

**MINUTES of the MEETING of the ERIE COUNTY WATER AUTHORITY held in the office, 295 Main Street, Room 350, Buffalo, New York, on the 30th day of August, 2016.**

**PRESENT:** Earl L. Jann, Chairman  
Jerome D. Schad, Vice Chairman  
Robert Anderson, Treasurer  
Joseph T. Burns, Secretary to the Authority  
Robert F. Gaylord, Executive Director  
Robert J. Lichtenthal, Jr., Deputy Director  
Russell Stoll, Executive Engineer  
Karen A. Prendergast, Comptroller  
Ronald P. Bennett, Associate Attorney  
Jacqueline Mattina, Deputy Associate Attorney  
Ashley W. Johnson, Deputy Associate Attorney  
John Mogavero, Chemist/Chief WPTO  
Paul Whittam, Director of Water Quality  
Paul H. Riester, Director of Administration  
Daniel J. NeMoyer, Director of Human Resources  
Terrence McCracken, Director of Employee Relations

**ATTENDEES:** Sean Dwyer  
Rick Ganci  
Timothy Cashmore

## **CALL TO ORDER**

## **PLEDGE TO THE FLAG**

## **I. - ROLL CALL**

## **II. - READING OF MINUTES**

Motion by Mr. Anderson seconded by Mr. Schad and carried to waive the reading of the Minutes of the Meeting held on Thursday, August 25, 2016.

## **III. - APPROVAL OF MINUTES**

Motion by Mr. Anderson seconded by Mr. Schad and carried to approve the Minutes of the Meeting held on Thursday, August 25, 2016.

**IV. - REPORTS (NONE)**

- A) SECRETARY**
- B) LEGAL**
- C) FISCAL**
- D) OPERATIONS**
- E) HUMAN RESOURCES**
- F) AUDIT COMMITTEE**
- G) GOVERNANCE COMMITTEE**
- H) FINANCE COMMITTEE**

**V. - COMMUNICATIONS AND BILLS**

**ITEM 1 - Creation and/or Amendment of Master Purchase Orders:**

Motion by Mr. Anderson seconded by Mr. Schad and carried to approve the creation and/or amendment of Master Purchase Order Nos. as attached not to exceed the amount of \$30,000.00 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 1

CP01562

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Item No.	Master Number	P/O Description and Vendor	Date	Amount
1	2016025	TIRE SERVICES VARIOUS ECWA VEHICLES EDS TIRE SERVICE INC Effective 9/16/2016 Thru 9/15/2018	8/29/2016	18,000.00
2	2016033	DI WATER SYSTEM PLANTS EVOQUA WATER TECHNOLOGIES, LLC Effective 10/01/2016 Thru 9/30/2017	8/29/2016	12,000.00

Report Totals: 2 30,000.00 \*\*

**ITEM 2 - Master Purchase Order Releases, Purchase Orders and Purchase Order Amendments:**

Motion by Mr. Anderson seconded by Mr. Schad and carried to approve for payment of Master Purchase Order Nos., Purchase Order Nos. and Purchase Order Amendments as attached 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 2

CP02562

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## Section: 1 Master P/O Releases

Item No.	Master P/O Number	Rel No.	Description and Vendor	Date	Amount
1.1	0528-17	7	AUTO AND TRUCK DEALER REPAIRS - DELACY ECMA DELACY FORD INC (TRANSIT RD ELMA) Effective 4/01/2016 Thru 1/31/2017 Master P/O Amt Total Releases Open Amount 20,000.00 1,072.41 18,927.59	8/29/2016 ERIE COUNTY CONTRACT	112.58
1.2	0700-WSA-9	7	CONT-WSA-9.PAYMENT NO.7. FINAL VILLAGE OF WILLIAMSVILLE E & R GENERAL CONSTRUCTION INC Effective 5/12/2015 Thru 12/31/2016 Master P/O Amt Total Releases Open Amount 2,232,510.00 2,128,798.00 103,712.00	8/29/2016 CONTRACTOR	152,647.90
1.3	1053-15	88	CAUSTIC SODA ST POINT 08/26/16 JCI JONES CHEMICALS INC Effective 11/01/2013 Thru 10/31/2016 Master P/O Amt Total Releases Open Amount 972,380.00 581,234.90 391,125.10	8/29/2016 CHEMICAL CONTRACT	6,680.96
1.4	1053-16CL	22	LIQUID CHLORINE VAN DE WATER 8/23/16 JCI JONES CHEMICALS (CALEDONIA NY) Effective 1/01/2016 Thru 4/30/2018 Master P/O Amt Total Releases Open Amount 370,300.00 93,633.00 276,667.00	8/29/2016	2,116.00
1.5	1101-16	50	WATER MAIN MATERIALS CONT. ECMA K & S CONTRACTORS SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 Master P/O Amt Total Releases Open Amount 800,000.00 239,768.29 560,231.71	8/29/2016	111.60
1.6	1101-16	51	WATER MAIN MATERIALS CONT. ECMA K & S CONTRACTORS SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 Master P/O Amt Total Releases Open Amount 800,000.00 240,417.29 559,582.71	8/29/2016	649.00

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Item No.	Master P/O Number	Rel No.	Description and Vendor	Date	Amount
1.7	1101-16	52	WATER MAIN MATERIALS CONT. ECMA K & S CONTRACTORS SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 240,720.29 559,279.71	8/29/2016	303.00
1.8	1214-16	46	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 284,534.75 315,465.25	8/29/2016	915.60
1.9	1214-16	47	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 284,886.75 315,143.25	8/29/2016	322.00
1.10	1214-16	48	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 286,439.35 314,560.65	8/29/2016	582.60
1.11	1214-16	49	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 293,054.35 306,935.65	8/29/2016	7,625.00
1.12	1214-16	50	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 800,000.00 293,795.88 306,204.01	8/29/2016	731.64

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1.13	1214-16	51	WATER MAIN MATERIALS CONT. ECMA LOCK CITY SUPPLY INC Effective 1/01/2016 Thru 12/31/2017 Master P/O Amt Total Releases Open Amount 600,000.00 294,408.34 305,593.66	8/29/2016	610.35
1.14	1401-16	29	NFB GAS PURCHASED - 2016 ECMA NATIONAL FUEL Effective 1/01/2016 Thru 12/31/2016 Master P/O Amt Total Releases Open Amount 150,000.00 33,127.20 116,872.80	8/29/2016	64.07
1.15	1407-16	33	NYSEB POWER PURCHASED - 2016 ECMA NYSEB Effective 1/01/2016 Thru 12/31/2016 Master P/O Amt Total Releases Open Amount 330,000.00 242,663.06 87,336.94	8/29/2016	2,705.23
1.16	1411-17CEL	14	CELLULAR PHONE SERVICE JULY 2016 ECMA VERIZON WIRELESS (PO BOX 408 NEWARK) Effective 1/01/2016 Thru 8/15/2017 Master P/O Amt Total Releases Open Amount 80,000.00 29,475.95 50,524.46	8/29/2016 NEW YORK STATE CONTRACT	328.95
1.17	1411-17CEL	15	CELLULAR PHONE SERVICE JULY 2016 ECMA VERIZON WIRELESS (PO BOX 408 NEWARK) Effective 1/01/2016 Thru 8/15/2017 Master P/O Amt Total Releases Open Amount 80,000.00 33,805.81 46,194.19	8/29/2016 NEW YORK STATE CONTRACT	4,370.26
1.18	1415-16	31	NATIONAL GRID POWER PURCHASED - 2016 ECMA NATIONALGRID (POB 11742 NEWARK) Effective 1/01/2016 Thru 12/31/2016 Master P/O Amt Total Releases Open Amount 1,000,000.00 501,315.02 498,684.98	8/29/2016	2,974.75

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1.19	1921-16	3	WATER & SEWER-TOWN OF TONAWANDA-2015 VAN DE WATER TONAWANDA TOWN CLERK Effective 1/01/2016 Thru 12/31/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 2,000.00 605.31 1,394.69	8/29/2016	332.58
1.20	200776	123	PEST / RODENT CONTROL SERVICE CENTER ASHLAND PEST CONTROL INC Effective 1/01/2013 Thru 5/31/2018 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 10,000.00 9,320.00 680.00	8/29/2016 ERIE COUNTY CONTRACT	110.00
1.21	200776	124	PEST / RODENT CONTROL 2013-2018 STP ASHLAND PEST CONTROL INC Effective 1/01/2013 Thru 5/31/2018 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 10,000.00 9,375.00 625.00	8/29/2016 ERIE COUNTY CONTRACT	55.00
1.22	200776	125	PEST / RODENT CONTROL 2013-2018 VDM ASHLAND PEST CONTROL INC Effective 1/01/2013 Thru 5/31/2018 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 10,000.00 9,430.00 570.00	8/29/2016 ERIE COUNTY CONTRACT	55.00
1.23	2014029	74	TIRES-SERVICES VARIOUS ECMA VEHICLES MC CARTHY TIRE SERVICE CO. Effective 9/16/2014 Thru 9/15/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 18,000.00 8,977.96 9,022.44	8/29/2016	80.17
1.24	2014029	75	TIRES-SERVICES VARIOUS ECMA VEHICLES MC CARTHY TIRE SERVICE CO. Effective 9/16/2014 Thru 9/15/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 18,000.00 8,475.46 9,524.54	8/29/2016	97.90

