATION]

This Bond is one of the Bonds described in the within mentioned General Resolution and Series 2007 Resolution and is one of the Fourth Resolution Water Revenue Bonds, Series 2007, of the Erie County Water Authority.

MANUFACTURERS AND TRADERS TRUST COMPANY, as Registrar

By \_\_\_\_\_  
Authorized Officer

Date of  
Authentication: \_\_\_\_\_



[FORM OF REVERSE SIDE OF BOND]

This Bond is one of a duly authorized series of Bonds of like designation herewith, aggregating \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) in principal amount, issued under and pursuant to the Fourth General Water Revenue Bond Resolution adopted by the Authority on July 9, 1992, as amended and supplemented (the "General Resolution"), and a supplemental resolution thereto entitled "Supplemental Resolution Authorizing the Issuance of up to \$35,000,000 Fourth Resolution Water Revenue Bonds, Series 2007" as adopted on August 16, 2007 (the "Series 2007 Resolution") by said Authority (said General Resolution and Series 2007 Resolution being hereinafter referred to collectively as the "Resolutions"), and under the authority of and in full compliance with the Constitution and statutes of the State of New York, including Sections 1050 through 1073, as amended, inclusive, of Title 3, Article 5 of the Public Authorities Law of New York, and proceedings of the Erie County Water Authority duly adopted.

This Bond and the series of which this Bond is one constitute part of a duly authorized issue of Bonds (herein referred to as the "Bonds") issued, or to be issued, under the General Resolution in one or more series in various principal amounts and of varying denominations, dates, maturities, interest rates and other provisions as provided in the General Resolution, for the purpose of financing all or a portion of the Cost of Acquisition and Construction of the Water Works System or refunding any bond or bonds.

The Bonds are payable as to principal, premium, if any, and interest solely from and are equally and ratably secured solely by a lien upon and pledge, subject only to the provisions of the Resolutions permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolutions, of (i) the proceeds of sale of the Series 2007 Bonds pending application thereof in accordance with the provisions of the Resolutions, (ii) all Available Revenues, and (iii) all funds and accounts established by the Resolutions including the investments, if any, thereof. Such pledge and the Bonds shall be subordinate to and inferior to the cost of operations and maintenance of the Water Works System and, so long as the Prior Lien Bonds are outstanding, be subordinate to and inferior to the pledges and liens and charges upon the Revenues created by the 1990 Resolution.

Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof are pledged for the payment of the principal of, premium, if any, or interest on the Series 2007 Bonds, and no holder of the Series 2007 Bonds shall have the right to compel the exercise of the subdivision thereof in connection with any default with respect to the Series 2007 Bonds. The Series 2007 Bonds are not a debt of the State of New York or of Erie County or of any other political subdivision of the State of New York, neither the State of New York nor Erie County nor any other political subdivision of the State of New York is liable for the payment of the Series 2007 Bonds, nor are the Series 2007 Bonds payable out of any funds other than those of the Authority pledged for the payment of the Series 2007 Bonds under the General Resolution. Under the General Resolution, the Authority is obligated to deposit from the aforesaid Available Revenues of the Water Works System into the Bond Fund (established with the Trustee by the General Resolution) certain fixed amounts sufficient to pay the principal of, premium, if any, and interest on this Bond and the issue of Bonds of which it is one, as the same shall become due and payable, as is more fully provided in the Resolutions.

Reference is hereby made to the Resolutions, certified copies of which are on file in the principal office of the Authority and in the principal office of the Trustee, and to all of the provisions of which any holder of this Bond by his acceptance hereof hereby assents, for

definitions of terms; the description of and the nature and extent of the security for the properties constituting the Water Works System; the Available Revenues and other moneys pledged to the payment of the principal of, premium, if any, and interest on the Bonds issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which bonds may hereafter be issued under the General Resolution payable on a parity with this Series 2007 Bond from the aforesaid Available Revenues and equally and ratably secured therewith; the conditions upon which the Resolutions may be amended or supplemented with or without the consent of the holders of the Bonds of the issue of Bonds of which this Series 2007 Bond is one; the rights and remedies of the holder hereof with respect hereto and thereto, including the limitations therein contained upon the right of a holder hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto; the rights, duties and obligations of the Authority and the Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, trusts, assignments and covenants made therein may be discharged at or prior to the maturity or redemption of this Series 2007 Bond, and this Series 2007 Bond thereafter shall no longer be secured by the General Resolution or be deemed to be outstanding thereunder, if moneys or certain specific securities shall have been deposited with the Trustee in a sufficient amount and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

The Series 2007 Bonds maturing on or after December 1, 2018 are subject to redemption prior to maturity at the option of the Authority on December 1, 2017 and thereafter on any date, as a whole or in part, at par plus accrued interest to the date of redemption, in such order of maturity as is selected by the Authority and by lot within a maturity. In addition, the Series 2007 Bonds are subject to redemption prior to maturity, as a whole, at a redemption price equal to 110% of the par amount thereof plus interest accrued thereon to such redemption date, as provided in the Resolutions, upon the occurrence of a Change of Control.

[This Bond is also subject to redemption in part by lot on December 1 in each year commencing December 1, 20\_\_ at the principal amount plus accrued interest to the date of redemption thereof, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem on December 1 of each year the principal amount specified for each of the years shown below:

Sinking Fund Installments

<u>Year</u>	<u>Amount</u>
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In the event that less than all of the Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot. In the event this Bond is called for prior redemption, notice of such redemption shall be mailed by the Trustee, at least once not less than thirty (30) days prior to the date fixed for the redemption thereof, by registered mail, to the registered owner of this Bond as of the forty-fifth (45<sup>th</sup>) day (whether or not a business day) next preceding the date fixed for redemption at his address as it appears on the books of registry. Notice of redemption of Bonds may also be given by publication by the Trustee at least thirty (30) days prior to the date fixed for the redemption thereof, of one such notice in one issue of The Bond Buyer, a financial journal published in New York, New York, or in lieu of publication in The Bond Buyer, in some other newspaper specializing in financial matters printed in the English language and customarily published on each business day and of general circulation in the City of New York, New York and of one such notice in a newspaper of general circulation printed in the English language, published in Erie County, New York. If this Bond be of a denomination in excess of \$5,000, portions of this Bond in principal amounts of \$5,000 or any integral multiple thereof, may be redeemed, and if less than all of the principal amount hereof is to be redeemed, in such case upon the surrender of this Series 2007 Bond to the Registrar there shall be issued to the Registered Owner hereof, without charge therefore, for the principal amount of the then unredeemed portion hereof, registered Series 2007 Bonds in any of the authorized denominations provided by the General Resolution. If this Bond (or any portion hereof) shall have been duly called for redemption and notice of such redemption duly given as aforesaid, and if on or before the redemption date there shall be deposited with the Trustee or other Paying Agent sufficient funds to pay the principal amount hereof to be redeemed at the then applicable redemption price and the interest accrued on the principal amount redeemed to the date of redemption, then this Bond (or such portion hereof) shall become due and payable upon such redemption date and interest shall cease to accrue and become payable from and after the redemption date on the principal amount hereof to be redeemed.

This Bond shall have all the qualities and incidents of a negotiable instrument to the extent provided by the Uniform Commercial Code of the State of New York and shall be transferable by the Registered Owner hereof or by such owner's authorized agent at the principal office of the Registrar upon surrender and cancellation of this Bond, and thereupon a new registered Bond or Bonds without coupons of the same aggregate principal amount in authorized denominations and of the same series, interest rate and maturity will be issued to the transferee as provided in the Resolutions and upon payment of any transfer charge therein prescribed. The Authority, the Trustee, the Paying Agents and any other person may treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment thereof and for all purposes and shall not be affected by any notice to the contrary, whether this Bond be overdue or not.

The Bonds of the series of Bonds of which this Bond is a part are issuable as registered Bonds without coupons in the principal amount of \$5,000 or any integral multiple thereof.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication shall have been signed by the Registrar.

### ARTICLE III

## SALE OF SERIES 2007 BONDS

SECTION 3.1. Sale of Series 2007 Bonds. The Authority hereby determines that the Series 2007 Bonds shall be sold by public competitive sale upon the terms and conditions of this Series 2007 Resolution.

SECTION 3.2. Notice of Sale; Preparation and Delivery of Certificate of Award and Series 2007 Bonds. (a) Subject to the limitations set forth in Articles II and III hereof, the Chairman is hereby authorized, empowered, and directed to publish a Notice of Sale of the Series 2007 Bonds, substantially in the form presented to this meeting and annexed hereto as Exhibit A, setting forth the requirements for submitting bids to purchase the Series 2007 Bonds, the date and place of the closing of the sale of the Series 2007 Bonds, and certain terms and conditions of the Series 2007 Bonds, including, but not limited to: the aggregate principal amount, the principal amount maturing in each year, the redemption provisions, and the method of calculating the Reserve Account Requirement of such Series 2007 Bonds. The Notice of Sale will permit the bidder to provide for any combination of Series 2007 Serial Bonds and Series 2007 Term Bonds, subject to mandatory sinking fund redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth in the Notice of Sale. The Notice of Sale will provide for the Authority to accept electronic bids for the Bonds; provided, however, that if the Authority is unable to accept electronic bids through a particular provider, the Authority may select another electronic bidding provider or may elect to accept bids in writing or by telephonic means, as determined by the Chairman or Vice Chairman. The Notice of Sale will also provide that bids must be for not less than all of the Series 2007 Bonds and must be for a price of not less than 99.25% or more than 103% of the par value of the Series 2007 Bonds. No bids shall be accepted if they propose a true interest cost in excess of 5.35%. Unless all bids are rejected, the award will be made to the bidder or bidders complying with the terms of sale and offering to purchase the Bonds at such rate or rates of interest as will produce the lowest interest cost over the life of the Bonds, computed in accordance with the true interest cost method. The Authority will reserve the right to reject any or all bids.

(b) The Notice of Sale shall also provide that the aggregate principal amount of the Series 2007 Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the Authority or its designee after the determination of the successful bidder. Such adjustments shall be in the sole discretion of the Authority or its designee and will not exceed \$1,500,000 in total and \$150,000 per maturity, provided that the Authority or its designee shall make such adjustments only in order to size the Series 2007 Bonds to establish a debt service structure that is acceptable to the Authority.

(c) The Chairman or Vice Chairman is hereby authorized, empowered and directed to determine the successful bidder consistent with the provisions of this Series 2007 Resolution. Upon the award of the Series 2007 Bonds, the Chairman or Vice Chairman is hereby authorized, empowered and directed to prepare and execute, on behalf of the Authority, a Certificate of Award setting forth the terms and conditions of the Series 2007 Bonds as set forth in the successful bid, which Certificate of Award shall include a schedule setting forth the principal amounts of and interest rates on the Series 2007 Bonds and shall set forth the Reserve Account Requirement of such Series 2007 Bonds. The Chairman or Vice Chairman is further authorized, empowered, and directed to have the Series 2007 Bonds prepared in definitive form and delivered to the Trustee for authentication as provided in the Resolutions.

SECTION 3.3.Date and Place of Sale. The Series 2007 Bonds shall be sold to the purchaser thereof at the offices of Damon & Morey LLP, 1000 Cathedral Place, 298 Main Street, Buffalo, New York 14202 on September 13, 2007, or on such other date and at such other place as may be determined by the Chairman or Vice Chairman.

SECTION 3.4.Official Statement. (a) The Preliminary Official Statement, in substantially the form presented to this meeting and annexed hereto as Exhibit B, is hereby approved, but is subject to change by the Chairman without notice and to completion or amendment or supplementation in the final Official Statement as specified below. The Chairman is hereby authorized to distribute copies of the Preliminary Official Statement in such quantities as the Chairman determines to be appropriate.

(b) Upon the sale of the Series 2007 Bonds, the Chairman is hereby authorized to complete the final Official Statement with such changes, variations, omissions and insertions as the Chairman shall deem necessary or desirable to finalize the Official Statement. The Chairman is hereby further authorized to furnish the purchaser of the Series 2007 Bonds copies of the final Official Statement, in such quantities as the Chairman determines to be appropriate, within seven (7) days of the award of the Series 2007 Bonds.

## ARTICLE IV

### CERTAIN ANCILLARY MATTERS

SECTION 4.1. Reserve Account Requirement for the Series 2007 Bonds. (a) The Reserve Account Requirement for the Series 2007 Bonds shall be an amount equal to, as of any date of calculation, the lesser of (i) the maximum amount of principal and interest coming due in any succeeding calendar year on Outstanding Series 2007 Bonds, (ii) 10% of the original principal amount of the Series 2007 Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest due on the Series 2007 Bonds and shall be set forth in the Certificate of Award. The Trustee shall create a separate account in the Bond Fund to be known as the "Reserve Account, Series 2007."

(b) The Reserve Account Requirement shall be funded from any moneys lawfully available therefor. An amount equal to the Reserve Account Requirement shall be deposited in the Bond Fund for the credit to the Reserve Account, Series 2007 from such lawfully available moneys on the date of delivery of the Series 2007 Bonds. In satisfaction of the Reserve Account Requirement for the Series 2007 Bonds and in amount equal thereto, the Authority may provide a letter of credit, surety agreement, insurance agreement or other type of agreement or arrangement with any entity whose obligations are rated in one of the two (2) highest rating categories by Standard & Poor's or Moody's (a "Credit Agreement"). The Authority, at its discretion, shall have the authority to substitute a Credit Agreement, if not initially provided, for all or a portion of the amounts in the Reserve Account, Series 2007, and from time to time to substitute one Credit Agreement for another. If at any time the rating issued by Standard & Poor's or Moody's of obligations of the issuer of the Credit Agreement shall fall below such two (2) highest ratings, then within twelve (12) months thereafter the Authority shall (i) use its best efforts to, and, if available, replace such Credit Agreement with a Credit Agreement issued by an entity having obligations so rated within such two (2) highest rating categories, or (ii) deposit moneys into the Reserve Account, Series 2007, in replacement of such Credit Agreement. On or before the date which is six (6) months prior to the expiration of such Credit Agreement, the Authority shall either procure a replacement Credit Agreement or provide moneys in substitution therefor. Upon the delivery of such Credit Agreement to the Trustee, the amounts in the Reserve Account, Series 2007 equal to the amount specified in the Credit Agreement shall be deposited in the Revenue Fund. The Chairman is hereby authorized to execute and deliver any such Credit Agreement on behalf of the Authority.

SECTION 4.2. Additional Tax Covenant. (a) The Authority covenants with the holders from time to time of the Series 2007 Bonds that it will comply with the Tax Requirements, including, without limitation, the maintenance of books and records to separately record the amount of any brokerage commissions and similar amounts paid, if any, in connection with the purchase or sale of any Investment Security. The Authorized Officers of the Authority are hereby authorized to execute all certificates, agreements and other documents necessary or desirable to evidence compliance with such covenant, and are hereby authorized and directed to make all investments of moneys under the General Resolution and this Series 2007 Resolution, in accordance with such certificates and agreements, required thereby.

(b) In connection with, and in furtherance of, the foregoing covenant, the Authorized Officers of the Authority are hereby authorized and directed to pay to the United States Treasury Department at such time or times and in such amounts as shall be required by the Treasury Department all amounts required under Section 148 of the Code to be rebated, including without limitation, (i) as of and



within 60 days after the fifth, tenth, fifteenth, twentieth and twenty-fifth anniversaries of the date of issuance of the Series 2007 Bonds, an amount equal to the amount required under Section 148 of the Code to be rebated on such dates and (ii) as of and within 60 days after the date on which all of the Series 2007 Bonds have been retired, an amount equal to the balance of all rebatable amounts. Such payments shall be made to the Internal Revenue Service at the Internal Revenue Service Center, Ogden, Utah 84201-0027. Each such payment shall be accompanied by Internal Revenue Service Form 8038-T (or any successor or other applicable form).

SECTION 4.3. Transfer and Exchange of Bonds. The Authority and the Registrar shall not be required to (i) issue, transfer or exchange Series 2007 Bonds for a period of ten days next preceding any interest payment date therefor, (ii) issue, transfer or exchange any Series 2007 Bonds for a period of ten days next preceding any selection of Series 2007 Bonds to be redeemed or for a period of ten days thereafter, or (iii) transfer or exchange any Series 2007 Bonds which have been designated for redemption within a period of 60 days next preceding the date fixed for redemption.

SECTION 4.4. Letter of Representations. The Letter of Representations, to be entered into by the Authority in the form presented to the Authority, is hereby approved. The Authorized Officers, and each of them without the others, are hereby authorized to execute and deliver the Letter of Representations on behalf of the Authority, together with such changes, variations, omissions and insertions as such officers or any of them shall deem appropriate, without additional action by the members of the Authority; such execution shall constitute conclusive evidence of such approval.

SECTION 4.5. Parties Interested Herein. Nothing in this Series 2007 Resolution, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Authority, the Trustee and the registered owners of the Series 2007 Bonds, any right, remedy or claim under or by reason of this Series 2007 Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Series 2007 Resolution contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee and the registered owners of the Series 2007 Bonds.

SECTION 4.6. Not to Issue Additional Prior Lien Bonds. So long as any Series 2007 Bonds are Outstanding, the Authority shall not issue any additional Prior Lien Bonds under the 1990 Resolution.

SECTION 4.7. Amendment of 1990 Resolution. The Authority will not hereafter consent to or agree to any supplement, change, amendment or modification of the 1990 Resolution which would adversely affect the rights or interests of the holders of the Series 2007 Bonds except as otherwise expressly provided herein.

SECTION 4.8. Investment Securities. In accordance with clause (x) of the definition of “Investment Securities” as set forth in Section 1.1 of the Resolution, to the extent permitted by law and the Authority’s investment guidelines, the following shall be “Investment Securities” with respect to any funds held with respect to the Series 2007 Bonds:

- (a) Bonds, notes or other evidences of indebtedness rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- (b) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; and
- (c) Investments in money market funds rated “AAAm” or “AAAm-G” or better by Standard & Poor’s.

SECTION 4.9. CUSIP Identification Numbers. CUSIP identification numbers, at the sole option of the Authority, may be placed on the Series 2007 Bonds, but neither the failure to place any such number of any Series 2007 Bond nor any inaccuracy, error or omission with respect thereto shall constitute cause for failure or refusal by the purchasers to accept delivery of and pay for the Series 2007 Bonds. No such CUSIP identification number shall constitute a part of the contract evidenced by the particular Series 2007 Bond upon which it is imprinted and no liability shall attach to the Authority or any officer or agent thereof, including any Registrar or Paying Agent for the Series 2007 Bonds, by reason of such number or any use made thereof, including any use thereof made by the Authority, any such officer or any such agent, or by reason of any inaccuracy, error or omission with respect thereto or in such use.

ARTICLE V  
MISCELLANEOUS

SECTION 5.1. Further Authority. The Chairman, Vice Chairman, Treasurer and Secretary of the Authority and each of them are hereby authorized to execute and deliver such documents, agreements, instruments and certifications as may be necessary to give effect to this Series 2007 Resolution.

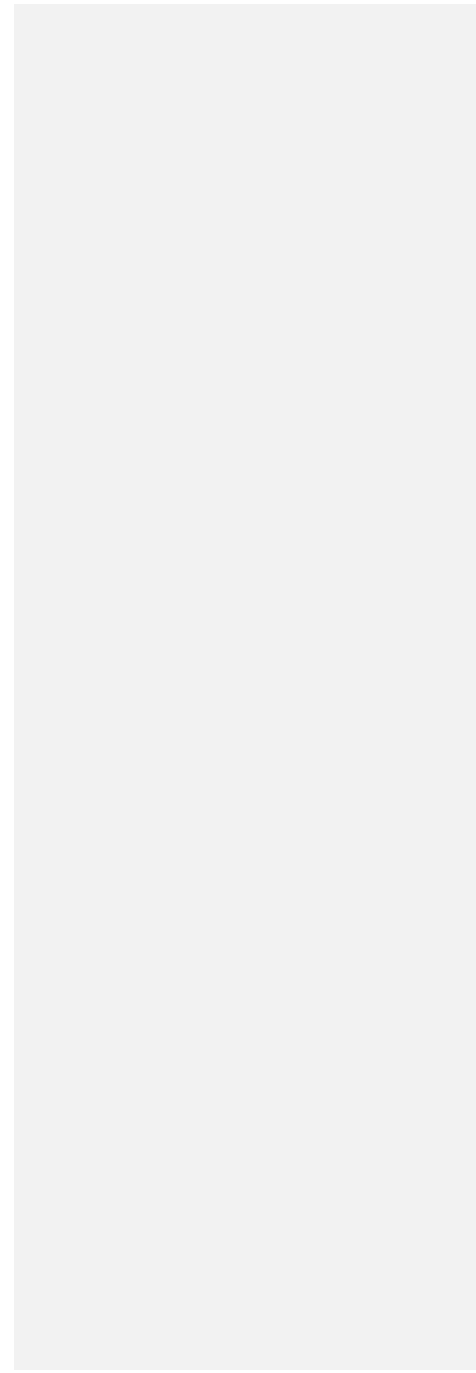
SECTION 5.2. Effective Date. This Series 2007 Resolution shall be fully effective upon its adoption.

Ayes: %AYES%

Noes: %NOES%

-#1092909

**EXHIBIT A**  
**FORM OF NOTICE OF SALE**



**ERIE COUNTY WATER AUTHORITY  
NEW YORK**

**NOTICE OF SALE**

**\$35,000,000\*  
FOURTH RESOLUTION WATER REVENUE BONDS, SERIES 2007**

NOTICE IS HEREBY GIVEN that the Erie County Water Authority will offer for sale its \$35,000,000\* Fourth Resolution Water Revenue Bonds, Series 2007 (the "Series 2007 Bonds"), according to the following terms:

**TIME AND PLACE**

Electronic proposals will be received for the purchase of the Series 2007 Bonds by the Erie County Water Authority, New York (the "Authority") on Tuesday, August 28, 2007 until 11:30 A.M. Eastern Time, in the offices of Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota, 55402. The proposals will be considered and an award will be made no later than 2:30 P.M. Eastern Time on the same day. The bidder offering to purchase the Series 2007 Bonds upon the terms specified herein and most favorable to the Authority will be accepted unless all proposals are rejected. No proposal may be altered or withdrawn after the time appointed for receipt of the proposals.

The Authority reserves the right to change the time and/or date for the receipt of the proposals. Notice of such change shall be provided not less than 24 hours prior to the time set forth above for the receipt of proposals by means of a supplemental notice of sale.

**FORM OF PROPOSALS**

Proposals must be submitted through Parity® (the "Electronic Bid System"). The Authority shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the Electronic Bid System, or the means used to deliver or complete a proposal. The use of such facilities or means is at the sole risk of the bidder who shall be bound by the terms of the proposal as received.

No proposal will be received after 11:30 A.M. Eastern Time on Tuesday, August 28, 2007, as specified in the Notice of Sale. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the proposal deadline using the same method used to submit the proposal. If more than one proposal is received from a bidder, the last proposal received shall be considered.

Electronic Bidding: Electronic proposals must be submitted through the Electronic Bid System. Information about the Electronic Bid System may be obtained by contacting Parity® at i-Deal/Parity®, Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5067.

Each bidder shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of this Notice of Sale. The Authority is permitting bidders to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the Authority. Provisions of this Notice of

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\* Preliminary, subject to change

Sale shall control in the event of conflict with information provided by the Electronic Bid System.

### SECURITY AND PURPOSE

The Series 2007 Bonds are obligations of the Authority payable solely from the net revenues of the Authority's Water Works System, subject to prior payment of debt service on the Authority's outstanding bonds under its Water Works System Revenue Bond Resolution adopted on April 6, 1990. The Series 2007 Bonds will also be secured by a Reserve Account which will be funded at the time of closing. The amount to be deposited by the Authority from available funds into the Reserve Account will be \$2,154,503\*, which is equal to the lesser of (i) the maximum amount of principal and interest coming due in any calendar year on the Series 2007 Bonds, (ii) 10% of the original principal amount of the Series 2007 Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest due on the Series 2007 Bonds.

The Series 2007 Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including without limitation the Public Authorities Law, and the Fourth Resolution Water Revenue Bond Resolution adopted by the Authority on June 9, 1992 (the "Resolution"), as supplemented by a Supplemental Resolution adopted by the Authority on August 16, 2007. The proceeds of the Series 2007 Bonds will be used to finance the construction of various capital improvements projects of the Authority.

**The Series 2007 Bonds are not a debt of the State of New York, or of Erie County or any other political subdivision of the State of New York. Neither the State of New York nor Erie County nor any other political subdivision of the State of New York is liable for the payment of the Series 2007 Bonds, nor are the Series 2007 Bonds payable out of any funds other than those of the Authority pledged under the Resolution. The Authority has no taxing power.**

### DATE, MATURITIES, AND REDEMPTION

The Series 2007 Bonds will be dated September 13, 2007, will be fully registered bonds in the denomination of \$5,000 each, and will mature on December 1, in the following years in the following amounts:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2008	\$295,000	2023	\$1,115,000
2009	635,000	2024	1,165,000
2010	660,000	2025	1,215,000
2011	685,000	2026	1,270,000
2012	710,000	2027	1,325,000
2013	740,000	2028	1,385,000
2014	770,000	2029	1,445,000
2015	800,000	2030	1,510,000
2016	835,000	2031	1,575,000
2017	865,000	2032	1,650,000
2018	905,000	2033	1,720,000
2019	940,000	2034	1,800,000
2020	980,000	2035	1,885,000
2021	1,025,000	2036	1,970,000
2022	1,065,000	2037	2,060,000

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\* Preliminary, subject to change

The Series 2007 Bonds maturing on December 1, 2018 and thereafter are subject to prior redemption on December 1, 2017, and any date thereafter, in whole or in part, at a price of par plus accrued interest to the redemption date. In addition, upon the occurrence of a Change of Control, as defined in the Resolution, the Series 2007 Bonds are subject to redemption, at the option of the Authority, in whole on any date selected by the Authority at a redemption price equal to 110% of the principal amount thereof plus interest accrued thereon to such redemption date.

#### **ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST PROPOSAL**

The aggregate principal amount of the Series 2007 Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the Authority or its designee after the determination of the successful bidder. Such adjustments shall be in the sole discretion of the Authority or its designee and will not exceed \$1,500,000 in total and \$150,000 per maturity, provided that the Authority or its designee shall make such adjustments only in order to size the Series 2007 Bonds to establish a debt service structure that is acceptable to the Authority.

**The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Series 2007 Bonds is adjusted as described above. Generally any premium offered or discount taken will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Series 2007 Bonds is increased or reduced; provided that the Authority's financial advisor will make every effort to ensure that the net compensation to the successful bidder as a percentage of the adjusted par amount does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts shown in the maturity schedule above.**

#### **TERM BOND OPTION**

Proposals for the Series 2007 Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory sinking fund redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

#### **INTEREST**

Interest is payable on June 1 and December 1 of each year commencing June 1, 2008. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the first day of the month.

#### **CUSIP NUMBERS**

The Authority will assume no obligation for the assignment of CUSIP numbers to the Series 2007 Bonds or for the correctness of any such numbers printed thereon, but the Authority will permit such printing to be done at the expense of the purchaser, if the purchaser waives any extension of the time of the delivery of the Series 2007 Bonds caused thereby.

#### **BOOK-ENTRY ONLY SYSTEM**

The Series 2007 Bonds will be issued as fully registered securities in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2007 Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2007 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owner of the Series 2007 Bonds.

#### **TYPE OF PROPOSAL**

Proposals for not less than \$34,737,500 (99.25% of Par) nor more than \$36,050,000 (103% of Par) must be electronically submitted via Parity® and received at the office of Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 FAX) and must be received prior to



the time specified above for opening proposals. Rates must be in integral multiples of 1/8 or 1/20 of 1% with one interest rate per maturity. Rates are required to be in non-descending order. No bid for less than all of the Series 2007 Bonds offered will be entertained.

#### **GOOD FAITH DEPOSIT**

A Good Faith Deposit (“Deposit”) in the form of a certified or cashier’s check or a Financial Surety Bond in the amount of \$350,000, payable to the order of the Authority, is required for each proposal to be considered. If a check is used, it must accompany each proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of New York, and such bond must be submitted to the Authority or its Financial Advisor prior to the opening of the proposals. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Series 2007 Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser (“Purchaser”) is required to submit its Deposit to the Authority or its Financial Advisor in the form of a certified or cashier’s check (or wire transfer such amount as instructed by the Authority or its Financial Advisor) not later than 3:30 p.m. Eastern Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Series 2007 Bonds. In the event the Purchaser fails to honor its accepted proposal, the Deposit will be retained by the Authority.

#### **AWARD**

Proposals will be compared on the basis of true interest cost (TIC). The proposal offering the lowest true interest cost will be deemed most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Series 2007 Bonds, produces an amount equal to the purchase price. If two or more proposals provide the same lowest true interest rate, the sale of the Series 2007 Bonds will be awarded by lot, and such determination shall be final.

Upon award of the Series 2007 Bonds, the successful bidder shall advise the Authority of the initial reoffering price to the public of the Series 2007 Bonds. Simultaneously with or before delivery of the Series 2007 Bonds, the successful bidder shall furnish to the Authority a certificate in form and substance acceptable to bond counsel (a) certifying that a bona fide initial reoffering of the Series 2007 Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), (b) confirming the initial reoffering prices, and (c) stating that, on the sale date, the bidder reasonably expected that a substantial portion of each maturity of the Series 2007 Bonds would be sold to the public (excluding bond houses, brokers and other intermediaries) at such initial offering prices.

The Chairperson or Vice Chairperson of the Board of Commissioners of the Authority and Executive Director of the Authority reserve the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

#### **RATINGS**

Ratings of the Series 2007 Bonds have been applied for from Moody’s Investors Service, Inc., Standard and Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Fitch Ratings. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Series 2007 Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

#### **BOND INSURANCE**

If the Series 2007 Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor, at the option of a bidder, the purchase of any such insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of such bidder, and any increased costs of issuance of the Series 2007 Bonds resulting by reason of the same, unless otherwise paid, shall be paid by such bidder. Any failure of the Series 2007 Bonds to be so insured or of

any such policy of insurance to be issued shall not constitute cause for failure or refusal by the purchaser of the Series 2007 Bonds to accept delivery of and pay for the Series 2007 Bonds in accordance with the terms hereof.

### **SETTLEMENT**

On or about September 13, 2007, the Series 2007 Bonds will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Damon & Morey LLP, and of customary closing papers. On the date of settlement, payment for the Series 2007 Bonds shall be made in federal or equivalent funds, which shall be received at the offices of the Authority, or its designee, not later than 1:00 P.M. Eastern Time. Except as compliance with the terms of payment for the Series 2007 Bonds shall have been made impossible by action of the Authority or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms for payment.

### **CONTINUING DISCLOSURE**

In order to assist the participating underwriters in the primary offering of the Series 2007 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Authority will covenant and agree, pursuant to a Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material. A description of this undertaking is set forth in the Official Statement referred to below.

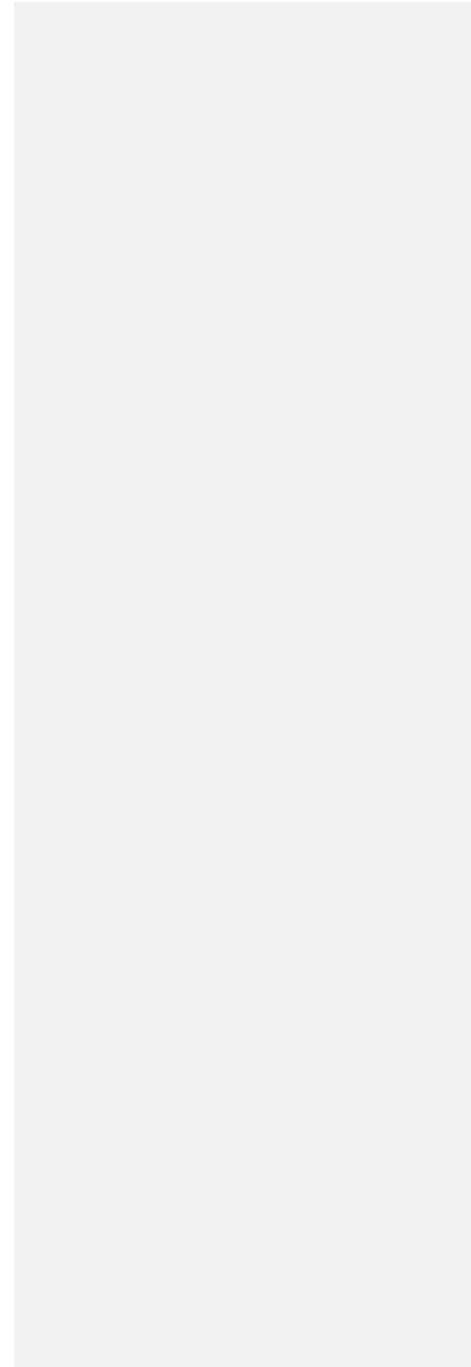
### **OFFICIAL STATEMENTS**

The Authority has prepared a Preliminary Official Statement dated August 17, 2007, which the Authority deems to be a preliminary or "near-final" Official Statement as that term is defined in Rule 15c2-12 of the Rule. The Official Statement is available on the World Wide Web at [www.pfm.com](http://www.pfm.com), through the link to the municipal calendar, and to prospective bidders who request copies from the Authority or its financial advisor, Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402, 612-338-3535, 612-338-7264 FAX.

Any party executing and delivering a bid for the Series 2007 Bonds agrees, if its bid is accepted by the Authority, to provide to the Authority, in writing, within two business days after the date of such award, all information which said successful bidder determines is necessary for it to comply with Rule 15c2-12 of the Rule, including all necessary pricing and sale information, information with respect to the purchase of municipal bond insurance, if any, and underwriter identification. Within seven business days following receipt by the Authority thereof, the Authority shall provide a reasonable number of copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Series 2007 Bonds. The Final Official Statement will be dated August \_\_, 2007, and will be updated as necessary and supplemented to include said information provided by the successful bidder. Failure by the successful bidder to provide such information will prevent the Authority from furnishing the Official Statement as described above. The Authority shall not be responsible or liable in any manner for the successful bidder's determination of information necessary to comply with Rule 15c2-12 or the accuracy of any such information provided by the successful bidder or for failure to furnish the Official Statement as described above which results from a failure by the successful bidder to provide the aforementioned information within the time specified. Acceptance by the successful bidder of the Final Official Statement shall be conclusive evidence of the satisfactory completion of the obligations of the Authority with respect to the preparation and delivery thereof.

**EXHIBIT B**

**FORM OF PRELIMINARY OFFICIAL STATEMENT**



**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 17, 2007**

**NEW ISSUE - Book-Entry Only**

**RATINGS: (See “Ratings” herein)**

*In the opinion of Damon & Morey LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Series 2007 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Series 2007 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers. See also “Tax Matters” herein.*

**ERIE COUNTY WATER AUTHORITY  
(NEW YORK)**

**\$35,000,000\***

**FOURTH RESOLUTION WATER REVENUE BONDS, SERIES 2007 (THE “SERIES 2007 BONDS”)**

**Dated: Date of Delivery**

Except as described herein, the Series 2007 Bonds will be issued in registered form, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2007 Bonds. Individual purchases will be made in book-entry-only form in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Series 2007 Bonds.

The Series 2007 Bonds will mature on the dates and in the amounts, will bear interest at the rates and will have the yields or public offering prices shown on the inside cover of this Official Statement.

Interest on the Series 2007 Bonds will be payable on the dates as shown on the inside cover of this Official Statement calculated on the basis of a 30-day month and a 360-day year. The Series 2007 Bonds are subject to redemption prior to maturity in the manner and at the times set forth herein.

Principal and interest on the Series 2007 Bonds will be paid by the Authority’s Trustee and Paying Agent, Manufacturers and Traders Trust Company, Buffalo, New York (the “Paying Agent”), to The Depository Trust Company, which will in turn remit such principal and interest to its Participants for subsequent distribution to the Beneficial Owners of the Series 2007 Bonds as described herein.

The Series 2007 Bonds, together with any Bonds heretofore and hereafter issued, are obligations of the Authority payable solely from the net revenues of the Authority’s Water Works System, subject to prior payment of debt service on the Prior Lien Bonds, all as set forth in the Resolution and the Series 2007 Resolution referred to herein.

**The Series 2007 Bonds are not a debt of the State of New York, or of Erie County or any other political subdivision of the State of New York. Neither the State of New York nor Erie County nor any other political subdivision of the State of New York is liable for the payment of the Series 2007 Bonds, nor are the Series 2007 Bonds payable out of any funds other than those of the Authority pledged under the Resolution. The Authority has no taxing power.**

The Series 2007 Bonds are offered subject to the final approving opinions of Damon & Morey LLP, Buffalo, New York, Bond Counsel, and certain other

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The Series 2007 Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2007 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

conditions. Public Financial Management, Inc. serves as an independent financial advisor to the Authority. It is expected that delivery of the Series 2007 Bonds in definitive form will be made in New York, New York on or about September 13, 2007.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE AUTHORITY FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE AUTHORITY'S AGREEMENTS TO PROVIDE CONTINUING DISCLOSURE AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

\*Preliminary, subject to change

August \_\_\_\_, 2007

**\$35,000,000\* Fourth Resolution Water Revenue Bonds, Series 2007**

**Dated:** Date of Delivery **Principal Due:** December 1, as shown below  
**Interest Due:** June 1, 2008, December 1, 2008 and semi-annually thereafter on June 1 and December 1 in each year until maturity or prior redemption.

<u>December</u> <u>1</u>	<u>Amount *</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>	<u>Maturity *</u> <u>December 1</u>	<u>Amount *</u>	<u>Interest</u> <u>Rate</u>	<u>Yield or</u> <u>Price</u>
2008	\$295,000			2023	\$1,115,000		
2009	635,000			2024	1,165,000		
2010	660,000			2025	1,215,000		
2011	685,000			2026	1,270,000		
2012	710,000			2027	1,325,000		
2013	740,000			2028	1,385,000		
2014	770,000			2029	1,445,000		
2015	800,000			2030	1,510,000		
2016	835,000			2031	1,575,000		
2017	865,000			2032	1,650,000		
2018	905,000			2033	1,720,000		
2019	940,000			2034	1,800,000		
2020	980,000			2035	1,885,000		
2021	1,025,000			2036	1,970,000		
2022	1,065,000			2037	2,060,000		

\*Preliminary, subject to change

**THE BOARD OF COMMISSIONERS  
OF THE ERIE COUNTY WATER AUTHORITY**

FRANK E. SWIATEK, CHAIR

ROBERT J. LICHTENTHAL, JR., VICE-CHAIR

FRANCIS G. WARTHLING, TREASURER

**OFFICERS**

ROBERT A. MENDEZ, EXECUTIVE DIRECTOR

EDWARD J. KASPRZAK, DEPUTY DIRECTOR

WESLEY C. DUST, EXECUTIVE ENGINEER

MATTHEW J. BAUDO, SECRETARY

**CERTIFIED PUBLIC ACCOUNTANTS**

DRESCHER & MALECKI LLP

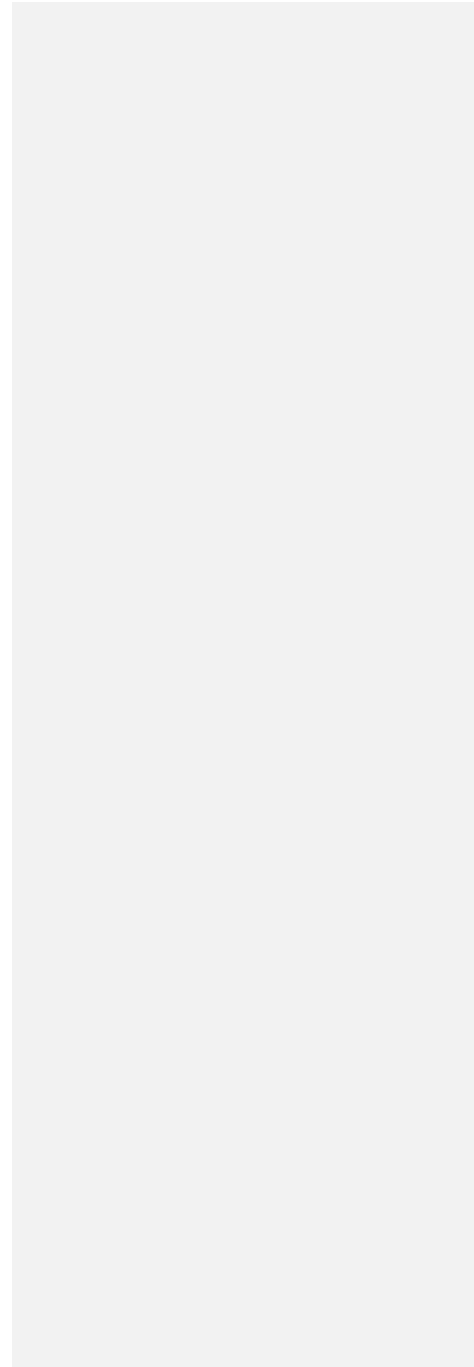
**BOND COUNSEL**

DAMON & MOREY LLP

**FINANCIAL ADVISOR**

PUBLIC FINANCIAL MANAGEMENT, INC.

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The management of the Erie County Water Authority (the “Authority”) has prepared the prospective financial information set forth herein to present certain projections of future financial information. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Authority’s management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Authority. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Authority’s independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the Authority as of the date of its preparation, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the prospective financial information, including, among others, risks and uncertainties. Accordingly, there can be no assurance that the prospective results are indicative of the future performance of the Authority or that actual results will not differ materially from those presented in the prospective financial information. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the prospective financial information will be achieved.

The Authority does not intend to update or otherwise revise the prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the Authority does not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions.

A wide variety of other information, including financial information, concerning the Authority is available on the Authority’s website, [www.ecwa.org](http://www.ecwa.org). Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

**No person has been authorized by the Authority to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2007 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.**

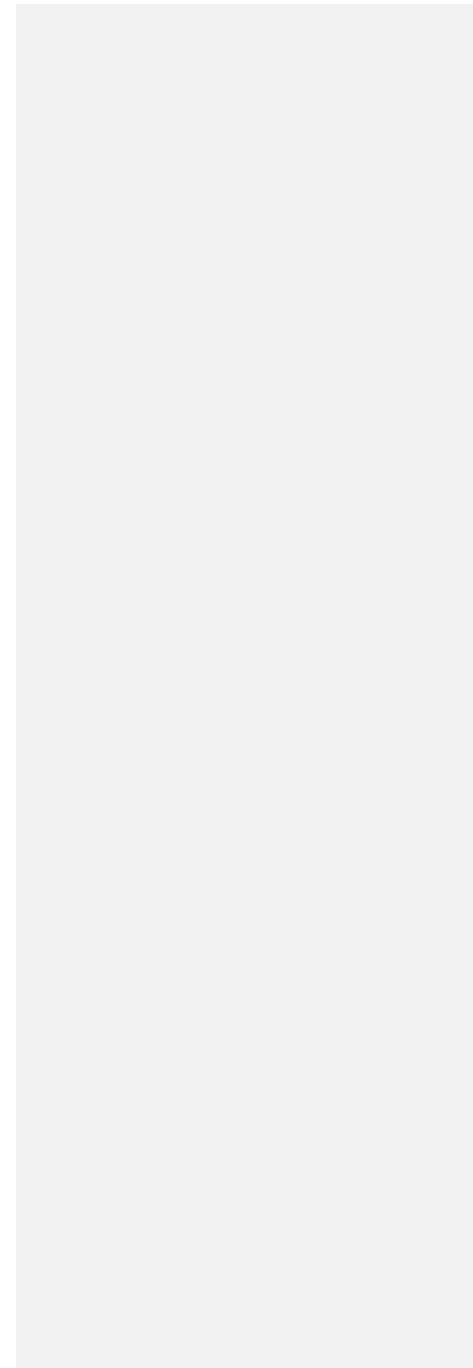
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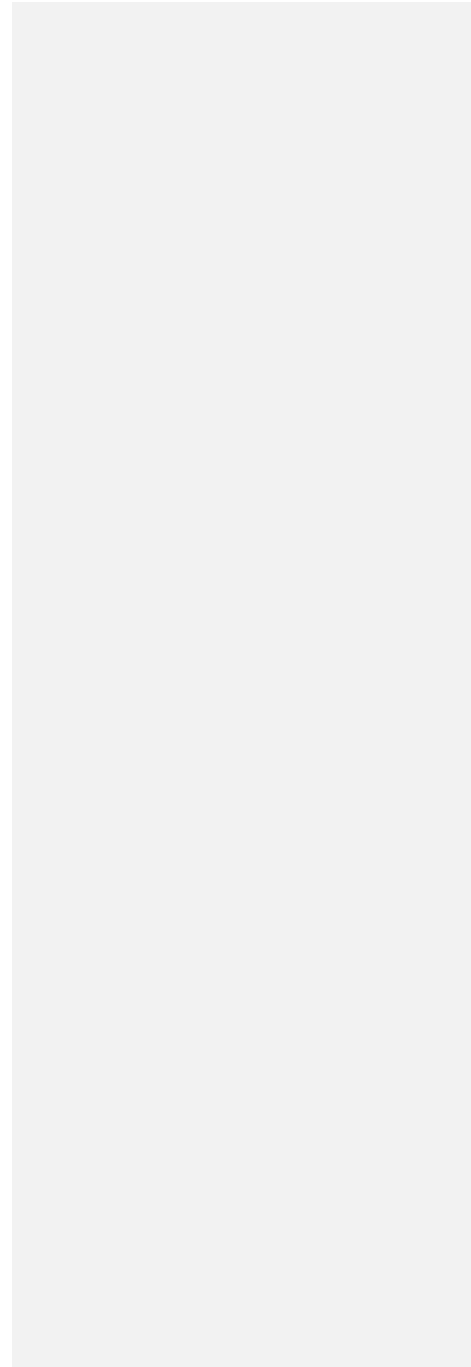
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**OFFICIAL STATEMENT**  
**Relating to**  
**\$35,000,000\***  
**ERIE COUNTY WATER AUTHORITY**  
**(NEW YORK)**  
**Fourth Resolution Water Revenue Bonds, Series 2007**

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**INTRODUCTION**

**Purpose of the Official Statement**

This Official Statement (the “Official Statement”), which includes the cover page and the inside cover page, has been prepared by the Erie County Water Authority (the “Authority”), a public body corporate and politic of the State of New York, in connection with the proposed issuance, sale and delivery by the Authority of its \$35,000,000\* Fourth Resolution Water Revenue Bonds, Series 2007 (the “Series 2007 Bonds”). This Official Statement has been executed on behalf of the Authority by the Chairman of the Board of Commissioners of the Authority.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the “State”), and acts and proceedings of the Authority contained herein do not purport to be complete, and are qualified in their entirety by reference to the official compilations thereof, and all references to the Series 2007 Bonds and the proceedings of the Authority relating thereto are qualified in their entirety by reference to the definitive form of the Series 2007 Bonds and such proceedings.

The following is a brief description of certain information concerning the Series 2007 Bonds and the Authority. A more complete description of such information and additional information that may affect decisions to invest in the Series 2007 Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain capitalized terms used in the Official Statement which are not otherwise defined are defined in Appendix A hereto.

**Purpose of Issue**

The Series 2007 Bonds are being issued by the Authority for the purpose of providing moneys which will be used to finance construction of certain capital improvements and to pay certain Costs of Issuance of the Series 2007 Bonds. See “The Series 2007 Bonds – Purpose of the Series 2007 Bonds” and “Estimated Sources and Uses of Funds.”

**Authorization of Issuance**

The Series 2007 Bonds will be issued pursuant to the Fourth General Water Revenue Bond Resolution, adopted by the Authority on July 9, 1992 (the “Resolution”), a resolution supplemental thereto entitled “Series 2007 Supplemental Bond Resolution Authorizing the Issuance of up to \$35,000,000 Fourth Resolution Water Revenue Bonds, Series 2007” adopted by the Authority on August 16, 2007 (the “Series 2007 Resolution” and, together with the Resolution, the “Resolutions”), and the Erie County Water Authority Act, Article 5, Title 3, Public Authorities Law, Sections 1050 through 1073, inclusive, and all laws amendatory or supplemental thereto, (the “Act”). For more information with respect to the authorization of the issuance of the Series 2007 Bonds, including a description of other outstanding bond indebtedness of the Authority, see “The Series 2007 Bonds – Authorization of Issuance.”

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\* Preliminary, subject to change



## **Security for the Series 2007 Bonds**

The Series 2007 Bonds are payable solely from and secured by the funds pledged therefor under the Resolution. The Resolution pledges as security for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (i) the proceeds of sale of the Bonds pending application thereof in accordance with the provisions of the Resolution or of a Supplemental Resolution, (ii) all Available Revenues, and (iii) all funds and accounts established by the Resolution including the investments, if any, thereof. Such pledge and the Bonds shall be subordinate and inferior to the cost of operation and maintenance of the Water Works System and, so long as any Prior Lien Bonds are outstanding, be subordinate and inferior to the pledges and liens and charges upon the Revenues created by the 1990 Resolution. The “Revenues” include all income, fees, charges, receipts, profits and other moneys derived by the Authority from its ownership and operation of the Water Works System.

The funds and accounts established by the Resolution include a Reserve Account for the Series 2007 Bonds which will initially be funded to its Reserve Account Requirement by a deposit of moneys available for such purpose in an amount equal to the lesser of (i) the maximum amount of principal and interest coming due in any succeeding calendar year on Outstanding Series 2007 Bonds, (ii) 10% of the original principal amount of the Series 2007 Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest due on the Series 2007 Bonds.

For more information with respect to the security for the Bonds, including the Series 2007 Bonds, see “Security for the Series 2007 Bonds.”

## **The Authority**

The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York and is empowered, among other things, to acquire, by purchase or condemnation, water supply and distribution systems and related properties, situated within Erie County, and sources of supply or water supply systems situated without Erie County. See “The Authority.”

## **The Water Works System**

The Authority operates and manages the Water Works System on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis where the Authority leases the assets from a municipality and is responsible for the operation and maintenance of the assets while the municipality is responsible for the improvement and replacement of assets; and on a bulk sale basis where the Authority contracts with the municipal customer to provide water while the municipality owns the assets and is responsible for their operation, maintenance, improvements and replacement, as well as billings and customer collections.

The Authority’s water supply comes from Lake Erie and the Niagara River. Annually, the Authority treats and distributes approximately 25.1 billion gallons of high-quality water for residential, commercial, and industrial use in thirty-five municipalities as well as the Seneca Nation of Indians. The municipalities are located in Erie County and parts of Chautauqua, Cattaraugus, western Wyoming, and western Genesee Counties. The municipalities do not include the City of Buffalo, or the Town of Tonawanda or Grand Island, all of which maintain their own water supply and distribution systems. Before water is delivered, the Authority treats it to remove harmful contaminants. Two treatment plants handle that process: the Sturgeon Point Water Treatment Plant in the Town of Evans, New York and the Van de Water Treatment Plant on the upper Niagara River in the Town of Tonawanda, New York. These two water treatment plants, along with 37 pump stations (24 pump stations owned by the Authority), 40 water tanks (21 water tanks owned by the Authority), 4 process tanks owned by the Authority, 3,329 miles of distribution piping (2,143 miles owned by the Authority), 16,792 fire hydrants (7,131 owned by the Authority) and a water quality laboratory, serve approximately 550,000 persons in Western New York.

The Authority’s rates and charges are independently set by the Authority and are not subject to review, regulation or approval by any federal, state or local governmental agency or body.

For more information with respect to the Water Works System, see “The Water Works System.”

## THE SERIES 2007 BONDS

### Authorization of Issuance

The Series 2007 Bonds will be issued pursuant to the Resolutions and the Act. On the date of issuance and delivery of the Series 2007 Bonds, there will be Outstanding under the Resolution \$2,046,423.50 aggregate principal amount of the Series 1992FR Bonds, \$4,840,000 aggregate principal amount of the Series 1998B Bonds, \$12,210,000 aggregate principal amount of the Series 1998D Bonds, and \$13,180,000 aggregate principal amount of the Series 2003F Bonds (collectively, and together with all bonds issued subsequent to the date hereof pursuant to the Resolution, the “Bonds”). In addition to the Series 1992FR Bonds, the Series 1998B Bonds, the Series 1998D Bonds, the Series 2003F Bonds and the Series 2007 Bonds, the Resolution authorizes the issuance of other Series of Bonds for such other purposes as are authorized to be issued under the Resolution. The Bonds permitted to be issued under the Resolution include Capital Appreciation Bonds, Compound Interest Bonds, Put Bonds and Variable Rate Bonds. All Bonds issued under the Resolution will rank on a parity with each other and will be secured equally and ratably with each other.

On the date of issuance and delivery of the Series 2007 Bonds, there will be outstanding under the 1990 Resolution \$27,500,000 aggregate principal amount of the Series 1993A Bonds and \$15,000,000 aggregate principal amount of the Series 1993B Bonds (collectively, the “Prior Lien Bonds”). Prior to the Retirement Date of the Prior Lien Bonds, the Series 2007 Bonds and all other Bonds Outstanding under the Resolution will be subordinate and inferior to the pledges and liens and charges upon the Revenues created by the 1990 Resolution in favor of the Prior Lien Bonds.

### Description

The Series 2007 Bonds will be dated as of the date of delivery. The Series 2007 Bonds will mature, subject to prior redemption, on the dates and in the principal amounts and will bear interest at the rates shown on the inside cover page hereof calculated on the basis of a 30-day month and a 360-day year.

Interest on the Series 2007 Bonds will be payable on June 1, 2008, December 1, 2008, and semi-annually thereafter on June 1<sup>st</sup> and December 1<sup>st</sup> in each year until maturity or until earlier redemption, if any.

The Series 2007 Bonds will be issued in fully registered form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2007 Bonds. Individual purchases of ownership interests in the Series 2007 Bonds will be made in book-entry-only form in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interests in the Series 2007 Bonds. (See “The Series 2007 Bonds – Book-Entry Only System” herein.)

Principal and interest will be paid by Manufacturers and Traders Trust Company, Buffalo, New York (the “Paying Agent”) to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Series 2007 Bonds. (See “The Series 2007 Bonds – Book-Entry Only System” herein).

Manufacturers and Traders Trust Company, the Trustee and Paying Agent for the Bonds, is also the trustee and paying agent for the Prior Lien Bonds under the 1990 Resolution.

### Nature of the Obligations

Each Series 2007 Bond, when duly issued and paid for, will constitute a contract between the Authority and the owner thereof.

The Series 2007 Bonds are obligations of the Authority payable solely from the net revenues of the Authority’s Water Works System, subject to prior payment of debt service on the Prior Lien Bonds, all as set forth in the Resolution and the Series 2007 Resolution referred to herein. (See “Security for the Series 2007 Bonds” herein.)

### Book-Entry Only System

DTC will act as securities depository for the Series 2007 Bonds. The Series 2007 Bonds will be issued as fully-registered securities when issued will be registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. A single fully-registered Bond certificate for each maturity of each series of the Series 2007 Bonds, each in the aggregate principal amount of such maturity, will be issued and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2007 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2007 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2007 Bonds, except in the event that use of the book-entry system for the Series 2007 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2007 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2007 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2007 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Payments on the Series 2007 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Series 2007 Bonds to Cede & Co. (or such

other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2007 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2007 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2007 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

THE AUTHORITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT OR TIMELINESS OF PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2007 BONDS; OR (III) ANY NOTICE OR TIMELINESS OF NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE SERIES 2007 BONDS.

#### **Optional Redemption**

The Series 2007 Bonds maturing on or after December 1, 2018 will be subject to redemption prior to maturity at the option of the Authority on December 1, 2017 and thereafter on any date, as a whole or in part, at par plus accrued interest to the date of redemption, except during any time when such Series 2007 Bonds are subject to redemption upon the occurrence of a Change of Control, in such order of maturity as is selected by the Authority and by lot within a maturity.

#### **Redemption Upon Change of Control**

Upon the occurrence of a Change of Control, to the extent permitted by law, the Series 2007 Bonds are subject to redemption, at the option of the Authority, in whole on any date selected by the Authority at a redemption price equal to 110% of the principal amount thereof plus interest accrued thereon to such redemption date.

#### **Mandatory Sinking Fund Redemption**

The Series 2007 Bonds shall be subject to mandatory sinking fund redemption in part by lot and shall be redeemed by sinking fund contributions prior to maturity on December 1 of each of the years and in the amounts set forth in the following table at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption:

Sinking Fund Contributions	
<u>Year*</u>	<u>Principal Amount*</u>
<i>[to come]</i>	

---

\*Subject to Change  
\*\*Maturity

Upon any redemption of any Series 2007 Bond for which sinking fund contributions shall have been established other than by application of sinking fund contributions, an amount equal to the applicable redemption prices thereof shall be credited toward a part or all of any one or more of such sinking fund contributions, as directed by the Authority, or, failing such direction by the 15<sup>th</sup> day of the second month preceding the date of the applicable sinking fund contribution, toward such sinking fund contributions in inverse order of their due dates.

#### **Selection of Bonds to be Redeemed**

In the case of the Series 2007 Bonds to be redeemed at the option of the Authority, the Authority will select the maturity of the Series 2007 Bonds to be redeemed. If less than all of the Series 2007 Bonds of a maturity are to be redeemed, the Series 2007 Bonds of such maturity to be redeemed will be selected by the Trustee, by lot, using such method of selection as the Trustee shall consider acceptable in its discretion.

#### **Notice of Redemption**

Notice of redemption of any Series 2007 Bonds shall be mailed by the Trustee not less than thirty (30) days prior to the redemption date, by registered mail, to the registered owner of such Series 2007 Bond as of the forty-fifth (45<sup>th</sup>) day (whether or not a business day) next preceding the date fixed for redemption at such registered owner's address as it appears on the books of registry. Notice of redemption of the Series 2007 Bonds may also be given by publication by the Trustee (except as provided below), not less than thirty (30) days prior to the date fixed for the redemption thereof, of one such notice in one issue of The Bond Buyer, a financial journal published in New York, New York, or in lieu of publication in The Bond Buyer, in some other newspaper specializing in financial matters printed in the English language and customarily published on each business day and of general circulation in the City of New York, New York, and of one such notice in a newspaper of general circulation printed in the English language, published in Erie County, New York. Notice of redemption by publication need not be given if notice shall have been mailed as aforesaid to the registered owner of each such Series 2007 Bond; provided that, if notice is given by publication as aforesaid, neither failure to mail such notice to the registered owner of any Series 2007 Bond, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of any of such Series 2007 Bonds.

#### **Effect of Redemption**

The Resolution provides that if notice of redemption of the Series 2007 Bonds to be redeemed has been duly given as described above and if moneys sufficient for the redemption of the Series 2007 Bonds to be redeemed, together with accrued interest thereon to the redemption date, are held by the Trustee or Paying Agent, then the Series 2007 Bonds so called for redemption shall become due and payable on the redemption date designated in such notice and interest on such Series 2007 Bonds shall cease to accrue from and after such redemption date.

#### **Transferability and Registration**

Any Series 2007 Bond may be transferred at the office of Manufacturers and Traders Trust Company, as Registrar, in Buffalo, New York, or at the Registrar's office in New York, New York, by surrender of such Series 2007 Bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to the

Registrar, duly executed by the registered owner in person or by his duly authorized agent. Thereupon, the Authority will issue and deliver to the Registrar in the name of the transferee or transferees, a new Series 2007 Bond of the same interest rate, principal amount and maturity.

The Series 2007 Resolution provides that the Authority shall not be required to issue, transfer or exchange Series 2007 Bonds for a period of ten (10) days next preceding any interest payment date therefor, to issue, transfer or exchange any Series 2007 Bonds for a period of ten (10) days next preceding any selection of Series 2007 Bonds to be redeemed or for a period of ten (10) days thereafter, or to transfer or exchange any Series 2007 Bonds which have been designated for redemption within a period of sixty (60) days next preceding the date fixed for redemption.

The Authority, the Trustee, the Paying Agent and any other person may treat the registered owner of any Series 2007 Bond as the absolute owner of such Bond for the purpose of making payment thereof and for all other purposes and the Authority, the Trustee and the Paying Agent shall not be bound by any notice of knowledge to the contrary, whether such Series 2007 Bond shall be overdue or not. All payments of or on account of interest or principal to any registered owner of any Series 2007 Bonds shall be valid and effectual and shall be a discharge of the Authority, the Trustee and the Paying Agent, in respect of the liability upon such Series 2007 Bond, to the extent of the sum or sums paid.

So long as DTC acts as the depository for the Series 2007 Bonds, Beneficial Owners may transfer their interests in the Series 2007 Bonds only through entries made on the books of DTC Participants acting on behalf of the Beneficial Owners. (See “The Series 2007 Bonds – Book-Entry Only System” herein.)

#### **Purpose of the Series 2007 Bonds**

The proceeds received from the sale of the Series 2007 Bonds will be used to finance a portion of the Cost of Acquisition and Construction of various projects being undertaken by the Authority as part of its Capital Improvement Program, including without limitation replacement of various water mains and valves in the distribution system, construction of new pump stations, and upgrades of the coagulation basins and replacement of electrical equipment and installation of standby emergency generators at the Authority’s Sturgeon Point and Van de Water Treatment Plants, and also to pay certain Costs of Issuance of the Series 2007 Bonds.

### **SECURITY FOR THE SERIES 2007 BONDS**

#### **Pledge of the Resolution**

The Bonds are payable solely from and secured by the funds pledged therefor under the Resolution. The Resolution pledges as security for payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, (i) the proceeds of sale of the Bonds pending application thereof in accordance with the provisions of the Resolution or of a Supplemental Resolution, (ii) all Available Revenues and (iii) all funds and accounts established by the Resolution including the investments, if any, thereof. Such pledge and the Bonds shall, so long as the Prior Lien Bonds are outstanding, be subordinate to and inferior to the pledges and liens and charges upon the Revenues created by the 1990 Resolution.

After all Prior Lien Bonds have been retired or defeased, the principal of, premium, if any, and interest on the Bonds, including the Series 2007 Bonds, will be payable from and secured by a first lien upon and pledge of the Net Revenues derived by the Authority from the ownership and operation of the Water Works System, as more fully provided in the Resolution. All Prior Lien Bonds outstanding as of the date of issuance of the Series 2007 Bonds will be retired or defeased by December 1, 2016.

Notwithstanding anything in the Resolution to the contrary, the Authority may enter into agreements with issuers of Additional Security whereby the obligation of the Authority to reimburse the issuer of an Additional Security for amounts paid by such issuer thereunder is secured by a pledge of, and lien on, the Available Revenues on a parity with the pledge of, and lien on, the Available Revenues created by the Resolution.

The principal of, premium, if any, and interest on the Bonds shall not be payable from any funds of the Authority other than the Bond Fund nor shall the Bonds

constitute a general obligation of the Authority, or create a charge upon any other revenues or property of the Authority, except the Available Revenues and other moneys and securities pledged under the Resolution.

**The Bonds are not a debt of the state of New York or of Erie County or of any other political subdivision of the State of New York. Neither the State of New York nor Erie County nor any other political subdivision of the State of New York is liable for the payment of the Bonds. Neither the faith and credit nor the taxing power of the State of New York or of any political subdivision thereof are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no holder of the Bonds shall have the right to compel the exercise of the taxing power of the State of New York or of any political subdivision thereof in connection with any default with respect to the Bonds. The Authority has no taxing power.**

#### **The Prior Lien Bonds**

The Authority has outstanding \$42,500,000 aggregate principal amount of Prior Lien Bonds. The Prior Lien Bonds are secured by a pledge of and first lien on the Net Revenues of the Water Works System. The Prior Lien Bonds have a final maturity date of December 1, 2016. The Authority has covenanted in the Series 2007 Resolution not to issue any additional Prior Lien Bonds under the 1990 Resolution for so long as any Series 2007 Bonds are Outstanding.

#### **The Fourth Resolution Bonds**

The Authority has Outstanding \$32,276,423.50 aggregate principal amount of Bonds previously issued under the Resolution, which are secured by a pledge of and lien on the Net Revenues of the Water Works System on a parity with the Series 2007 Bonds, but which pledge and lien is subordinate to the pledge of and lien on the Net Revenues in favor of the Prior Lien Bonds.

#### **Reserve Accounts**

The Resolution provides that a separate Reserve Account in the Bond Fund shall be created for each Series of Bonds (including the Series 2007 Bonds) issued under the Resolution. The Reserve Account Requirement for each Series of Bonds shall be that amount, if any, provided in the Supplemental Resolution providing for the issuance of such Series of Bonds. The Resolution permits the Authority from time to time to deposit a letter of credit, line of credit, insurance policy, surety bond or similar obligation or instrument into any Reserve Account in satisfaction of the Reserve Account Requirement for the Series of Bonds for which such Reserve Account was established.

The amounts on deposit in a Reserve Account shall be used and applied solely for the purpose of paying when due the principal of, premium, if any, and interest on the Series of Bonds for which the Reserve Account was created, whether at maturity or upon the redemption or purchase thereof from moneys credited to the Bond Retirement Account, and the amounts on deposit in such Reserve Account shall be so used and applied whenever there are insufficient moneys on deposit in the Interest Account, the Principal Account and Bond Retirement Account for such purposes. No Bonds other than the Series of Bonds for which such Reserve Account has been created shall have any right to be paid from such Reserve Account. Income from the investment or reinvestment of moneys in a Reserve Account shall be deposited in such Reserve Account to the extent of any deficiency therein and otherwise to the Revenue Fund.

The Series 2007 Resolution establishes a Reserve Account for the Series 2007 Bonds and provides that the Reserve Account Requirement for the Series 2007 Bonds shall be an amount equal to, as of any date of calculation, the lesser of (i) the maximum amount of principal and interest coming due in any succeeding calendar year on Outstanding Series 2007 Bonds, (ii) 10% of the original principal amount of the Series 2007 Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest due on the Series 2007 Bonds.

## **Rate Covenant**

Pursuant to the Resolution, the Authority has covenanted that, so long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rentals, and other charges with respect to the Water Works System as shall be required in order that in each Fiscal Year the Net Revenues shall equal at least 1.10 times the sum of the Debt Service on the Bonds and the Prior Lien Bonds for such Fiscal Year, and, in any event, as shall be required to pay or discharge all other indebtedness, charges and liens whatsoever payable out of the Available Revenues or the Revenues under the Resolution and the 1990 Resolution. For purposes of such covenant, the Resolution provides that Debt Service on any Variable Rate Bonds shall be calculated using the greater of (i) the Certified Interest Rate for such Variable Rate Bonds or (ii) the interest rate which the Authority estimates such Variable Rate Bonds will bear during the Fiscal Year for which such calculation is made. Pursuant to the Resolution, the Authority has also covenanted that, so long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rental, and other charges sufficient to pay, and any contracts entered into by the Authority for the sale or distribution of water shall contain rates, fees, rental, or other charges sufficient to pay, the cost of operation and maintenance of the Water Works System, the principal of and interest on the Bonds as the same severally become due and payable, and to maintain any reserve or other funds required by the terms of the Resolution. The Authority shall not reduce any such rates, fees, rentals, and other charges unless on the effective date of such reduction a Rate Consultant shall have recommended such reduction in writing and a copy of such recommendation shall have been filed with the Trustee.

## **Additional Bonds**

The Resolution permits the Authority to issue additional Series of Bonds under the Resolution by means of a Supplemental Resolution. Any such additional Series of Bonds will be equally and ratably secured with the Series 2007 Bonds and any other Bonds theretofore issued and Outstanding. The Authority may issue additional Series of Bonds in the future to fund capital improvements in accordance with its Capital Improvement Program. (See "Financial Operations of the Water Works System – Projected Funding of Capital Improvement Program" herein.)

The Resolution provides that the Authority may not issue an additional Series of Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of the Water Works System unless, among other conditions precedent, there shall be filed with Authority and the Trustee at the time of issuance of such Series of Bonds:

(1) a certificate signed by an Authorized Officer of the Authority showing that the Net Revenues for any consecutive twelve-month period out of the twenty-four months immediately preceding the month in which such Series of Bonds are being issued were equal to not less than one hundred ten per cent (110%) of the annual Debt Service on the Bonds (including the Series of Bonds then being issued) and the Prior Lien Bonds for the then current Fiscal Year and each future Fiscal Year; or

(2) a certificate of a Rate Consultant showing that the estimated Net Revenues of the Water Works System together with other moneys lawfully available therefor as estimated by such Rate Consultant as provided in the Resolution for the period commencing with the Fiscal Year in which the Series of Bonds then being issued is delivered and ending with the later of (x) the fifth full Fiscal Year after such delivery or (y) the first full Fiscal Year after such delivery in which less than 10% of the interest coming due on Bonds estimated by the Rate Consultant to be Outstanding is to be paid from amounts on deposit in the Construction Interest Account in the Construction Fund, shall be at least equal to one and twenty-five hundredths (1.25) times the Debt Service for each Fiscal Year during such period on all Outstanding Prior Lien Bonds and Bonds, including the Bonds then being issued.

For purposes of determining Debt Service when preparing the certificates described in the preceding paragraph, the Resolution provides that: (A) the interest rate on a Series of Variable Rate Bonds Outstanding at the time of calculation shall be calculated as the greater of (i) the current interest rate on such Series of Variable Rate Bonds, (ii) the maximum interest rate borne by such Series of Variable Rate Bonds during the preceding twelve month period, or (iii) the Revenue Bond Index at the time of calculation, and (B) the interest rate on a series of Variable Rate Bonds then proposed to be issued shall be calculated as the Revenue Bond Index as of the time of calculation. In addition, the Resolution further provides that in the event that the rates and charges imposed by the Authority on the date of adoption of the Supplemental Resolution providing for the issuance of the Series of Bonds then being issued are different from the rates and charges imposed by the Authority during all or any part of the period selected by the Authority for purposes of the certificate described in clause (1) above, then the Authority may, if such later rates and charges are higher than the rates and charges previously imposed by the Authority, and shall, if such later rates and charges are lower than the rates and charges previously imposed by the Authority, adjust



the Net Revenues for such period to reflect any change in such Net Revenues which would have occurred if the rates and charges imposed by the Authority on the date of adoption of such Supplemental Resolution had been in effect during the portion of such period in which such rates and charges were not in effect. Similarly, if customers are being served by the Authority on the date of adoption of the Supplemental Resolution providing for the issuance of the Series of Bonds then being issued who were not being served for all or any part of the period selected by the Authority for purposes of the certificate described in clause (1) above, then the Authority may adjust the Net Revenues for such period to reflect any change in such Net Revenues which would have occurred if the additional customers had been served during the portion of the period in which such customers were not served.