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1.25	2015020	9	DI WATER SYSTEM PLANTS EVOQUIA WATER TECHNOLOGIES LLC Effective 10/01/2015 Thru 9/30/2016 Master P/O Amt Total Releases Open Amount 12,000.00 3,888.36 8,110.64	8/29/2016	378.86
1.26	2016001	28	VARIOUS SIGNS AND BARRICADES ROAD WORK LOCATIONS US TRAFFIC CONTROL, INC. Effective 1/01/2016 Thru 12/31/2016 Master P/O Amt Total Releases Open Amount 285,000.00 185,226.00 119,774.00	8/29/2016	4,400.25
1.27	2016012	4	REPAIR OF LOCATORS/CATS VARIOUS LOCATION VOLLAND ELECTRIC EQUIPMENT CORP Effective 4/01/2016 Thru 3/31/2017 Master P/O Amt Total Releases Open Amount 9,900.00 779.38 8,720.62	8/29/2016	198.23
1.28	2016015	18	SODIUM HYPOCHLORITE BOOSTER STATIONS RIVERSIDE CHEMICAL COMPANY INC Effective 5/01/2016 Thru 4/30/2017 Master P/O Amt Total Releases Open Amount 9,999.00 4,039.90 5,999.10	8/29/2016	188.10
1.29	2030-16	25	DELIVERY SERVICES 2016 STURBEON POINT UNITED PARCEL SERVICE Effective 3/21/2016 Thru 3/20/2017 Master P/O Amt Total Releases Open Amount 5,000.00 1,206.53 3,793.47	8/29/2016 NEW YORK STATE CONTRACT	57.17
1.30	2472-14	22	CONSULTING SERVICES THROUGH OPERATIONS AND MAINTENANCE EMA INC Effective 10/01/2014 Thru 3/31/2018 Master P/O Amt Total Releases Open Amount 4,837,742.00 1,837,745.64 2,999,996.36	7/31/16 8/29/2016 CONSULTANT	118,334.07

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1.31	2604-15UNI	306	TOWEL, UNIFORM SERVICE VDW & WQ 08/16/16 VDW CINTAS CORPORATION (5740 GENESEE LANE) Effective 2/01/2015 Thru 3/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 85,000.00 37,009.88 47,990.12	8/29/2016 NONE	94.10
1.32	2824-13	37	AVL VEHICLE LOCATION SYSYEM - ECMA ENTIRE ECMA SERVICE AREA CALAMP WIRELESS DATA SYSTEMS INC Effective 10/01/2013 Thru 5/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 125,000.00 96,125.37 28,874.63	8/29/2016	1,859.00
1.33	4121-16	36	WATER MAIN MATERIALS CONT. ECMA EVERETT J PRESCOTT INC (BLASDELL, NY) Effective 1/01/2016 Thru 12/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 220,000.00 42,861.00 177,139.00	8/29/2016	323.24
1.34	5674-16-#2	24	RESTORATION REPAIRS - AREA #2 ECMA OCCINO CORP Effective 4/01/2014 Thru 12/31/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 2,961,790.30 2,212,505.05 749,285.25	8/29/2016 RESTORATION CONTRACT	121,060.35
1.35	6209-15	85	POLYALUMINUM CHLORIDE COAGULANT ST. POINT & 8/23/2016 KENDRA WATER SOLUTIONS INC Effective 7/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 679,992.63 478,088.84 201,903.79	8/29/2016	4,973.36
1.36	6209-15	86	POLYALUMINUM CHLORIDE COAGULANT 8/24/16 ST. POINT KENDRA WATER SOLUTIONS INC Effective 7/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 679,992.63 480,080.06 199,912.57	8/29/2016	4,971.22

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Item No.	Master P/O Number	Rel No.	Description and Vendor	Date	Amount
1.37	6209-15	87	POLYALUMINUM CHLORIDE COAGULANT VDM PLANT 8/26/16 KEMIRA WATER SOLUTIONS INC Effective 7/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 679,592.63 490,119.92 189,472.71	8/29/2016	7,059.86
1.38	6449-16	112	GROUP 00400674 08/15/16 - 08/21/16 ECMA LABOR-MANAGEMENT HEALTHCARE (DIRECT DEP) Effective 1/01/2016 Thru 12/31/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 5,000,000.00 3,189,441.03 1,810,558.97	8/29/2016	64,262.75
1.39	6449-16	113	GROUP DT-5641 & DT-5642 INW #ECMA0082016 ECMA LABOR-MANAGEMENT HEALTHCARE (DIRECT DEP) Effective 1/01/2016 Thru 12/31/2016 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 5,000,000.00 3,190,244.03 1,809,755.97	8/29/2016	803.00
1.40	6645-15	104	ENR ROOM HEAT PUMP ERIE COUNTY WATER AUTHORITY FACILITIES HOLLEMBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 157,794.98 307,905.02	8/29/2016	428.45
1.41	6645-15	105	MAINTENANCE CONTRACT-HVAC EQUIP VDM NOISY HVAC UNIT HOLLEMBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 157,911.83 307,788.17	8/29/2016	116.85
1.42	6645-15	106	MAINTENANCE CONTRACT-HVAC EQUIP WINDOM PUMP STATION EXHAUST FAN GEN BLD HOLLEMBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 159,525.26 306,174.74	8/29/2016	1,613.43

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1.43	6645-15	107	MAINTENANCE CONTRACT-HVAC EQUIP STP CHECK AC NOT WORKING MOLLENBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 161,574.43 304,125.57	8/29/2016	2,049.17
1.44	6645-15	108	MAINTENANCE CONTRACT-HVAC EQUIP WINDON PUMP STATION EXHAUST FAN GEN BLD MOLLENBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 161,930.54 303,769.46	8/29/2016	356.11
1.45	6645-15	109	MAINTENANCE CONTRACT-HVAC EQUIP STP AC UNIT IN FLOC BUILDING MOLLENBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 162,436.89 303,263.11	8/29/2016	506.35
1.46	6645-15	110	MAINTENANCE CONTRACT-HVAC EQUIP VOM REPLACED ELBOW ON AHU #2 MOLLENBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 164,096.21 301,603.79	8/29/2016	1,659.32
1.47	6645-15	111	MAINTENANCE CONTRACT-HVAC EQUIP STP REPAIRS TO HEATING LINES MOLLENBERG - BETZ INC Effective 6/01/2015 Thru 6/30/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 485,700.00 165,171.27 299,528.73	8/29/2016	2,075.06
1.48	7133-16	26	TRUCK REPAIRS AND PARTS - INTERNATIONAL MAINTENANCE AND REPAIR OF VEHICLES REGIONAL INTERNATIONAL - BUFFALO Effective 4/01/2016 Thru 1/31/2017 <u>Master P/O Amt</u> <u>Total Releases</u> <u>Open Amount</u> 20,000.00 10,977.27 9,022.73	8/29/2016	955.80



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Item No.	Master P/O Number	Rel No.	Description and Vendor	Date	Amount
1.49	8128-16	35	POSTAGE 2016 08/17/16-08/23/16 ECMA THE UNITED STATES POSTAL SERV (MATRIX) Effective 1/01/2016 Thru 12/31/2016	8/29/2016	3,761.41
			Master P/O Amt	Total Releases	Open Amount
			400,000.00	206,865.31	193,144.69
Total Master P/O Releases:					49 527,067.65

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## Section: 2 Purchase Orders

Item No.	Purchase Order No.	Description and Vendor	Date	Amount
2.1	AEK16-0072	61125 REFUND ECMA NIAGARA FRONTIER TRANSPORTATION AUTHORIT	8/29/2016	1,070.31
2.2	CLS16-0022	ALKALINITY STANDARD PLANTS ABSOLUTE STANDARDS INC	8/29/2016	90.00
2.3	GJL16-0096	MIDRANGE USERS GROUP DUES DATA PROCESSING MID-RANGE USERS GROUP OF NY	8/29/2016	85.00
2.4	GJL16-0097	REPLACEMENT NETWORK PRINTER STORES CDM-6	8/29/2016	2,503.63
2.5	GJL16-0098	BASIS ACCESS ISC REPLACEMENT PROJECT STURGEON POINT RAW WATER STANLEY SECURITY SOLUTIONS	8/29/2016 NEW YORK STATE CONTRACT	2,274.48
2.6	JAT16-0034	CHECK STOCK A/P, PAYROLL, CUSTOMER REFUND MOORE WALLACE	8/29/2016	855.20
2.7	JCS16-0018	AVAYA VOIP DESK PHONES VAN DE WATER CDM-6	8/29/2016	1,007.25
2.8	JJM16-0027	PLC-COMMUNICATION BOARD STURGEON POINT ZELLER CORP (404 SONMIL DR)	8/29/2016	2,694.50
2.9	JM16-0120	MUELLER VALVE PARTS VALVE REPAIR LOCK CITY SUPPLY INC	8/29/2016	398.00
2.10	JM16-0123	HYDRANT PARTS-A.P. SMITH REPAIR OF FIRE HYDRANT M J PIPE & SUPPLY INC	8/29/2016	1,908.90

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2.11	JM16-0124	HYDRANT PARTS KENNEDY K-81 REPAIR OF HYDRANTS BLAIR SUPPLY CORPORATION	8/29/2016	4,447.80
2.12	LJM16-0118	TREE SERVICE ERIE COUNTY WATER AUTHORITY SCHNECKS TREE REMOVAL, INC	8/29/2016 ERIE COUNTY CONTRACT	400.00
2.13	PDM16-0086	MISC STEEL REPAIRS TO BALL STATION GENERATOR KLEIN STEEL SERVICE (MILITARY RD 8FLO)	8/29/2016	974.00
2.14	PDM16-0087	STAINLESS STEEL MATERIAL REPAIRS TO PLANTS & PUMP STATIONS RYERSON LANCASTER	8/29/2016	1,809.18
2.15	PDM16-0090	SERVICE PARTS WASHER CONTROL MAINT. 08/18/2016 SAFETY-KLEEN SYSTEMS INC	8/29/2016	367.06
2.16	PDM16-0091	SHOP VAC CONTROL MAINTENANCE GRAINGER (DEPT 846348423)	8/29/2016 NEW YORK STATE CONTRACT	68.14
2.17	PDM16-0093	OVERHEAD DOOR REPAIR WINDOW POLE BARN BAEHRE & SHUMWAY INC	8/29/2016	115.00
2.18	PDM16-0096	MISC TOOLS MAINTENANCE FASTENAL COMPANY (PO BOX 1286)	8/29/2016 NEW YORK STATE CONTRACT	20.62
2.19	RFB16-0121	FULL FACE MASK BAG STURGEON POINT APPLIED INDUSTRIAL TECHNOLOGIES INC	8/29/2016	553.25
2.20	RFB16-0133	EMERGENCY KIT FOR CHLORINE CYLINDERS PLANTS USA BLUEBOOK	8/29/2016	4,738.58