The Resolution provides that the Authority may issue any Series of Bonds issued for the purpose of refunding all or any portion of outstanding Authority bonds without delivering the certificates described above to the Trustee.

For a more extensive discussion of the terms and provisions of the Resolution including the security for the Bonds, the funds and accounts established by the Resolution and the purposes to which moneys in such funds and accounts may be applied, see Appendix B hereto.

## Coverage

The following table shows the ratio of Net Revenues to Debt Service on the Bonds and Prior Lien Bonds for the years 2007 through 2011 and projected maximum annual Debt Service requirements, assuming operating revenue and expenses and issuance of the Series 2007 Bonds at rates as set forth in the footnotes to the table, which assumptions management of the Authority believe are reasonable. These projections also assume that the rates charged by the Authority will increase approximately 4% per year. There can be no assurance that actual operating results will not differ materially from these projections. The information contained in the table is unaudited.

	For Period Ending December 31, <u>2007 (2)</u>	For Period Ending December 31, <u>2008 (3)</u>	For Period Ending December 31, <u>2009 (3)</u>	For Period Ending December 31, <u>2010 (3)</u>	For Period Ending December 31, <u>2011 (3)</u>
Operating revenue	\$ 56,720,403	\$ 58,779,154	\$ 60,920,256	\$ 63,147,001	\$ 65,462,817
Less operating expenses	<u>\$ 37,690,972</u>	<u>\$ 38,572,098</u>	<u>\$ 39,967,367</u>	<u>\$ 41,427,003</u>	<u>\$ 42,955,201</u>
Operating income	\$ 19,029,431	\$ 20,207,056	\$ 20,952,889	\$ 21,719,998	\$ 22,507,616
Plus Adjustments:					
Interest income	\$ 4,053,453	\$ 4,314,960	\$ 3,010,839	\$ 2,721,214	\$ 2,698,325
Other	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Revenues Available for Debt Service	\$ 23,082,884	\$ 24,522,016	\$ 23,963,728	\$ 24,441,212	\$ 25,205,941
1990 Indenture Bonds:					
1993A and B Bonds	\$ 2,324,500	\$ 2,324,500	\$ 6,624,500	\$ 6,689,430	\$ 6,737,990
Debt Service Coverage	9.93	10.55	3.62	3.65	3.74
Fourth Resolution Bonds:					
Outstanding Bonds	\$ 8,633,558	\$ 3,462,715	\$ 3,042,235	\$ 3,016,751	\$ 2,995,538
Projected 2007 Bonds (1)	<u>\$ -</u>	<u>\$ 2,152,452</u>	<u>\$ 2,150,463</u>	<u>\$ 2,151,333</u>	<u>\$ 2,150,923</u>
Total 4th Resolution	\$ 8,633,558	\$ 5,615,166	\$ 5,192,697	\$ 5,168,083	\$ 5,146,461
Debt Service Coverage	2.11	3.09	2.03	2.06	2.12

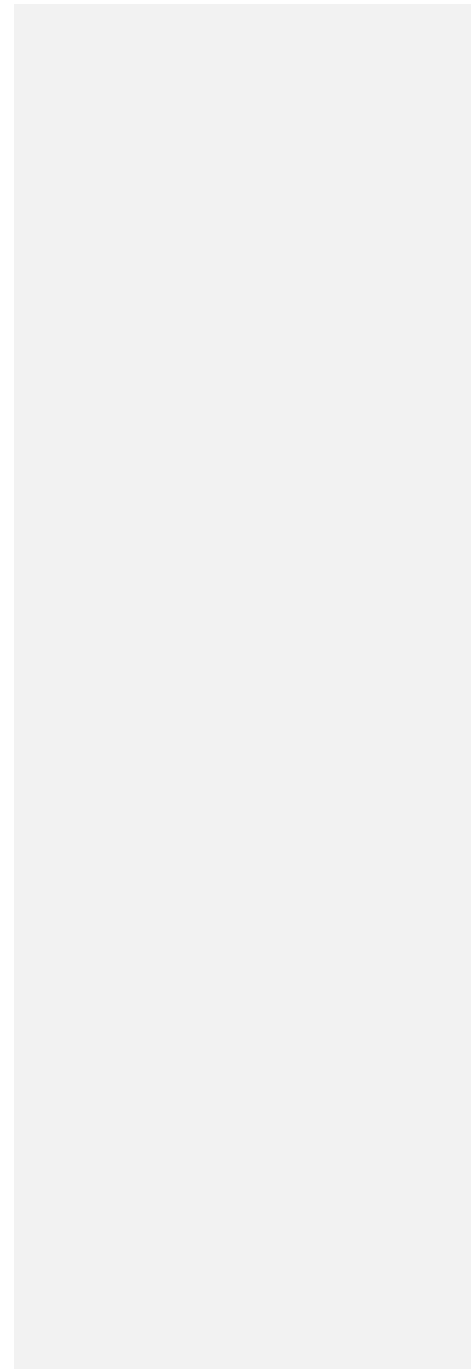
### Footnotes:

- (1) Represents projected debt service assuming a true interest rate of approximately 4.55%.
- (2) Represents budgeted results for period ended December 31, 2007.
- (3) Represents annual increase of approximately 3.65% for both revenues and expenses.

**INDEBTEDNESS OF THE AUTHORITY**

**Annual Debt Service Schedule**

The following schedule sets forth all principal and interest payments due as of December 31, 2006 on all outstanding long-term revenue obligation indebtedness of the Authority, including Bonds issued under the Resolution to the New York State Environmental Facilities Corporation ("EFC"):



**Existing Debt Maturity Schedule**

	Issued Directly by the Authority				Issued Through EFC Financings		Total Principal & Interest
	Capital Appreciation Bonds*		Variable Weekly & Current Interest Bonds		Serial Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 2,169,497	\$ 3,101,226	\$ -	\$ 2,324,500	\$ 1,735,000	\$ 1,343,558	\$ 10,673,781
2008	149,756	216,620	-	2,324,500	1,780,000	1,282,715	5,753,591
2009	-	-	4,300,000	2,324,500	1,825,000	1,217,235	9,666,735
2010	-	-	4,600,000	2,089,430	1,870,000	1,146,751	9,706,181
2011	-	-	4,900,000	1,837,990	1,925,000	1,070,538	9,733,528
2012	-	-	5,100,000	1,570,180	1,985,000	989,414	9,644,594
2013	-	-	5,400,000	1,291,240	2,045,000	903,875	9,640,115
2014	-	-	5,700,000	995,930	2,120,000	813,662	9,629,592
2015	-	-	6,100,000	684,250	2,190,000	718,007	9,692,257
2016	-	-	6,400,000	350,310	2,270,000	617,037	9,637,347
2017	-	-	-	-	2,345,000	510,565	2,855,565
2018	-	-	-	-	1,885,000	399,318	2,284,318
2019	-	-	-	-	1,950,000	311,588	2,261,588
2020	-	-	-	-	805,000	218,604	1,023,604
2021	-	-	-	-	830,000	183,869	1,013,869
2022	-	-	-	-	855,000	147,432	1,002,432
2023	-	-	-	-	2,430,000	109,350	2,539,350
<b>Total</b>	<b>\$ 2,319,253</b>	<b>\$ 3,317,846</b>	<b>\$ 42,500,000</b>	<b>\$ 15,792,830</b>	<b>\$ 30,845,000</b>	<b>\$ 11,983,518</b>	<b>\$ 106,758,447</b>

\* Capital appreciation bonds reflect balances as of 12/31/2006. Interest accretion will continue as the bonds approach maturity.

	Principal Outstanding by Issue						Total
	Series 1992FR	Series 1993A	Series 1993B	Series 1998B	Series 1998D	Series 2003F	
2007	\$ 2,169,497	\$ -	\$ -	\$ 370,000	\$ 750,000	\$ 615,000	\$ 3,904,497
2008	149,756	-	-	380,000	775,000	625,000	1,929,756
2009	-	2,800,000	1,500,000	395,000	805,000	625,000	6,125,000
2010-2014	-	16,700,000	9,000,000	2,180,000	4,465,000	3,300,000	35,645,000
2015-2019	-	8,000,000	4,500,000	1,515,000	5,415,000	3,710,000	23,140,000
2020-2023	-	-	-	-	-	4,920,000	4,920,000
<b>Total</b>	<b>\$ 2,319,253</b>	<b>\$ 27,500,000</b>	<b>\$ 15,000,000</b>	<b>\$ 4,840,000</b>	<b>\$ 12,210,000</b>	<b>\$ 13,795,000</b>	<b>\$ 75,664,253</b>

The following table shows projected debt service for all Bonds that will be outstanding under the Resolution assuming issuance of the Series 2007 Bonds (such debt service to be payable after payment of debt service on the Prior Lien Bonds (Variable Weekly and Current Interest Bonds), as shown in the table above.

<u>Projected Series 2007 Bonds</u>					
<u>Year</u>	<u>Principal</u>	<u>Interest (1)</u>	<u>Total</u>	<u>Outstanding Fourth Resolution Bonds</u>	<u>Total Fourth Resolution Bonds</u>
2007	\$ -	\$ -	\$ -	\$ 8,633,558	\$ 8,633,558
2008	\$ 295,000	\$ 1,857,452	\$ 2,152,452	\$ 3,462,715	\$ 5,615,166
2009	\$ 635,000	\$ 1,515,463	\$ 2,150,463	\$ 3,042,235	\$ 5,192,697
2010	\$ 660,000	\$ 1,491,333	\$ 2,151,333	\$ 3,016,751	\$ 5,168,083
2011	\$ 685,000	\$ 1,465,923	\$ 2,150,923	\$ 2,995,538	\$ 5,146,461
2012	\$ 710,000	\$ 1,439,550	\$ 2,149,550	\$ 2,974,414	\$ 5,123,964
2013	\$ 740,000	\$ 1,411,860	\$ 2,151,860	\$ 2,948,875	\$ 5,100,735
2014	\$ 770,000	\$ 1,382,630	\$ 2,152,630	\$ 2,933,661	\$ 5,086,291
2015	\$ 800,000	\$ 1,351,830	\$ 2,151,830	\$ 2,908,007	\$ 5,059,837
2016	\$ 835,000	\$ 1,319,430	\$ 2,154,430	\$ 2,887,037	\$ 5,041,467
2017	\$ 865,000	\$ 1,285,195	\$ 2,150,195	\$ 2,855,565	\$ 5,005,760
2018	\$ 905,000	\$ 1,249,298	\$ 2,154,298	\$ 2,284,318	\$ 4,438,615
2019	\$ 940,000	\$ 1,211,288	\$ 2,151,288	\$ 2,261,588	\$ 4,412,876
2020	\$ 980,000	\$ 1,171,338	\$ 2,151,338	\$ 1,023,604	\$ 3,174,942
2021	\$ 1,025,000	\$ 1,129,198	\$ 2,154,198	\$ 1,013,869	\$ 3,168,066
2022	\$ 1,065,000	\$ 1,084,610	\$ 2,149,610	\$ 1,002,432	\$ 3,152,042
2023	\$ 1,115,000	\$ 1,038,283	\$ 2,153,283	\$ 2,539,350	\$ 4,692,633
2024	\$ 1,165,000	\$ 989,223	\$ 2,154,223	\$ -	\$ 2,154,223
2025	\$ 1,215,000	\$ 937,963	\$ 2,152,963	\$ -	\$ 2,152,963
2026	\$ 1,270,000	\$ 884,503	\$ 2,154,503	\$ -	\$ 2,154,503
2027	\$ 1,325,000	\$ 827,988	\$ 2,152,988	\$ -	\$ 2,152,988
2028	\$ 1,385,000	\$ 769,025	\$ 2,154,025	\$ -	\$ 2,154,025
2029	\$ 1,445,000	\$ 707,393	\$ 2,152,393	\$ -	\$ 2,152,393
2030	\$ 1,510,000	\$ 642,368	\$ 2,152,368	\$ -	\$ 2,152,368
2031	\$ 1,575,000	\$ 574,418	\$ 2,149,418	\$ -	\$ 2,149,418
2032	\$ 1,650,000	\$ 503,543	\$ 2,153,543	\$ -	\$ 2,153,543
2033	\$ 1,720,000	\$ 429,293	\$ 2,149,293	\$ -	\$ 2,149,293
2034	\$ 1,800,000	\$ 351,033	\$ 2,151,033	\$ -	\$ 2,151,033
2035	\$ 1,885,000	\$ 269,133	\$ 2,154,133	\$ -	\$ 2,154,133
2036	\$ 1,970,000	\$ 183,365	\$ 2,153,365	\$ -	\$ 2,153,365
2037	\$ 2,060,000	\$ 93,730	\$ 2,153,730	\$ -	\$ 2,153,730
	<u>\$ 35,000,000</u>	<u>\$ 29,567,649</u>	<u>\$ 64,567,649</u>	<u>\$ 48,783,517</u>	<u>\$ 113,351,166</u>

**Footnotes:**

(1) Represents projected debt service assuming a true interest rate of approximately 4.55%.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2007 Bonds and certain other available moneys of the Authority are expected to be applied on the date of issuance and delivery of the Series 2007 Bonds as follows:

**Sources of Funds**

Par amount of Series 2007 Bonds	\$35,000,000*
Available funds of the Authority	<u>2,309,503</u>
<b>Total Sources of Funds</b>	\$37,309,503

**Uses of Funds**

Deposit of Project Fund	\$34,593,581
Costs of issuance	155,000
Underwriter's discount	406,419
Reserve Account for debt service	<u>2,154,503</u>
<b>Total Uses of Funds</b>	\$37,309,503

\* Preliminary, subject to change

**THE AUTHORITY**

**Creation and Powers**

The Authority, a body corporate and politic constituting a public benefit corporation of the State of New York, was created in 1949 and is empowered, among other things, to acquire by purchase or condemnation, water supply and distribution systems and related properties, situated within Erie County, and sources of supply or water supply systems situated within or without Erie County.

The Act authorizes the Authority to construct, develop, own and operate water supply and distribution systems and related properties and also to purchase water from any municipal corporation, town water district, person, association or corporation. The Act authorizes the Authority to produce, develop, distribute and sell water, water services, facilities and commodities within or without Erie County, provided that, except as otherwise provided in the Act with respect to retail sales of water to the Town of Hanover and the Village of Silver Creek, both of which are located in neighboring Chautauqua County, and the Cattaraugus Indian Reservation which is located in Erie County and Chautauqua County, water may be sold by the Authority at retail to individual consumers only within Erie County. Under the Act, the Authority may not sell water in any area served by a water system owned or operated by a municipality or special improvement district unless requested to do so by the governing board thereof. The Authority pursuant to the Act may acquire, hold, lease, mortgage and dispose of any property for its corporate purposes.

The Act, among other things, authorizes the Authority to: (i) acquire, by purchase or condemnation, in the name of the Authority, and to construct and develop, any water supply system and water distribution system, including parts thereof and appurtenances thereto, situated within Erie County, and sources of supply or water supply systems situated without Erie County, (ii) produce, develop, distribute and sell water, water services, facilities and commodities, and purchase water from any municipal corporation, town water district, person, association or corporation, subject to certain restrictions, (iii) issue negotiable bonds, notes or other obligations and to fund or refund the same, and to provide for the rights of the holders of its obligations, (iv) fix rates and collect charges for the use of the facilities of, or services rendered by, or any commodities furnished by, the Authority so as to provide revenues sufficient at all times to pay when due the principal and interest on the bonds of the Authority together with the maintenance of proper reserves therefor, in addition to paying the expenses of operating and maintaining the properties of the Authority, together with proper reserves for depreciation, maintenance and contingencies and all other obligations and indebtedness of the Authority, and (v) enter into cooperative agreements with other water authorities and municipalities for the interconnection of facilities, the exchange or interchange of services and commodities or for any lawful purposes necessary or desirable to effect the purposes of the Act. The Public Authorities Law of the State of New York authorizes the Authority, among other things, to enter into contracts to provide for the financing of,

and to issue bonds to finance, the acquisition and construction of improvements to any water supply system or water distribution system. The Act provides that neither the New York State Public Service Commission nor any other board or commission of like character shall, unless expressly authorized hereafter, have jurisdiction over the Authority in the management and control of its properties or operations or any power over the regulation of the rates and charges collected by the Authority.

## **Members**

The Authority consists of three members appointed by the Chairman of the Legislature of Erie County, subject to confirmation by a majority of said Legislature to serve for staggered terms of three years each. All members of the Authority continue to hold office until their successors are appointed and qualify.

Not more than two members of the Authority may belong to the same political party. Members of the Authority receive such compensation as is fixed by the County Legislature. The Act provides that the officers of the Authority shall consist of a Chairman, a Vice-Chairman and a Treasurer, who shall be members of the Authority, and a Secretary, who need not be a member of the Authority.

The present members of the Authority are as follows:

**FRANK E. SWIATEK**, Chairman – Mr. Swiatek has been a member of the Authority since April 28, 2004 and has been Chairman of the Authority since May 3, 2005. Mr. Swiatek has more than thirty-six years of public and private sector management experience. He owns and operates Frank Swiatek & Associates, a leadership, management and sales consulting firm in Western New York. Mr. Swiatek is also a partner with the Harvard Performance Group, a Cambridge, Massachusetts based business specializing in customer service improvement for national call centers and outsourcing organizations. From 1988 to 1993, Mr. Swiatek served as Supervisor of the Town of Cheektowaga, New York. He holds a Bachelor of Science degree in Accounting from Canisius College. Mr. Swiatek's term as a member of the Authority expires in April 2010.

**ROBERT J. LICHTENTHAL, JR.**, Vice-Chair – Mr. Lichtenthal has been a member of the Authority since May 9, 1996 and has been Vice Chair of the Authority since May 3, 2001. Mr. Lichtenthal has over twenty-five years of private and public sector management experience, primarily in the fields of financial planning and control, with a focus on budgeting and cash flow planning. For the past seventeen years he has worked in municipal government and municipal utility management, specifically sewer, water and electric utilities. From October 1990 until mid 1997, Mr. Lichtenthal served as the Administrator for the Village of Bergen in Genesee County, New York, where he directed all financial operations of the village government and its utilities. He holds a Bachelor of Science degree and an MBA with a concentration in Financial Planning and Control from the School of Management at the State University of New York at Buffalo. Mr. Lichtenthal's term as a member of the Authority expires in April 2008.

**FRANCIS G. WARTHING**, Treasurer – Mr. Warthling has been a member of the Authority since April 27, 2006 and has been Treasurer of the Authority since April 27, 2006. Mr. Warthling has twenty four years of private sector business management experience. Mr. Warthling is the owner of Warthling Properties, LLC, a property management group whose portfolio includes nearly one hundred commercial and residential properties. He is also the Vice President of Diamond Cutters of Western New York, a wholesale and retail jewelry operation located in downtown Buffalo. Mr. Warthling also helps to manage Curly's Grill, a family run restaurant. In addition to serving on the City of Lackawanna Planning Board, Mr. Warthling has served on the board of numerous community organizations. Mr. Warthling's term as a member of the Authority expires in April 2009.

## **Organization and Management**

The Authority is administratively organized into the following departments: Production, Water Quality, Distribution, Engineering, Finance, Administration, Legal and Office of the Secretary. The Legal Department and the Office of the Secretary answer directly to the Board of Commissioners. The remaining departments are under the supervision and administrative control of the Executive Director.

Set forth below are brief descriptions of certain key senior administrative officers of the Authority.

**ROBERT A. MENDEZ**, Executive Director – Mr. Mendez coordinates, directs and manages the overall daily operation of the organization and reports directly to the Board of Commissioners of the Authority. Previously, Mr. Mendez served as the Commissioner of Senior Services for the County of Erie from 1990 to 1996, where he was responsible for developing and directing programs and services for the county’s 200,000 aging persons. He also served as Executive Director of the Lackawanna Municipal Housing Authority from 1984 to 1990, where he managed a full range of administrative, fiscal and technical and other specialized disciplines necessary for the successful operation of an inner-city public housing authority. Mr. Mendez earned a Bachelor of Science Degree in Industrial Administration from the GMI Engineering and Management Institute in Flint, Michigan.

**EDWARD J. KASPRZAK**, Deputy Director – Mr. Kasprzak is responsible for the organization’s fiscal affairs, including managing the accounting and customer billing systems, investment portfolio, debt management, and the risk management program. Mr. Kasprzak is a Certified Public Accountant and Certified Financial Planner® (CFP®). In addition to his role at the Authority, he provides management consultation and financial planning services to a wide range of clients. From 1989 to 1996, Mr. Kasprzak served as a Legislative Assistant to the Erie County Legislature. He also served as Director of the Division of Budget and Management for the County of Erie from 1983 to 1987. Mr. Kasprzak holds a Bachelor of Science degree in Accounting from Canisius College and a Masters in Public Administration from the State University of New York at Buffalo. Mr. Kasprzak has applied to retire from his position with the Authority, but expects to continue in his position on a part-time basis until October 2007. The Authority is in the process of seeking a successor to Mr. Kasprzak.

**WESLEY C. DUST**, Executive Engineer – Mr. Dust has 29 years of various engineering and managerial experience in the fields of utility operations, construction management, regulatory compliance, contract administration, facility management, design and resident engineering. From 1990 to 1996, he was the Senior Distribution Engineer at the Authority having responsibility for the operation and maintenance of the transmission and distribution systems. Before joining the Authority, Mr. Dust was an Associate at Malcolm Pirnie, Inc. where he managed and coordinated construction administration, resident inspections and filed survey work for the Buffalo Regional office.

**MATTHEW J. BAUDO**, Secretary – Mr. Baudo has served as Secretary to the Authority / Personnel Director since 1996. His responsibilities include acting as the liaison between the Board of Commissioners and Authority employees and customers, oversight of Data Processing and Public Affairs, all pre-employment matters, and maintaining compliance with the New York State Civil Service Law and the Rules and Regulations for the Classified Civil Service of the County of Erie. Mr. Baudo is a New York State certified Peace Officer and a Deputy of the Erie County Sheriff’s Department’s Scientific Staff and has received extensive Homeland Security training. Prior to his employment with the Authority, Mr. Baudo served as the Director of the Division of Permits, Housing and Property Inspections for the City of Buffalo.

In 2006, the Authority had approximately 262 employees (based on full-time equivalent employment of 2,080 hours per year), which included approximately 9 seasonal employees on a full-time equivalent basis. All general staff employees are members of the New York State Civil Service System. Eighty-nine administrative and technical employees of the Authority are represented by the Civil Service Employees Association (“CSEA”), and 120 production and maintenance employees are represented by the American Federation of State, County and Municipal Employees (“AFSCME”). Both the CSEA and the AFSCME have contracts settled through March 31, 2008.

The Authority carries comprehensive general liability insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The Authority is covered by an umbrella liability insurance policy in the aggregate amount of \$40,000,000. In addition, the Authority has insurance for floods and earthquakes, boiler and machinery, public officials’ liability, workers’ compensation, automobile, inland marine, property, travel, crime and professional liability. The Authority also requires its vendors, contractors and professional consultants to provide evidence of liability insurance for the benefit of the Authority.

## **THE WATER WORKS SYSTEM**

### **Ownership and Management Arrangements**

The Authority operates and manages the Water Works System on a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; on a leased managed service basis



where the Authority leases the assets from a municipality and is responsible for the operation and maintenance of the assets while the municipality is responsible for the improvement and replacement of assets; and on a bulk sale basis where the Authority contracts with the municipal customer to provide water while the municipality owns the assets and is responsible for their operation, maintenance, improvement and replacement, as well as billings and customer collections. The lease-management and bulk sale agreements generally are for terms of ten years and are renewable.

The Authority has current lease-management agreements with the following municipalities:

Town of Alden	Inter-Community Board
Town of Amherst	Town of Lancaster
Town of Aurora	Town of Marilla
Town of Boston	Town of Newstead
Town of Eden	Town of Orchard Park
Town of Hamburg	Town of West Seneca
Village of Hamburg	

The Authority has current bulk sale agreements with the following municipalities:

Town of Alabama	Town of Eden
Village of Angola	Town of Evans
Town of Bennington	Village of Farnham
Village of Blasdell	Town of Hanover
Town of Brant	Monroe County Water Authority
Town of Colden	Village of Silver Creek
Village of East Aurora	Village of Williamsville
Town of Elma	

The Authority is currently in negotiation for renewal of the lease-management agreement with County of Erie. The Authority is currently in negotiations for renewal of bulk sale agreements with the Village of Orchard Park and the Seneca Nation of Indians. During agreement negotiations, the Authority continues to supply water and services to the affected municipalities under the same terms and conditions as are contained in the Authority's tariff and expired lease-management or bulk sale agreements.

### **Water Supply**

The Authority's water supply comes from Lake Erie and from the east branch of the Niagara River. The Authority's Sturgeon Point Treatment Plant is located about 15 miles south of the City of Buffalo in the Town of Evans and draws water from Lake Erie. The Authority's Van de Water Treatment Plan is located in the Town of Tonawanda and draws water from the Niagara River.

In addition to obtaining water from Lake Erie and the Niagara River, the Authority has emergency interconnections with the water distribution systems of the City of Buffalo, the Town of Tonawanda and the Village of Akron. These interconnections can be used during emergencies to supply limited amounts of water between the Authority and the connected municipality.

### **Treatment Facilities**

The Authority owns and operates two water treatment facilities. The Sturgeon Point Water Treatment Plan, located in the Town of Evans about 15 miles south of the City of Buffalo, began operation in 1961. The Jerome D. Van de Water Treatment Plan, located in the Town of Tonawanda, began operation in 1980. These two water treatment plants are capable of producing a combined total of 156 million gallons per day ("MGD"). The average water production for these facilities in 2006 was 68.75 MGD, and the maximum day production was 106.86 MGD. On June 25, 2007 the two treatment facilities set a record of 124.78 MGD for water produced.

The Sturgeon Point Water Treatment Plant has a firm capacity of 90 MGD based on the limits of the current

withdrawal permit. The rated capacity of the filters is 108 MGD with one unit out of service. The intake at Sturgeon Point has a design capacity of 128 MGD. The Sturgeon Point Water Treatment Plant draws raw water from Lake Erie through an intake located approximately 2,500 feet offshore. Raw water is conveyed from the intake via a six foot diameter concrete lined tunnel. Five vertical turbine raw water pumps conduct the raw water to the main treatment facility. Filtered water is pumped into the transmission system via three horizontal centrifugal and four vertical turbine high service pumps.

The Van de Water Treatment Plant has a firm capacity of 49.5 MGD, assuming one of its four filters is out of service. Nominal capacity of this water treatment plant is 66 MGD and it was designed for expansion to a capacity of approximately 150 MGD. Pumping capacity at the Van de Water Treatment Plant is 70 MGD and the intake at this treatment plant has a capacity of approximately 150 MGD. The Van de Water Treatment Plant draws raw water from the east branch of the Niagara River through an intake located approximately 1,500 feet offshore. Four vertical turbine raw water pumps conduct the raw water to the main treatment facility. Four vertical turbine high service pumps are used to pump filtered water into the transmission system.

### **Pumping Stations**

The Authority operates and maintains 37 pump stations through the distribution system. The Authority owns 24 of the pump stations and operates an additional 13 pumping stations pursuant to lease-management arrangements. The total pumping capacity of these pump stations is 560.6 MGD.

All of the pump stations are monitored and controlled through the Authority's computerized Supervisory Control and Data Acquisition (SCADA) system located at the Authority's Service Center located in the Town Cheektowaga. The SCADA system is manned 24 hours a day, 365 days a year.

### **Storage Facilities**

The Authority operates and maintains 40 water tanks throughout the distribution system. The Authority owns 21 of the water tanks and 19 tanks are owned by municipalities and are lease-managed by the Authority. All of the tanks are monitored and controlled through the Authority's SCADA system. The total design capacity of the tanks in the distribution system is 76.89 million gallons. In addition to the distribution tanks, the Authority owns 4 process tanks that are located at the Authority's treatment facilities and are used as part of the water treatment process.

### **Transmission and Distribution Facilities**

The Authority operates and maintains 3,329 miles of distribution and transmission piping. Included in this total are service lines, distribution mains, hydrant branches, and transmission mains. The sizes of these pipes range from ¾ inch to 60 inches. The Authority owns approximately 2,143 miles of pipe and the remaining 1,186 miles of pipe are owned by various municipalities and are lease-managed by the Authority.

In addition to the pipe lines, the Authority operates and maintains 16,792 fire hydrants. The Authority owns 7,131 hydrants and the remaining 9,661 hydrants are owned by various municipalities and are lease-managed by the Authority.

Repairs and replacement of the transmission and distribution facilities in the direct service area of the system are generally carried out on an as-needed basis taking into account leak history, age of pipe, and fire flows. The Authority spends approximately \$5,000,000 annually on water line replacements in the Direct Service area of the Water Works System. The Authority recently completed a project in the Direct Service area of the Water Works System that replaced all 4" water lines that supported fire hydrants.

In the Lease Managed areas of the Water Works System the Authority contacts the various municipalities on an annual basis with a list of pipe lines that are recommended for replacement.

The Authority owns and operates a state-of-the-art computerized leak detection unit. The leak detection unit is utilized continually throughout the system and special attention is given to areas such as creek crossings, rock areas, and off-road easements where the potential for undetected leaks is high. This unit is also used for pinpointing leaks for our repair crews, which in turn lowers the restoration costs associated with water line repairs.

## **Other Facilities**

The Authority owns a Service Center, located in the Town of Cheektowaga, which houses system control, distribution, maintenance, computer, and engineering operations of the Authority. The Service Center is manned on off-shifts, weekends and holidays by a control operator, dispatcher, and dutyman to respond to emergencies. The Service Center also includes vehicle storage and maintenance garages, stores, meter shop and other related facilities.

## **Capital Improvement Program**

The Authority utilizes a Five Year Capital Improvement Program to prioritize capital improvement projects. During the annual budget process this program is reviewed and revised as necessary to take into account changing regulatory, security, reliability, and health and safety issues.

The October 13, 2006 surprise storm is one example how an event can have an impact on the Authority's Five Year Capital Improvement Program. This unprecedented storm put the unreliability of the power grid front and center for many utilities and municipalities. As a result the Authority is accelerating the installation of standby emergency power at its four largest facilities by almost four years. Because of this acceleration in the standby power installation and other capital projects that can not be delayed due to regulatory, reliability, and health and safety issues, the Authority will be required to invest moneys to improve and upgrade existing facilities of the Water Works System, and in certain cases to build new facilities. These future capital costs will be financed by the Authority through the sale of bonds, revenues, or a combination of these or other available sources.

Projects that are currently underway or projects that will be constructed within the next three years include the following (all dollar figures are based on 2007 figures):

### **Treatment Facilities**

1. Design and construction of significant upgrades to the coagulation basins at the Sturgeon Point Water Treatment Plant. This work consists of the replacement of flocculation and sludge collection equipment in all five of the basins located at this facility. The estimated cost of this project is \$16,986,000. Design will be completed in 2007 and construction will begin in 2008 and be completed in 2010.
2. Design and construction for the replacement of the electrical substation transformers and switches for the high voltage electrical substation at the Sturgeon Point Water Treatment Plant. The estimated cost of this project is \$3,894,000. Design will be completed in 2007 and construction is scheduled for a 2008 completion.
3. Work at the Van de Water Raw Water Pump Station and Ball Pump Station. The project at the Van de Water Raw Water Pump Station primarily consists of the replacement of electrical equipment and the installation of variable speed drives for the pumps. Also included in this project is the installation of a permanent standby emergency generator. The estimated cost of this project is \$2,219,000. Design will be completed in 2007 and construction is scheduled for a 2008 completion.

### **Pump Station Facilities**

1. Construction of two new pump stations to replace the existing Chestnut Ridge and Gartman pump stations. The estimated cost of this project is \$2,477,000. This project is scheduled for completion in 2007.
2. Work at the Van de Water Raw Water Pump Station and Ball Pump Station. The project at Ball Pump Station primarily consists of the replacement of electrical equipment and the installation of

variable speed drives for the pumps. The estimated cost of this project is \$1,614,000. Design will be completed in 2007 and construction is scheduled for a 2008 completion.

**Distribution and Transmission Facilities**

1. The Authority funds an annual program for the replacement of water lines and valves in the Authority's Direct Service area. These projects are designed and constructed on an ongoing annual basis and typically include a total of three to four miles of new water line. The estimated cost of this program is as follows:

2007	\$6,727,000
2008	\$4,562,000
2009	\$4,140,000
2010	\$4,140,000

**Standby Emergency Power**

1. Engineering Study to evaluate the need and costs for Emergency Standby Power at all of the Authority's facilities. The estimated cost of this study is \$95,000. The study will be completed in 2007.
2. The design of the Standby Emergency Power Generator for the Sturgeon Point Water Treatment Plant will be completed in 2008 and the installation of the Emergency Generator is scheduled for completion in 2009. The estimated cost of this project is \$3,300,000.
3. The design of the Standby Emergency Power Generators for the Van de Water Treatment Plant, Windom Pump Station, and Ball Pump Station will be completed in 2009 and the installation of the Emergency Generators is scheduled for completion in 2010. The estimated cost of this project is \$4,500,000.

The total estimated cost associated with projects listed above is \$54,654,000 and the timing of these expenditures is from 2007 through 2010.

**Water Losses**

All water systems have quantities of water that are not metered or billed. The difference between the amount of water produced by the Water Works System and the amount of water that is metered is classified as "unaccounted for water." The major components of this unaccounted for water are major line breaks, leaks, water main flushing, fire fighting, street washing, sewer cleaning, meter errors, illegal connections, and miscellaneous inadvertent water loss.

The Authority tracks unaccounted for water by using a pure ratio of amount of water billed verses amount of water produced. This ratio is called the metered ratio of the system.

The metered ratios for the Water Works System over the last seven years are listed below.

<u>Year</u>	<u>Metered Ratio</u>
2000	76.2%
2001	75.9%
2002	75.2%
2003	72.3%
2004	73.8%
2005	72.7%
2006	73.7%

The metered ratio dropped in 2003 mainly due to the conversion of the Village of Lancaster from Bulk Sales to

Direct Service and the takeover of the City of Tonawanda water system. Both of these systems are older systems and had higher than expected water losses.

The Authority has taken a number of actions to reduce unaccounted for water. These include an expanded leak detection program, aggressive meter change out and testing program, prohibition of hydrant use by private parties, hiring of field investigators to confirm no unauthorized usage on shut-off accounts, and aggressive prosecution of individuals found to have illegal connections.