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## Section: 2 Purchase Orders

Item No.	Purchase Order No.	Description and Vendor	Date	Amount
2.21	SDB16-0254	VEHICLE PARTS/SUPPLIES LINE MAINT NU-WAY AUTO PARTS - BUFFALO	8/29/2016	17.14
2.22	SEK16-0077	STEEL ROOFING AND SUPPLIES WINDOM PUMP STATION HOUSE OF STEEL (10227 RTE 219)	8/29/2016	5,606.24
2.23	SLZ16-0105	LIC REIM - JORDAN GRIMALDI ECMA JORDAN GRIMALDI	8/29/2016	56.25
2.24	TAT16-0106	KIRK/GOETZ ENERGY - DIESEL SERVICE CENTER KIRK FUEL COMPANY	8/29/2016 NEW YORK STATE CONTRACT	4,050.30
2.25	TAT16-0107	ICE SERVICE CENTER ARCTIC GLACIER	8/29/2016	72.00
Total Purchase Orders:				25 36,182.83

**VI. - UNFINISHED BUSINESS (NONE)****VII. - NEW BUSINESS (RESOLUTIONS 3-4)****ITEM 3 - AUTHORIZATION TO AMEND THE ERIE COUNTY WATER  
AUTHORITY DEBT MANAGEMENT POLICY**

Motion by Mr. Anderson seconded by Mr. Schad

**WHEREAS**, Heretofore and on the 17<sup>th</sup> day of September, 2008 the Erie County Water Authority ("Authority") adopted a Debt Management Policy ("Policy"); and

**WHEREAS**, Heretofore and on the 13<sup>th</sup> day of July, 2016 the Authority retained Jefferies LLC to render professional underwriting services for the issuance of refunding bonds; and

**WHEREAS**, As part of the underwriting services, Jefferies LLC has reviewed the Authority's Policy and recommends amending Policy 9; and

**WHEREAS**, The Authority's Finance Committee concurs with said recommendation;

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

That the Authority amends the Erie County Water Authority Debt Management Policy as set forth in attached Schedule "A".

Ayes: Three; Commrs. Jann, Schad and Anderson

Noes: None

**SCHEDULE A**

**ERIE COUNTY WATER AUTHORITY**

**DEBT MANAGEMENT POLICY**

**Purpose**

The following policy is enacted in an effort to standardize and rationalize the issuance and management of debt by the Erie County Water Authority (the "Authority"). The primary objective is to establish conditions for the use of debt and to create procedures and policies that minimize the Authority's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting. This policy is a guideline for general use, and allows for exceptions in extraordinary conditions. The policy applies to all debt issued by the Authority.

**Creditworthiness Objectives, Purposes and Uses of Debt**

**Policy 1 Credit Rating:** The Authority seeks to maintain the highest possible credit ratings for all categories of short and long-term debt that can be achieved without compromising delivery of water service and achievement of adopted policy objectives of the Authority.

The Authority recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. The Authority remains committed to ensuring the actions within its control are prudent and beneficial to its ratepayers.

**Policy 2 Financial Disclosure:** The Authority is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The Authority is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

**Policy 3 Capital Planning:** To enhance creditworthiness and prudent financial management, the Authority is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning will be demonstrated through adoption of an annual Capital Budget, supplemented by an additional four year Capital Budget Forecast.

**Policy 4 Capital Financing:** The Authority normally will rely on internally generated funds and/or grants and contributions from other governments to finance its capital needs on a pay-as-you-go basis. Debt will be issued only for capital projects.

**Policy 5 Debt Limits:** The Authority will keep outstanding debt at levels consistent with its creditworthiness objectives, financial plan and Capital Budget and Capital Budget Forecast. The Authority's debt ratio (defined as Total Liabilities divided by Total Assets as of the most recently issued December 31st independently audited financial statements and expressed as a percentage) shall not exceed 40% except in an emergency or an extraordinary event.

#### **Debt Standards and Structure**

**Policy 6 Coverage Ratio:** So long as any Bonds are Outstanding, the Authority's Board of Commissioners each year shall adopt a budget plan that 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 1.35 times the sum of the Debt Service on the Outstanding Bonds for such Fiscal Year computed as of the beginning of such Fiscal Year.

**Policy 7 Length of Debt:** Debt will be structured for a period consistent with a fair allocation of costs to current and future ratepayers.

**Policy 8 Debt Structure:** Debt will be structured to achieve the lowest possible net cost to the Authority given market conditions and the urgency of the capital projects. Moreover, to the extent possible, the Authority will design the repayment of its overall debt so as to repay principal as rapidly as possible consistent with maintaining a level debt service profile.

**Policy 9 Types of Bonds:** Bonds may be issued as serial bonds, term bonds, capital appreciation bonds, put bonds or variable rate bonds. Variable rate bonds will be limited to 20% of the Authority's total outstanding bond principal. The use of short-term borrowing, such as bond anticipation notes (BANs) will be undertaken only if the transaction costs plus interest on the debt are less than the cost of internal financing, or available cash is insufficient to meet capital requirements.

**Policy 10 Use of Derivatives:** The Authority will not use derivatives when issuing debt for Authority purposes. A derivative is a financial instrument created from or whose value depends upon (is derived from) the value of one or more separate assets or indices of asset values. As used in public finance, derivatives may take the form of interest rate swaps, futures and options contracts, options on swaps and other hedging mechanisms such as caps, floors, collars and rate locks.

**Debt Administration and Process**

The following policies apply to all Authority debt issuance:

**Policy 11 Bond Counsel:** The Authority will retain an external Bond Counsel for all debt issues.

**Policy 12 Financial Advisor:** The Authority will retain an external Financial Advisor for all debt issues. The Financial Advisor shall advise and make recommendations on the execution of bond issuances, redemptions and defeasances.

**Policy 13 Types of Bond Sales:** Authority debt will be issued either through a competitive bidding process or by negotiated sale. The Authority shall retain the services of a Financial Advisor to assist in the administration of the sale process.

**Policy 14 Investment of Bond Proceeds:** All bond proceeds shall be invested in accordance with applicable New York State Statutes and the Authority's adopted Investment Guidelines



**ITEM 4 - SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE  
OF WATER REVENUE REFUNDING BONDS, SERIES 2016**

Motion by Mr. Anderson seconded by Mr. Schad

**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 refund certain outstanding bonds of the Authority, 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, (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:

**"2007 Supplemental Resolution"** shall mean the 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".

**"2012 Resolution"** shall mean the resolution adopted by the Authority on May 29, 2012, entitled "2012 WATER REVENUE BOND RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO \$12,500,000 WATER REVENUE BONDS, SERIES 2012".

**"Beneficial Owner"** shall mean, so long as the Series 2016 Bonds are exclusively in book-entry form as provided in Article II hereof, the owner of a beneficial interest in any Series 2016 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 2016 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 or her 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 2016 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, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Series 2016 Bonds, or any other cost, charge or fee in connection with the original issuance of Series 2016 Bonds.

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

**“Official Statement”** shall mean the final official statement of the Authority relating to the Series 2016 Bonds.

**“Owner”** shall mean, with respect to any Series 2016 Bond or Bonds, the registered owner of such Series 2016 Bond or Bonds as set forth on the books of registry.

**“Purchase Contract”** shall mean the Bond Purchase Agreement to be entered into by and between the Authority and the Underwriter for the purchase by the Underwriter of the Series 2016 Bonds from the Authority substantially in the form of Exhibit B hereto, with such changes as the Chairman, Vice Chairman or Treasurer may approve as provided in Section 3.2 hereof.

**“Resolutions”** means collectively the General Resolution and this Series 2016 Resolution.

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

**“Series 2007 Bonds”** shall mean collectively the Fourth Resolution Water Revenue Bonds, Series 2007, issued by the Authority pursuant to the General Resolution and the 2007 Supplemental Resolution.

**“Series 2012 Bonds”** shall mean collectively the Water Revenue Bonds, Series 2012, issued by the Authority pursuant to the 2012 Resolution.

**“Series 2007 Defeasance Agreement”** shall mean an agreement to be entered into between the Authority and the Trustee pursuant to which a portion of the proceeds from the sale of the Series 2016 Bonds will be deposited in trust with the Trustee and invested in Investment Securities, as authorized by Section 13.1(ii) of the General Resolution, for the purpose of paying principal of and interest on the Series 2007 Bonds when such amounts become due and payable

through December 1, 2017, on which date the Series 2007 Bonds will be redeemed.

**“Series 2012 Defeasance Agreement”** shall mean an agreement to be entered into between the Authority and the Trustee pursuant to which a portion of the proceeds from the sale of the Series 2016 Bonds will be deposited in trust with the Trustee and invested in Investment Securities for the purpose of paying principal of and interest on the Series 2012 Bonds when such amounts become due and payable through the date on which the Series 2012 Bonds will be redeemed.

**“Series 2016 Bonds”** shall mean the up to \$40,000,000 Water Revenue Refunding Bonds, Series 2016, of the Authority authorized by this Series 2016 Resolution.

**“Series 2016 Resolution”** shall mean this Supplemental Resolution Authorizing the Issuance of Water Revenue Refunding Bonds, Series 2016, as adopted on August 30, 2016.

**“Series 2016 Serial Bonds”** shall mean those Series 2016 Bonds maturing serially from December 1, 2017 through December 1, 2037, or on such other dates to be determined pursuant to the provisions of Article III hereof.

**“Series 2016 Term Bonds”** shall mean those Series 2016 Bonds which are issued as Term Bonds pursuant to the provisions of Article III hereof.

**“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 2016 Bonds and which must be complied with in order that the interest in the Series 2016 Bonds not be, and continue not to be, includable in the gross income of the owners thereof for Federal income tax purposes.

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

**“Underwriter”** shall mean Jefferies LLC.

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

**SECTION 1.2. Authority for this Supplemental Resolution.** This Series 2016 Resolution is adopted pursuant to the provisions of the General Resolution and the Act.

## ARTICLE II

## THE SERIES 2016 BONDS

**SECTION 2.1. Principal Amount, Designation and Series.** Pursuant to the provisions of the General Resolution, a Series of Bonds of up to FORTY MILLION DOLLARS (\$40,000,000) 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 2016 Bonds and the aggregate principal amount of the Series 2016 Bonds due upon each maturity of the Series 2016 Bonds shall be as determined pursuant to the provisions of Article III hereof and as set forth in the Certificate of Award. Such Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series, by the title, "Water Revenue Refunding Bonds, Series 2016".

**SECTION 2.2. Purposes.** The Series 2016 Bonds are being issued for the purpose of providing moneys which will be used (i) to refund on an advanced basis all outstanding Series 2007 Bonds, (ii) to refund on a current basis all outstanding Series 2012 Bonds, and (iii) to pay Costs of Issuance of the Series 2016 Bonds.

**SECTION 2.3. Maturities and Interest.** The Series 2016 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 Certificate of Award, 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 December 1, 2016), 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 2016 Bonds shall be issued exclusively in "book-entry" form. The initial owner of the Series 2016 Bonds shall be Cede & Co., on behalf of DTC, which shall hold one or more immobilized certificates representing each maturity of the Series 2016 Bonds for the benefit of the Beneficial Owners of the Series 2016 Bonds; provided that if DTC shall request that the Series 2016 Bonds be registered in the name of a different nominee, the Trustee shall exchange all or a portion of the Series 2016 Bonds for an equal aggregate principal amount of Series 2016 Bonds registered in the name of such other nominee or nominee of DTC. All transfers of Series 2016 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 2016 Bonds. The Authority has entered into a blanket issuer letter of representations and other documentation necessary and desirable to effectuate the use of book-entry only form for the Series 2016 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 2016 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 2016 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 2016 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 2016 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 2016 Bonds.** The Series 2016 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 2016 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 2016 Bonds.** The Series Bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity at the option of the Authority on December 1, 2026 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 principal amounts of \$5,000 or integral multiples thereof; provided, however, that upon the occurrence of a Change of Control and during such time as the Series 2016 Bonds are subject to a call for redemption pursuant to the provisions of Section 2.7(b) hereof, the Series 2016 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 2016 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 this Section 2.7 subsequent to a Change of Control, may be effected only 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 2016 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 2016 Term Bonds determined pursuant to Article III hereof, the particular Series 2016 Term Bonds to be redeemed to be selected by lot. The Series 2016 Serial Bonds shall not be subject to mandatory sinking fund redemption pursuant to this Section 2.7(b).

**SECTION 2.8. Application of Bond Proceeds.** The Authority hereby irrevocably directs that simultaneously with the delivery of the Series 2016 Bonds, from the proceeds of the sale thereof together with other legally available funds of the Authority (including without limitation any funds held under the 2007 Resolution in the Principal Subaccount, Series 2007, the Interest Subaccount, Series 2007, or the Reserve Subaccount, Series 2007 of the Bond Account established under the General Resolution), (i) the amount, if any, received upon delivery of the Series 2016 Bonds as accrued interest shall be paid to the Trustee for deposit into the Interest Subaccount in the Bond Account, (ii) an amount determined by the Authority to be sufficient to purchase Investment Securities required under the Series 2007 Defeasance Agreement for the purpose of paying principal of and interest on the Series 2007 Bonds when such amounts become due and payable through December 1, 2017, on which date the Series 2007 Bonds will be redeemed, shall be paid to the Trustee for application in accordance with the Series 2007 Defeasance Agreement, (iii) an amount determined by the Authority to be sufficient to purchase Investment Securities required under the Series 2012 Defeasance Agreement for the purpose of paying principal of and interest on the Series 2012 Bonds when such amounts become due and payable through the date on which the Series 2012 Bonds will be redeemed, shall be paid to the Trustee for application in accordance with the Series 2012 Defeasance Agreement, or, at the option of the holder of the Series 2012 Bonds pursuant to Section 6.8 of the Series 2012 Resolution, directly to such holder, and (iv) the balance of the proceeds of the sale of the Series 2016 Bonds in such amount as may be determined by the Chairman, Vice Chairman or Treasurer, shall be applied, pursuant to the provisions of Article III hereof, as set forth in the Certificate of Award for the purposes set forth in Section 2.2 hereof, including payment of the Costs of Issuance of the Series 2016 Bonds.

**SECTION 2.9. Form of Series 2016 Bonds and Registrar's Certificate of Authentication.** Subject to the provisions of the General Resolution, the form of the Series 2016 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 2016 Resolution, the Chairman's signature on such Bonds to constitute conclusive evidence of such approval:

Registered

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUIRED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Number 2016 - \_\_\_\_\_

UNITED STATES OF AMERICA

STATE OF NEW YORK

ERIE COUNTY WATER AUTHORITY  
WATER REVENUE REFUNDING BOND  
SERIES 2016

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

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

Dated Date: \_\_\_\_\_, 2016

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 December 1, 2016, 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.

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 (the "General Resolution"), and a supplemental resolution thereto entitled "Supplemental Resolution Authorizing the Issuance of Water Revenue Refunding Bonds, Series 2016" as adopted on August 30, 2016 (the "Series 2016 Resolution") by said Authority (said General Resolution and Series 2016 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 2016 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.

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 2016 Bonds, and no holder of the Series 2016 Bonds shall have the right to compel the exercise of the subdivision thereof in connection with any default with respect to the Series 2016 Bonds. The Series 2016 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 2016 Bonds, nor are the Series 2016 Bonds payable out of any funds other than those of the Authority pledged for the payment of the Series 2016 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 Account (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 2016 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 2016 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 2016 Bond, and this Series 2016 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 2016 Bonds maturing on or after December 1, 2027 are subject to redemption prior to maturity at the option of the Authority on December 1, 2026 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 principal amounts of \$5,000 or integral multiples thereof. In addition, the Series 2016 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>
-------------	----------------

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 2016 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 2016 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.

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]

1151

**[REGISTRAR'S CERTIFICATE OF AUTHENTICATION]**

**This Bond is one of the Bonds described in the within mentioned General Resolution and Series 2016 Resolution and is one of the Water Revenue Refunding Bonds, Series 2016, of the Erie County Water Authority.**

**MANUFACTURERS AND TRADERS TRUST  
COMPANY, as Registrar**

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

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

**8/30/16**

## ARTICLE III

## SALE OF SERIES 2016 BONDS

**SECTION 3.1. Sale of Series 2016 Bonds.** The Authority hereby determines that the Series 2016 Bonds shall be sold to the Underwriter upon the terms and conditions of (a) this Series 2016 Resolution and (b) the Bond Purchase Agreement substantially in the form of Exhibit B hereto with only such changes as the Chairman, Vice Chairman or Treasurer may approve as provided in Section 3.2 hereof, which form of Bond Purchase Agreement is hereby approved and adopted.

**SECTION 3.2. Negotiation, Preparation and Delivery of Certificate of Award, Purchase Contract and Series 2016 Bonds.** Subject to the limitations set forth in Articles II and III hereof, the Chairman, Vice Chairman or Treasurer is hereby authorized, empowered, and directed to negotiate with the Underwriter the terms and conditions of the Series 2016 Bonds, including, but not limited to, the aggregate principal amount and the interest rate or rates. Upon the award of the Series 2016 Bonds, the Chairman, Vice Chairman or Treasurer 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 2016 Bonds as negotiated by the Chairman, Vice Chairman or Treasurer, which Certificate of Award shall include a schedule setting forth the principal amounts of and interest rates on the Series 2016 Bonds. The Chairman, Vice Chairman or Treasurer is further authorized, empowered, and directed to execute and deliver a definitive Purchase Contract to the Underwriter setting forth the terms and conditions of the sale of the Series 2016 Bonds, any such officer's execution thereof to be conclusive evidence of his or her approval of any changes from the form of Bond Purchase Agreement attached hereto as Exhibit B, and to have the Series 2016 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 2016 Bonds shall be sold to the Underwriter at the offices of Barclay Damon, LLP, Suite 1200, 200 Delaware Avenue, Buffalo, New York 14202 on a date to be determined by the Chairman, Vice Chairman or Treasurer and set forth in the Certificate of Award.

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

(b) Upon the sale of the Series 2016 Bonds, the Chairman, Vice Chairman or

Treasurer is hereby authorized to complete the final Official Statement with such changes, variations, omissions and insertions as any such officer shall deem necessary or desirable to finalize the Official Statement. The Chairman, Vice Chairman or Treasurer is hereby further authorized to furnish the Underwriter copies of the final Official Statement, in such quantities as any such officer determines to be appropriate, within seven (7) days of the award of the Series 2016 Bonds.

**SECTION 3.5. Continuing Disclosure Agreement.** The Continuing Disclosure Agreement, in substantially the form presented to the Authority and attached hereto as Exhibit C, is hereby approved. The Authorized Officers of the Authority, and each of them without the others, are hereby authorized to execute and deliver the Continuing Disclosure Agreement 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.

#### ARTICLE IV

##### CERTAIN ANCILLARY MATTERS

**SECTION 4.1. Reserve Account Requirement for the Series 2016 Bonds.** The Series 2016 Bonds will not have a Reserve Account Requirement.

**SECTION 4.2. Additional Tax Covenant.** (a) The Authority covenants with the holders from time to time of the Series 2016 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 2016 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 2016 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 2016 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 or any successor office

designated by the Internal Revenue Service. 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 2016 Bonds for a period of ten days next preceding any interest payment date therefor, (ii) issue, transfer or exchange any Series 2016 Bonds for a period of ten days next preceding any selection of Series 2016 Bonds to be redeemed or for a period of ten days thereafter, or (iii) transfer or exchange any Series 2016 Bonds which have been designated for redemption within a period of 60 days next preceding the date fixed for redemption.

**SECTION 4.4. Parties Interested Herein.** Nothing in this Series 2016 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 2016 Bonds, any right, remedy or claim under or by reason of this Series 2016 Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Series 2016 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 2016 Bonds.