**Permits, Licenses and Approvals**

The Authority has an extraction permit for its Sturgeon Point Water Treatment Plant for 90 MGD and an extraction permit for its Van de Water Treatment Plant for 66 MGD. These permits were issued by the New York State Department of Environmental Conservation.

The Authority’s operations are subject to annual review by the New York State Department of Health, which since 1953 has annually certified that the Authority’s operations meet or exceed the standards established by the Department of Health. The review is now performed on behalf of the Department of Health by the Erie County Health Department, which also certifies the Authority’s compliance with Erie County’s sanitary code.

**Service Area**

The Authority’s service area generally consists of suburban area surrounding the City of Buffalo, but does not include the City of Buffalo, the Town of Tonawanda, or the Town of Grand Island, all of which maintain their own water supply and distribution systems. The Water Works System presently serves 156,579 accounts and provides water to a population of approximately 550,000. The current service area of the Water Works System includes the following:

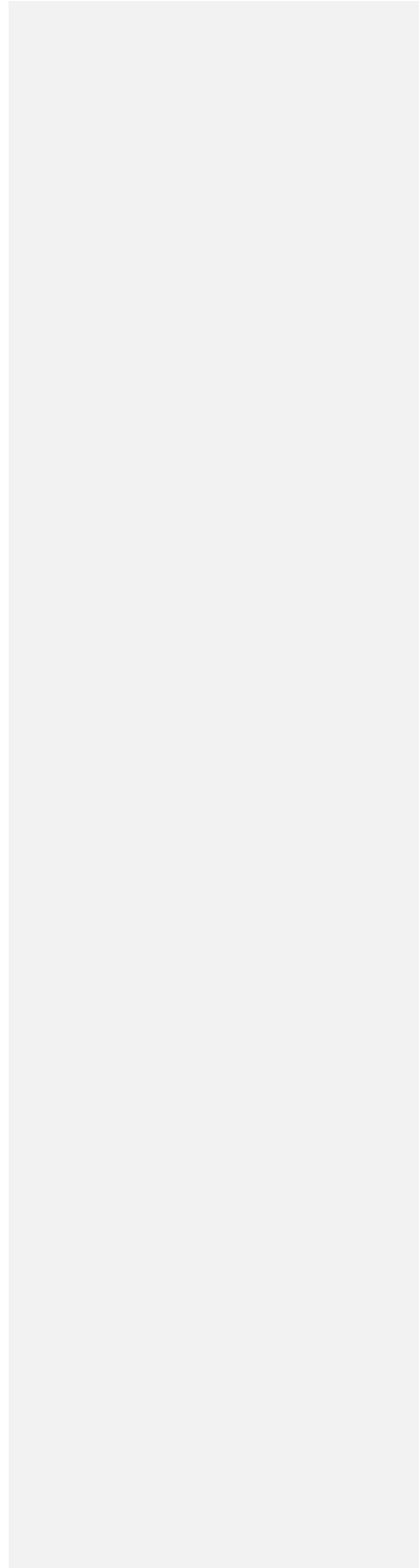
Eastern Genesee County	Seneca Nation of Indians
City of Lackawanna	City of Tonawanda
Town of Alabama	Town of Alden
Town of Amherst	Town of Aurora
Town of Bennington	Town of Boston
Town of Brant	Town of Cheektowaga
Town of Clarence	Town of Colden
Town of Concord	Town of Eden
Town of Elma	Town of Evans
Town of Hamburg	Town of Hanover
Town of Lancaster	Town of Marilla
Town of Newstead	Town of Orchard Park
Town of West Seneca	Village of Angola
Village of Blasdell	Village of East Aurora
Village of Depew	Village of Farnham
Village of Hamburg	Village of Lancaster
Village of Silver Creek	Village of Sloan
Village of Williamsville	

**Customers**

The Authority supplies water to its customers in one of the three following ways:

1. Direct Service – Where the Authority supplies water through facilities owned and operated by the Authority.
2. Lease Management – Where the Authority supplies water through facilities owned by another entity and is operated by the Authority.

3. Bulk Sales – Where the Authority supplies water to a municipality and they distribute and operate their own distribution system.



The number of customers served by the Authority over the last five years is listed below:

<u>Year</u>	<u>Number of Customers</u>
2002	138,752
2003	144,464
2004	153,418
2005	154,505
2006	156,579

The large increase in customers from 2002 to 2004 is mainly due to the takeover of the Village of Lancaster and City of Tonawanda water systems. In addition, new water districts in the Town of Aurora and the Town of Newstead have also contributed to the growth in customer base over the last five years.

The classification of customer types for the last five years is shown below:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<u>Number of Customers:</u>					
Residential	130,743	136,122	144,252	145,312	147,326
Commercial	6,289	6,547	7,210	7,188	7,197
Industrial	247	268	327	328	333
Public Authorities	539	563	601	596	605
Fire Protection	916	946	1,101	1,062	1,098
Bulk Sales	18	18	18	19	20
Total Number of Customers	138,752	144,464	153,418	154,505	156,579

The ten largest Non-Municipal and Municipal Customers based on revenues in 2006 are shown below:

**Year End December 31, 2006  
Non-Municipal Customers**

Industrial Steel	\$ 556,469
State University of NY @ Buffalo	489,193
Developers Diversified	267,090
Seneca Nation of Indians	242,653
Benderson Development Co.	192,617
Upstate Farms Cooperative	182,027
Rosina Food Products	143,114
Republic Engineered Products	140,051
Mayer Brothers Apple Prod. Inc.	137,550
Niagara Frontier Trans. Authority	<u>113,791</u>
Total of the Largest Non-Municipal Customers	\$2,464,555
Percent of Total Billings	4.5%

**Year End December 31, 2006  
Municipal Customers**

Town of Elma	\$1,118,341
Town of Evans	855,394
Village of East Aurora	474,905
Village of Williamsville	464,153
Village of Angola	311,054
Village of Blasdell	286,644
Buffalo Water Board	227,777
Monroe County Water Authority	210,996
Village of Orchard Park	206,875
Village of Silver Creek	<u>197,064</u>
Total of the Largest Municipal Customers	\$4,353,203
Percent of Total Billings	7.9%

**Utilization**

Daily Production and Delivery  
(MGD)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Average Daily Production	70.84	69.84	66.09	72.33	68.75
Peak Daily Production	119.62	100.75	84.50	110.95	106.86
Average Daily Metered Sales	53.27	50.49	48.77	52.58	50.67

Water production and sales for the most part are weather driven and therefore can vary greatly from year to year. In spite of the peak demands experienced by the Water Works System, the Authority was able to satisfy peak daily requirements without instituting any extraordinary water conservation programs.

**Security**

In 2002 the Authority hired a security consultant to perform a Vulnerability Assessment of all of the Authority's facilities. This assessment was completed in 2003 and was submitted to the US Environmental Protection Agency and New York State Department of Health.

The Authority has spent approximately \$5,000,000 to date on various security enhancements including facility access control, hardening of facilities, closed circuit TV, satellite vehicle tracking system, computer security, personnel background checks, and security awareness training for operational personnel. The security consultant has advised the Authority that the measures that were implemented improve the security of Water Works System to a level consistent with industry utility guidance for best security practices.

The Authority continually reviews the security of its facilities and makes adjustments or improvements every year.

The complete Vulnerability Assessment and Emergency Response Plan will be updated by December 1, 2007 and resubmitted to the New York State Department of Health. The Authority does not anticipate issues with the work completed to date or planned for the future.

**Federal, State and Local Regulation**

The water produced and delivered by the Water Works System has always met or exceeded the most stringent water quality standards mandated by Federal, State, and local government regulations.



The Authority operates an Environmental Protection Agency certified lab that samples and tests the Water Works System water 365 days per year. In addition the water quality lab also contracts with other water purveyors to perform water testing services on their water samples.

#### **Economic and Demographic Information**

Certain economic and demographic information pertaining to Erie County is set forth in Appendix C hereto.

### **FINANCIAL OPERATIONS OF THE WATER WORKS SYSTEM**

#### **General**

The Authority maintains its books and records in accordance with generally accepted accounting principles for governmental organizations and has an annual audit performed by an independent certified public accounting firm. The Authority has received an unqualified audit opinion in each of its years of operation since 1949, through and including the year ended December 31, 2006.

The Consolidated Annual Financial Report of the Authority for the Years Ended December 31, 2006 and 2005, which includes the audited financial statements of the Authority for the Fiscal Years ended December 2006 and 2005 and the auditor's report thereon, is set forth in Appendix D hereto.

The Authority has voluntarily adopted, with minor modifications, the Uniform System of Accounts prescribed by the New York State Public Service Commission. The Authority's rates, charges and accounting practices are not regulated by the New York State Public Service Commission.

#### **Rates**

The Act authorizes the Authority to fix rates and collect charges for the use of the facilities of, or services rendered by, the Water Works System so as to provide Revenues sufficient at all times to pay when due the principal of and interest on all bonds of the Authority, together with the maintenance of proper reserves therefor, in addition to paying the expenses of operating and maintaining the Water Works System, together with proper reserves for depreciation, maintenance and contingencies and all other obligations of the Authority.

The rates and charges set by the Authority for the sale of water and services are not currently subject to review, regulation or approval by any federal, state or local governmental agency or body.

On December 8, 1953, the Authority adopted Rules for the Sale of Water and the Collection of Rents and Charges. These Rules have been amended from time to time and describe the rates and charges levied by the Authority. The 2006 and 2007 quarterly rate schedule (i.e., schedule of rates charges the approximately 154,863 customers billed on a quarterly basis) and monthly rate schedule (i.e., the schedule of rates charged the approximately 1,716 customers billed on a monthly basis) are set forth below, together alternate minimum charges if a customer's usage falls below a certain amount.

Meters read and billed quarterly (To Nearest 1,000 Gallons)

	2006	2007	
First 300,000 gallons per quarter	\$ 2.70	\$ 2.81	per 1,000 gallons
Next 1,950,000	2.40	2.50	per 1,000 gallons
Next 5,250,000	2.20	2.29	per 1,000 gallons
Over 7,500,000	1.93	2.01	per 1,000 gallons

Meters read and billed monthly (To Nearest 1,000 Gallons)

	2006	2007	
First 100,000 gallons per month	\$ 2.70	\$ 2.81	per 1,000 gallons
Next 650,000	2.40	2.50	per 1,000 gallons
Next 1,750,000	2.20	2.29	per 1,000 gallons
Over 2,500,000	1.93	2.01	per 1,000 gallons

(inches)	2006	2007	(gallons)	2006	2007
5/8	\$ 24.30	\$ 25.29	9,000	\$ 8.10	\$ 8.43
3/4	32.40	33.72	12,000	10.80	11.24
1	56.70	59.01	21,000	18.90	19.67
1 1/4	72.90	75.87	27,000	24.30	25.29
1 1/2	105.30	109.59	39,000	35.10	36.53
2	170.10	177.03	63,000	56.70	59.01
3	324.00	337.20	120,000	108.00	112.40
4	534.60	556.38	198,000	178.20	185.46
6	1,026.00	1,068.00	390,000	342.00	356.00
8	1,602.00	1,668.00	630,000	534.00	556.00
10	2,250.00	2,343.00	900,000	750.00	781.00
12	3,042.00	3,168.00	1,230,000	1,014.00	1,056.00
20	6,744.00	7,023.30	2,820,000	2,248.00	2,341.10
24	8,988.00	9,359.00	3,840,000	2,996.00	3,119.70

For 2007, the Authority imposed a minimum charge of \$160.80 per hydrant per annum for lease managed districts and \$229.08 per hydrant per annum for direct service areas - the same amounts as 2006.

The terms of payment for both quarterly and monthly bills are 15 days net cash calculated from the day the bill is rendered. Late payments are subject to a 10% penalty. See "Financial Operations of the Water Works System – Collections."

Set forth in the following table is a comparison of the average 25,000 gallons residential water bills rendered in Erie County based on the most recent information available. Of the 38 rates listed, the Authority's are the second lowest

Department/Municipality	Cost for 1,000 Gallons	25,000 Gallons	Effective Date
Village of Akron (outside the Village)	\$11.70	\$292.50	July 1, 2006
Village of East Aurora (outside the Village) - (cf) gross rates	\$8.41	\$210.25	September 1, 2006
Town of Hanover (outside District 2)	\$7.90	\$197.50	February 1, 2006
Village of East Aurora (outside the Village) - (cf) net rates	\$7.65	\$191.19	September 1, 2006
Town of Hanover (inside District 2)	\$7.60	\$190.00	February 1, 2006
Village of Blasdell (outside the Village)	\$6.65	\$166.35	January 1, 2006
Village of Farnham (outside the Village)	\$6.19	\$154.77	January 1, 2004
Village of Angola (outside the Village)	\$6.00	\$150.00	November 1, 2004
Village of Farnham (Brant Water Supply Area)	\$5.95	\$148.77	February 1, 2004
Village of Williamsville (outside the Village)	\$5.95	\$148.75	January 1, 2007
Village of Akron (inside the Village)	\$5.85	\$146.25	July 1, 2006
Town of Evans (outside district)	\$5.70	\$142.50	March 1, 2006
Village of North Collins (outside the Village)	\$5.70	\$142.50	June 1, 2006
Village of East Aurora (inside the Village) - (cf) - gross rates	\$5.62	\$140.46	September 1, 2006
Village of East Aurora (inside the Village) - gross rates	\$5.57	\$139.26	September 1, 2006
Village of Angola (inside the Village)	\$5.38	\$134.55	November 1, 2004
Village of Orchard Park (outside the Village)	\$5.11	\$127.75	January 1, 2007
Village of East Aurora (inside the Village) - (cf) - net rates	\$5.10	\$127.57	September 1, 2006
Village of East Aurora (inside the Village) - net rates	\$5.06	\$126.60	September 1, 2006
Village of Blasdell (inside the Village)	\$5.03	\$125.80	January 1, 2006
Town of Evans (inside district)	\$4.95	\$123.75	March 1, 2006
Town of Elma - Outside District (gross rates)	\$4.52	\$112.91	January 1, 2007
Village of Orchard Park (inside the Village)	\$4.36	\$109.00	January 1, 2007
Village of Williamsville (inside the Village)	\$4.23	\$105.75	January 1, 2007
Village of Farnham (inside the Village)	\$4.22	\$105.61	January 1, 2004
Town of Elma - Outside District (net rates)	\$4.06	\$101.58	January 1, 2007
Village of Gowanda	\$4.04	\$101.00	July 1, 2003
Town of Elma - Inside District (gross rates)	\$3.93	\$98.36	January 1, 2007
Town of Hanover (outside District 1)	\$3.90	\$97.50	February 1, 2006
Town of Hanover (inside District 1)	\$3.60	\$90.00	February 1, 2006
Village of North Collins (inside the Village)	\$3.70	\$92.50	June 1, 2006
Village of Springville	\$3.62	\$90.60	July 1, 2003
Town of Elma - Inside District (net rates)	\$3.54	\$88.50	January 1, 2007
City of Buffalo - (cf) - (regular rates- 5/8" meter)	\$3.49	\$87.25	January 1, 2006
Town of Tonawanda	\$2.89	\$72.25	January 1, 2007
Village of Kenmore	\$2.83	\$70.84	June 1, 2006
<b>Erie County Water Authority</b>	\$2.81	\$70.25	January 1, 2007
Town of Grand Island	\$2.70	\$67.50	January 1, 2005

#### Collections

The Authority's collection activities resulted in a collection rate on billings (billings less uncollectible accounts) of 100.59% in 2006. The total billings of the Authority, the amount of uncollectible accounts and the collection rates for each of the years 1997 through 2006 are set forth below.

Collection Rates  
Last Ten Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total billings	\$ 41,124,661	\$ 43,398,932	\$ 45,824,585	\$ 42,843,574	\$ 45,899,993	\$ 48,056,813	\$ 47,039,093	\$ 49,015,948	\$ 54,078,921	\$ 55,170,872
Collections*	\$ 41,184,160	\$ 43,311,255	\$ 45,356,388	\$ 42,906,211	\$ 45,310,705	\$ 48,183,792	\$ 47,252,116	\$ 49,038,979	\$ 53,731,198	\$ 55,498,138
Collection rate (%)	100.14	99.80	98.98	100.15	98.72	100.26	100.45	100.05	99.36	100.59
*collections include collections of current year billings and prior year billings										

(Source: Authority Financial and Business Office Records)

Customers are billed either on a monthly or quarterly basis depending on the type of customer (commercial or residential), and the level of water usage. Customers are provided a fifteen day (15) payment period from the billing date to pay their current water charges. A late penalty of 10% is assessed on any unpaid balance 10 days after the due date. An account will receive a collection letter if the account is active, has a receivable balance greater than \$100, has a receivable that is 90 days or greater in arrears and has no current collections activity. The collection letter indicates that the customer could be subject to the shut-off of their water service and additional delinquent charges.

Following fifteen (15) days from the letter date, an unpaid account is sent to a collector who schedules a visit to the customer with an "unpaid bill" notice. After the account is posted, the customer has three (3) working days to either pay the bill in full, or submit a partial payment (25%-33%) with a signed promissory agreement for the remaining balance. The agreement is normally kept to a term of 90 days, with some exceptions to 180 days. A final bill that remains unpaid in a non-lien area is referred to an outside collection agency. The agency keeps a predetermined portion of any collected monies. In agreements with lease managed water districts, unpaid water bills are referred to municipalities for inclusion on tax bills. The outstanding balances of an unpaid final bill in a lien area are not referred to an outside agency; instead they are sent to the proper town or village for a tax lien. Allowances for doubtful accounts at December 31, 2006 and 2005 total \$339,293 and \$467,535, respectively.

### **Historical Operating Results**

The following tables summarize the Authority's net assets, changes in net assets, operating revenue and expenses and nonoperating revenues and expenses for each of the Authority's ten fiscal years ending December 31, 2006. The information set forth in the tables has been derived by management of the Authority from the financial statements of the Authority. The financial statements of the Authority for the years ended December 31, 2006 and 2005 are included in Appendix D to this Official Statement. The following tables should be read in conjunction with such financial statements.

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Summary Comparison of the Statement of Net Assets  
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Current assets	\$ 30,668,080	\$ 38,594,773	\$ 32,167,665	\$ 32,291,609	\$ 34,101,790	\$ 37,770,731	\$ 33,704,255	\$ 35,341,560	\$ 37,302,972	\$ 41,471,376
Noncurrent assets	252,505,744	265,771,498	263,724,021	276,261,656	275,773,688	284,872,862	308,317,224	310,285,279	315,092,353	317,164,211
Total assets	283,173,824	304,366,271	295,891,686	308,553,265	309,875,478	322,643,593	342,021,479	345,626,839	352,395,325	358,635,587
Current liabilities	11,947,813	12,687,046	11,709,700	14,441,120	14,640,158	15,007,426	14,940,648	15,950,316	16,924,363	18,056,929
Noncurrent liabilities	106,436,537	118,903,239	101,903,657	93,614,150	88,843,783	83,817,621	93,016,537	86,282,231	80,434,979	73,776,403
Total liabilities	118,384,350	131,590,285	113,613,357	108,055,270	103,483,941	98,825,047	107,957,185	102,232,547	97,359,342	91,833,332
Invested in capital assets, net of related debt	141,301,784	148,622,275	157,601,747	163,638,247	168,492,470	176,744,270	177,687,304	191,922,943	208,606,705	220,035,389
Restricted	14,883,081	18,588,728	11,718,710	14,648,635	13,768,476	14,551,908	24,758,568	19,892,507	16,644,478	15,516,546
Unrestricted	8,604,609	5,564,983	12,957,872	22,211,113	24,130,591	32,522,368	31,618,422	31,578,842	29,784,800	31,250,320
Total net assets	\$ 164,789,474	\$ 172,775,986	\$ 182,278,329	\$ 200,497,995	\$ 206,391,537	\$ 223,818,546	\$ 234,064,294	\$ 243,394,292	\$ 255,035,983	\$ 266,802,255

(Source: 2006 Comprehensive Annual Financial Report of Erie County Water Authority)

Changes in Net Assets  
Last Ten Fiscal Years

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating revenue	\$ 41,089,230	\$ 43,460,852	\$ 45,788,920	\$ 43,013,977	\$ 45,633,628	\$ 48,362,387	\$ 47,073,542	\$ 48,982,522	\$ 54,238,666	\$ 55,744,905
Operating expenses	33,501,630	33,314,952	34,039,368	34,554,244	37,954,241	37,318,985	37,204,461	39,654,104	41,831,636	43,929,734
Operating income	7,587,600	10,145,900	11,749,552	8,459,733	7,679,387	11,043,402	9,869,081	9,328,418	12,407,030	11,815,171
Nonoperating revenues (expenses)	(6,610,167)	(2,825,410)	(2,770,080)	(2,423,233)	(2,825,164)	(2,791,602)	(3,047,463)	(3,169,326)	(2,254,436)	(1,224,085)
Net income before contributions in aid of construction	977,433	7,320,490	8,979,472	6,036,500	4,854,223	8,251,800	6,821,618	6,159,092	10,152,594	10,591,086
Contributions in aid of construction	615,998	666,021	522,871	12,183,166	1,039,319	9,175,209	3,424,130	3,170,906	1,489,097	1,175,186
Change in net assets	1,593,431	7,986,511	9,502,343	18,219,666	5,893,542	17,427,009	10,245,748	9,329,998	11,641,691	11,766,272
Total net assets - beginning of year	163,196,044	164,789,475	172,775,986	182,278,329	200,497,995	206,391,537	223,818,546	234,064,294	243,394,292	255,035,983
Total net assets - end of year	\$ 164,789,475	\$ 172,775,986	\$ 182,278,329	\$ 200,497,995	\$ 206,391,537	\$ 223,818,546	\$ 234,064,294	\$ 243,394,292	\$ 255,035,983	\$ 266,802,255

(Source: 2006 Comprehensive Annual Financial Report of Erie County Water Authority)

Operating Revenue by Source  
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Water sales										
Residential	\$ 23,493,838	\$ 24,764,366	\$ 26,120,470	\$ 25,265,112	\$ 27,042,922	\$ 29,052,911	\$ 28,482,355	\$ 29,894,743	\$ 33,370,134	\$ 33,915,574
Commercial	5,079,333	5,347,924	5,727,128	5,845,693	5,963,131	5,918,519	5,757,113	6,096,444	6,589,277	6,845,706
Industrial	1,622,649	1,603,666	1,640,706	1,596,887	1,472,354	1,577,883	1,490,969	1,639,787	1,847,582	1,825,446
Public authorities	1,235,978	1,434,027	1,483,320	1,594,522	1,710,179	1,829,221	1,673,422	1,708,476	1,980,744	2,033,007
Fire protection	2,172,703	2,326,106	2,543,075	2,843,889	2,912,188	3,038,519	3,172,430	3,348,559	3,560,805	3,718,934
Sales to other utilities	6,245,834	6,570,456	6,407,017	4,620,601	4,871,991	5,072,600	4,681,735	4,674,682	4,550,195	4,690,210
Other water revenue	1,064,093	1,201,772	1,421,199	1,044,501	1,488,505	1,542,886	1,419,298	1,251,430	1,906,305	1,801,691
Total water sales	40,914,428	43,248,317	45,342,915	42,811,205	45,461,270	48,032,539	46,677,322	48,614,121	53,805,042	54,830,568
Rents from water towers	54,250	71,361	83,113	132,667	159,614	299,550	326,573	353,887	419,872	446,806
Other operating revenue	120,552	141,174	362,892	70,105	12,744	30,298	69,647	14,514	13,752	467,531
Total operating revenue	<u>\$ 41,089,230</u>	<u>\$ 43,460,852</u>	<u>\$ 45,788,920</u>	<u>\$ 43,013,977</u>	<u>\$ 45,633,628</u>	<u>\$ 48,362,387</u>	<u>\$ 47,073,542</u>	<u>\$ 48,982,522</u>	<u>\$ 54,238,666</u>	<u>\$ 55,744,905</u>
Water sales as a percent of total operating revenue	99.6%	99.5%	99.0%	99.5%	99.6%	99.3%	99.2%	99.2%	99.2%	98.4%

(Source: 2006 Comprehensive Annual Financial Report of Erie County Water Authority)

Operating Expenses  
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Production	\$ 9,980,062	\$ 9,577,248	\$ 9,578,566	\$ 8,647,310	\$ 9,915,731	\$ 10,088,719	\$ 10,732,803	\$ 10,619,126	\$ 12,393,279	\$ 12,721,482
Distribution	7,858,363	7,677,789	6,405,098	6,230,632	6,568,349	6,999,349	7,825,476	8,462,789	8,629,594	9,822,375
Administrative	7,819,517	7,236,869	9,820,343	10,883,134	12,408,260	11,118,955	9,478,095	11,240,637	11,260,014	11,676,905
Depreciation & amortization	7,843,688	8,823,046	8,235,361	8,793,168	9,061,901	9,111,962	9,168,087	9,331,552	9,548,749	9,708,972
Total operating expenses	<u>\$ 33,501,630</u>	<u>\$ 33,314,952</u>	<u>\$ 34,039,368</u>	<u>\$ 34,554,244</u>	<u>\$ 37,954,241</u>	<u>\$ 37,318,985</u>	<u>\$ 37,204,461</u>	<u>\$ 39,654,104</u>	<u>\$ 41,831,636</u>	<u>\$ 43,929,734</u>

(Source: 2006 Comprehensive Annual Financial Report of Erie County Water Authority)

Nonoperating Revenue (Expenses)  
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Nonoperating revenues (expenses)										
Interest expense	\$ (6,624,267)	\$ (6,969,257)	\$ (6,466,867)	\$ (5,327,781)	\$ (4,911,337)	\$ (4,657,045)	\$ (4,605,235)	\$ (4,501,527)	\$ (4,149,699)	\$ (3,868,064)
Interest revenue	2,836,652	3,412,895	3,026,633	2,886,249	2,046,764	1,803,904	1,191,949	1,188,823	1,796,187	2,498,889
Interest capitalized during										
construction	251,216	420,866	670,154	18,299	39,409	61,539	365,823	143,378	99,076	145,090
Other nonoperating revenue										
(expenses)	(3,073,768)	310,086	-	-	-	-	-	-	-	-
Nonoperating revenues (expenses)	<u>\$ (6,610,167)</u>	<u>\$ (2,825,410)</u>	<u>\$ (2,770,080)</u>	<u>\$ (2,423,233)</u>	<u>\$ (2,825,164)</u>	<u>\$ (2,791,602)</u>	<u>\$ (3,047,463)</u>	<u>\$ (3,169,326)</u>	<u>\$ (2,254,436)</u>	<u>\$ (1,224,085)</u>

(Source: 2006 Comprehensive Annual Financial Report of Erie County Water Authority)



## Management's Discussion and Analysis

Management provides the following discussion and analysis ("MD&A") of the Authority's financial activities and statements for its fiscal years ended December 31, 2006 and 2005. The information contained in this analysis should be used by the reader in conjunction with the information contained in the audited financial statements and the notes to those financial statements set forth in Appendix D hereto. Certain information from prior years has been reclassified to conform with the current year presentation. The Authority is not legally required to adopt a budget; therefore, comparative budgetary information is not included in this report.

### Financial Highlights

- During the year ended December 31, 2006 the Authority's net assets increased \$11,766,272; of this amount, \$10,591,086 is net income, while \$1,175,186 is from capital contributions (contributions in aid of construction). Comparatively, during the year ended December 31, 2005 the Authority's net assets increased \$11,641,691; of this amount, \$10,152,594 is net income, while \$1,489,097 is from capital contributions.
- The assets of the Authority exceeded its liabilities by \$266,802,255 and \$255,035,983, representing net assets at December 31, 2006 and 2005, respectively. At December 31, 2006 and 2005, unrestricted net assets were \$31,250,320 and \$29,784,800, respectively, and may be used to meet the Authority's ongoing obligations.
- The Authority's bonded indebtedness decreased \$3,843,020 and \$7,340,000 during 2006 and 2005, respectively.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The financial statements are organized as follows:

- The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the Authority's net assets changed during the most recent reporting period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in prior or future periods (e.g., earned but unused vacation leave and depreciation expense on fixed assets).
- The *Statement of Cash Flows* presents information depicting the Authority's cash flow activities for the reporting period ended and the effect that these activities had on the Authority's cash and cash equivalent balances.
- The *Notes to the Financial Statements* present additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found following the financial statements.

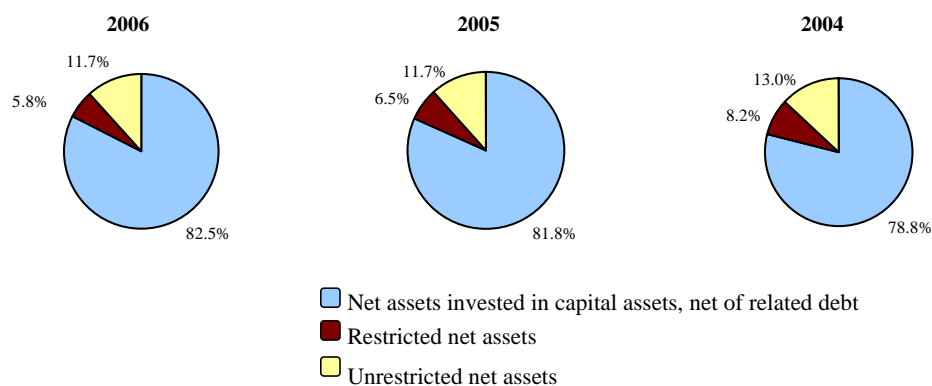
### Financial Analysis

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$266,802,255 at December 31, 2006, as compared to \$255,035,983 at December 31, 2005, as presented in the following table:

### Condensed Statement of Net Assets

	2006	2005	Increase/(Decrease)	
			Dollars	Percent
Current assets	\$ 41,471,376	\$ 37,302,972	\$ 4,168,404	11.2
Noncurrent assets	317,164,211	315,092,353	2,071,858	0.7
Total assets	<u>358,635,587</u>	<u>352,395,325</u>	<u>6,240,262</u>	1.8
Current liabilities	18,056,929	16,924,363	1,132,566	6.7
Noncurrent liabilities	73,776,403	80,434,979	(6,658,576)	(8.3)
Total liabilities	<u>91,833,332</u>	<u>97,359,342</u>	<u>(5,526,010)</u>	(5.7)
Invested in capital assets, net of related debt	220,035,389	208,606,705	11,428,684	5.5
Restricted	15,516,546	16,644,478	(1,127,932)	(6.8)
Unrestricted	31,250,320	29,784,800	1,465,520	4.9
Total net assets	<u>\$ 266,802,255</u>	<u>\$ 255,035,983</u>	<u>\$ 11,766,272</u>	4.6

At December 31, 2006, the largest portion of the Authority's net assets (82.5%) consists of the Authority's investment in capital assets, as compared to 81.8% and 78.8% at December 31, 2005 and 2004, respectively. This amount is presented net of any outstanding debt which was used to acquire such capital assets. The second largest portion of net assets (11.7%, 11.7%, and 13.0% at December 31, 2006, 2005 and 2004, respectively) consists of unrestricted net assets. These assets are not limited in any way with regards to how and what they may be used for. The remainder of net assets (5.8%, 6.5% and 8.2% at December 31, 2006, 2005 and 2004, respectively) is restricted for various purposes.



The Authority's liabilities totaled \$91,833,332, \$97,359,342 and \$102,232,547 at December 31, 2006, 2005 and 2004 respectively. The largest component of liabilities is outstanding water revenue bonds.

The Authority has had a relatively consistent current ratio of 2.30, 2.20 and 2.22 at December 31, 2006, 2005 and 2004 respectively. Such a ratio implies that the Authority has sufficient assets on hand to cover its liabilities that will come due in the ensuing year.

A comparison of current assets as compared to current liabilities of the Authority at December 31, 2006, December 31, 2005 and December 31, 2004 follows:

**Comparison of current assets and current liabilities**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Current assets	\$ 41,471,376	\$ 37,302,972	\$ 35,341,560
Current liabilities	18,056,929	16,924,363	15,950,316
Ratio of current assets to current liabilities	2.30	2.20	2.22

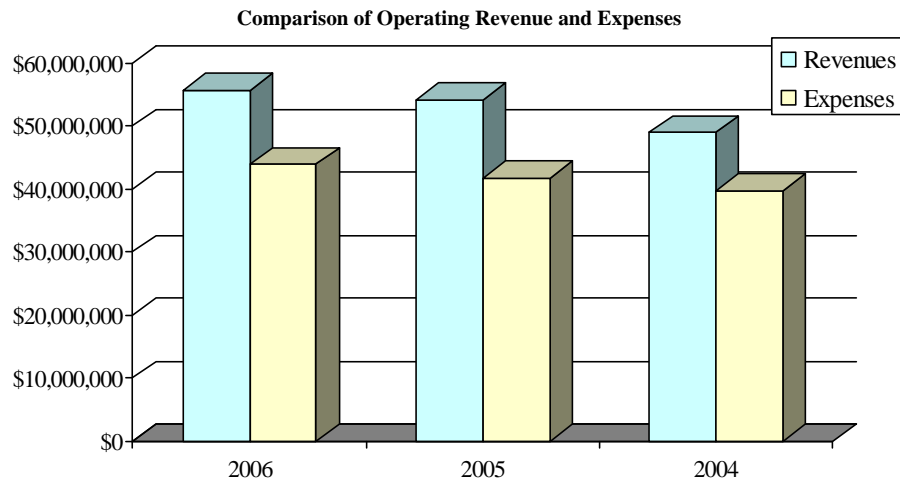
The following tables show the changes in net assets for the years ending December 31, 2006, December 31, 2005 and December 31, 2004:

**Erie County Water Authority's Changes in Net Assets**

	Year Ended December 31,	
	<u>2006</u>	<u>2005</u>
Operating revenue	\$ 55,744,905	\$ 54,238,666
Operating expenses:		
Operation and administration	26,260,319	23,694,959
Maintenance	7,960,443	8,587,928
Depreciation and amortization	9,708,972	9,548,749
Total operating expenses	<u>43,929,734</u>	<u>41,831,636</u>
Operating income	<u>11,815,171</u>	<u>12,407,030</u>
Nonoperating revenues (expenses):		
Interest income	2,498,889	1,796,187
Interest capitalization during construction	145,090	99,076
Interest expense	<u>(3,868,064)</u>	<u>(4,149,699)</u>
Total nonoperating revenues (expenses)	<u>(1,224,085)</u>	<u>(2,254,436)</u>
Net income before contributions in aid of construction	10,591,086	10,152,594
Contributions in aid of construction	<u>1,175,186</u>	<u>1,489,097</u>
Change in net assets	11,766,272	11,641,691
Total net assets - beginning of year	<u>255,035,983</u>	<u>243,394,292</u>
Total net assets - end of year	<u>\$ 266,802,255</u>	<u>\$ 255,035,983</u>

	Year Ended December 31,	
	2005	2004
Operating revenue	\$ 54,238,666	\$ 48,982,522
Operating expenses:		
Operation and administration	23,694,959	22,049,930
Maintenance	8,587,928	8,272,622
Depreciation and amortization	9,548,749	9,331,552
Total operating expenses	<u>41,831,636</u>	<u>39,654,104</u>
Operating income	<u>12,407,030</u>	<u>9,328,418</u>
Nonoperating revenues (expenses):		
Interest income	1,796,187	1,188,823
Interest capitalization during construction	99,076	143,381
Interest expense	<u>(4,149,699)</u>	<u>(4,501,530)</u>
Total nonoperating revenues (expenses)	<u>(2,254,436)</u>	<u>(3,169,326)</u>
Net income before contributions in aid of construction	10,152,594	6,159,092
Contributions in aid of construction	<u>1,489,097</u>	<u>3,170,906</u>
Change in net assets	11,641,691	9,329,998
Total net assets - beginning of year	<u>243,394,292</u>	<u>234,064,294</u>
Total net assets - end of year	<u>\$ 255,035,983</u>	<u>\$ 243,394,292</u>

The following chart depicts a 2.8% operating revenue growth from \$54,238,666 in 2005 to \$55,744,905 in 2006, compared to a 10.7% growth from \$48,982,522 in 2004 to \$54,238,666 in 2005. Operating expenses increased 5.0% from \$41,831,636 in 2005 to \$43,929,732 in 2006 and 4.6% from \$39,654,104 in 2004 to \$41,481,636 in 2005.