**SECTION 4.5. Investment Securities.** In accordance with clause (x) of the definition of "Investment Securities" as set forth in Section 1.1 of the General 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 2016 Bonds:

(a) Bonds, notes or other evidences of indebtedness rated "AA+" 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 4.6. CUSIP Identification Numbers.** CUSIP identification numbers, at the sole option of the Authority, may be placed on the Series 2016 Bonds, but neither the failure to place any such number on any Series 2016 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 2016 Bonds. No such CUSIP identification number shall constitute a part of the contract evidenced by the particular Series 2016 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 2016 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

### AMENDMENTS TO GENERAL RESOLUTION

**SECTION 5.1.**        Purpose of Amendments. For the purpose of clarifying certain matters arising under the General Resolution and making other changes which the Authority deems necessary or desirable, none of which changes will adversely affect the rights of the holders of the Bonds currently outstanding under the General Resolution, the Authority hereby amends the General Resolution in the manner set forth in this Article V.

**SECTION 5.2.**        References to "Funds" and "Accounts".

- (a) All references in the General Resolution to "Funds" held by the Authority or the Trustee are hereby deemed to be references to "Accounts" held by the Authority or the Trustee, respectively.
- (b) All references in the General Resolution to the "Operating Fund" held by the Authority are hereby deemed to be references to the "Operation and Maintenance Account" held by the Authority.
- (c) All references in the General Resolution (prior to the effectiveness of this Series 2016 Resolution) to "Accounts" are hereby deemed to be references to "Subaccounts".

**SECTION 5.3.**        Amendment of Definitions. The definitions of the following terms set forth in Section 1.1 of the General Resolution are hereby amended in their entirety to read as follows:

"Available Revenues" shall mean all Revenues.

"Net Revenues" shall mean, with respect to any period, the Revenues during such period less the Operation and Maintenance Expenses during such period.



**“Office of the Trustee”, “Office of the Paying Agent” and “Office of the Registrar”** shall mean, so long as Manufacturers and Traders Trust Company serves in such capacity, its principal office in Buffalo, New York, and the principal office of any successor Trustee, Paying Agent or Registrar, as the case may be.

**“Reserve Account Requirement”** shall mean with respect to a Series of Bonds, the amount, if any, prescribed by the Supplemental Resolution authorizing such Series of Bonds, which amount will not exceed, as of any date of calculation, and for any Fiscal Year, the amount equal to the least of: (A) the maximum Debt Service in the current or any future Fiscal Year on all Outstanding Bonds included in such Series of Bonds; (B) ten percent (10%) of the net proceeds of the sale of such Series of Bonds; and (C) one hundred twenty-five percent (125%) of the average of the Debt Service in the current or any future Fiscal Year on the Outstanding Bonds included in such Series of Bonds.

**“Revenues”** shall mean and include 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 this Resolution, including investment income on any Construction Account. “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 or 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 so as to preclude their inclusion in Revenues.

**SECTION 5.4. Deletion of Definitions.** The definitions of the following terms set forth in Section 1.1 of the General Resolution are hereby deleted:

- (a) First Prior Lien Bonds;
- (b) Improvement and Extension Resolution;
- (c) Improvement and Extension Revenue Bonds;
- (d) Prior Lien Bonds;
- (e) Retirement Date of First Prior Lien Bonds;
- (f) Retirement Date of Prior Lien Bonds;
- (g) Retirement Date of Second Prior Lien Bonds;
- (h) Second Prior Lien Bonds;

- (i) Water Revenue Bond Resolution;
- (j) Water Revenue Bonds; and
- (k) Water Works System Revenue Bond Resolution.

SECTION 5.5. Addition of Definitions. The following definitions are hereby added to Section 1.1 of the General Resolution:

"Put Bonds" shall mean Bonds issued pursuant to Section 3.11 hereof.

"Rebate Account" shall mean the Rebate Account created in Section 6.1 hereof to be held and administered by the Trustee.

SECTION 5.6. Amendment of Section 3.2. Section 3.2 of the General Resolution is hereby amended to read in its entirety as follows:

SECTION 3.2. Pledge of Available Revenues, Funds and Other Moneys. The Bonds are payable solely from and secured by the funds pledged therefor. There are hereby pledged 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 hereof 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 to and inferior to the cost of operation and maintenance of the Water Works System.

The Bonds of each Series issued hereunder shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the Supplemental Resolution providing for their issuance or by reason of their Series, number or date, date of issue, execution, authentication or sale thereof, or otherwise.

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 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, nor are the Bonds payable out of any funds other than those of the Authority pledged for the payment of the Bonds under the Resolution.

**SECTION 5.7. Amendment of Section 3.4.** Subsection C of Section 3.4 of the General Resolution is hereby amended to read in its entirety as follows:

**C.** There shall be filed with the 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 based (i) on audited figures or (ii) to the extent audited figures are not available on figures taken by an independent certified public accountant from the Authority's books and records, showing that the Net Revenues for any consecutive twelve-month period out of the twenty-four months immediately preceding the month in which such Bonds are issued were equal to not less than one hundred ten percent (110%) of the annual Debt Service on the Bonds (including the Series of Bonds then being issued) 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 Section 3.5 hereof) 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 Subaccount in the Construction Account, shall be at least equal to one and twenty-five hundredths (1.25) times the Debt Service for such Fiscal Year on all outstanding Bonds, including the Bonds then being issued.

**SECTION 5.8. Amendment of Section 6.1.** Section 6.1 of the General Resolution is hereby amended to read in its entirety as follows:

**SECTION 6.1. Establishment of Accounts.** The following accounts are hereby established, the existence of which shall continue so long as any Bonds issued pursuant to the Resolution are outstanding:

- (1) Revenue Account, to be held by the Authority;
- (2) Operation and Maintenance Account, to be held by the Authority;
- (3) Bond Account, to be held by the Trustee;
- (4) Rebate Account, to be held by the Trustee; and

- (5) General Account, at the discretion of the Authority, to be held by the Authority.

**SECTION 5.9. Deletion of Section 6.2.** Section 6.2 of the General Resolution is hereby deleted in its entirety, and replaced with the notation “[INTENTIONALLY OMITTED]”.

**SECTION 5.10. Amendment of Section 6.3.** Section 6.3 of the General Resolution is hereby amended in its entirety to read as follows:

**SECTION 6.3. Available Revenues.** On and after the issuance of the initial Series of Bonds, the Authority shall pay or cause to be paid into the Revenue Account, as promptly as practicable after receipt thereof, all of the Available Revenues and all other moneys required to be paid into the Revenue Account 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 Account and all moneys on deposit therein shall be used and applied, except as otherwise expressly permitted by this Resolution, only in the manner and for the purposes hereinafter provided in this Article. Moneys in the Revenue Account shall be applied in the following order of priority:

- (1) the amounts required to pay Operation and Maintenance Expenses shall be transferred to the Operation and Maintenance Account as required by Section 6.4 below;
- (2) the amounts required to be deposited to the Bond Account shall be transferred as set forth in Section 6.5 below; and
- (3) the balance remaining in the Revenue Account at the end of each month, after making the transfers and allocations set forth above, shall be deposited into the General Account or retained in the Revenue Account.

**SECTION 5.11. Amendment of Section 6.5.** Section 6.5 of the General Resolution is hereby amended as follows:

- (a) by deleting in the introductory paragraph thereof the phrase “prior to the Retirement Date of the Prior Lien Bonds from the Available Revenues, and on and after the Retirement Date of the Prior Lien Bonds,”;
- (b) by deleting in subsection A thereof the phrase “prior to the Retirement Date of the Prior Lien Bonds, from Available Revenues, and on and after the Retirement Date of the Prior Lien Bonds,”; and
- (c) by deleting in the second paragraph of subsection D thereof the phrase “prior to the Retirement Date of the Prior Lien Bonds, from the Available Revenues, and on and after the Retirement Date of the Prior Lien Bonds,”.

SECTION 5.12. Addition of Section 6.13. Article VI of the General Resolution is hereby amended by adding to the end thereof the following Section 6.13:

**SECTION 6.13 Rebate Account.**

A. The Authority shall deposit into the Rebate Account in connection with any Series of Bonds any amounts required to be so deposited for payment to the United States government pursuant to any tax certificate executed by the Authority in connection with the authentication and delivery of such Bonds.

B. The Authority shall determine the amounts (as well as the dates of payment) which are subject to rebate to the United States government pursuant to the provisions of the Code (in order to ensure that interest on any Bonds which are issued as tax-exempt obligations continues to be excludable from Federal income taxation) in accordance with the terms of the applicable tax certificate. The amounts which are required to be rebated to the United States government shall be withdrawn from the Rebate Account at such times and paid to the United States government.

C. If there is not a sufficient amount in the Rebate Account for any required payment to the United States government, the Authority shall promptly pay, from moneys which are on deposit in the Revenue Account or such other amounts in any other Account which are available for such purpose, the amount which is necessary to make up such deficiency.

SECTION 5.13. Amendment of Section 7.4. Section 7.4 of the General Resolution is hereby amended to read in its entirety as follows:

**SECTION 7.4. Statement by Trustee Hereunder of Accounts and Subaccounts and Other Matters.** Not more than 15 days after the close of each calendar month, each Trustee hereunder shall furnish the Authority, and any Bondholder filing with such Trustee a written request for a copy, a statement setting forth (to the extent applicable) in respect to such month (a) all transactions relating to the receipt, disbursement, and application of all moneys received by such Trustee pursuant to the terms of the Resolution, (b) the amount held by such Trustee at the end of such month to the credit of each account and subaccount provided for in the Resolution and the value of Investment Securities therein, (c) a brief description of all obligations held by such Trustee as an investment of moneys in any account or subaccount hereunder as of the end of such month, and (d) the principal amount of Bonds purchased by such Trustee during such month from moneys available therefor in any account or subaccount pursuant to the provisions of the Resolution and the respective purchase price of such Bonds. Each Trustee also shall furnish any other information which the Authority reasonably requests.

SECTION 5.14. Amendment of Section 8.2. Subsection C of Section 8.2 of the General Resolution is hereby amended to read in its entirety as follows:

C. 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 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.

SECTION 5.15. Amendment of Section 8.3. Section 8.3 of the General Resolution is hereby amended to read in its entirety as follows:

SECTION 8.3. 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 provided in this Section.