A summary of operating revenue for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 is presented below:

	Summary of Operating Revenue		Increase/(Decrease)	
	2006	2005	Dollars	Percent
Water sales:				
Residential	\$ 33,915,574	\$ 33,370,134	\$ 545,440	1.6
Commercial	6,845,706	6,589,277	256,429	3.9
Industrial	1,825,446	1,847,582	(22,136)	(1.2)
Public authorities	2,033,007	1,980,744	52,263	2.6
Fire protection	3,718,934	3,560,805	158,129	4.4
Sales to other utilities	4,690,210	4,550,195	140,015	3.1
Other water sales	<u>1,801,691</u>	<u>1,906,305</u>	<u>(104,614)</u>	<u>(5.5)</u>
Total water sales	54,830,568	53,805,042	1,025,526	1.9
Other operating income:				
Rents from water towers	446,806	419,872	26,934	6.4
Miscellaneous	467,531	13,752	453,779	3,299.7
Operating revenue	<u>\$ 55,744,905</u>	<u>\$ 54,238,666</u>	<u>\$ 1,506,239</u>	<u>2.8</u>

	2005	2004	Increase/(Decrease)	
			Dollars	Percent
Water sales:				
Residential	\$ 33,370,134	\$ 29,894,743	\$ 3,475,391	11.6
Commercial	6,589,277	6,096,444	492,833	8.1
Industrial	1,847,582	1,639,787	207,795	12.7
Public authorities	1,980,744	1,708,476	272,268	15.9
Fire protection	3,560,805	3,348,559	212,246	6.3
Sales to other utilities	4,550,195	4,674,682	(124,487)	(2.7)
Other water sales	<u>1,906,305</u>	<u>1,251,430</u>	<u>654,875</u>	52.3
Total water sales	53,805,042	48,614,121	5,190,921	10.7
Other operating income:				
Rents from water towers	419,872	353,887	65,985	18.6
Miscellaneous	<u>13,752</u>	<u>14,514</u>	<u>(762)</u>	(5.3)
Operating revenue	<u>\$ 54,238,666</u>	<u>\$ 48,982,522</u>	<u>\$ 5,256,144</u>	10.7

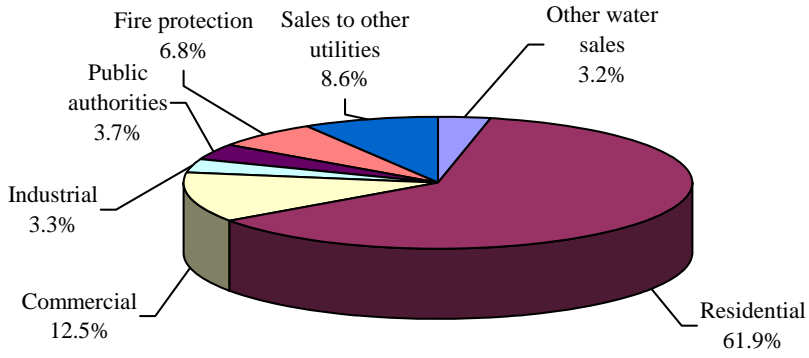
Water sales represent the vast majority of revenue for the Authority, 98.4%, 99.2% and 99.2% of total revenue for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively.

Total water sales increased \$1,025,526, 1.9%, during the year ended December 31, 2006 due primarily to a 5.47% rate increase on January 1, 2006 offset by a 3.7% decrease in consumption over 2005. Despite the rate increase, total billings increased only \$1,091,952, or 2%. Summer surcharges revenue decreased by \$191,313 due to the overall reduction in consumption. Miscellaneous non-operating income increased by \$453,779 due to the receipt of \$377,130 from the City of Buffalo for their share of federal lobbying costs and \$79,031 from the Town of Marilla to purchase excess tank capacity in the water tank. Water tower rents also increased due to the addition of one new lease at the Ball station in November of 2005 plus normal escalation of lease payments under terms of the agreements.

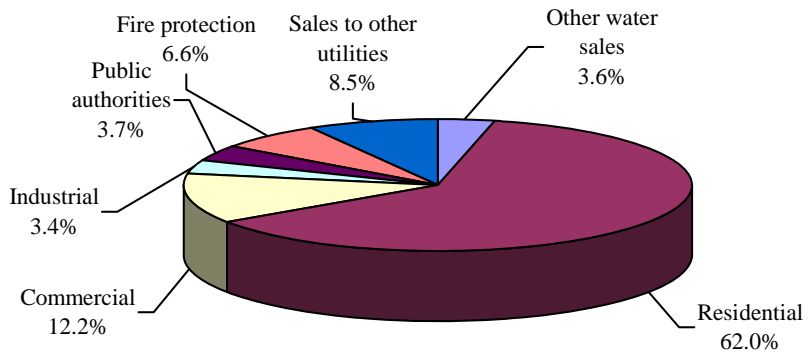
During the year ended December 31, 2005 total operating revenue increased \$5,256,144 due primarily to a 2.0% rate increase on January 1, 2005. There was also a 7.6% increase in water consumption due to a very hot and dry spring and summer. Finally, a full year of billing to the City of Tonawanda, which was acquired in August of 2004, contributed to an overall increase in revenue over 2004.

As presented in the illustration on the following page, residential water sales represent the largest portion of water sales for the Authority, which was 61.9%, 62.0% and 61.5% of total water sales for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively. The next largest water sales revenue component for the Authority is commercial water sales, which was 12.5%, 12.2% and 12.5% of total water sales, for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively.

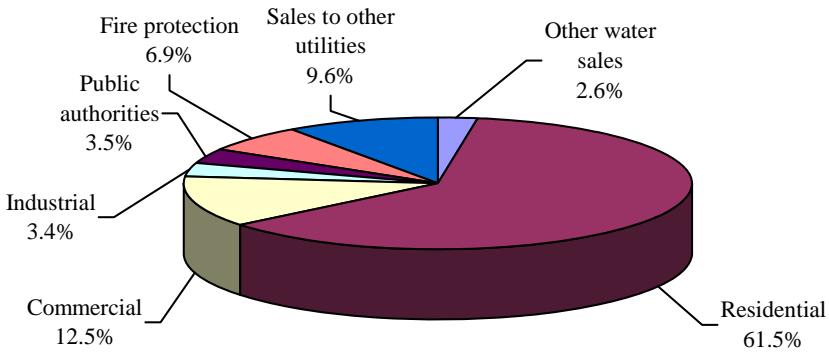
**2006 Water Sales Revenue**



**2005 Water Sales Revenue**



**2004 Water Sales Revenue**

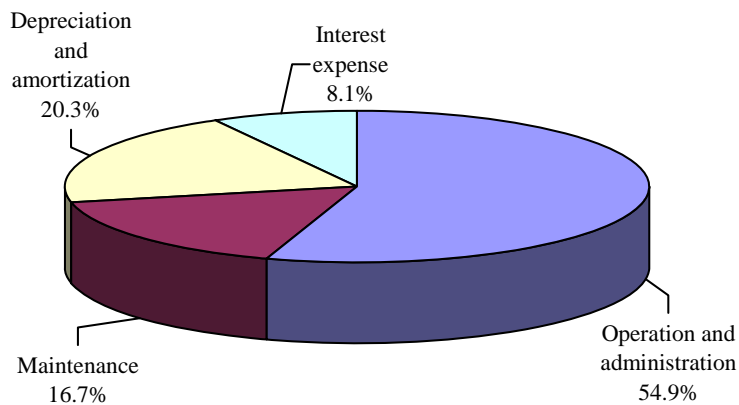


As illustrated below, operation and administration expenses are the largest expense and account for 54.9%, 51.5% and 50.0% of the Authority's expenses for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively. The second largest expense for the Authority are the expenses associated with depreciation and amortization, which were, 20.3%, 20.8% and 21.1% for the years ended December 31, 2006, December 31, 2005 and December 31, 2004, respectively.

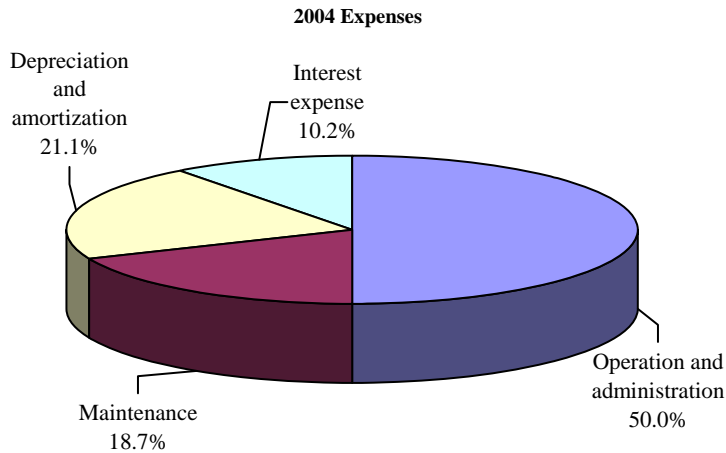
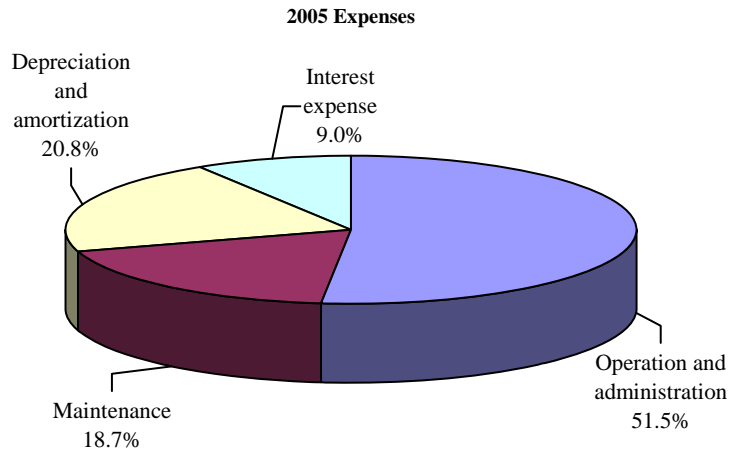
	2006	2005	Increase/(Decrease)	
			Dollars	Percent
Operation and administration	\$ 26,260,319	\$ 23,694,959	\$ 2,565,360	10.8
Depreciation and amortization	9,708,972	9,548,749	160,223	1.7
Maintenance	7,960,443	8,587,928	(627,485)	(7.3)
Interest expense	3,868,064	4,149,699	(281,635)	(6.8)
Total	<u>\$ 47,797,798</u>	<u>\$ 45,981,335</u>	<u>\$ 1,816,463</u>	4.0

	2005	2004	Increase/(Decrease)	
			Dollars	Percent
Operation and administration	\$ 23,694,959	\$ 22,049,930	\$ 1,645,029	7.5
Depreciation and amortization	9,548,749	9,331,552	217,197	2.3
Maintenance	8,587,928	8,272,622	315,306	3.8
Interest expense	4,149,699	4,501,530	(351,831)	(7.8)
Total	<u>\$ 45,981,335</u>	<u>\$ 44,155,634</u>	<u>\$ 1,825,701</u>	4.1

#### 2006 Expenses







During the year ended December 31, 2006, operation and administration expenses increased \$2,565,360 while maintenance expenses decreased \$627,485. The increase in operation and administration expenses was due largely to a reduction in administrative credits of \$1,136,320 caused by the completion of fewer and smaller main replacement and other construction projects. Miscellaneous expenses increased \$812,489 due to an increase in contingencies. Fringe benefit costs increased \$490,133 due to a 13.5% increase in health care insurance rates and a retroactive billing of \$154,000 for workers compensation costs received in 2006.

The decrease in maintenance expenses for the year ended December 31, 2006 of \$627,485 is primarily due to a decrease in the number of leaks from 1,922 in 2005 to 1,776 in 2006. This resulted in lower overtime costs of \$146,029, a decrease in payments to repair contractors of \$117,842, a decrease in restoration charges of \$597,940 and a decrease of \$37,872 in stone and cold patch usage. These decreases were offset by an increase of \$113,882 in labor and salaries due to contractual and merit wage increases and an increase in equipment maintenance contracts of \$21,361. Fringe benefit costs also increased \$140,086 due to a 13.5% increase in health care insurance rates and a retroactive billing of workers compensation costs received in 2006.

Comparably, during the year ended December 31, 2005, operation and administration expenses increased \$1,645,029 and maintenance expenses increased \$315,306, primarily due to a 30.3% increase in power costs of \$1,437,691. Increased production and general rate increases in utility costs caused the increase. Wage and salary costs remained somewhat level

with just a 1.7% increase over 2004. The increase was due to normal contractual increases. Although there was a 13% rate increase in health insurance benefits in October of 2004, fringe benefit costs decreased 1.6% in 2005. This is largely due to a contract settlement with the American Federation of State, County and Municipal Employees (AFSCME) union, which resulted in the Authority using one health care provider – Labor Management Health Care – and a reduction in workers' compensation costs.

Contributions in aid of construction were \$1,175,186 for the year ended December 31, 2006 compared to \$1,489,096 for the year ended December 31, 2005. The decrease is due to fewer builder, contractor and developer projects in 2006.

The following table presents a summary of the Authority's cash flow activities for the years ended December 31, 2006, December 31, 2005 and December 31, 2004:

<b>Summary of Cash Flow Activities</b>			
	2006	2005	Increase/(Decrease) Dollars
Cash flows from:			
Operating activities	\$ 22,030,110	\$ 22,384,970	\$ (354,860)
Investing activities	2,477,315	3,477,004	(999,689)
Less capital and related financing activities	<u>(23,952,582)</u>	<u>(28,279,140)</u>	<u>4,326,558</u>
Net increase (decrease) in cash and cash equivalents	554,843	(2,417,166)	2,972,009
Cash and cash equivalents, beginning of year	44,214,629	46,631,795	(2,417,166)
Cash and cash equivalents, end of year	<u>\$ 44,769,472</u>	<u>\$ 44,214,629</u>	<u>\$ 554,843</u>
	2005	2004	Increase/(Decrease) Dollars
Cash flows from:			
Operating activities	\$ 22,384,970	\$ 17,799,643	\$ 4,585,327
Investing activities	3,477,004	2,690,797	786,207
Less capital and related financing activities	<u>(28,279,140)</u>	<u>(24,751,404)</u>	<u>(3,527,736)</u>
Net increase (decrease) in cash and cash equivalents	(2,417,166)	(4,260,964)	1,843,798
Cash and cash equivalents, beginning of year	<u>46,631,795</u>	<u>50,892,759</u>	<u>(4,260,964)</u>
Cash and cash equivalents, end of year	<u>\$ 44,214,629</u>	<u>\$ 46,631,795</u>	<u>\$ (2,417,166)</u>

At the December 31, 2006, 2005, and 2004, cash and cash equivalents was restricted for various purposes as presented below:

<b>Summary of Cash and Cash Equivalents</b>			
	2006	2005	2004
Unrestricted	\$29,252,926	\$27,570,151	\$26,739,288
Restricted	<u>15,516,546</u>	<u>16,644,478</u>	<u>19,892,507</u>
Total	<u>\$44,769,472</u>	<u>\$44,214,629</u>	<u>\$46,631,795</u>

The Authority's available cash and cash equivalents increased by \$554,843 for the year ended December 31, 2006, compared to a decrease of \$2,417,166 and \$4,260,964 for the years ended December 31, 2005 and December 31, 2004, respectively. During the year ended December 31, 2006, cash used in capital and related financing activities decreased \$4,326,558 due to a decrease in principal bond payments resulting from the final maturity of Series 1993 Fourth Resolution bonds in 2005 and the completion of fewer and less expensive water system improvements in 2006 compared to 2005. Cash from operating activities decreased \$354,860 in spite of a 5.47% rate increase effective January 1, 2006 due to a 3.7% decrease in consumption and an increase in payments for services to contractors and employees.

During the year ended December 31, 2005, cash from operating activities increased \$4,585,327 due primarily to a

\$5,190,920 increase in total water sales resulting from the combination of a 2.0% rate increase and a 7.6% increase in consumption and a full year of billing to the City of Tonawanda customers. Cash used in capital and related financing activities increased \$3,527,736 due to the completion of more water system improvements and general capital spending in 2005 compared to 2004 and due to the acquisition in 2004 of water supply and distribution systems in the City of Tonawanda and the Town of Concord. No comparable contributions in aid of construction were received in 2005.

### Capital Assets

The Authority's investment in capital assets, as of December 31, 2006 amounted to \$299,017,487 (net of accumulated depreciation), as compared to \$293,829,470 and \$283,879,654 as of December 31, 2005 and December 31, 2004, respectively. This investment includes land, buildings and structures, mains and hydrants, equipment, construction in progress and other (service installations, office furniture and equipment, etc.). The Authority's greatest investment in capital assets is in mains and hydrants and buildings and structures.

Presented below is a comparative summary of capital assets. Additional information on the Authority's capital assets can be found in Note 4 of the financial statements.

#### Summary of Capital Assets (Net of Depreciation)

			Increase/(Decrease)	
	2006	2005	Dollars	Percent
Land	\$ 2,300,935	\$ 2,300,935	\$ -	-
Construction work in progress	3,211,426	4,658,392	(1,446,966)	(31.1)
Total capital assets, not being depreciated	<u>5,512,361</u>	<u>6,959,327</u>	<u>(1,446,966)</u>	<u>(20.8)</u>
Buildings and structures	190,447,109	183,880,434	6,566,675	3.6
Mains and hydrants	200,260,413	194,409,658	5,850,755	3.0
Equipment	35,145,936	33,561,338	1,584,598	4.7
Other	44,585,384	42,818,879	1,766,505	4.1
Total capital assets, being depreciated	<u>470,438,842</u>	<u>454,670,309</u>	<u>15,768,533</u>	<u>3.5</u>
Less accumulated depreciation	<u>176,933,716</u>	<u>167,800,166</u>	<u>9,133,550</u>	<u>5.4</u>
Total capital assets, being depreciated, net	<u>293,505,126</u>	<u>286,870,143</u>	<u>6,634,983</u>	<u>2.3</u>
Total capital assets	<u>\$ 299,017,487</u>	<u>\$ 293,829,470</u>	<u>\$ 5,188,017</u>	<u>1.8</u>

			Increase/(Decrease)	
	2005	2004	Dollars	Percent
Land	\$ 2,300,935	\$ 2,200,935	\$ 100,000	4.5
Construction work in progress	4,658,392	1,859,624	2,798,768	150.5
Total capital assets, not being depreciated	<u>6,959,327</u>	<u>4,060,559</u>	<u>2,898,768</u>	<u>71.4</u>
Buildings and structures	183,880,434	180,889,906	2,990,528	1.7
Mains and hydrants	194,409,658	185,129,612	9,280,046	5.0
Equipment	33,561,338	31,417,518	2,143,820	6.8
Other	42,818,879	41,267,595	1,551,284	3.8
Total capital assets, being depreciated	<u>454,670,309</u>	<u>438,704,631</u>	<u>15,965,678</u>	<u>3.6</u>
Less accumulated depreciation	<u>167,800,166</u>	<u>158,885,536</u>	<u>8,914,630</u>	<u>5.6</u>
Total capital assets, being depreciated, net	<u>286,870,143</u>	<u>279,819,095</u>	<u>7,051,048</u>	<u>2.5</u>
Total capital assets	<u>\$ 293,829,470</u>	<u>\$ 283,879,654</u>	<u>\$ 9,949,816</u>	<u>3.5</u>

### Debt Administration

At December 31, 2006, the Authority had \$75,664,253 in water revenue bond principal outstanding, as compared to \$79,507,273 and \$86,847,273 at December 31, 2005 and 2004. Long-term debt outstanding decreased \$3,843,020 during the

year ended December 31, 2006, as compared to \$7,340,000 during the year ended December 31, 2005, as a result of making scheduled principal payments as follows:

	<u>2006</u>	<u>2005</u>
Series 1992FR*	\$ 2,153,577	\$ -
Series 1993FR*	-	5,690,000
Series 1998B	360,000	345,000
Series 1998D	725,000	705,000
Series 2003F	<u>604,443</u>	<u>600,000</u>
Total	<u>\$ 3,843,020</u>	<u>\$ 7,340,000</u>

\*Fourth Resolution

There were no principal payments on Series 1993A and Series 1993B during the years ended December 31, 2006 and 2005.

The Authority's issuances of Series 1998B, Series 1998D and Series 2003F were through the New York State Environmental Facilities Corporation and are rated based on the Environmental Facilities Corporation's rating. For remaining issuances, Series 1992FR, Series 1993A and Series 1993B were rated by the major credit rating agencies during 2006. These ratings do not take the related bond insurance into account. Standard and Poor's rating is AA, Moody's rating is A1 and Fitch Ratings rating for the Series 1992FR is AA- and for the Series 1993A and Series 1993B is AA. The non-Environmental Facilities Corporation bonds are all rated by Moody's at Aaa (insured). Additional information on the Authority's long-term debt can be found in Note 5 of the financial statements included in Appendix D hereto.

#### **Economic Factors**

The local economy has experienced a steady decline in population and business. However, through emigration from areas unserved by the Authority to suburban areas where the Authority does provide water, the Authority has actually experienced about a one percent growth in its customer base. This growth in our account base has been offset, however, by a steady decrease in overall consumption due to individual conservation efforts and changes in Federal and State laws and regulations which require appliances to use less water.

#### **Projected Funding of Capital Improvement Program**

The following table sets forth the projected capital expenditures for the Water Works System for the period 2007 through 2010 and the anticipated sources of funding for such expenditures.

Treatment Facilities	\$23,099,000
Pump Station Facilities	4,091,000
Distribution and Transmission Facilities	19,569,000
Standby Emergency Power	<u>7,895,000</u>
Total Capital Projects	<u>\$54,654,000</u>
To be paid from bond proceeds	\$34,593,000
To be paid from operations	\$20,061,000

#### **COVENANT BY THE STATE OF NEW YORK**

The Act sets forth the pledge and agreement of the State of New York that it will not limit or alter the rights vested by the Act in the Authority to acquire, construct, maintain, operate, reconstruct and improve the properties of the Authority, to establish and collect the revenues, rates, rentals, fees and other charges referred to in the Act and to fulfill the terms of any agreements made with holders of obligations of the Authority or in any way impair the rights and remedies of such holders, until such obligations, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such holders, are fully met and discharged.

## **LEGALITY FOR INVESTMENT**

The Act provides that (1) the State of New York and all public officers, municipalities, political subdivisions and public bodies, and agencies thereof; (2) all banks, trust companies, savings banks and savings associations, including building and loan associations, savings and loan associations, investment companies and other person carrying on a banking business, all insurance companies, insurance associations and other persons carrying on an insurance business, which banks, trust companies, and other such institutions are organized and existing under the laws of the State of New York; and (3) all executors, administrators, guardians, trustees and other fiduciaries acting under the laws of the State of New York, other than any individual fiduciary, may legally invest any sinking funds, monies or other funds belonging to them or within their control in obligations of authorities created pursuant to the Act and such obligations will be authorized security for any and all public deposits.

## **LITIGATION**

In the opinion of the General Counsel to the Authority, there is no litigation pending or, to the best of his knowledge, threatened, which (a) questions the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices, (b) seeks to restrain or enjoin the issuance or delivery of the Series 2007 Bonds or the collection of the revenues pledged to the payment of the Series 2007 Bonds, (c) contests or affects the validity of the Series 2007 Bonds or the Resolution, (d) in any way contests or affects the collection or the pledge of the revenues pledged to the payment of the Series 2007 Bonds or contests the powers of the Authority or any authority for the issuance of the Series 2007 Bonds, the adoption of the Resolution or the application of the proceeds of the Series 2007 Bonds for the purposes and in the manner described herein, or (e) may result in any material adverse change to the Water Works System or the financial condition of the Authority.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Damon & Morey LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Series 2007 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) interest on the Series 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The arbitrage and use of proceeds certificate of the Authority (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Series 2007 Bonds, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority and others in connection with the Series 2007 Bonds, and Bond Counsel has assumed compliance by the Authority with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Series 2007 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2007 Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York and the City of Yonkers.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2007 Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2007 Bonds, or on the exemption from state and local tax law of interest on the Series 2007 Bonds.

The form of approving opinion proposed to be delivered by Bond Counsel in connection with the Series 2007 Bonds is attached hereto as Appendix E.

#### **Certain Ongoing Federal Tax Requirements and Certifications**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2007 Bonds in order that interest on the Series 2007 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2007 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2007 Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority, in executing the Tax Certificate, will certify to the effect that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Series 2007 Bonds from gross income under Section 103 of the Code.

#### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2007 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2007 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2007 Bonds.

Prospective owners of the Series 2007 Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Series 2007 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Payments of interest on tax-exempt obligations, including the Series 2007 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2007 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for Federal income tax purposes.

#### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2007 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2007 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2007 Bonds is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Series 2007 Bond having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Series 2007 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based

on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

### **Bond Premium**

In general, if an owner acquires a Series 2007 Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2007 Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Series 2007 Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. (In certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners of Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

### **Legislation**

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2007 Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2007 Bonds.

### **Miscellaneous**

On May 21, 2007, the United States Supreme Court agreed to hear the case of *Department of Revenue of Kentucky v. Davis*. In that case, the Kentucky Court of Appeals held that Kentucky's exemption from taxation of interest on bonds issued by Kentucky or its political subdivisions and its taxation of interest on bonds issued by other states or their political subdivisions violates the Commerce Clause of the United States Constitution. The State of New York exempts from taxation interest on bonds issued by the State or its political subdivisions and taxes interest on bonds issued by other states or their political subdivisions. It is not possible to predict how the United States Supreme Court will decide the *Davis* case or to predict any change in state law that would be occasioned by the United States Supreme Court's affirmance of the *Davis* decision, nor is it possible to predict the effect, if any, of that affirmance or any change in state law on the tax status of interest on the Series 2007 Bonds for state tax purposes or on the market value of the Series 2007 Bonds.

## **RATINGS**

Standard & Poor's, Moody's and Fitch Ratings have assigned their municipal bond ratings of \_\_\_\_, \_\_\_\_ and \_\_\_\_, respectively, to this issue of Series 2007 Bonds. Such ratings reflect only the respective views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no

assurance that any or all of such ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Series 2007 Bonds.

### **MARKET FACTORS**

The financial condition of the Authority, as well as the market for the Series 2007 Bonds, could be affected by a variety of factors, some of which are beyond the Authority's control. There can be no assurance that adverse events in the State, including, for example, the seeking by a municipality or public authority of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Series 2007 Bonds. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions, thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Authority to arrange for additional borrowings and the market for and market value of outstanding debt obligations, including the Series 2007 Bonds, could be adversely affected.

### **DISCLOSURE UNDERTAKING**

At the time of the delivery of the Series 2007 Bonds, the Authority will provide an executed copy of its "Undertaking to Provide Continuing Disclosure" (the "Undertaking"). The Undertaking will constitute a written agreement or contract of the Authority for the benefit of holders of and owners of beneficial interests in the Series 2007 Bonds to provide, or cause to be provided:

(1) to (a) each nationally recognized municipal securities information repository ("NRMSIR") and (b) the New York State Information Depository, if created ("SID"), on or prior to the 270<sup>th</sup> day following the end of each fiscal year, commencing with the fiscal year ending December 31, 2007 (i) certain annual financial information, in a form generally consistent with the information contained or cross-referenced in this Official Statement under the headings: "Indebtedness of the Authority", "Financial Operations of the Water Works System", and "Litigation", and (ii) the audited financial statement, if any, of the Authority for each fiscal year, commencing with the fiscal year ending December 31, 2007, unless such audited financial statements shall not then be available, in which case the unaudited financial statement shall be provided and an audited financial statement shall be delivered to each NRMSIR, and to the SID within 30 days after it becomes available and in no event later than 360 days after the end of each fiscal year;

(2) to (a) each NRMSIR, or to the Municipal Securities Rulemaking Board ("MSRB"), and (b) to the SID, timely notice of occurrence of any of the following events, if such event is material: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds; (vii) modifications to the rights of bondholders; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Series 2007 Bonds; and (xi) rating changes; and

(3) to (a) each NRMSIR or the MSRB and to (b) the SID, in a timely manner, notice of failure to provide the annual financial information and financial statements described in (1) above by the required date.

The Authority may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Series 2007 Bonds, but the Authority does not undertake to commit to provide any such notice as to the occurrence of any material event except those events listed above.

The Authority's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Series 2007 Bonds shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the Authority, and no person or entity, including a holder of the Series 2007 Bonds, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the Authority to comply with the Undertaking will not constitute a default with respect to the Series 2007 Bonds.



The Authority reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that any such amendment or modification will be done in a manner consistent with Securities and Exchange Commission Rule 15c2-12, as amended.

#### **INDEPENDENT ACCOUNTANTS**

The financial statements of the Authority for the years ended December 31, 2006 and 2005, set forth in Appendix D to this Official Statement, have been audited by Drescher & Malecki LLP, independent accountants, whose report thereon appears also in Appendix D.

#### **FINANCIAL ADVISOR**

Public Financial Management, Inc. is employed as Financial Advisor to the Authority in connection with the issuance of the Series 2007 Bonds. Public Financial Management, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2007 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the Authority has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **SALE AT COMPETITIVE BIDDING**

The Series 2007 Bonds will be offered for sale at competitive electronic bidding on August 28, 2007 pursuant to a Notice of Sale substantially in the form attached hereto as Appendix F, which was furnished to prospective bidders.

#### **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, and sale of the Series 2007 Bonds will be subject to the final approving opinions of Damon & Morey LLP, Bond Counsel, New York, New York. Certain legal matters will be passed on for the Authority by Mark J. Fuzak, Buffalo, New York, Attorney to the Authority.

#### **OTHER INFORMATION**

Additional information may be obtained upon request from Robert A. Mendez, Executive Director, Erie County Water Authority, 350 Ellicott Square Building, 295 Main Street Buffalo, New York 14203-2494, telephone (716) 849-8484.

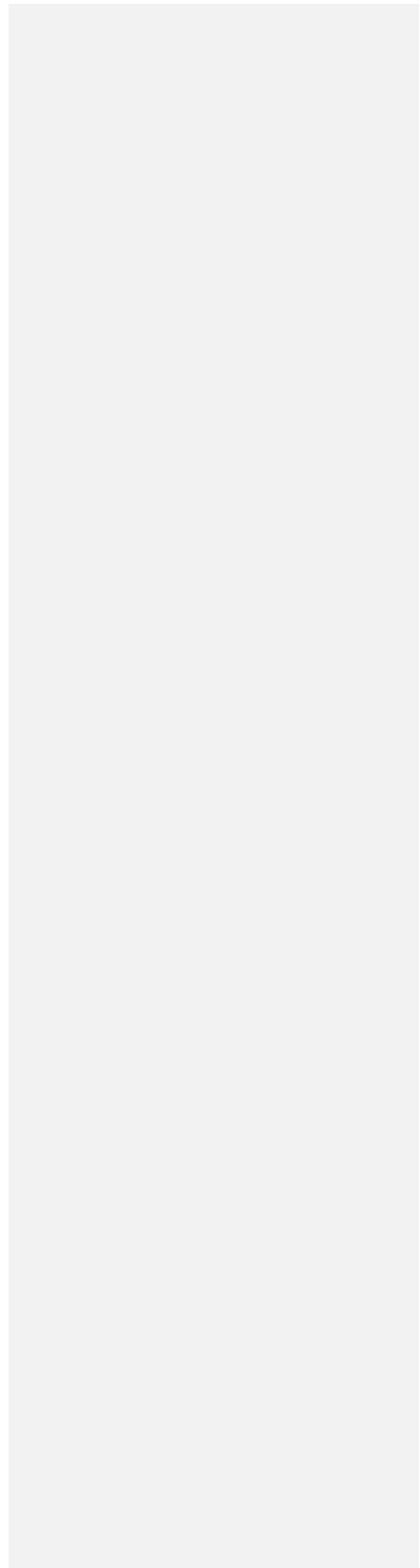
Any statements made in this Official Statement and indicated to involve matters of opinion or estimates are represented to be opinions or estimates held or made in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated. Neither this Official Statement, nor any statement respecting the Authority or the Series 2007 Bonds which may have been made orally or in writing, is to be construed as a contract with the owners of the Series 2007 Bonds.

This Official Statement is submitted only in connection with the sale of the Series 2007 Bonds by the Authority, and may not be reproduced or used in whole or in part for any other purposes.

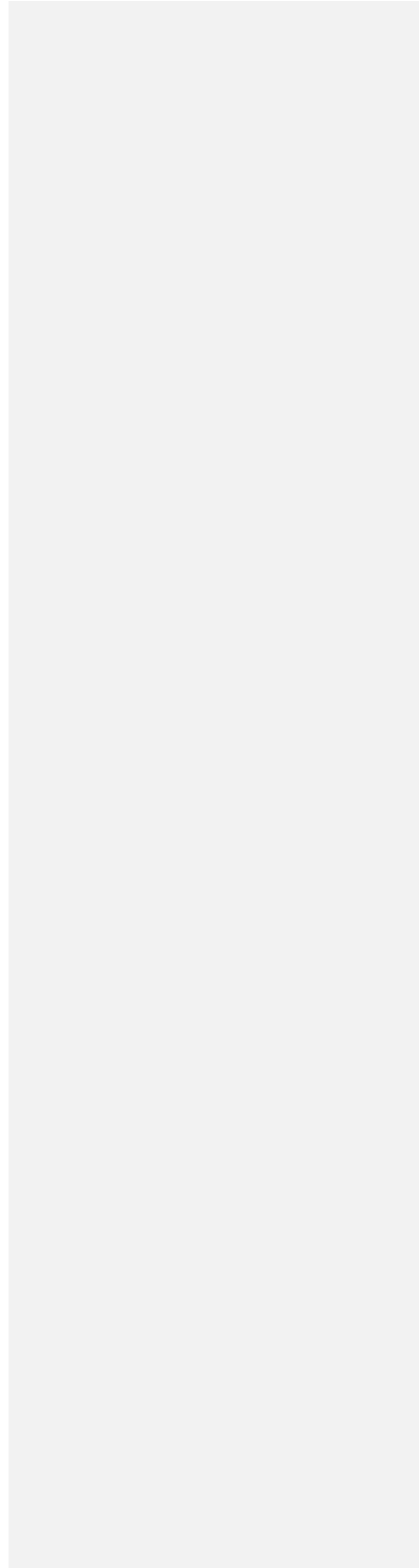
ERIE COUNTY WATER AUTHORITY

By \_\_\_\_\_  
Frank E. Swiatek  
Chairman

Dated: August \_\_, 2007



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## APPENDIX A

### Definitions

The following are definitions of certain of the terms defined herein or in the Resolution or the Series 2007 Resolution and used in this Official Statement:

“**Act**” means the Erie County Water Authority Act, Article 5, Title 3, Public Authorities Law, Sections 1050 through 1073, inclusive, and all laws amendatory or supplemental thereto.

“**Additional Security**” means a letter of credit, line of credit, insurance policy, surety bond, standby purchase agreement or similar obligation or instrument or any combination of the foregoing.

“**Authority**” means the Erie County Water Authority, a body corporate and politic constituting a public benefit corporation, created pursuant to Chapter 845 of the Laws of New York, 1949 and duly continued and existing under the Act.

“**Authorized Officer**” when used with reference to the Authority means the Chairman, the Vice-Chairman, the Treasurer or the Secretary thereof or other officer designated by resolution of the Authority.

“**Available Revenues**” means (1) prior to the Retirement Date of the Prior Lien Bonds, all monies at any time on deposit in the general fund established under the 1990 Resolution, or (2) on and after the Retirement Date of the Prior Lien Bonds, all Revenues.

“**Beneficial Owner**” means, so long as the Series 2007 Bonds are exclusively in book-entry form, the owner of a beneficial interest in any Series 2007 Bond through a Participant in DTC.

“**Bond Fund**” means the Bond Fund created in the Resolution and to be held and administered by the Trustee.

“**Bondholder**” or “**holder of a Bond**” means the registered owner of any Bond which at the time shall be registered other than to bearer, or such holder’s duly authorized attorney in fact, representative or assigns.

“**Bonds**” means the Fourth Resolution Water Revenue Bonds issued from time to time by the Authority under and pursuant to the Resolution.

“**Capital Appreciation Bonds**” means Bonds, the payment of interest on which shall only be made (i) at maturity, (ii) at a specified time or times prior to maturity or upon earlier redemption, by Sinking Fund Installment or otherwise, (iii) at a specified time or times and thereafter on each interest payment date until maturity, or (iv) on each interest payment date until a specified time and thereafter at a specified time or times prior to maturity or upon earlier redemption, by Sinking Fund Installment or otherwise.

“**Certified Interest Rate**” means the rate of interest as certified pursuant to the Resolution which a Series of Variable Rate Bonds would have borne had such Variable Rate Bonds been issued at a fixed interest rate to their stated maturity.

“**Change of Control**” means, after the date of the Resolution, the passage by either house of the New York State legislature of any bill which upon passage would authorize, or the enactment of any local law which authorizes, the occurrence of the events specified in either clause (A) or clause (B) below: (A) the transfer to any entity, public or private, of (i) any of the statutory powers, duties or functions of the Authority, (ii) all or any significant portion of the properties or assets of the Authority or (iii) any moneys or securities of the Authority, or (B) any increase in the number of the members of the Authority.

“**Code**” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the applicable temporary, proposed or final regulations promulgated thereunder by the United States Treasury Department.

“**Cost of Acquisition and Construction**” means all costs of determining the feasibility of, and acquiring, constructing, financing, carrying out and operating the Water Works System and any additions, improvements, enlargements, extensions, expansions and betterments to the Water Works System, and shall include, but not be limited to, moneys required

for:

- (i) working capital and reserves in such amounts as may be deemed necessary by the Authority;
- (ii) interest accruing in whole or in part on Bonds after the date such Bonds are issued, but only if, and to such extent as, the Authority may reasonably determine;
- (iii) deposits from the proceeds of Bonds in any fund or account established pursuant to the Resolution to meet requirements for Bonds;
- (iv) deposits from the proceeds of Bonds in any funds or accounts established pursuant to the Resolution as reserve for renewals, repairs, replacements, modifications, betterments, additions and contingencies;
- (v) preliminary survey, investigation and development costs, engineering fees, contractors' fees, costs of permits, licenses and approvals, labor, materials, equipment, lands, rights of way, franchises, payments to other public agencies, training and testing costs, insurance premiums, principal of and interest on notes issued in anticipation of Bonds, fees and expenses of trustees and paying agents, legal and financing costs, administrative and general costs, and all other costs incurred by the Authority and properly allocable to the Water Works System; and
- (vi) the cost of any Additional Security and any fees and expenses in connection therewith;
- (vii) costs associated with any injury or damage claims; and
- (viii) all items of expense directly or indirectly related to the authorization, issuance, offering and sale of Bonds, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees of any fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, or any other cost, charge or fee in connection with the original issuance of Bonds.

**"Debt Service"** means, as of any particular date of computation, with respect to any Series of Bonds and with respect to any period, the sum of (i) interest accruing during such period on such Series of Bonds (to the extent not capitalized) and (ii) that portion of each installment of principal for such Series of Bonds deemed to accrue daily in equal amounts from a date one year (or such lesser period as shall be appropriate if such installments of principal for such Series of Bonds shall become due more frequently than annually) prior to its due date, or from the date of issuance of such Series of Bonds, whichever is later, except that, if any Refundable Principal Installment of such Series of Bonds is included in Debt Service for such period, Debt Service shall be determined as if such Refundable Principal Installment had been payable over a period extending 40 years from the date of issuance of such Refundable Principal Installment and as if such Refundable Principal Installment bears interest at the greater of (A) the rate or rates which were assumed by the Authority in the Authority's budget for the Fiscal Year during which such calculation is made to be borne by such Refundable Principal Installment during such Fiscal Year or (B) the actual rate or rates borne by such Refundable Principal Installment on such date of calculation. Such interest and installments of principal shall be calculated on the assumption that no Bonds Outstanding at the date of such calculation will cease to be Outstanding except by reason of the payment of each installment of principal for such Series of Bonds on its due date and such calculation shall include interest and installments of principal on Parity Reimbursement Obligations.

**"Fiscal Year"** means the period established by the Authority or provided by law from time to time as its fiscal year, and which, as of the date hereof, is the twelve month period commencing on January 1 of any year and ending on December 31 of such year.

**"General Fund"** means the General Fund created in the Resolution and to be held and administered by the Authority.

**"Investment Securities"** means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority and are otherwise consistent with the Authority's investment guidelines:

- (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) obligations of any agency, subdivision, department, division or instrumentality of the United States of America; or obligations fully guaranteed as to interest and principal by any agency, subdivision, department, division or instrumentality of the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America or any agency thereof;

(iv) direct obligations of, or obligations guaranteed as to principal and interest by, any state or direct obligations of any agency or public authority thereof, provided such obligations are rated, at the time of purchase, in one of the two highest rating categories by at least two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company (which may include the Trustee) which is a member of the Federal Deposit Insurance Corporation, provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii) or (iii) of this definition of Investment Securities, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured);

(vi) repurchase agreements with any bank or trust company (which may include the Trustee) which is a member of the Federal Deposit Insurance Corporation, which agreements are secured by securities which are obligations described in items (i), (ii) or (iii) of this definition of Investment Securities provided that each such repurchase agreement (A) is in commercially reasonable form and is for a commercially reasonable period, and (B) results in transfer to the Trustee or the Authority of legal title to, or the grant to the Trustee or the Authority of a prior perfected security interest in, identified securities referred to in items (i), (ii) or (iii) above which are free and clear of any claims by third parties and are segregated in a custodial or trust account held by a third party (other than the repurchaser) as the agent solely of, or in trust solely for the benefit of, the Trustee or the Authority; provided that such securities acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such securities or the repurchase price thereof set forth in the applicable repurchase agreement;

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right to payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or instrumentality of the United States of America or any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under the Resolution, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's and Standard & Poor's, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's and Standard & Poor's;

(ix) investment agreements rated or the issuer of which is rated, in one of the two highest rating categories by at least two nationally recognized rating agencies and if rated by Moody's or Standard & Poor's such investment agreements or the long term unsecured debt obligations of the issuer thereof must be rated in one of the two highest rating categories by the respective agency rating such investment agreements; and

(x) such other investments with respect to any Series of Bonds as are specified in the Supplemental Resolution pursuant to which such Series of Bonds was issued.

The Series 2007 Resolution defines "**Investment Securities**" to include, for purposes of the Series 2007 Bonds, the

following:

(a) Bonds, notes or other evidences of indebtedness rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(b) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase; and

(c) Investments in money market funds rated “AAAm” or “AAAm-G” or better by Standard & Poor’s.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Net Revenues**” mean, with respect to any period, (i) prior to the Retirement Date of the Prior Lien Bonds, the Revenues for such period less the amounts paid from the revenue fund under the 1990 Resolution into the operating and maintenance fund under the 1990 Resolution during such period, and (ii) on and after the Retirement Date of the Prior Lien Bonds, the Revenues during such period less the Operation and Maintenance Expenses during such period.

“**1990 Resolution**” means the resolution adopted by the Authority on April 6, 1990, entitled “WATER WORKS SYSTEM REVENUE BOND RESOLUTION,” and any resolution amendatory or supplemental thereto.

“**1993 Supplemental Resolution**” means the Supplemental Resolution adopted by the Authority on February 18, 1993, under the 1990 Resolution and entitled “THIRD SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF \$27,500,000 WEEKLY ADJUSTABLE/FIXED RATE WATER WORKS SYSTEM REVENUE BONDS, SERIES 1993A AND \$15,000,000 WEEKLY ADJUSTABLE/FIXED RATE WATER WORKS SYSTEM REVENUE BONDS, SERIES 1993B,” authorizing the issuance of the Series 1993A and Series 1993B Bonds.

“**Operating Fund**” means the fund of that name created pursuant to the Resolution to be held and administered by the Authority.

“**Operation and Maintenance Expenses**” means the costs and expenses of operating and maintaining the Water Works System, including, without limiting the generality of the foregoing, (i) all expenses includable in the operation and maintenance expense accounts of the Authority relating to the Water Works System according to generally accepted accounting principles, exclusive of depreciation and amortization of property values or losses; (ii) to the extent not included in the preceding clause (i) or paid from Bond proceeds or otherwise, the Authority’s share of the costs and expenses of operating and maintaining any plants and properties jointly owned with others, (iii) administrative expenses, insurance premiums, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds, refunds or customers’ deposits and interest on customers’ deposits; (iv) any other expenses required to be paid by the Authority under the provisions of the Resolution or by law or permitted by standard practices for public utility systems similar to the property and business of the Authority and applicable in the circumstances; and (v) the expenses, liabilities and compensation of the Trustee, Registrar and Paying Agent required to be paid under the Resolution.

“**Outstanding**” when used with reference to Bonds means, as of any date, Bonds theretofore or thereupon issued or authorized pursuant to the Resolution, except: (a) any Bonds canceled by a Paying Agent or paid at or prior to such date; (b) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Resolution; and (c) Bonds deemed to be no longer outstanding as provided in the Resolution.

“**Parity Reimbursement Obligation**” means the obligations of the Authority to reimburse the issuer of an Additional Security for amounts paid by such issuer thereunder, which obligation is secured by a pledge of, and lien on, Available Revenues on a parity with the lien created by the Resolution.

“**Paying Agent**” means the bank or trust company appointed as Paying Agent pursuant to the Resolution, and its successor or successors, and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution.

“**Prior Lien Bonds**” means the outstanding bonds of the Authority issued prior to, on, or subsequent to the date of the Resolution pursuant to the 1990 Resolution including, but not limited to, the Series 1993A Bonds and the Series 1993B



Bonds.

“**Rate Consultant**” shall mean the one or more engineers or engineering firms, accounting firms, investment bankers or corporations retained by or on behalf of the Authority to perform the acts and carry out the duties provided for such Rate Consultants in the Resolution.

“**Record Date**” means, with respect to any Series of Bonds, the fifteenth (15<sup>th</sup>) day (whether or not a business day) of the calendar month immediately preceding an interest payment date or such other day as may be provided in the Supplemental Resolution authorizing the issuance of such Series.

“**Refundable Principal Installment**” means any principal installment for any Series of Bonds which the Authority intends to pay with moneys that are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing the issuance of such Series of Bonds and provided further, however, that such principal installment shall be a Refundable Principal Installment only until such time as the Authority no longer intends to pay such principal installment with moneys which are not Revenues.

“**Registrar**” means the Registrar appointed pursuant to the Resolution, and its successor or successors, and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“**Reserve Account Requirement**” means, with respect to a Series of Bonds, the amount, if any, prescribed by the Supplemental Resolution authorizing such Series of Bonds.

“**Resolution**” means the resolution adopted by the Authority on July 9, 1992, entitled ‘FOURTH GENERAL WATER REVENUE BOND RESOLUTION,’ as from time to time amended or supplemented by one or more Supplemental Resolutions.

“**Resolutions**” means collectively the Resolution and the Series 2007 Resolution.

“**Retirement Date of Prior Lien Bonds**” means the date on which all of the Prior Lien Bonds and all other evidences of indebtedness secured under the 1990 Resolution are paid or deemed to be paid in accordance with the 1990 Resolution.

“**Revenue Bond Index**” means the thirty (30) year Revenue Bond Index of The Bond Buyer, a publication in New York, New York, or any successor publication maintaining such index or in the event The Bond Buyer or any successor publication does not maintain such Index, an equivalent index with the same components as the Revenue Bond Index. In the event there is no Revenue Bond Index or equivalent index an interest rate for a Series of Bonds determined in accordance with the Revenue Bond Index shall be the maximum rate, if any, permitted by the Supplemental Resolution authorizing the issuance of such Series of Bonds, or if the Supplemental Resolution authorizing the issuance of such Series of Bonds does not specify a maximum rate, the Certified Interest Rate.

“**Revenue Fund**” means the Revenue Fund created in the Resolution to be held and administered by the Authority.

“**Revenues**” means and includes all income, fees, charges, receipts, profits and other moneys derived by the Authority from its ownership or operation of the Water Works System, including, without limiting the generality of the foregoing, (i) all income, fees, charges, receipts, profits and other moneys derived from the sale of water and from the furnishing or supplying of the services, facilities and commodities through the Water Works System, and (ii) all income from investments of moneys held under the Resolution and the 1990 Resolution, including investment income on any Construction Fund. “Revenues” shall not include deposits subject to refund until such deposits have become the property of the Authority; and income, fees, charges, receipts, profits or other moneys derived by the Authority from its ownership or operation of any separate utility system or any gifts, grants, donations or other moneys received by the Authority from any state or Federal agency or other person, if such gifts, grants, donations or other moneys received by the Authority from any state or Federal agency or other person are the subject of any limitation or reservation (i) imposed by the donor grantor or (ii) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in such a way as to preclude their inclusion in Revenue.

“**Serial Bonds**” means Bonds which are not Term Bonds.

“**Series of Bonds**” or “**Bonds of a Series**” means all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

“**Series 1992FR Bonds**” means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Supplemental Resolution adopted by the Authority on July 9, 1992, entitled “ FIRST SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$60,000,000 FOURTH RESOLUTION REFUNDING WATER REVENUE BONDS, Series 1992”, authorizing the issuance of the Series 1992FR Bonds.

“**Series 1993A Bonds**” means the outstanding bonds of the Authority issued pursuant to the 1990 Resolution and the 1993 Supplemental Resolution and designated as “Weekly Adjustable/Fixed Rate Water Works System Revenue Bonds, Series 1993A.”

“**Series 1993B Bonds**” means the outstanding bonds of the Authority issued pursuant to the 1990 Resolution and the 1993 Supplemental Resolution and designated as “Weekly Adjustable/Fixed Rate Water Works System Revenue Bonds, Series 1993B.”

“**Series 1998B Bonds**” means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Supplemental Resolution adopted by the Authority on September 25, 1997, as amended February 5, 1998 and February 20, 1998, authorizing the issuance of the Series 1998B Bonds.

“**Series 1998D Bonds**” means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Supplemental Resolution adopted by the Authority on April 30, 1998, as amended July 9, 1998, authorizing the issuance of the Series 1998D Bonds.

“**Series 2003F Bonds**” means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Supplemental Resolution adopted by the Authority on October 31, 2002, authorizing the issuance of the Series 2003F Bonds.

“**Series 2007 Bonds**” means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Series 2007 Resolution.

“**Series 2007 Resolution**” means the Supplemental Resolution adopted by the Authority on August 16, 2007, entitled “SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$35,000,000 FOURTH RESOLUTION WATER REVENUE BONDS, Series 2007” authorizing the issuance of the Series 2007 Bonds.

“**Standard & Poor’s**” means Standard & Poor’s Rating Services, a Division of The McGraw-Hill Companies, Inc.

“**Supplemental Resolution**” means any resolution adopted by the Authority pursuant to and in compliance with the provisions of the Resolution providing for the issuance of Bonds, and any other resolution adopted by the Authority pursuant to and in compliance with the provisions of the Resolution amending or supplementing the provisions of the Resolution.

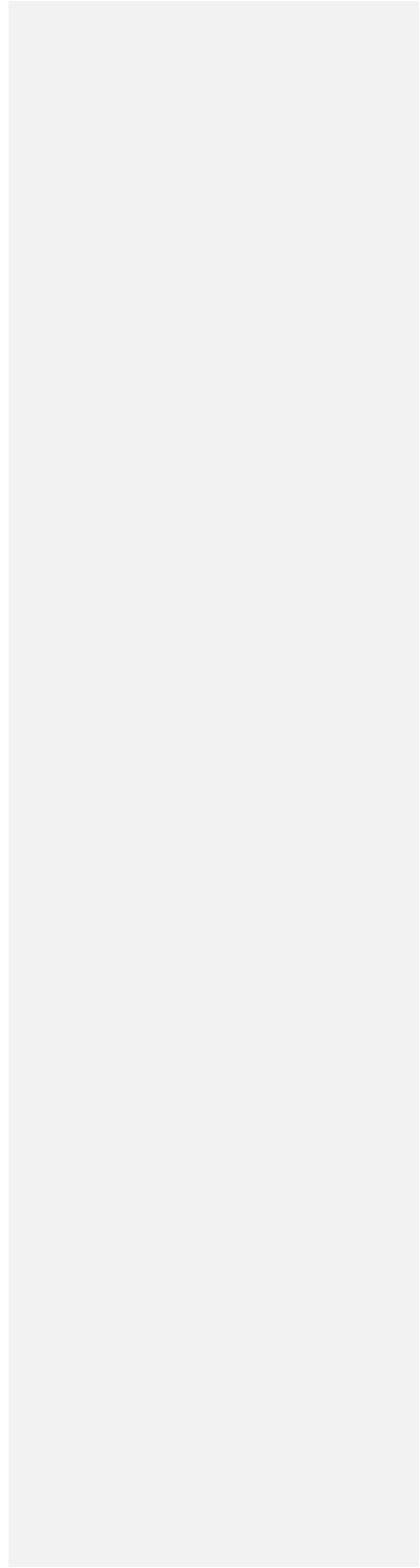
“**Term Bonds**” means Bonds the retirement or the redemption of which shall be provided for from moneys credited to the Bond Retirement Account in the Bond Fund pursuant to the Resolution.

“**Trustee**” means the Trustee appointed pursuant to the Resolution, and its successor or successors, and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“**Variable Rate Bonds**” mean any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time based on the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such Bonds from being ascertainable in advance.

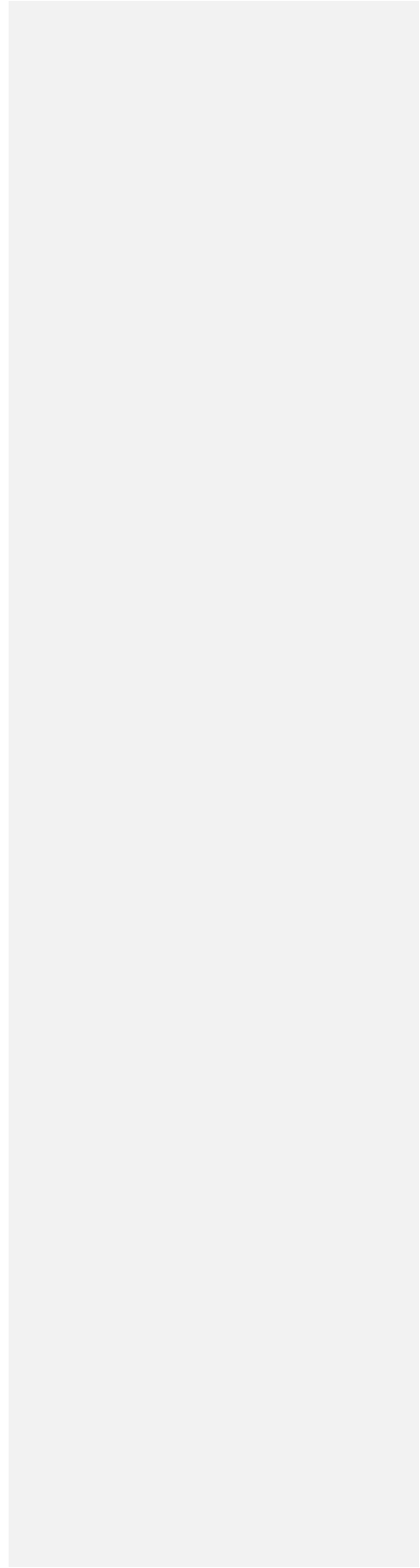
“**Water Works System**” means the source of water supply and the water supply and distribution system of the Authority, including the plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in land and water rights, rights-of-way, contract rights, franchises, approaches, connections, dams, reservoirs, water mains and pipe lines, utility installations, pumping stations and equipment, and any other property, real, personal or mixed, incidental to and included in such source of supply and such system or parts thereof, including any proprietary software programs or databases belonging to the Authority which are utilized in the operation and management of such source of supply and such

system, and any improvements, extensions and betterments, now or hereafter constructed, acquired or made by the Authority.





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## **APPENDIX B**

### **Summary of Certain Provisions of the Resolution and the Series 2007 Resolution**

The following is a brief outline of certain provisions contained in the Resolution and the Series 2007 Resolution and is not to be considered as a full statement thereof. This summary is qualified by reference to and is subject to the Resolution and the Series 2007 Resolution, copies of which are available for examination at the principal offices of the Authority and the Trustee. To the extent that certain provisions of the Resolution are modified or superseded by the provisions of the Series Resolution, the Series 2007 Bonds, and the rights of the holders thereof, are governed by the Series 2007 Resolution.

#### **Authorization of Bonds**

The Resolution authorizes the issuance and provides the security for certain bonds of the Authority, to be known and entitled as "Fourth Resolution Water Revenue Bonds". The Bonds may be issued from time to time in series, pursuant and subject to the terms, conditions and limitations of the Resolution, in such amounts as may be determined by the Authority, for the payment of all or a portion of the Cost of Acquisition and Construction of the Water Works System or for refunding any bond or bonds of the Authority. The principal amount of Bonds which may be issued and secured by the Resolution shall not be limited, except as may be provided by law.

#### **General Provisions for Issuance of Bonds**

The Bonds of each series shall be issued by means of a Supplemental Resolution adopted by the Authority in accordance with the provisions of the Resolution. Such Supplemental Resolution shall designate the Bonds by an appropriate Series designation, in addition to the title "Fourth Resolution Water Revenue Bonds" or any other appropriate title specified in the Supplemental Resolution, and shall specify such additional terms and provisions as set forth in the Resolution.

#### **Conditions for the Issuance of Bonds Other Than Refunding Bonds**

One or more Series of Bonds (exclusive of Refunding Bonds) may be issued under the resolution at any time and from time to time for the payment of all or a portion of the Cost of Acquisition and Construction, but only upon compliance as to each such Series with the provisions of the Resolution.

#### **Refunding Bonds**

The Authority may issue Refunding Bonds at any time for the purpose of refunding (including by purchase) at any time all or any portion of bonds outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding Bonds and of effecting such refunding.

The proceeds of the Refunding Bonds of each Series issued shall be applied for the purposes of making deposits in such Funds and Accounts under the Resolutions as shall be required by the provisions of the Supplemental Resolution authorizing the issuance of such Refunding Bonds.

#### **Establishment of Funds**

The Resolution establishes the following funds, the existence of which shall continue so long as any Bonds issued pursuant to the Resolutions are outstanding:

- (1) Revenue Fund, to be held by the Authority;
- (2) Operating Fund, to be held by the Authority;
- (3) Bond Fund, to be held by the Trustee; and
- (4) General Fund, to be held by the Authority.

#### **Available Revenues Prior to Retirement Date of the Prior Lien Bonds**

Prior to the Retirement Date of the Prior Lien Bonds, the Authority shall withdraw at the end of each month from the general fund established under the 1990 Resolution the Available Revenues which shall be applied as follows and in the following order of priority:

- (1) to the payment of the fees and expenses of the Trustee, Paying Agent and Registrar in accordance with Resolution;
- (2) the amounts required to be deposited in the Bond Fund shall be transferred as set forth in the Resolution; and
- (3) the balance of the Available Revenues, after the payments and transfers set forth above, shall be deposited into the General Fund.

#### **Available Revenues on and After Retirement Date of the Prior Lien Bonds**

After the Retirement Date of the Prior Lien Bonds, the Authority shall pay or cause to be paid into the Revenue Fund, as promptly as practicable after receipt thereof, all of the Available Revenues and all other moneys required to be paid into the Revenue Fund pursuant to the Resolution (other than the Revenues and other amounts expressly required or permitted by the Resolution to be credited to, or deposited in, any other fund or account). The Revenue Fund and all moneys on deposit therein shall be used and applied, except as otherwise expressly permitted by the Resolution, only in the manner and for the purposes provided in the Resolution.

Moneys in the Revenue Fund shall be applied in the following order of priority:

- (1) the amounts required to pay Operation and Maintenance Expenses shall be transferred to the Operating Fund;
- (2) the amounts required to be deposited to the Bond Fund shall be transferred into the various accounts within the Bond Fund as more fully set forth in the Resolution; and
- (3) the balance remaining in the Revenue Fund at the end of each month, after making the transfers and allocations set forth above, shall be deposited into the General Fund.

#### **Operating Fund**

On and after the Retirement Date of the Prior Lien Bonds, all reasonable and necessary Operation and Maintenance Expenses shall be paid from the Operating Fund as the same become due and payable after transfers from the Revenue Fund and prior to any payment to other funds and accounts set forth in the Resolution.

#### **Bond Fund**

The Bond Fund and the moneys deposited in such Fund shall, except as otherwise provided, be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds, and of retiring the Bonds prior to maturity. Each month the Authority shall transfer, prior to the Retirement Date of the Prior Lien Bonds from the Available Revenues, and on and after the Retirement of the Prior Lien Bonds, to the extent not otherwise provided, from the Revenue Fund after making the transfers hereinabove provided for to the Operating Fund, to the Trustee for deposit into the Bond Fund, amounts as follows and in the following order of priority:

- (i) The Trustee shall create a separate account in the Bond Fund to be known as the "Interest Account". In order to provide for payment of the interest on the Bonds, not later than the twenty-fifth day of the sixth month prior to the date upon which an installment of interest falls due on the Bonds of a Series, or if the first installment of interest on the Bonds of such Series shall fall due in less than six month, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such installment of interest falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Authority shall pay to the Trustee, and the Trustee shall credit to the Interest Account an amount such that, if the same amount were so credited to the Interest Account on the twenty-fifth day of each calendar month thereafter prior to the next date upon which an installment



of interest falls due on the Bonds of such Series, the aggregate of the amounts so credited to the Interest Account would on such date be equal to the installment of interest then falling due on all Bonds of such Series.

(ii) The Trustee shall create a separate account in the Bond Fund to be known as the “Principal Account”. In order to provide for the payment of the principal of Serial Bonds, not later than the twenty-fifth day of the twelfth month prior to the date upon which an installment of principal of Serial Bonds of each Series falls due, or if the first installment of principal of Serial Bonds of such Series shall fall due in less than twelve months, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such installment of principal falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Authority shall pay to the Trustee, and the Trustee shall credit to the Principal Account, an amount such that, if the same amount were so credited to the Principal Account on the twenty-fifth day of each calendar month thereafter, prior to the next date upon which an installment of principal falls due on the Serial Bonds of such Series, the aggregate of the amounts so credited to the Principal Account would on such date be equal to the installment of principal then falling due on the Serial Bonds of such Series.

(iii) The Trustee shall create a separate account in the Bond Fund to be known as the “Bond Retirement Account” in order to meet the specified Sinking Fund Installment requirements of Term Bonds and otherwise to retire Bonds prior to maturity. Not later than the twenty-fifth day of the twelfth month prior to the date upon which a Sinking Fund Installment of Term Bonds of each Series falls due, or if the first Sinking Fund Installment of the Term Bonds of such Series shall fall due in less than twelve months, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such Sinking Fund Installment falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Authority shall pay to the Trustee, and the Trustee shall credit to the Bond Retirement Account an amount such that, if the same amount were so credited to the Bond Retirement Account on the twenty-fifth day of each calendar month thereafter, prior to the next date upon which a Sinking Fund Installment falls due on the Term Bonds of such Series, the aggregate of the amounts so credited to the Bond Retirement Account for the purpose of retiring the Term Bonds of such Series would on such date be equal to the Sinking Fund Installment then falling due on the Term Bonds of such Series.

(iv) Moneys on deposit in the Bond Fund shall be transmitted by the Trustee to any Paying Agent at such times as shall be necessary prior to the date upon which any installment of interest or principal is due on the Bonds (either at the maturity date thereof or redemption date prior to maturity) to pay, and in amounts sufficient to meet such installments of, principal of, premium, if any, and interest on the Bonds, then due. In the event that there shall be a deficiency in the Interest Account, Principal Account or Bond Retirement Account one business day before any interest, principal or sinking fund payment is due on a Series of Bonds, the Trustee shall promptly make up such deficiency from the Reserve Account for such Series by the withdrawal of cash therefrom for that purpose or by the sale or redemption of Investment Securities held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency or by the transfer of Investment Securities (or undivided interest therein) in which moneys in the Interest Account, Principal Account or Bond Retirement Account, as the case may be, may be invested, or by taking such steps as may be necessary to realize the benefit of any surety bond, insurance policy or letter of credit deposited in the Reserve Account for such Series.

#### **General Fund**

Moneys in the General Fund may be used for any lawful purpose of the Authority.

#### **Construction Fund**

The Supplemental Resolution providing for the issuance of any Series of Bonds (exclusive of refunding Bonds) may create and establish (unless theretofore created and established with respect to such purpose) a separate special trust fund to be known as the “Construction Fund, \_\_\_\_\_”, or such other designations as may be appropriate (the blank to be completed with the year in which the Fund is created). The Construction Fund shall be held in trust by the Authority, for the benefit of the holders of the Bonds, as their interests may appear, pending application thereof in accordance with the terms of the Resolution and each appropriate Series Resolution. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds or any other Series of Bonds, there shall be created in the Construction Fund a special account to be known as the “Construction Interest Account”, or such other designation as may be appropriate.

(i) From the proceeds derived from the sale of such Bonds there shall be deposited:

(1) with the Authority for credit to the Construction Interest Account, if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account, an amount equal to the accrued interest on the Bonds paid as part of the purchase price;

(2) with the Authority for credit to such Construction Interest Account, if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account, the amount, if any, equal to the interest on the Bonds being capitalized from proceeds thereof;

(3) with the Trustee for payment into the Bond Fund for credit to the applicable Reserve Account the amount prescribed in the applicable Supplemental Resolution;

(4) with the Authority for credit to the applicable Construction Fund the balance of the Bond proceeds which shall be applied to the payment of the cost as shall be specified in the applicable Supplemental Resolution. Any balance remaining in such Construction Fund upon completion of payment of such costs shall be used for any lawful purpose of the Authority, provided that the Authority shall have obtained a written opinion of nationally recognized bond counsel acceptable to the Trustee that such application will not impair the exemption from Federal income taxation of interest on any of the Bonds.

(ii) Moneys credited to the Construction Interest Account shall be used for the purpose of paying interest on the Bonds. On or before the twenty-fifth day of the month next preceding the maturity of an installment of interest on the Bonds for the payment of which moneys have been credited to the Construction Interest Account, the Authority shall transfer from the Construction Interest Account to the Trustee for deposit in the Bond Fund for credit to the Interest Account an amount which, together with any moneys theretofore received or held by the Trustee for that purpose, shall be sufficient to pay such next maturity installment of interest.

#### **Payment from Construction Fund**

Payments from the respective Construction Funds shall be as specified in the Supplemental Resolution authorizing the issuance of a Series of Bonds.

#### **Lien on Moneys in the Construction Fund**

Amounts on deposit in any Construction Fund, pending their application as provided in the Resolution and Supplemental Resolution, shall be subject to a prior and paramount lien and charge in favor of the holders of the Bonds, and the holders of the Bonds shall have valid claim on such moneys for the further security of the Bonds until paid out or transferred as provided.

#### **Investments of Funds**

Moneys in the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Trustee (at the direction of the Authority) solely in, and obligations credited to such Accounts shall be, Investment Securities which shall mature or be subject to redemption at the option of the holder thereof on or prior to the respective dates when the moneys in such accounts will be required for the purposes intended. Moneys in the Reserve Account in the Bond Fund not required for immediate disbursement for the purpose for which said Account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Trustee at the direction of the Authority solely in, and obligations credited to said Reserve Account shall be, Investment Securities which shall mature or be subject to redemption at the option of the holder thereof on or prior to the maturity date of the applicable Series of Bonds. The Trustee shall not be liable for any depreciation in value of any such investments.

Moneys in the Revenue Fund and in the Construction Fund, including a Construction Interest Account therein, not required for immediate disbursement for the purposes for which such Funds and Account are created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Trustee (at the direction of the Authority) for such Funds and Account, to the extent allowed by law, solely in, and obligations deposited in such Funds and Account shall be, Investment Securities which shall mature or be subject to redemption at the option of the holder thereof not later than such times as shall be necessary to provide moneys when needed to provide payments from such Funds and Account.

To the extent permitted in the Resolution, all income received from the investment or reinvestment of moneys in the Funds established under the Resolution shall be deposited in the respective Funds from which such investments are made to the extent of any deficiencies therein and otherwise to the Revenue Fund; provided, however, that at the direction of the Authority, all or a portion of the income received from the investment or reinvestment of moneys in any such Fund may be deposited in the Construction Fund, including the Construction Interest Account therein. All income received from the investment or reinvestment of moneys in a Construction Fund shall be deposited in said Fund.

Nothing in the Resolution prevents any Investment Securities acquired as investments of funds held under the Resolution from being issued or held in book-entry form.

#### **Particular Covenants**

The Authority has covenanted and agreed with the purchasers and holders of all Bonds issued pursuant to the Resolution as follows:

#### **Maintenance of the Properties of the Water Works System**

The Authority shall (i) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Water Works System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof, in good repair, working order and condition, (ii) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted, and (iii) comply, or cause to be complied, with the terms and conditions of any permit or license for the Water Works Systems or any part thereof issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Water Works System or requiring a license, permit or approval therefor.