A. 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 all Bonds then outstanding and such Bonds are no longer deemed outstanding within the meaning of Section 13.1 hereof.

B. 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. A copy of such certificate shall be filed with the Trustee at least ten (10) days prior to any such transfer and the Trustee, in the absence of bad faith, shall be protected in relying thereon. 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 Account, or (ii) if such proceeds are in excess of \$100,000, (A) into the Bond Retirement Subaccount in the Bond Account and applied to the purchase or redemption of Bonds or (B) into the Revenue Account or General Account and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water Works System, as the Authority shall determine.

C. The Authority may sell, lease, or otherwise dispose of surplus land, 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 Revenue Account or the General Account.

D. 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 Account, or (ii) if such proceeds are in excess of \$100,000, (A) into the Bond Retirement Subaccount in the Bond Account and applied to the purchase or redemption of Bonds or (B) into the Revenue Account or the General Account and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water Works System, as the Authority shall determine.

**SECTION 5.16. Amendment of Section 8.4.** The second paragraph of Subsection A of Section 8.4 of the General Resolution is hereby amended to read in its entirety as follows:

In the event of any loss or damage to the properties of the Water Works System covered by insurance, the Authority will (1) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Water Works System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving \$100,000 or more, the Authority shall determine that such repair and reconstruction not be undertaken, and (2) if the Authority shall not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies or any portion thereof not used for such repair or reconstruction, as the case may be, shall be paid into the Revenue Account.

**SECTION 5.17. Amendment of Section 8.18.** Section 8.18 of the General Resolution is hereby amended by adding to the end thereof the following Subsection D:

D. The Authority further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148(f) of the Code and any regulations promulgated thereunder, including the payment of any Rebate Amount, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable.

**SECTION 5.18. Amendment of Section 9.6.** Section 9.6 of the General Resolution is hereby amended to read in its entirety as follows:

**SECTION 9.6. Appointment of a Receiver.** Upon the occurrence of an Event of Default (as defined in Section 9.2 hereof) and at any time while such Event of Default shall be continuing, the Trustee or the holders of twenty-five percent (25%) or more in principal amount of

Bonds then outstanding shall, but only if and to the extent then permitted by law, be entitled to the appointment of a receiver to take possession of the Water Works System, to manage the operation and maintenance thereof, and to receive and apply the Revenues in accordance with the terms of the Resolution.

Notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Available Revenues deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

SECTION 5.19. Amendment of Section 13.1. Section 13.1 of the General Resolution is hereby amended by changing the reference to "Section 3.12" in the introductory paragraph thereof to be a reference to "Section 3.11".

## ARTICLE VI

### MISCELLANEOUS

SECTION 6.1. 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 2016 Resolution.

SECTION 6.2. Effective Date. This Series 2016 Resolution shall be fully effective upon its adoption.

Ayes: Three; Commrs. Jann, Schad and Anderson  
Noes: None



**EXHIBIT A**  
**FORM OF PRELIMINARY OFFICIAL STATEMENT**

Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or an indication of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, sale or indication of an offer to sell or an indication of an offer to buy is prohibited by law.

## PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 8, 2016

**NEW ISSUE - Cash-Entry Only**

**RATINGS: Standard & Poor's:**

**File:**  
**(See "Ratings" herein)**

*In the opinion of Barclay Dimes, LLP, Bond Counsel to the Authority, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain covenants described herein, and the accuracy of certain representations by the Authority, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed under the Code with respect to individuals and corporations, although it is included in the adjusted current earnings when calculating corporate alternative minimum tax. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers). See "TAX MATTERS" herein.*

### ERIE COUNTY WATER AUTHORITY (NEW YORK) \$32,145,000\* WATER REVENUE REFUNDING BONDS, SERIES 2016 (THE "SERIES 2016 BONDS")

**Dated: Date of Delivery**

**Due: December 1, as shown on inside cover page**

The Series 2016 Bonds are being issued under the Resolution and the Series 2016 Resolution (each as defined herein) to (i) refund (A) the Authority's outstanding \$23,703,000 aggregate principal amount of Series 2007 Bonds issued pursuant to the Authority's Fourth General Water Revenue Bond Resolution and the Authority's Series 2007 Supplemental Resolution, and (B) the Authority's outstanding \$7,224,000 aggregate principal amount of Series 2012 Bonds issued pursuant to the Authority's 2012 Water Revenue Bond Resolution (the "2012 Resolution") (collectively, the "Refunded Bonds"), and (ii) pay certain costs of issuance of the Series 2016 Bonds. See "THE SERIES 2016 BONDS - Purpose of the Series 2016 Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2016 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 2016 Bonds. Individual purchases will be made in cash-entry-only form in the principal amount of \$1,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Series 2016 Bonds.

The Series 2016 Bonds will mature on the date and in the amounts, will bear interest at the rate and will have the yields or public offering prices shown on the inside cover of this Official Statement. The Series 2016 Bonds will be secured by a lien on Available Revenues (as defined herein) that is subordinate to and inferior to the cost of operation and maintenance of the Water Works System (as defined herein) and on a parity with the pledge of, and lien on, the Available Revenues for the Authority's Existing Bonds (as defined herein).

Interest on the Series 2016 Bonds will be payable on the dates 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 2016 Bonds are subject to redemption prior to maturity in the manner and at the times set forth herein.

Principal and interest on the Series 2016 Bonds will be paid by the Authority's Trustee and Paying Agent, Manufacturers and Trustee 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 2016 Bonds, as described herein.

The Series 2016 Bonds, together with any Bonds heretofore and hereafter issued, are obligations of the Authority payable solely from the Available Revenues of the Authority's Water Works System, all as set forth in the Resolution and Series 2016 Resolution.

The Series 2016 Bonds are not a debt of the State of New York, or of the County of Erie, New York or any other political subdivision of the State of New York. Neither the State of New York nor the County of Erie, New York nor any other political subdivision of the State of New York is liable for the payment of the Series 2016 Bonds, nor are the Series 2016 Bonds payable out of any funds other than those of the Authority pledged under the Resolution. The Authority has no taxing power.

The Series 2016 Bonds are offered subject to the final approving opinion of Barclay Dimes, LLP, Buffalo, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Hester Street & Henry LLP, Rochester, New York. Certain legal matters will be passed upon for the Authority by its in-house counsel and Secretary to the Authority, Joseph T. Stone, Esq. Capital Markets Advisors, LLC serves as an independent financial advisor to the Authority. It is expected that delivery of the Series 2016 Bonds to beneficial owners will be made through the facilities of the Depository Trust Company, New York, New York on or about September 28, 2016.

**Jefferies**

September 8, 2016

\* Preliminary, subject to change

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\$32,145,000\*

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

**Water Revenue Refunding Bonds, Series 2016**

**Dated:**      **Date of Delivery**

**Principal Due:**      December 1, as shown below

**Interest Due:**      December 1, 2016 and semi-annually thereafter on June 1 and December 1 in each year until maturity or prior redemption.

**Maturities, Amounts, Rates and Yields or Prices and CUSIP Numbers**

<b>Maturity December 1</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield or Price</b>	<b>CUSIP<sup>†</sup></b>	<b>Maturity December 1</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield or Price</b>	<b>CUSIP<sup>†</sup></b>
	\$	%	%			\$	%	%	
		%	%				%	%	
		%	%				%	%	
		%	%				%	%	
		%	%				%	%	

\* Preliminary, subject to change

<sup>†</sup> CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2016 Bonds. The Authority is not responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the Series 2016 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2016 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2016 Bonds.

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8/30/16

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

**EARL L. JANN, JR., CHAIR**

**JEROME D. SCHAD, ESQ., VICE-CHAIR**

**ROBERT ANDERSON, TREASURER**

**OFFICERS**

**ROBERT F. GAYLORD, EXECUTIVE DIRECTOR**

**ROBERT J. LICHTENTHAL, JR., DEPUTY DIRECTOR**

**RUSSELL J. STOLL, P.E., EXECUTIVE ENGINEER**

**JOSEPH T. BURNS, ESQ., SECRETARY**

**CERTIFIED PUBLIC ACCOUNTANTS**

**DRESCHER & MALICKI LLP**

**BOND COUNSEL**

**BARCLAY DAMON, LLP**

**FINANCIAL ADVISOR**

**CAPITAL MARKETS ADVISORS, LLC**

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**8/30/16**

*The Underwriter has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

**IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2016 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

*The management of the Authority has prepared the prospective financial information set forth herein to present certain projections of future financial information. The 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. 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.*

*If and when included in this Official Statement, the words "expect," "forecasts," "project," "intend," "anticipate," "estimate" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority and the Underwriter disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.*

*Other information, including financial information, concerning the Authority is available on the Authority's website, [www.azwater.gov](http://www.azwater.gov). Any 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 2016 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.*

*The Trustee has no responsibility for the form and content of this Official Statement and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom.*

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**OFFICIAL STATEMENT**  
**Relating to**  
**\$32,145,000\***  
**ERIE COUNTY WATER AUTHORITY**  
**(NEW YORK)**

**Water Revenue Refunding Bonds, Series 2016**

**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 \$32,145,000\* Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 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 2016 Bonds and the proceedings of the Authority relating thereto are qualified in their entirety by reference to the definitive form of the Series 2016 Bonds and such proceedings.

The following is a brief description of certain information concerning the Series 2016 Bonds and the Authority. A more complete description of such information and additional information that may affect decisions to invest in the Series 2016 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 B.

**Purpose of Issue**

The Series 2016 Bonds are being issued to (i) refund (A) the Authority's outstanding \$29,705,000 aggregate principal amount of Series 2007 Bonds issued pursuant to the Authority's Fourth General Water Revenue Bond Resolution and the Authority's Series 2007 Supplemental Resolution, and (B) the Authority's outstanding \$7,850,000 aggregate principal amount of Series 2012 Bonds issued pursuant to the Authority's 2012 Water Revenue Bond Resolution (the "2012 Resolution") (collectively, the "Refunded Bonds"), and (ii) pay certain costs of issuance of the Series 2016 Bonds. See "THE SERIES 2016 BONDS – Purpose of the Series 2016 Bonds" and "ESTIMATED SOURCES AND USES OF FUNDS."