#### **Rates and Charges**

The Authority shall fix reasonable rates for each class of service rendered by the Water Works System.

So long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rentals, and other charges sufficient to pay, and any contracts entered into by the Authority for the sale or distribution of water shall contain rates, fees, rentals, or other charges sufficient to pay, the cost of operation and maintenance of the Water Works System, the principal of and interest on the Bonds as the same severally become due and payable, and to maintain any reserve or other funds required by the terms of the Resolution. The Authority shall not reduce any such rates, fees, rentals, and other charges unless on the effective date of such reduction a Rate Consultant shall have recommended such reduction in writing and a copy of such recommendation shall have been filed with the Trustee.

So long as any Bonds are Outstanding, the Authority shall at all times maintain rates, fees, rentals and other charges with respect to the Water Works System as shall be required in order that in each Fiscal Year the Net Revenues shall equal at least 1.10 times the sum of the Debt Service on the Bonds and the Prior Lien Bonds for such Fiscal Year computed as of the beginning of such Fiscal Year, and, in any event, as shall be required to pay or discharge all other indebtedness, charges and liens whatsoever payable out of the Available Revenues or Revenues under the Resolution and the 1990 Resolution.

The Authority shall at all times keep on file with the Trustee copies of its rate schedules for the Water Works System, as in effect from time to time.

For purposes of determining rates and charges, Debt Service on any Variable Rate Bonds shall be calculated using the greater of (i) the Certified Interest Rate or (ii) the interest rate which the Authority estimates Variable Rate Bonds will bear during the Fiscal Year for which such calculation is made.

#### **Sale, Lease or Other Disposition of Properties of the Water Works System**

The Authority shall not sell, mortgage, lease or otherwise dispose of the properties of the Water Works System except as follows:

- (1) The Authority may sell, lease or otherwise dispose of the properties comprising the Water Works System if (i) such sale, lease or disposition is in the ordinary course of the Authority's business or (ii)

simultaneously with such sale or other disposition thereof provision is made for the payment of (x) all Bonds then outstanding and such Bonds are no longer deemed outstanding within the meaning of the Resolution and (y) all Prior Lien Bonds and such Prior Lien Bonds are no longer deemed outstanding within the meaning of the 1990 Resolution.

(2) The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water Works System having a value of \$1,000,000 or less on such terms and conditions as may be prescribed by the Authority. The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water Works System having a value in excess of \$1,000,000 if a Rate Consultant shall certify to the Authority in writing that such terms and conditions of the proposed sale, lease or other disposition of any such properties are fair and reasonable, and that the estimated Available Revenues to be derived from the remaining properties of the Water Works System, after taking into consideration the use by the Authority of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the Authority to comply with all covenants and conditions of the Resolution. Proceeds of any sale, lease or other disposition of any portion of the properties of the Water Works System pursuant to this paragraph shall be paid (i) if such proceeds are not in excess of \$100,000, into the Revenue Fund, or (ii) if such proceeds are in excess of \$100,000, (A) into the bond retirement account in the bond fund established under the 1990 Resolution, and used to purchase Prior Lien Bonds, or, subsequent to the Retirement Date of the Prior Lien Bonds, into the Bond Retirement Account in the Bond Fund and applied to the purchase of redemption of Bonds, or (B) into the General Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water Works System, as the Authority shall determine.

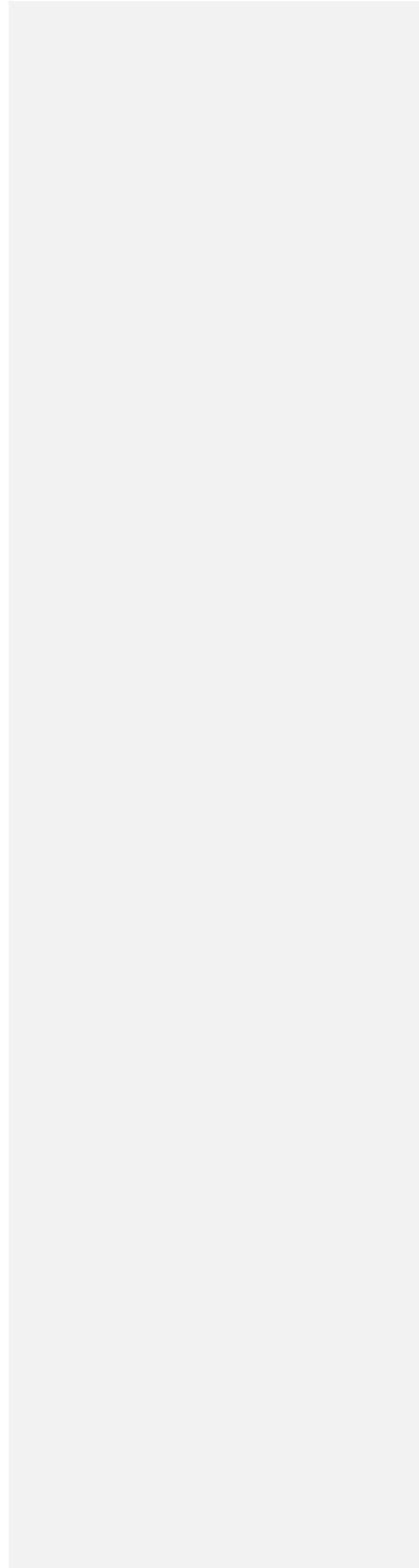
(3) The Authority may sell, lease or otherwise dispose of surplus lands, crops, timber, buildings and any other portion of the works, plant and facilities of the Water Works System and real and personal property comprising a part thereof, which, in the opinion of the Authority, shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Water Works System, or no longer necessary, material to, or useful in such operation. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Water Works System pursuant to this paragraph shall be paid into the General Fund.

(4) In the event that any part of the properties comprising the Water Works System shall be transferred from the Authority through the operation of law (including condemnation), any moneys received by the Authority as a result thereof shall be paid (i) if such proceeds are not in excess of \$100,000 into the Revenue Fund, or (ii) if such proceeds are in excess of \$100,000, (A) into the bond retirement account in the bond fund established under the 1990 Resolution, and used to purchase Prior Lien Bonds, or, subsequent to the Retirement Date of the Prior Lien Bonds into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Bonds, or (B) into the General Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water Works System, as the Authority shall determine.

#### **Covenants Regarding Additional Prior Lien Bonds**

Pursuant to the Series 2007 Resolution, the Authority covenanted not to issue any additional Prior Lien Bonds under the 1990 Resolution or to consent to or agree to any supplement, change, amendment or modification of the 1990 Resolution which would adversely affect the rights or interest of the holders of the Series 2007 Bonds except as expressly provided in the Series 2007 Resolution.

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## **APPENDIX C**

### **Certain Economic and Demographic Information Pertaining to Erie County**

#### **General**

Erie County (the "County") is a metropolitan center located on the western border of the State covering 1,058 square miles. The County is bounded by Lake Erie and Canada to the west, Niagara County to the north, Genesee and Wyoming Counties to the east, and Cattaraugus and Chautauqua Counties to the south. Located within the County are three cities and 25 towns, including the City of Buffalo, the second largest city in the State, which serves as the County seat.

**Population and Economic Characteristics**

	Erie County			Unemployment Rate <sup>1</sup>		
	Population <sup>2</sup>	Per Capita Income <sup>3</sup>	Aggregate Income <sup>4</sup>	Erie County	New York State	Labor Force <sup>1</sup>
	1997	963,040	\$ 24,200	n/a	5.2%	5.8%
1998	956,578	25,462	n/a	4.8%	5.1%	579,123
1999	952,546	26,343	n/a	4.7%	4.5%	574,198
2000	949,398	27,837	\$ 19,181,203,026	4.2%	4.1%	574,284
2001	945,540	28,448	19,459,796,053	5.7%	6.0%	572,109
2002	941,707	29,117	19,348,895,930	5.6%	6.3%	582,911
2003	938,847	30,214	20,807,948,091	5.9%	6.0%	585,535
2004	934,653	31,935	20,743,073,400	5.6%	5.2%	588,620
2005	928,215	n/a	21,396,921,200	5.1%	4.8%	587,588
2006	921,390	n/a	n/a	4.5%	3.8%	581,856
(n/a: not available)						
Sources:						
<sup>1</sup> US Department of Labor - Bureau of Labor Statistics						
<sup>2</sup> US Bureau of the Census						
<sup>3</sup> US Bureau of Economic Analysis						
<sup>4</sup> US Bureau of the Census - American Community Survey						



## Economy

The County is a major New York industrial and commercial center. The following table lists the County's ten largest employers.

Ten Largest Employers  
(As of October 20, 2006)

<u>Employer</u>	<u>Type of Activity</u>	<u>Number of Full Time Employees</u>
State of New York	Government & University	16,508
United States of America	Government	10,000
Kaleida Health	Health care provider	9,500
Erie County	Government & Healthcare	7,269
HSBC Bank USA, N.A.	Commercial bank	5,867
Buffalo City School District	Public school district	5,181
Catholic Health System	Health care	4,832
Employer Services Corp.	Employment related services	4,650
M & T Bank	Commercial bank	4,422
Catholic Diocese of Buffalo	Religious Organization	4,000

SOURCE: Business First – 2007 Book of Lists (Full-time equivalent employees in Western New York)

## Transportation

The County is served by seven major railroad companies, providing easy freight and passenger access to United States and Canadian markets, including Canadian National, Canadian Pacific, CSX, Amtrak, Norfolk Southern, Buffalo Southern and Buffalo & Pittsburgh Railroad. It is one of the largest rail centers in the United States and one of the few centers with international connections.

Rail transportation is one of the County's larger industries, employing more than 2,100 persons with payrolls totaling approximately \$10 million a month. In addition to rail and air service, the County has a large trucking service with 10 transcontinental carriers, 23 international carriers, two transcontinental heavy equipment haulers, and numerous common carriers. There are four highway and two rail entry points into Canada from the County and Niagara County, which allow accessibility to numerous international, transcontinental and regional trucking companies. The Niagara Falls Bridge Commission announced in May 2000 its intention to construct an additional truck entry lane on the U.S. side of the Lewiston-Queenston Bridge to accommodate continued growth in cross border trade. All major moving and storage companies are represented in the County.

Buffalo is located at the eastern end of Lake Erie and the western terminus of the New York State Barge Canal, with access to the St. Lawrence Seaway.

## Educational, Cultural, Media and Recreational Facilities

There are eight colleges and universities, four community and junior colleges, various vocational and technical schools, and junior and senior high schools, both public and parochial, located in the County. The City Campus of the Erie Community College opened in January 1982 and is located in the renovated historically significant former main post office in downtown Buffalo. Studies are currently underway to determine whether the three separate Erie Community College campuses should be consolidated at a single downtown location.

The State University of New York at Buffalo is the largest and most comprehensive component of the State University system. It currently enrolls more than 27,200 students in its undergraduate programs, graduate programs and

professional schools. The facilities and faculty of the University are among the region's major assets. It plays a useful role in the local community through the Western New York Technology Development Center, the Regional Economic Assistance Center, the Center for Management Development, the Community Services and Research Development Program, and the Health Care Instrument and Devices Institute.

A wide assortment of vocational and other specialized educational programs offered in the County are administered through a Board of Cooperative Educational Services (BOCES), with financial aid provided by cooperating school districts.

An important contribution to the area's educational facilities is the Buffalo and Erie County Public Library System. The merger of the Buffalo Public Library, the Grosvenor Reference Library, and the Erie County Public Libraries in 1954 provided the scope for the Library System. The Library System houses approximately 5,000,000 volumes at its Central Library, city branches, and contract libraries.

The County has 12 hospitals with over 3,100 total beds, including the 550-bed, acute care Erie County Medical Center, and a medical school at the University of Buffalo. The Roswell Park Cancer Institute is a major medical research facility located in Buffalo with 119 total beds.

The Buffalo Niagara Medical Campus is an agency that has been created to develop and implement a master plan for Buffalo's Medical Corridor. The campus includes institutions such as Roswell Park Cancer Institute, Buffalo General Hospital, and the Center for Excellence in Bioinformatics. This project is linking the medical institutions with the State University of New York at Buffalo and creating a magnet for talent and funding in the biomedical research field. The Campus Master Plan has been completed and two new research facilities costing over \$25 million are the first facilities in the plan. The Hauptmann Woodward Institute is opened and occupied.

The County area is served by a morning newspaper published by The Buffalo News, Inc. In addition, approximately 40 weekly newspapers, and local, general and special interest magazines and periodicals are circulated throughout the County. The area is served by 24 radio stations with a diverse range of programming, seven television stations, four of which are national network affiliates, and several cable TV companies offering multi-channel fare to a growing list of subscribers.

The County is the home of the Buffalo Bills (National Football League), the Buffalo Sabres (National Hockey League), and the Buffalo Bisons AAA Baseball (International League) professional sports teams.

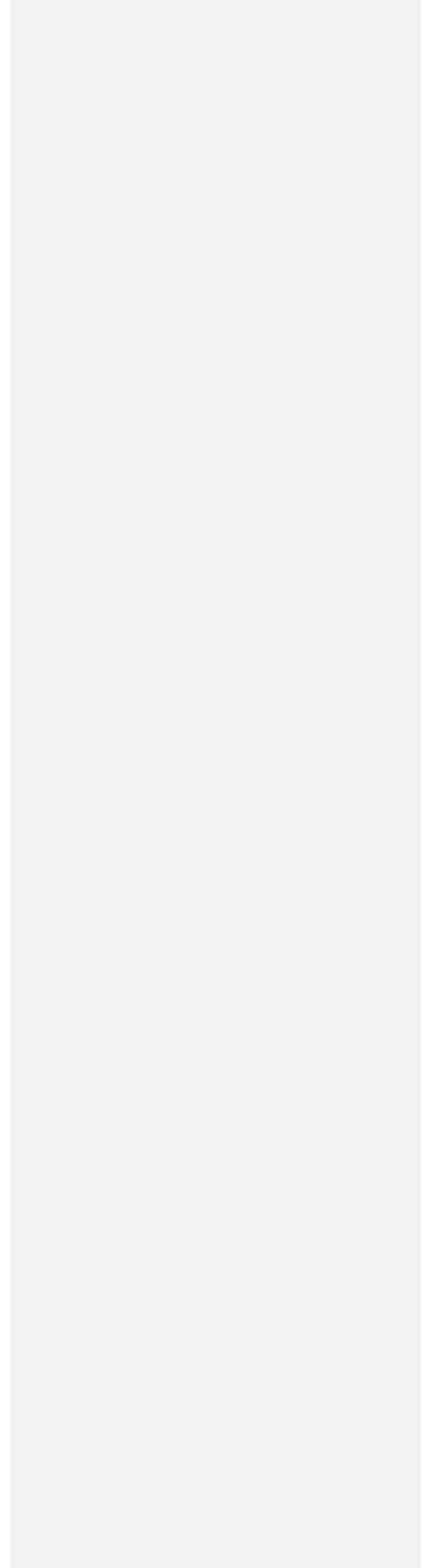
The Buffalo area has attained a national reputation for a broad diversity of ethnic heritage and culture. Cultural centers include Kleinhans Music Hall (home of the Buffalo Philharmonic Orchestra), Studio Arena Theatre, the HSBC Arena, the Naval and Servicemen's Park, the Buffalo Zoo, the Albright-Knox Art Gallery, the Museum of Natural Science, and the Buffalo and Erie County Historical Society Museum. In addition, the County has rededicated the Buffalo and Erie County Botanical Gardens following completion of the first phases of a \$2.5 million renovation program. The Botanical Gardens were originally designed by Frederick Law Olmsted.

State and local officials have agreed on a plan that entails the expenditure of approximately \$45 million for redeveloping the Buffalo harbor. The Buffalo Inner Harbor Project area is located adjacent to the 20,000 seat HSBC Arena at the foot of Main Street and the terminus of the Metro light rail line in downtown Buffalo. The project, originally conceived as a contemporary recreation-oriented plan, will now have a history-oriented focus and emphasize the role of Buffalo's waterfront as the western terminus of the Erie Canal. The Naval Park portion of the project has been completed with the relocation of three naval vessels. The balance of the project is under construction.

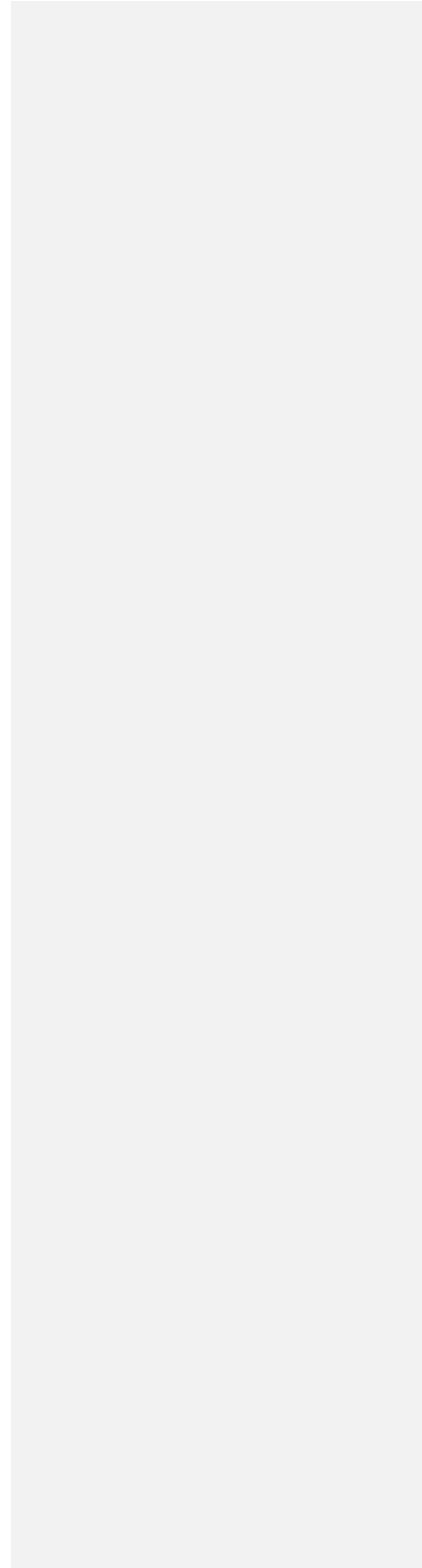
Cultural tourism is being promoted and several projects are being pursued to help in this area. The historic restoration of Frank Lloyd Wright's Martin House is complete, with the final phase, construction of a new visitor center, moving forward. Wright's Graycliff in the Town of Evans is now in the hands of a public benefit corporation that is progressing that facility's restoration. The Roycroft Inn in East Aurora this year celebrated its 10 year reopening, and 100 years since it was started. The Roycroft Campus, which the Inn is part of, is the only intact Arts and Crafts Campus of its type in the United States. The Roycroft Campus Corporation has been organized to oversee the restoration of the entire campus.

**APPENDIX D**

**Comprehensive Annual Financial Report, including  
Financial Statements as of and for the Years Ended December 31, 2006 and 2005,  
and Independent Auditors Report**



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## APPENDIX E

### Form of Opinion of Bond Counsel

Erie County Water Authority  
295 Main Street  
350 Ellicott Square Building  
Buffalo, New York 14203

Gentlemen:

We have acted as bond counsel in connection with the issuance of \$35,000,000 Fourth Resolution Water Revenue Bonds, Series 2007 (the "Series 2007 Bonds") of the Erie County Water Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"). The Series 2007 Bonds are authorized under and pursuant to the Erie County Water Authority Act, as amended, constituting Title 3 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State (the "Act") and under and pursuant to the Fourth General Water Revenue Bond Resolution adopted by the Authority on July 9, 1992 (the "General Resolution") and the Supplemental Resolution Authorizing the Issuance of Up To \$35,000,000 of Fourth Resolution Water Revenue Bonds, Series 2007, adopted by the Authority on August 16, 2007 (the "Series 2007 Resolution"). The Series 2007 Bonds are being issued pursuant to the Act, the General Resolution and the Series 2007 Resolution for the purpose of providing funds which will be used to finance a portion of the Cost of Acquisition and Construction of various projects being undertaken by the Authority as part of its capital improvement program. All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the General Resolution or the Series 2007 Resolution.

The Series 2007 Bonds are issued only in fully registered form without interest coupons, in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, an automated depository for securities and clearinghouse for securities transactions which will maintain a book-entry system for recording the ownership interests in the Series 2007 Bonds. Only one Series 2007 Bond will be initially issued for each maturity in the aggregate principal amount of such maturity. Purchases of ownership interests in the Series 2007 Bonds will be made in book-entry form in denominations of \$5,000 or any integral multiple thereof.

The Series 2007 bonds mature on December 1 in each year in the principal amounts set forth opposite such years in the following table, and bear interest at the rates per annum set forth in the table, payable on June 1, 2008, December 1, 2008, and semi-annually on June 1 and December 1 of each year until maturity or prior redemption.

<u>Maturity</u> <u>December 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>December 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2008	\$295,000		2023	\$1,115,000	
2009	635,000		2024	1,165,000	
2010	660,000		2025	1,215,000	
2011	685,000		2026	1,270,000	
2012	710,000		2027	1,325,000	
2013	740,000		2028	1,385,000	
2014	770,000		2029	1,445,000	
2015	800,000		2030	1,510,000	
2016	835,000		2031	1,575,000	
2017	865,000		2032	1,650,000	
2018	905,000		2033	1,720,000	
2019	940,000		2034	1,800,000	
2020	980,000		2035	1,885,000	
2021	1,025,000		2036	1,970,000	

2022	1,065,000	2037	2,060,000
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The Series 2007 Bonds are subject to optional redemption prior to maturity by the Authority at such prices, on such dates and subject to notice and other such conditions as provided therein and in the General Resolution and the Series 2007 Resolution.

The Authority has the right to issue additional Series of Bonds, ranking equally as to security and payment with the Series 2007 bonds, upon the terms and conditions and for the purposes stated in the General Resolution.

In connection with the Series 2007 Bonds, we have examined the following:

- (a) The Constitution and statutes of the State, including particularly the Act.
- (b) The Internal Revenue Code of 1986, including particularly Section 103 and Sections 141 through 150 thereof, and, to the extent applicable, the regulations of the United States Treasury Department promulgated under the Internal Revenue Code of 1986, as amended (collectively, the "Code").
- (c) Certified copies of the proceedings of the Authority, including particularly the General Resolution and the Series 2007 Resolution authorizing, among other things, the issuance of the Series 2007 Bonds and the issuance, from time to time, of additional Bonds of the Authority on a parity with the Series 2007 Bonds.

We have also examined an executed counterpart of the Certificate of Award executed by the Authority pursuant to the Series 2007 Resolution, together with such other documents, certificates, opinions and proofs relative to the issuance and sale of the Series 2007 Bonds as we deemed necessary or advisable in rendered this opinion.

We have also examined a form of the Series 2007 Bonds.

Based upon the foregoing, it is our opinion that:

- (1) The Authority is a body corporate and politic constituting a public benefit corporation, duly created and validly existing under the laws of the State, including particularly the Act.
- (2) The Authority had and has the right and power under the Act to adopt the General Resolution and the Series 2007 Resolution and to issue and sell the Series 2007 Bonds, and such Resolutions have been duly and lawfully adopted by the Authority, are presently in full force and effect, are valid and binding upon the Authority and are enforceable against the Authority in accordance with their respective terms, and no other authorization is required therefor.
- (3) The General Resolution creates the valid pledge it purports to create, subject only to the provisions of the General Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the General Resolution. Such pledge and the Series 2007 Bonds shall, so long as the Authority's Prior Lien Bonds are outstanding, be subordinate to and inferior to the pledges and liens and charges upon the Revenues created by the 1990 Resolution.
- (4) The Series 2007 Bonds are valid and legally binding obligations of the Authority as provided in the General Resolution and the Series 2007 Resolution, enforceable against the Authority in accordance with their terms and the terms of the General Resolution and the Series 2007 Resolution and are entitled to the benefits of the Act and of the General Resolution and the Series 2007 Resolution and have been duly and validly authorized and issued in accordance with the Act, the General Resolution and the Series 2007 Resolution.
- (5) The Series 2007 Bonds are payable solely from the sources described in the General Resolution and do not constitute a debt or liability of the State or of Erie County or of any other political subdivision of the State.
- (6) Assuming continuing compliance by the Authority with its covenants contained in the Series 2007 Resolution relating to certain requirements contained in the Code and certain other tax-related covenants, interest on the Series

2007 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. Moreover, interest on the Series 2007 Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. However, interest on the Series 2007 Bonds is includable in the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

(7) Interest on the Series 2007 bonds is exempt from personal income taxes imposed by the State of New York and its political subdivisions, including the cities of New York and Yonkers.

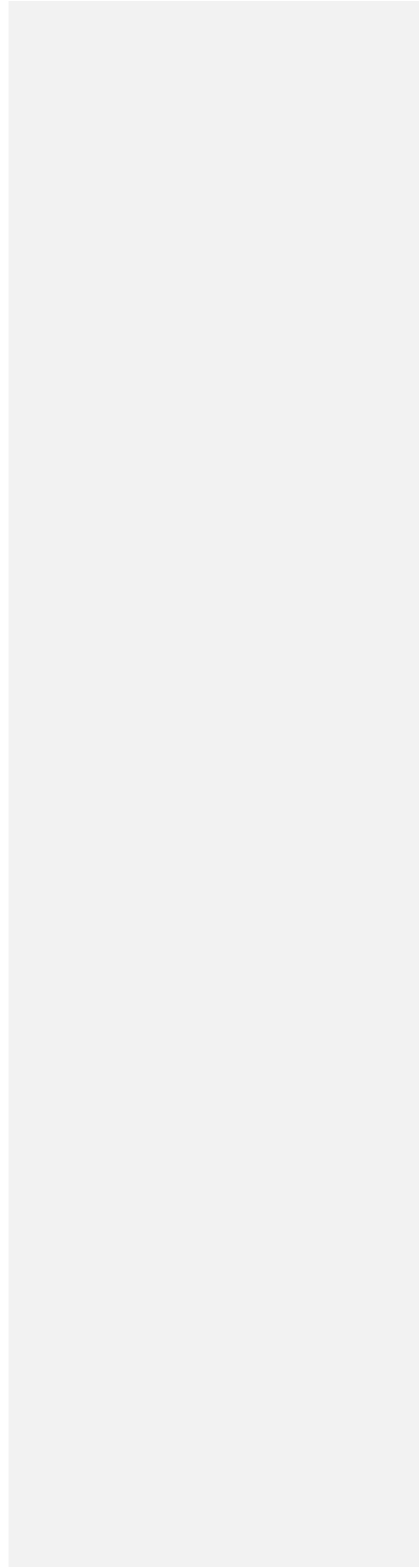
In rendering the foregoing opinions, we also wish to advise you that the enforceability of the General Resolution, the Series 2007 Resolution and the Series 2007 Bonds may be limited by (i) any bankruptcy, insolvency or other law or enactment now or hereafter enacted by the State or Federal government affecting the enforcement of creditors' rights and (ii) the unavailability of equitable remedies or the application thereto of equitable principles. We express no opinion regarding other tax consequences arising with respect to the Series 2007 Bonds.

Very truly yours,





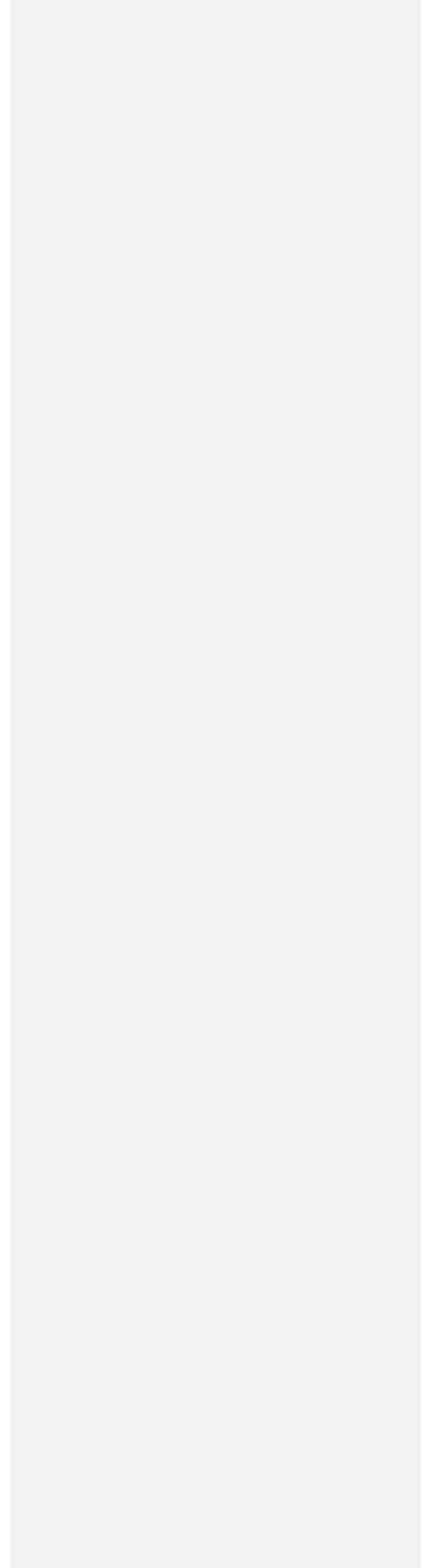
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**APPENDIX F**

**Notice of Sale**





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**ERIE COUNTY WATER AUTHORITY**  
**NEW YORK**

**NOTICE OF SALE**

**\$35,000,000\***  
**FOURTH RESOLUTION WATER REVENUE BONDS, SERIES 2007**

NOTICE IS HEREBY GIVEN that the Erie County Water Authority will offer for sale its \$35,000,000<sup>\*</sup> Fourth Resolution Water Revenue Bonds, Series 2007 (the "Series 2007 Bonds"), according to the following terms:

**TIME AND PLACE**

Electronic proposals will be received for the purchase of the Series 2007 Bonds by the Erie County Water Authority, New York (the "Authority") on Tuesday, August 28, 2007 until 11:30 A.M. Eastern Time, in the offices of Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota, 55402. The proposals will be considered and an award will be made no later than 2:30 P.M. Eastern Time on the same day. The bidder offering to purchase the Series 2007 Bonds upon the terms specified herein and most favorable to the Authority will be accepted unless all proposals are rejected. No proposal may be altered or withdrawn after the time appointed for receipt of the proposals.

The Authority reserves the right to change the time and/or date for the receipt of the proposals. Notice of such change shall be provided not less than 24 hours prior to the time set forth above for the receipt of proposals by means of a supplemental notice of sale.

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\* Preliminary, subject to change

## FORM OF PROPOSALS

Proposals must be submitted through Parity® (the “Electronic Bid System”). The Authority shall not be responsible for any malfunction or mistake made by any person, or as a result of the use of the Electronic Bid System, or the means used to deliver or complete a proposal. The use of such facilities or means is at the sole risk of the bidder who shall be bound by the terms of the proposal as received.

No proposal will be received after 11:30 A.M. Eastern Time on Tuesday, August 28, 2007, as specified in the Notice of Sale. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the proposal deadline using the same method used to submit the proposal. If more than one proposal is received from a bidder, the last proposal received shall be considered.

Electronic Bidding: Electronic proposals must be submitted through the Electronic Bid System. Information about the Electronic Bid System may be obtained by contacting Parity® at i-Deal/Parity®, Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5067.

Each bidder shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of this Notice of Sale. The Authority is permitting bidders to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the Authority. Provisions of this Notice of Sale shall control in the event of conflict with information provided by the Electronic Bid System.

## SECURITY AND PURPOSE

The Series 2007 Bonds are obligations of the Authority payable solely from the net revenues of the Authority’s Water Works System, subject to prior payment of debt service on the Authority’s outstanding bonds under its Water Works System Revenue Bond Resolution adopted on April 6, 1990. The Series 2007 Bonds will also be secured by a Reserve Account which will be funded at the time of closing. The amount to be deposited by the Authority from available funds into the Reserve Account will be \$2,154,503<sup>3</sup>, which is equal to the lesser of (i) the maximum amount of principal and interest coming due in any calendar year on the Series 2007 Bonds, (ii) 10% of the original principal amount of the Series 2007 Bonds, or (iii) one hundred twenty-five percent (125%) of the average annual principal and interest due on the Series 2007 Bonds.

The Series 2007 Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including without limitation the Public Authorities Law, and the Fourth Resolution Water Revenue Bond Resolution adopted by the Authority on June 9, 1992 (the “Resolution”), as supplemented by a Supplemental Resolution adopted by the Authority on August 16, 2007. The proceeds of the Series 2007 Bonds will be used to finance the construction of various capital improvements projects of the Authority.

**The Series 2007 Bonds are not a debt of the State of New York, or of Erie County or any other political subdivision of the State of New York. Neither the State of New York nor Erie County nor any other political subdivision of the State of New York is liable for the payment of the Series 2007 Bonds, nor are the Series 2007 Bonds payable out of any funds other than those of the Authority pledged under the Resolution. The Authority has no taxing power.**

## DATE, MATURITIES, AND REDEMPTION

The Series 2007 Bonds will be dated September 13, 2007, will be fully registered bonds in the denomination of \$5,000 each, and will mature on December 1, in the following years in the following amounts:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2008	\$295,000	2023	\$1,115,000
2009	635,000	2024	1,165,000
2010	660,000	2025	1,215,000
2011	685,000	2026	1,270,000
2012	710,000	2027	1,325,000
2013	740,000	2028	1,385,000
2014	770,000	2029	1,445,000
2015	800,000	2030	1,510,000
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2017	865,000	2032	1,650,000
2018	905,000	2033	1,720,000
2019	940,000	2034	1,800,000
2020	980,000	2035	1,885,000
2021	1,025,000	2036	1,970,000
2022	1,065,000	2037	2,060,000

The Series 2007 Bonds maturing on December 1, 2018 and thereafter are subject to prior redemption on December 1, 2017, and any date thereafter, in whole or in part, at a price of par plus accrued interest to the redemption date. In addition, upon the occurrence of a Change of Control, as defined in the Resolution, the Series 2007 Bonds are subject to redemption, at the option of the Authority, in whole on any date selected by the Authority at a redemption price equal to 110% of the principal amount thereof plus interest accrued thereon to such redemption date.

## ADJUSTMENTS TO PRINCIPAL AMOUNTS AFTER DETERMINATION OF BEST PROPOSAL

The aggregate principal amount of the Series 2007 Bonds, and each scheduled maturity thereof, are subject to increase or reduction by the Authority or its designee after the determination of the successful bidder. Such adjustments shall be in the sole discretion of the Authority or its designee and will not exceed \$1,500,000 in total and \$150,000 per maturity, provided that the Authority or its designee shall make such adjustments only in order to size the Series 2007 Bonds to establish a debt service structure that is acceptable to the Authority.