**Authorization of Issuance**

The Series 2016 Bonds will be issued pursuant to the Fourth General Water Revenue Bond Resolution, adopted by the Authority on July 9, 1992 (the "General Resolution" or the "Resolution"), a resolution supplemental thereto entitled "Series 2016 Supplemental Resolution Authorizing the Issuance of Water Revenue Refunding Bonds, Series 2016" adopted by the Authority on August 30, 2016 (the "Series 2016 Resolution" and together with the General Resolution, the "Resolutions") and the Erie County Water Authority Act, Article 3, Title 3, Public Authorities Law, Sections 1059 through 1073, inclusive, and all laws amendatory or supplemental thereto (the "Act"). The Authority has Outstanding \$26,963,384 aggregate principal amount of Bonds heretofore issued pursuant to the Fourth General Water Revenue Bond Resolution (the "Fourth Resolution") consisting of the Authority's Fourth Resolution Water Revenue Bonds, Series 1992D, Fourth Resolution Water Revenue Bonds, Series 2003F, and Fourth Resolution Water Revenue Bonds, Series 2008 (collectively, the "Existing Bonds"). The Series 2016 Bonds will be secured by a Lien on Available Revenues (as defined herein) and be

\* Preliminary, subject to change

subordinate to and inferior to the cost of operation and maintenance of the Water Works System (as defined herein) and, so long as the Existing Bonds are outstanding, be on a parity with the pledge of, and lien on, the Available Revenues for the Existing Bonds.

For more information with respect to the authorization of the issuance of the Series 2016 Bonds, including a description of other outstanding bond indebtedness of the Authority, see "THE SERIES 2016 BONDS - Authorization of Issuance."

#### **Security for the Series 2016 Bonds**

The Series 2016 Bonds are payable solely from and secured by the funds pledged thereby 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. "Available Revenues" means all Revenues. "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.

For more information with respect to the security for the Bonds, including the Series 2016 Bonds, see "SECURITY FOR THE SERIES 2016 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 the County of Erie, New York ("Erie County") and sources of supply or water supply systems situated outside Erie County. See "THE AUTHORITY."

#### **The Water Works System**

The Authority operates and manages the various components of the Water Works System on (i) a direct service basis where the Authority owns the assets and is responsible for their operation, maintenance, improvement and replacement; or (ii) 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; or (iii) 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 over 25 billion gallons of high-quality water for residential, commercial, and industrial use in 35 municipalities as well as the Seneca Nation of Indians. The municipalities are located in Erie County and parts of Chautauque, Cattaraugus, western Wyoming, and western Genesee Counties. The municipalities do not include the City of Buffalo or the Town of Tonawanda (including the Village of Kenmore), per the provision in Section 1052 of the Authority's enabling legislation. 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, together with 38 pump stations (23 pump stations owned by the Authority), 37 water tanks (20 water tanks owned by the Authority), 4 pressure tanks owned by the Authority, 3,617 miles of distribution piping (2,465 miles owned by the Authority) and 18,869 fire hydrants (9,381 owned by the Authority) 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 2016 BONDS**

### **Purpose of the Series 2016 Bonds**

The Series 2016 Bonds are being issued to (i) refund (A) the Authority's outstanding \$29,705,000 aggregate principal amount of Series 2007 Bonds issued pursuant to the Authority's Fourth General Water Revenue Bond Resolution and the Authority's Series 2007 Supplemental Resolution, and (B) the Authority's outstanding \$7,850,000 aggregate principal amount of Series 2012 Bonds issued pursuant to the Authority's 2012 Water Revenue Bond Resolution (the "2012 Resolution") (collectively, the "Refunded Bonds"), and (ii) pay certain costs of issuance of the Series 2016 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

### **Authorization of Issuance**

The Series 2016 Bonds will be issued pursuant to the Resolution and the Act. On the date of issuance and delivery of the Series 2016 Bonds, there will be Outstanding under the Fourth Resolution approximately \$4,415,000 aggregate principal amount of the Series 1990D Bonds, \$6,508,384 aggregate principal amount of the Series 2003F Bonds, and \$16,040,000 aggregate principal amount of the Series 2008 Bonds (collectively, the "Existing Bonds"). In addition to the Series 2016 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, Variable Rate Bonds and Put Bonds. Unless provided otherwise, all Bonds issued under the Resolution are secured equally and ratably on a parity basis with each other.

On the date of issuance and delivery of the Series 2016 Bonds, the Series 2007 Bonds and the Series 2012 Bonds will be defeased and will no longer be Outstanding.

### **Description**

The Series 2016 Bonds will be dated as of the date of delivery. The Series 2016 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 2016 Bonds will be payable on December 1, 2016, 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 2016 Bonds will be issued in fully registered form and when issued will be registered in the name of Code & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2016 Bonds. Individual purchases of ownership interests in the Series 2016 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 2016 Bonds. (See "THE SERIES 2016 BONDS - Book-Entry Only System.")

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 2016 Bonds. (See "THE SERIES 2016 BONDS - Book-Entry Only System").

Manufacturers and Traders Trust Company is the Trustee and Paying Agent for the Bonds.

### **Nature of the Obligations**

Each Series 2016 Bond, when duly issued and paid for, will constitute a contract between the Authority and the owner thereof.

The Series 2016 Bonds are obligations of the Authority payable solely from the Available Revenues of the Authority's Water Works System, all as set forth in the Resolution and the Series 2016 Resolution. See "SECURITY FOR THE SERIES 2016 BONDS."

### Book-Entry Only System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities 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 2016 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. 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.dtc.com](http://www.dtc.com) and [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2016 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 2016 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 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 2016 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 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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 2016 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 2016 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 or the Paying Agent, 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, Paying Agent or the Authority.

subject to any statutory or regulatory requirements as may be in effect from time to time. Payments on the Series 2016 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent. 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 2016 Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. 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 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MIIMI 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 2016 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-only 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 2016 BONDS; OR (III) ANY NOTICE OR TIMELINESS OF NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS OF THE SERIES 2016 BONDS.**

#### **Optional Redemption**

The Series 2016 Bonds maturing on or after December 1, 2027 will be subject to redemption prior to maturity at the option of the Authority on December 1, 2026 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 principal amounts of \$3,000 or integral multiples thereof.

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

Upon the occurrence of a Change of Control, to the extent permitted by law, the Series 2016 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.

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

In the case of the Series 2016 Bonds to be redeemed at the option of the Authority, the Authority will select the maturity of the Series 2016 Bonds to be redeemed. If less than all of the Series 2016 Bonds of a maturity are to be redeemed, the Series 2016 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 2016 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 2016 Bond as of the forty-fifth (45th) 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 2016 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. 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 2016 Bond; provided that, if notice is given by publication as aforesaid, neither failure to mail such notice to the registered owner of any Series 2016 Bond, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of any of such Series 2016 Bonds.

#### **Effect of Redemption**

The Resolution provides that if notice of redemption of the Series 2016 Bonds to be redeemed has been duly given as described above and if moneys sufficient for the redemption of the Series 2016 Bonds to be redeemed, together with accrued interest thereon to the redemption date, are held by the Trustee or Paying Agent, then the Series 2016 Bonds so called for redemption shall become due and payable on the redemption date designated in such notice and interest on such Series 2016 Bonds shall cease to accrue from and after such redemption date.

### **SECURITY FOR THE SERIES 2016 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. "Available Revenues" means all Revenues. "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.

#### **Series 2016 Bonds Subordinate to the Costs of the Water Works System and on a Parity with the Existing Bonds**

On the date of issuance and delivery of the Series 2016 Bonds, there will be Outstanding under the Resolution approximately \$4,415,000 aggregate principal amount of the Series 1998D Bonds, \$6,508,384 aggregate principal amount of the Series 2003F Bonds, and \$16,040,000 aggregate principal amount of the Series 2006 Bonds (collectively, the "Existing Bonds"). The pledge of the Resolution and the Series 2016 Bonds will be subordinate to and inferior to the cost of operation and maintenance of the Water Works System and, so long as the Existing Bonds are outstanding, be on a parity with the pledge of, and lien on, the Available Revenues for the Existing Bonds.

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, Revenues on a parity with the pledge of, and lien on, the Revenues created by the Resolution. For its current internal policy that may change from time to time, the Authority will limit its use of variable rate debt to no more than twenty percent (20%) of its total debt.

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.

#### **Reserve Accounts**

The Resolution provides that a separate Reserve Account in the Bond Account may be created for each Series of Bonds (including the Series 2016 Bonds) issued under the Resolution. The Reserve Account Requirement for each Series of

Bonds that has a Reserve Account 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 Account.

The Series 2016 Resolution does not establish a Reserve Account for the Series 2016 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 for such Fiscal Year, and, in any event, as shall be required to pay or discharge all other indebtedness, charges and fees whatsoever payable out of the Revenues under the 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 issued under the Resolution will be equally and ratably secured with the Series 2016 Bonds. 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."

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 the 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 Existing 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



Account, 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 Existing 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 Bonds or Existing Bonds without delivering the certificates described above to the Trustee.

For a more extensive discussion of the terms and provisions of the Resolution, the Series 2016 Resolution, the security for the Series 2016 Bonds, the funds and accounts established by the Resolution and the purposes to which monies in such funds and accounts may be applied, see "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE SERIES 2016 RESOLUTION" attached hereto.