**The dollar amount of the purchase price proposed by the successful bidder will be changed if the aggregate principal amount of the Series 2007 Bonds is adjusted as described above. Generally any premium offered or discount taken will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Series 2007 Bonds is increased or reduced; provided that the Authority's financial advisor will make every effort to ensure that the net compensation to the successful bidder as a percentage of the adjusted par amount does not increase or decrease from what it would have been if no adjustment had been made to the principal amounts shown in the maturity schedule above.**

## TERM BOND OPTION

Proposals for the Series 2007 Bonds may contain a maturity schedule providing for any combination of serial bonds and

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\* Preliminary, subject to change

term bonds, subject to mandatory sinking fund redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

#### **INTEREST**

Interest is payable on June 1 and December 1 of each year commencing June 1, 2008. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the first day of the month.

#### **CUSIP NUMBERS**

The Authority will assume no obligation for the assignment of CUSIP numbers to the Series 2007 Bonds or for the correctness of any such numbers printed thereon, but the Authority will permit such printing to be done at the expense of the purchaser, if the purchaser waives any extension of the time of the delivery of the Series 2007 Bonds caused thereby.

#### **BOOK-ENTRY ONLY SYSTEM**

The Series 2007 Bonds will be issued as fully registered securities in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2007 Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2007 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owner of the Series 2007 Bonds.

#### **TYPE OF PROPOSAL**

Proposals for not less than \$34,737,500 (99.25% of Par) nor more than \$36,050,000 (103% of Par) must be electronically submitted via Parity® and received at the office of Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 FAX) and must be received prior to the time specified above for opening proposals. Rates must be in integral multiples of 1/8 or 1/20 of 1% with one interest rate per maturity. Rates are required to be in non-descending order. No bid for less than all of the Series 2007 Bonds offered will be entertained.

#### **GOOD FAITH DEPOSIT**

A Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$350,000, payable to the order of the Authority, is required for each proposal to be considered. If a check is used, it must accompany each proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of New York, and such bond must be submitted to the Authority or its Financial Advisor prior to the opening of the proposals. The Financial Surety Bond must identify each bidder whose Deposit is guaranteed by such Financial Surety Bond. If the Series 2007 Bonds are awarded to a bidder utilizing a Financial Surety Bond, then that purchaser ("Purchaser") is required to submit its Deposit to the Authority or its Financial Advisor in the form of a certified or cashier's check (or wire transfer such amount as instructed by the Authority or its Financial Advisor) not later than 3:30 p.m. Eastern Time on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Series 2007 Bonds. In the event the Purchaser fails to honor its accepted proposal, the Deposit will be retained by the Authority.



## **AWARD**

Proposals will be compared on the basis of true interest cost (TIC). The proposal offering the lowest true interest cost will be deemed most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Series 2007 Bonds, produces an amount equal to the purchase price. If two or more proposals provide the same lowest true interest rate, the sale of the Series 2007 Bonds will be awarded by lot, and such determination shall be final.

Upon award of the Series 2007 Bonds, the successful bidder shall advise the Authority of the initial reoffering price to the public of the Series 2007 Bonds. Simultaneously with or before delivery of the Series 2007 Bonds, the successful bidder shall furnish to the Authority a certificate in form and substance acceptable to bond counsel (a) certifying that a bona fide initial reoffering of the Series 2007 Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), (b) confirming the initial reoffering prices, and (c) stating that, on the sale date, the bidder reasonably expected that a substantial portion of each maturity of the Series 2007 Bonds would be sold to the public (excluding bond houses, brokers and other intermediaries) at such initial offering prices.

The Chairperson or Vice Chairperson of the Board of Commissioners of the Authority and Executive Director of the Authority reserve the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

## **RATINGS**

Ratings of the Series 2007 Bonds have been applied for from Moody's Investors Service, Inc., Standard and Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Fitch Ratings. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Series 2007 Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

## **BOND INSURANCE**

If the Series 2007 Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor, at the option of a bidder, the purchase of any such insurance policy or the issuance of any such commitment therefor shall be at the sole option and expense of such bidder, and any increased costs of issuance of the Series 2007 Bonds resulting by reason of the same, unless otherwise paid, shall be paid by such bidder. Any failure of the Series 2007 Bonds to be so insured or of any such policy of insurance to be issued shall not constitute cause for failure or refusal by the purchaser of the Series 2007 Bonds to accept delivery of and pay for the Series 2007 Bonds in accordance with the terms hereof.

## **SETTLEMENT**

On or about September 13, 2007, the Series 2007 Bonds will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Damon & Morey LLP, and of customary closing papers. On the date of settlement, payment for the Series 2007 Bonds shall be made in federal or equivalent funds, which shall be received at the offices of the Authority, or its designee, not later than 1:00 P.M. Eastern Time. Except as compliance with the terms of payment for the Series 2007 Bonds shall have been made impossible by action of the Authority or its agents, the Purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the Purchaser's non-compliance with said terms for payment.

### **CONTINUING DISCLOSURE**

In order to assist the participating underwriters in the primary offering of the Series 2007 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the Authority will covenant and agree, pursuant to a Continuing Disclosure Certificate, to provide annual reports of specified information and notice of the occurrence of certain events, if material. A description of this undertaking is set forth in the Official Statement referred to below.

### **OFFICIAL STATEMENTS**

The Authority has prepared a Preliminary Official Statement dated August 17, 2007, which the Authority deems to be a preliminary or "near-final" Official Statement as that term is defined in Rule 15c2-12 of the Rule. The Official Statement is available on the World Wide Web at [www.pfm.com](http://www.pfm.com), through the link to the municipal calendar, and to prospective bidders who request copies from the Authority or its financial advisor, Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402, 612-338-3535, 612-338-7264 FAX.

Any party executing and delivering a bid for the Series 2007 Bonds agrees, if its bid is accepted by the Authority, to provide to the Authority, in writing, within two business days after the date of such award, all information which said successful bidder determines is necessary for it to comply with Rule 15c2-12 of the Rule, including all necessary pricing and sale information, information with respect to the purchase of municipal bond insurance, if any, and underwriter identification. Within seven business days following receipt by the Authority thereof, the Authority shall provide a reasonable number of copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Series 2007 Bonds. The Final Official Statement will be dated August \_\_, 2007, and will be updated as necessary and supplemented to include said information provided by the successful bidder. Failure by the successful bidder to provide such information will prevent the Authority from furnishing the Official Statement as described above. The Authority shall not be responsible or liable in any manner for the successful bidder's determination of information necessary to comply with Rule 15c2-12 or the accuracy of any such information provided by the successful bidder or for failure to furnish the Official Statement as described above which results from a failure by the successful bidder to provide the aforementioned information within the time specified. Acceptance by the successful bidder of the Final Official Statement shall be conclusive evidence of the satisfactory completion of the obligations of the Authority with respect to the preparation and delivery thereof.

**ITEM 3 - AUTHORIZATION TO OPEN AN ACCOUNT AT M&T BANK, BUFFALO, NEW YORK, ENTITLED "ERIE COUNTY WATER AUTHORITY DEBT SERVICE FUND, SERIES 2007"**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Heretofore and on the 16<sup>th</sup> day of August, 2007 the Erie County Water Authority ("Authority") authorized the issuance of bonds known as the Series 2007 (not to exceed \$35,000,000) pursuant to the Fourth General Bond Resolution; and

**WHEREAS**, The establishment of a separate account for interest and principal payable on the Authority's bonds is required which is to be entitled "Erie County Water Authority Debt Service Fund, Series 2007"; and

**WHEREAS**, This account will be held by the Trustee, M&T Bank, on behalf of the bondholders and is to be funded beginning six months prior to the interest due dates and twelve months prior to the principal due dates; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director advises that an account will be opened at M&T Bank, Buffalo, New York, entitled "Erie County Water Authority Debt Service Fund, Series 2007", Account No. 1011754; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director recommend approving the opening of an account at M&T Bank, Buffalo, New York, referred to as the Erie County Water Authority Debt Service Fund, Series 2007; and

**WHEREAS**, In accordance with the terms and conditions of Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May 2, 2007 said persons as described therein are authorized to act on behalf of the Authority;

**NOW, THEREFORE, BE IT RESOLVED:**

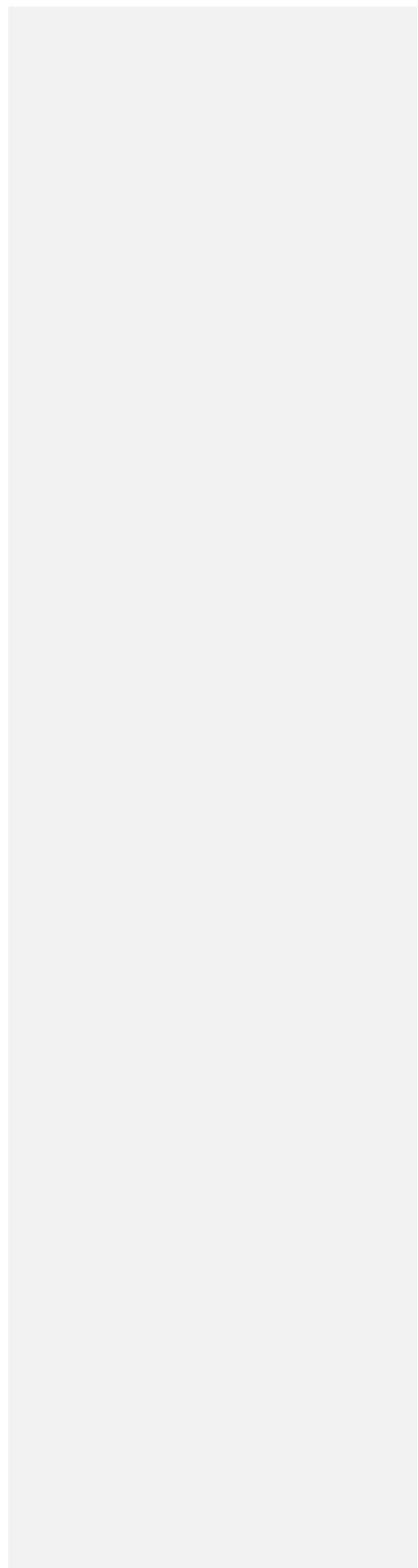
That the Authority open a bank account at M&T Bank entitled the Erie County Water Authority Debt Service Fund, Series 2007 required for the above-referenced bond issuance; and be it further

**RESOLVED:** That the individuals listed in Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May, 2, 2007 are authorized to act on behalf of the Authority.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf



**ITEM 4 - AUTHORIZATION TO OPEN AN ACCOUNT AT M&T BANK, BUFFALO, NEW YORK, ENTITLED "ERIE COUNTY WATER AUTHORITY CONSTRUCTION ACCOUNT, SERIES 2007"**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Heretofore and on the 16<sup>th</sup> day of August, 2007 the Erie County Water Authority ("Authority") authorized the issuance of bonds known as the Series 2007 (not to exceed \$35,000,000) pursuant to the Fourth General Bond Resolution; and

**WHEREAS**, Section 6.7 of the Fourth General Water Revenue Bond Resolution states the proceeds derived from the sale of such bonds shall be deposited to the applicable Construction Fund held in trust by the Authority; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director advises that this fund will be opened at M&T Bank, Buffalo, New York, Account No. 1011755; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director recommend approving the opening of an account at M&T Bank, Buffalo, New York, referred to as the Erie County Water Authority Construction Account, Series 2007;

**WHEREAS**, In accordance with the terms and conditions of Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May 2, 2007 said persons described therein are authorized to act on behalf of the Authority;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority open a bank account at M&T Bank entitled the Erie County Water Authority Construction Account, Series 2007 required for the above-referenced bond issuance.

**RESOLVED:** That the individuals listed in Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May 2, 2007 are authorized to act on behalf of the Authority.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 5 - AUTHORIZATION TO OPEN AN ACCOUNT AT M&T BANK, BUFFALO, NEW YORK, ENTITLED "ERIE COUNTY WATER AUTHORITY DEBT SERVICE RESERVE FUND, SERIES 2007"**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Heretofore and on the 16<sup>th</sup> day of August, 2007 the Erie County Water Authority ("Authority") authorized the issuance of bonds known as the Series 2007 (not to exceed \$35,000,000) pursuant to the Fourth General Bond Resolution; and

**WHEREAS**, The Authority's bonds shall be secured by funds set aside in a debt service reserve fund held for the benefit of the Corporation, as bondholder, by M&T Bank, Buffalo, New York, the Authority's Trustee; and

**WHEREAS**, The amount to be deposited in the debt service reserve fund shall be the lesser of ten percent of the total principal of the Loan, the maximum annual debt service, or 125% of the average annual debt service; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director advises that an account will be opened at M&T Bank, Buffalo, New York, Bank Account No. 1011756; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director recommend approving the opening of an account at M&T Bank, Buffalo, New York, referred to as the Erie County Water Authority Debt Service Reserve Fund, Series 2007;

**WHEREAS**, In accordance with the terms and conditions of Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May 2, 2007 said persons as described therein are authorized to act on behalf of the Authority;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority open a bank account at M&T Bank entitled the Erie County Water Authority Debt Service Reserve Fund, Series 2007 required for the above-referenced bond issuance; and be it further

**RESOLVED:** That the individuals listed in Resolution Item No. 12 of the Erie County Water Authority's Annual Meeting held on May, 2, 2007 are authorized to act on behalf of the Authority.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 6 - AUTHORIZATION TO ENTER INTO AN AGREEMENT WITH CITIZENS INVESTMENT MANAGEMENT SERVICES TO PROVIDE INVESTMENT ADVISORY SERVICES**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, The Erie County Water Authority's ("Authority") Board of Commissioners authorized the issuance of a Request for Proposals ("RFP") to qualified firms to provide investment advisory services on December 28, 2006; and

**WHEREAS**, A copy of the RFP was sent to:

JP Morgan Chase  
Manufacturers & Traders Trust Company  
Bank of America  
Citizens Bank, NA  
BlackRock Private Investors  
Key Bank  
Lehman Brothers, Inc.  
HSBC Bank USA; and

**WHEREAS**, The respondents to the RFP were: MTB Investment Advisors (Manufacturers & Traders Trust Company), Citizens Investment Management Services (Citizens Bank), BlackRock Private Investors and HSBC Bank USA and

**WHEREAS**, The RFP process was conducted pursuant to the enacted state legislation (New York State Finance Law §§139-j and 139-k) and the Authority's Purchasing Guidelines, Policies and Procedures; and

**WHEREAS**, Upon evaluating the response to the RFP, the Authority deems it advisable to have Citizens Investment Management Services render professional investment advisory services; and

**WHEREAS**, Citizens Investment Management Services have committed to a three-year period to render investment advisory services, commencing with the execution of the agreement and, at the Authority's option, to enter into a two-year or three-year renewal term; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director recommend that the Authority enter into an agreement with Citizens Investment Management Services;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority accepts the proposal of Citizens Investment Management Services to provide investment advisory services; and be it further

**RESOLVED:** Pursuant to New York State Finance Law §§139-j and 139-k and the Authority's Purchasing Guidelines, Policies and Procedures with the award and execution by the Authority of this agreement, the Restricted Period will cease; and be it further

**RESOLVED:** That the Chairman be and he hereby is authorized to execute said agreement on behalf of the Authority; and be it further

**RESOLVED:** That the Secretary be and he hereby is authorized to forward an executed copy of said Agreement together with a certified copy of this resolution to Citizens Investment Management Services.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf



**ITEM 7 - AUTHORIZATION TO AMEND ITEM NO. 22 OF THE ERIE COUNTY  
WATER AUTHORITY'S ANNUAL MEETING HELD ON MAY 2, 2007**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Heretofore and on the 2<sup>nd</sup> day of May, 2007 the Erie County Water Authority ("Authority"), by Resolution Item No. 22, approved specified individuals to authorize investment transactions executed by Blackrock Private Investors; and

**WHEREAS**, The Authority authorized entering into an agreement with Citizens Investment Management Services to provide investment advisory services; and

**WHEREAS**, The Authority deems it necessary to amend Item No. 22 of the Minutes of the Annual Meeting held on May 2, 2007 changing Blackrock Private Investors to Citizens Investment Management Services;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority amend Item No. 22 of the Minutes of the Annual Meeting held on May 2, 2007 changing Blackrock Private Investors to Citizens Investment Management Services.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 8 - AUTHORIZATION TO ACCEPT FEE PROPOSAL FROM  
MANUFACTURERS AND TRADERS TRUST COMPANY FOR PAYMENT  
OF BOND TRUSTEE SERVICES FOR THE ERIE COUNTY WATER  
AUTHORITY SERIES 2007 BONDS AND EXECUTION OF FEE PROPOSAL**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Manufacturers & Traders Trust Company (“M&T”) currently acts as Trustee for the Erie County Water Authority (“Authority”) per the Fourth Resolution Bonds; and

**WHEREAS**, M&T has submitted the attached Fee Proposal for Bond Trustee services for the Authority’s newly adopted Series 2007 Bonds; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director have reviewed the Fee Proposal and recommend acceptance and execution thereof;

**NOW, THEREFORE BE IT RESOLVED:**

That the Authority accepts the Fee Proposal submitted by M&T for payment of Bond Trustee services for the Authority’s Series 2007 Bonds; and be it further

**RESOLVED:** That the Chairman be and he hereby is authorized to execute the attached Fee Proposal as stated above.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 9 - AUTHORIZATION TO AMEND THE ERIE COUNTY WATER  
AUTHORITY'S INVESTMENT GUIDELINES**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Heretofore and on the 2<sup>nd</sup> day of May, 2007 the Erie County Water Authority ("Authority") approved the Authority's Investment Guidelines ("Guidelines") for the ensuing year or until such time at the Authority deems it necessary to amend said Guidelines; and

**WHEREAS**, Section XIII of the Guidelines states that the maximum dollars to be invested with each bank or Trust Company is \$20 million excluding bond proceeds; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director advises that Section XIII of the Guidelines must now read the maximum dollars to be invested with each bank or Trust Company is \$30 million excluding bond proceeds; and

**WHEREAS**, Edward J. Kasprzak, Deputy Director advises that these Guidelines need to be amended to reflect the above change;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority amend the Section XIII of the Guidelines to read the maximum dollars to be invested with each bank or Trust Company is \$30 million excluding bond proceeds.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 10 - AUTHORIZATION TO SOLICIT REQUEST FOR PROPOSALS FOR  
AUCTIONEER SERVICES IN CONNECTION WITH THE ERIE  
COUNTY WATER AUTHORITY'S 2007, 2008 AND 2009  
VEHICULAR AUCTION**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Pursuant to Article V, Title 3, Section 1053 of the Public Authorities Law, the Erie County Water Authority ("Authority") has the authority to contract for expert professional services; and

**WHEREAS**, Article III, Section 6 of the Authority's By-Laws grants to the Authority the right to contract for expert professional services; and

**WHEREAS**, The Authority deems it necessary to issue a Request for Proposal ("RFP") to qualified firms to auction used vehicles and pieces of used equipment on behalf of the Authority; and

**WHEREAS**, The proposals received by the Authority will be evaluated in accordance with the terms of the RFP, and a professional services contract will be negotiated and executed with the successful offerer; and

**WHEREAS**, The RFP for auctioneer services will be conducted pursuant to the newly enacted legislation, New York State Finance Law §§ 139-j and 139-k and the Authority's Purchasing Guidelines, Policies and Procedures; and

**WHEREAS**, Paul H. Riester, Director of Administration will be the designated contact person for the RFP with the adoption of this resolution;

**NOW, THEREFORE BE IT RESOLVED:**

The Authority is hereby authorized to issue a Request for Proposal ("RFP") to qualified firms to provide the Authority with auctioneer services in connection with the Erie County Water Authority's 2007, 2008 and 2009 vehicular auction.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 11 - AUTHORIZATION TO SOLICIT REQUEST FOR PROPOSALS FOR CONSULTING ENGINEERING SERVICES FOR THE INSTALLATION OF PERMANENT STANDBY POWER AT VAN DE WATER TREATMENT PLANT, BALL PUMP STATION AND WINDOM PUMP STATION**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Pursuant to Article V, Title 3, Section 1053 of the Public Authorities Law, the Erie County Water Authority (“Authority”) has the authority to contract for expert professional services; and

**WHEREAS**, Article III, Section 6 of the Authority's By-Laws grants to the Authority the right to contract for expert professional services; and

**WHEREAS**, The Authority deems it necessary to issue a Request for Proposal (“RFP”) to qualified firms to provide consulting engineering services for the installation of permanent standby power at Van de Water Treatment Plant, Ball Pump Station and Windom Pump Station; and

**WHEREAS**, The proposals received by the Authority will be evaluated in accordance with the terms of the RFP, and a professional services contract will be negotiated and executed with the successful offerer; and

**WHEREAS**, The RFP for consulting engineering services for the installation of permanent standby power at Van de Water Treatment Plant, Ball Pump Station and Windom Pump Station will be conducted pursuant to the newly enacted legislation, New York State Finance Law §§ 139-j and 139-k and the Authority’s Purchasing Guidelines, Policies and Procedures; and

**WHEREAS**, Daniel J. Seider, P.E., Distribution Engineer, will be the designated contact person for the RFP with the adoption of this resolution;

**NOW, THEREFORE BE IT RESOLVED:**

The Authority is hereby authorized to issue a RFP to qualified firms to provide consulting engineering services for the installation of permanent standby power at Van de Water Treatment Plant, Ball Pump Station and Windom Pump Station.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 12 - AWARD OF CONTRACT TO OCCHINO CORP. FOR CONTRACT NO. WE-3B, 2007 RENOVATION AND IMPROVEMENT PROJECTS, SERVICE CENTER, LEYDECKER ROAD PUMP STATION, STURGEON POINT TREATMENT PLANT, PROJECT NO. 200700126 - \$199,246.90**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, The Erie County Water Authority (the "Authority") heretofore advertised in the Dodge Reports and Front Page on the 11th day of July, 2007, and in Business First on the 13th day of July, 2007, a notice inviting sealed bids or proposals in accordance with Section 1069 of the Public Authorities Law for Contract No. WE-3B, 2007 renovation and improvement projects, Service Center, Leydecker Road Pump Station, Sturgeon Point Treatment Plant,; and

**WHEREAS**, Sealed bids or proposals were opened in the office of the Authority on the 31st day of July, 2007, at 11:00 a.m., local time, and were as follows:

<b>BIDDERS</b>	<b>AMOUNT</b>
Occhino Corp.	\$199,246.90
Milherst Construction, Inc.	207,037.00
L.J. Quigliano, II, Inc.	221,231.02
Northeast Diversification, Inc.	227,570.00*
Anastasi Trucking, Inc.	235,815.50
Birch Grove Landscaping & Nursery, Inc.	237,388.00
Greenauer Blacktop, Inc.	266,956.00
E&R General Construction, Inc.	301,640.00; and

\*Corrected Figure; and

**WHEREAS**, The bid bonds have all been approved by Anthony Alessi, Claims Representative/Risk Manager; and

**WHEREAS**, Tamekia Hall, Director of Equal Employment Opportunity, has advised that the low bidder, Occhino Corp. has complied with the Authority's Affirmative Action Requirements and recommends that they be allowed to proceed with their contract based on that fact; and

**WHEREAS**, Wesley C. Dust, P.E., Executive Engineer and Robert A. Mendez, Executive Director have reviewed the specifications and bids and determined that Occhino Corp. is the lowest bidder qualified to perform the project and have recommended that a contract be awarded to that firm for the abovementioned project;

**NOW, THEREFORE, BE IT RESOLVED:**

That it is hereby determined that Occhino Corp. is the lowest responsible bidder for the abovementioned project, and that the Chairman be and he hereby is authorized and directed to execute a contract with said contractor for Contract No. WE-3B, 2007 renovation and improvement projects, Service Center, Leydecker Road Pump Station, Sturgeon Point Treatment Plant in the total amount of \$199,246.90; and be it further

**RESOLVED:** Pursuant to New York State Finance Law §§139-j and 139-k and the Authority's Purchasing Guidelines, Policies and Procedures with the award and execution by the Authority of this contract, the Restricted Period will cease; and be it further

**RESOLVED:** That the Secretary be and he hereby is authorized to return to the unsuccessful bidders their deposit submitted with their bid to the Authority for the abovementioned project; and be it further

**RESOLVED:** That the Director of Administration is hereby authorized and directed to create a Master Purchase Order for the abovementioned contract.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 13 - APPROVAL OF AMENDMENT NO. 1 OF NUSSBAUMER & CLARKE, INC.  
IN CONNECTION WITH CONTRACT NO. NC-30, STURGEON POINT  
WATER TREATMENT PLANT ELECTRICAL SUBSTATION PROJECT,  
PROJECT NO. 200600113 - \$106,700.00**

Motion by %MOTION% seconded by \$SECOND%

**WHEREAS**, Heretofore and on the 25th day of May, 2006, the Erie County Water Authority ("Authority") entered into an agreement with Nussbaumer & Clarke, Inc. to render professional engineering services for Contract No. NC-30, design and construction of the high voltage electrical substation at the Authority's Sturgeon Point Water Treatment Plant; and

**WHEREAS**, Said consultant has submitted Amendment No. 1 in the sum of \$106,700.00 to provide for additional engineering design services for the installation of standby generators at Sturgeon Point Treatment Plant as well as the pre-purchase of generators for Van de Water Treatment Plant, Ball Pump Station and Windom Pump Station; and

**WHEREAS**, The reason for said change is to provide for earlier installation of permanent generators at Sturgeon Point; and

**WHEREAS**, Wesley C. Dust, P.E., Executive Engineer and Robert A. Mendez, Executive Director recommend approval of said Amendment No. 1;

**NOW, THEREFORE, BE IT RESOLVED:**

That Amendment No. 1 of Nussbaumer & Clarke, Inc. in the amount of \$106,700.00 to provide for the abovementioned change be approved; and be it further

**RESOLVED:** That the Chairman be and he hereby is authorized to execute said Amendment No. 1 on behalf of the Authority.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf



**ITEM 14 - RATIFICATION OF THE INSTALLATION OF HYDRANTS AND VALVES  
AND RETIREMENT OF EXISTING HYDRANTS AND VALVES - VARIOUS  
LOCATIONS**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, The Engineering Department of the Erie County Water Authority ("Authority") advised that hydrants and valves were installed as part of the Authority's program to keep pace with improvements in fire fighting technology, as follows:

Replace existing valve at 1017 Maryvale Drive, Town of Cheektowaga with a new 6" resilient valve on 2/14/07. Work done by ECWA forces under Work Authorization No. 107.200 5680;

Old 6" valve originally installed was scrapped and retired under Retirement Authorization No. R070007.

Replace existing valve at 55 Abeles Avenue, Town of Cheektowaga with a new 6" resilient valve on 2/15/07. Work done by ECWA forces under Work Authorization No. 107.200 5681;

Old 6" valve originally installed in 1955 was scrapped and retired under Retirement Authorization No. R070008.

Replace existing valve at 682 Mapleview Road, Town of Cheektowaga with a new 6" resilient valve on 2/27/07. Work done by ECWA forces under Work Authorization No. 107.200 5682;

Old 6" valve originally installed in 1952 was scrapped and retired under Retirement Authorization No. R070009.

Replace existing valve at 1845 Dale Road, Town of Cheektowaga with a new 6" resilient valve on 3/26/07. Work done by ECWA forces under Work Authorization No. 107.200 5687;

Old 8" valve originally installed in 1920 was scrapped and retired under Retirement Authorization No. R070014.

Replace existing valve at 8150 Old Post Road, Town of Cheektowaga with a new 8" resilient valve on 3/26/07. Work done by ECWA forces under Work Authorization No. 107.200 5688;

Old 6" valve originally installed pre 1999 was scrapped and retired under Retirement Authorization No. R070015.

Replace existing hydrant opposite 2827 Clinton St., Town of West Seneca with a new Clow hydrant on 2/27/07. Work done by ECWA forces under Work Authorization No. 107.200 5683;

Old Waterous hydrant originally installed was scrapped and retired under Retirement Authorization No. R070010.

Replace existing hydrant at 215 Ilion Street, City of Tonawanda with a new Clow hydrant on 2/28/07. Work done by ECWA forces under Work Authorization No. 107.200 5684;

Old Darling hydrant originally installed in pre 2004 was scrapped and retired under Retirement Authorization No. R070011.

Replace existing hydrant at 4289 Trailing Drive, Town of Clarence with a new Clow hydrant on 3/13/07. Work done by ECWA forces under Work Authorization No. 107.200 5685;

Old Matthew hydrant originally installed in pre 1999 was scrapped and retired under Retirement Authorization No. R070012.

Replace existing hydrant at 75 Highland Avenue, City of Tonawanda with a new Clow hydrant on 3/19/07. Work done by ECWA forces under Work Authorization No. 107.200 5686;

Old Eddy hydrant originally installed was scrapped and retired under Retirement Authorization No. R070013.

Replace existing hydrant and valve at 5115 Camp Road, Town of Hamburg with a new Clow hydrant on 4/24/06. Work done by ECWA forces under Work Authorization No. 107.200 5660;

Old Mueller improved hydrant and valve originally installed was scrapped and retired under Retirement Authorization No. R60050.

Replace existing hydrant and valve at 5310 Southwestern Blvd. with a new Clow hydrant on 7/11/06. Work done by ECWA forces under Work Authorization No. 107.200 5662;

Old Kennedy K11 hydrant and valve originally installed was scrapped and retired under Retirement Authorization No. R60052.

Replace existing hydrant and valve at 5408 Southwestern Blvd. with a new Clow hydrant on 7/12/06. Work done by ECWA forces under Work Authorization No. 107.200 5663;

Old Kennedy K11 hydrant and valve originally installed was scrapped and retired under Retirement Authorization No. R60053.

Replace existing hydrant and valve at 5502 Southwestern Blvd. with a new Clow hydrant on 7/14/06. Work done by ECWA forces under Work Authorization No. 107.200 5661;

Old Kennedy K11 hydrant and valve originally installed was scrapped and retired under Retirement Authorization No. R60051.

Replace existing hydrant and valve at 5458 Southwestern Blvd. with a new Clow hydrant on 7/13/06. Work done by ECWA forces under Work Authorization No. 107.200 5664;

Old Kennedy K11 hydrant and valve originally installed was scrapped and retired under Retirement Authorization No. R60054; and

**WHEREAS**, Wesley C. Dust, P.E., Executive Engineer and Robert A. Mendez, Executive Director ratify said installations and work;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority approve the retirement of the abovementioned hydrants and valves at the abovementioned locations; and be it further

**RESOLVED:** That the installation of the new hydrants and valves in the abovementioned locations, as part of the Authority's continuing program to improve its facilities is hereby approved, ratified and confirmed.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 15 - AUTHORIZATION TO ENTER INTO AN AGREEMENT WITH THE ERIE COUNTY DEPARTMENT OF HEALTH**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, The Erie County Department of Health (“ECDOH”) has jurisdiction to require compliance by the Erie County Water Authority (“Authority”) with the New York State Sanitary Code (“NYSSC”), including the requirement to maintain an Emergency Response Plan and related facilities sufficient to meet the public needs; and

**WHEREAS**, It is the intention of the Authority and ECDOH to continue their cooperative working commitment to better serve and protect the health and public safety of the residents of Erie County; and

**WHEREAS**, The October 2006 Surprise Storm (“the Storm”) was an unprecedented event that caused severe damage and strain to available resources; and

**WHEREAS**, The Board of Commissioners of the Authority must act in the best interest of the public and also exercise their fiduciary duties of loyalty and care to protect the assets of the Authority and the interests of its bondholders; and

**WHEREAS**, In assessing agency preparation and response to the storm, ECDOH has identified necessary improvements and enhancements to the Authority’s previously approved Emergency Response Plan that will serve to enhance the public good; and

**WHEREAS**, The Authority and ECDOH desire to enter into an agreement that will improve the public health and improve emergency preparedness through certain enhancements to the Authority’s Emergency Response Plan which will promote better communication between the parties leading up to and in the midst of an emergency; and

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority enter into an Agreement with the ECDOH to resolve all issues and concerns, regarding the Storm, the NYSSC and the Authority’s Emergency Response Plan; and be it further

**RESOLVED:** That the Chairman be and he hereby is authorized to execute the Agreement with ECDOH on behalf of the Authority; and be it further

**RESOLVED:** That the Secretary be and he hereby is authorized and directed to forward an executed copy of said Agreement together with a certified copy of this resolution to ECDOH.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 16 - AUTHORIZATION OF HYDRANT RETROSPECTIVE BILLING  
ADJUSTMENTS**

Motion by %MOTION% seconded by %SECOND%

**WHEREAS**, Albert J. Meaney, Comptroller advised that the Erie County Water Authority (“Authority”) inadvertently billed the Town of Hamburg (“Town”) \$10,743.62 for hydrant usage; and

**WHEREAS**, It was determined that seven hydrants billed to the Town should have been billed to the Village of Hamburg and one hydrant billed to the Town should have been billed to the Town of Orchard Park; and

**WHEREAS**, The Authority also billed two hydrants to the Town at a direct service rate when a lease managed rate should have been billed; and

**WHEREAS**, Albert J. Meaney, Comptroller recommends crediting the Town the amount of \$10,743.62 and forgiving the additional retrospective billings to the Village of Hamburg (\$8,910.58) and the Town of Orchard Park (\$915.92); and

**WHEREAS**, Edward J. Kasprzak, Deputy Director and Robert A. Mendez, Executive Director concur with said recommendation;

**NOW, THEREFORE, BE IT RESOLVED:**

That the Authority hereby credits the Town the amount of \$10,743.62 and forgives the additional retrospective billings to the Village of Hamburg (\$8,910.58) and the Town of Orchard Park (\$915.92) to rectify the billing errors.

Ayes: %AYES%

Noes: %NOES%

08/16/07-pjf

**ITEM 17 - PURCHASE ORDERS:**

Motion by %MOTION% seconded by %SECOND% and carried to approve for payment

of Purchase Order Nos. as listed on the attached sheets pages 15-23 after certification by the Comptroller that the orders are in accordance with the quotations and that the Director of Administration be authorized to execute the above and all associated documents after certifying that they are in conformity with applicable laws and the Authority's By-Laws and Purchasing Guidelines, Policies and Procedures.

**ITEM 18 - PURCHASE ORDER AMENDMENTS:**

Motion by %MOTION% seconded by %SECOND% and carried to approve for payment of Purchase Order Amendments as listed on the attached sheet page 24 after certification by the Comptroller that the orders are in accordance with the quotations and that the Director of Administration be authorized to execute the above and all associated documents after certifying that they are in conformity with applicable laws and the Authority's By-Laws and Purchasing Guidelines, Policies and Procedures.

**ITEM 19 - SERVICE CONNECTION WORK ORDER LIST:**

Motion by %MOTION% seconded by %SECOND% and carried to approve Service Connection Work Order Nos. 07-32 and 07-33, to C. Destro Development Co., Inc. for Service Area No. 1 under Contract No. 07-04-01 and to C. Destro Development Co., Inc. for Service Area No. 2 under Contract No. 07-05-01 and large services under Contract No. 07-03-01 to Kandey Company, Inc.

**VIII. - ADJOURNMENT**

Meeting adjourned until the next regular meeting to be held on Tuesday, August 28, 2007 at 1:00 p.m.

Matthew J. Baudo  
Secretary to the Authority

PF