## INDEBTEDNESS OF THE AUTHORITY

## Annual Debt Service Schedule

The following schedule sets forth all principal and interest payments on all Outstanding Bonds, including estimated debt service on the Series 2016 Bonds and the effect of defeasance of the Series 2007 and 2012 Bonds:

Series 2016 Bonds <sup>*</sup>				Outstanding Other Fourth Revenue Bonds	Total Debt Service <sup>†</sup>
Year	Principal	Interest	Total		
2016	\$ 320,000	\$ 214,170	\$ 534,170	\$ 6,592,558	\$ 7,132,728
2017	1,550,000	1,297,169	2,827,169	8,017,619	10,844,788
2018	1,550,000	1,188,469	3,139,469	8,026,347	11,165,816
2019	2,820,000	1,111,469	3,131,469	2,137,930	5,269,399
2020	2,120,000	1,018,469	3,138,469	924,026	4,064,525
2021	2,230,000	904,469	3,134,469	924,989	4,059,458
2022	2,335,000	792,969	3,127,969	923,370	4,051,339
2023	1,890,000	676,219	2,566,219	1,633,306	4,200,525
2024	1,145,000	621,719	1,766,719	.	1,766,719
2025	1,200,000	564,469	1,764,469	.	1,764,469
2026	1,200,000	504,469	1,704,469	.	1,704,469
2027	1,320,000	441,469	1,761,469	.	1,761,469
2028	1,370,000	383,469	1,753,469	.	1,753,469
2029	1,420,000	323,469	1,743,469	.	1,743,469
2030	1,445,000	303,469	1,748,469	.	1,748,469
2031	1,470,000	274,763	1,744,763	.	1,744,763
2032	1,500,000	241,669	1,741,669	.	1,741,669
2033	1,530,000	204,663	1,734,663	.	1,734,663
2034	1,565,000	163,725	1,728,725	.	1,728,725
2035	1,605,000	120,000	1,725,000	.	1,725,000
2036	1,650,000	65,000	1,715,000	.	1,715,000
	<u>\$ 32,145,000</u>	<u>\$ 11,583,773</u>	<u>\$ 43,728,773</u>	<u>\$ 29,204,973</u>	<u>\$ 72,933,746</u>

<sup>\*</sup> Preliminary; subject to change.

<sup>†</sup> Numbers may not add to the totals due to rounding.

### ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2016 Bonds and certain other available moneys of the Authority are expected to be applied on the date of issuance and delivery of the Series 2016 Bonds as follows:

#### Sources of Funds

Per amount of the Series 2016 Bonds	\$
Reoffering Premium	
Reserve Account for the Series 2007 Bonds	
<b>Total Sources of Funds</b>	<b>\$ _____</b>

#### Uses of Funds

Refunding the Series 2007 and 2012 Bonds	\$
Costs of Issuance <sup>1</sup>	
Underwriter's discount	
Additional Proceeds	
<b>Total Uses of Funds</b>	<b>\$ _____</b>

<sup>1</sup> Includes fees and expenses for Underwriter's discount, Bond Counsel, Underwriter's Counsel, Trustee, Trustee's Counsel, and accounting, engineering, rating agency and bond printing expenses.

### 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 Hamner and the Village of Silver Creek, both of which are located in neighboring Chautauque County, and the Cattaraugus Indian Reservation which is located in Erie County and Chautauque 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 property 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:

**EARL L. JANN, JR., Chairman** - Earl L. Jann, Jr. was appointed to his first term in May 2011. A graduate of Canisius College, he is retired after 36 years of private sector experience in the pharmaceutical business. Mr. Jann previously was a councilman for 7 years and Supervisor of the Town of Marilla for 7½ years. He also served on the Marilla Planning Board as Chairman. He has been active in his Church as well as active in the Moose, East Aurora Fish and Game Club as well as several other organizations. Mr. Jann currently resides in the Town of Aurora. Mr. Jann's term as a member of the Authority expires in April 2017.

**JEROME D. SCHAD, ESQ., Vice Chairman** - Jerome D. Schad was appointed a Commissioner in November 2013 and is serving his second term. A graduate of Geneva College, Daquesne University and the University at Buffalo Law School, he was admitted into law in New York State in 1972 and his private practice legal career spans 35 years. A former partner at Hodgson Russ LLP, Mr. Schad focused on tort, commercial and civil litigation, state and federal law compliance related to disability and represented and advised private and public entities. He has litigated cases in the New York State Supreme Court and the United States District Court for the Western New York District. Mr. Schad has also managed appeals to the Third and Fourth Appellate Divisions of the Supreme Court and New York State Court of Appeals. Most recently Mr. Schad was Majority Counsel to the Erie County Legislature where he provided counsel on matters related to the Erie County Charter and state and federal laws impacting the operation of county government. He resides in the Town of Amherst. Mr. Schad's term as a member of the Authority expires in April of 2019.

**ROBERT ANDERSON, Treasurer** - Robert Anderson was appointed to a three year term as a Commissioner effective April 27, 2015. He has over 35 years of public sector experience, the last eleven years serving as the Town of Amherst Superintendent of Highways. As the Highway Superintendent in one of the largest towns in New York State, Mr. Anderson's responsibilities included road paving, parks (including golf courses, baseball diamonds and soccer fields), Signs, Signals and Street Lighting, Storm Water, Maintenance of sewers and storm drainage ditches, Rat/Rod Control, which incorporated writing bid specifications for a record breaking \$10 million in savings for the town and Forestry which recovered all of its cleanup expenses from FEMA after the 2005 October Surprise Storm. Mr. Anderson's daily focus was budget/cost assessment, employee hiring and development and purchasing. He resides in the Town of Amherst. He is also currently a Williamsville Volunteer Firefighter and has served his community as Vice President, Assistant Chief, Lieutenant and Director for the Swantonville Fire Company. He has also served on the Board of Directors for his church and youth baseball and has been a youth soccer coach. He was a member of the American Public Works Association and also served as an Executive Board of Director for New York State Superintendents of Highways as Chairman of Education. Mr. Anderson's term as a member of the Authority expires in April of 2018.

### Organization and Management

The Authority is administratively organized into the following departments: Production, Water Quality, Distribution, Engineering, Finance, Administration, Human Resources Information Technology, 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 F. GAYLORD, Executive Director** – Robert F. Gaylord was appointed Executive Director of the Authority in November 2013. A graduate of Hamilton College and a Certified Trust and Financial Advisor (CTFA), Gaylord has extensive experience and an outstanding record of achievement in the financial and public sectors. Mr. Gaylord worked in the banking industry for more than 33 years; first at M&T Bank, then Key Trust, and most recently as Vice President and Senior Trust Officer for the past 15 years at HSBC. Throughout his career at some of Western New York's most prominent financial institutions, he earned a strong reputation for his management, financial analysis, problem solving and relationship building skills. He also has a long history of public service as the Town of Collins Supervisor for 20 years and as Town Councilmember for four years. Mr. Gaylord is also very active in several community and government organizations and local economic development initiatives, including Academy Place Advisory Council, Gowanda Area Redevelopment Corporation, Collins Public Library, Gowanda Correctional Facilities and the former Tri-County Memorial Hospital.

**ROBERT J. LICHTENTHAL, JR., Deputy Director** – Robert J. Lichtenthal, Jr. was appointed Deputy Director of the Authority effective October 1, 2007. He has over thirty-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. Since 1990 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. In April 1996, he was appointed to a three-year term on the Authority Board of Commissioners. He was subsequently reappointed in 1999, 2002, and 2005. Mr. Lichtenthal 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.

**RUSSELL J. STOLL, Executive Engineer** – Russell Stoll is a Licensed Professional Engineer and currently serves as Executive Engineer of the Authority. Mr. Stoll has over 30 years of broad and varied engineering experience. His experience includes manager of design and construction phase projects for multi-phase, multi-discipline and multi-consultant public and private water infrastructure and building projects. His role from 2012-2015 for the Authority was Distribution Engineer and Municipal Liaison responsible for coordinating design and construction of water main replacement/capital improvement projects and water main extensions in towns and villages throughout the Authority service area. As design unit manager, he supervised staff completing water facility record mapping, water main replacement designs and backflow prevention approvals. Mr. Stoll's previous positions as a consultant included Senior Project Manager and Regional Office Manager. He also served as Director of Engineering at the Niagara Frontier Transportation Authority. His responsibilities in these positions included overall project quality, budget and schedule. He has managed project design and construction team professionals, and teams of consultants and sub-consultants. He has been involved in several professional organizations. Currently, Mr. Stoll is a member of the Cross Connection Control Foundation of Niagara Frontier Board and member of the American Water Works Association. He is also an adjunct faculty member at Erie Community College Construction Management/Civil Technology departments.

**JOSEPH T. BURNS, ESQ., Secretary** – Joseph T. Burns was appointed as Secretary to the Authority on April 30, 2015. Prior to taking this position with the Authority, Mr. Burns served as the Deputy Director of Election Operations at the New York State Board of Elections for over six years. In this role, Mr. Burns was involved in overseeing the operations of New York State's 62 county Boards of Elections. From 2005 to 2009, Mr. Burns was the Legislative Counsel to New York State Senator John A. DeFrancisco. In this position, Mr. Burns handled a number of critical matters for Senator DeFrancisco, including constituent affairs, drafting legislation and assisting with Senate committee hearings. Mr. Burns, a graduate of Syracuse University and Albany Law School, is admitted to practice law in the State of New York and before the United States District Court for the Northern District of New York.

### Employees

In 2015, the Authority had approximately 246 employees (based on full-time equivalent employment of 2,000 hours per year), which included approximately ten seasonal employees on a full-time equivalent basis. All general staff employees

are members of the New York State Civil Service System. Seventy-five (75) administrative and technical employees of the Authority are represented by the Civil Service Employees Association ("CSEA"), and One hundred twenty-three (123) 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, 2017. Pursuant to New York State Law, all terms and conditions of the current contract remain in place until such time new collective bargaining agreements are reached. Notwithstanding the foregoing description of the contract and ongoing negotiations with AFSCME, certain employees that are members of AFSCME have indicated that they intend to terminate their relationship with AFSCME and form a separate union. Authority employees will make up the entire membership of the new union upon its inception and no adverse impact to Authority operations is anticipated.

#### **Health Insurance**

Through its membership in the Labor Management Healthcare Coalition, which negotiates with and selects healthcare providers for Coalition members, the Authority has converted to BlueCross BlueShield of WNY, as its single health care provider for medical coverage, and to Pharmacy Benefit Dimensions, as its single provider for prescription coverage. Consequently, health care costs have stabilized. The Authority maintains a seat on the Labor Management Healthcare Coalition, giving the Authority more control over its future healthcare costs.

#### **Pension Plan**

The Authority participates in the New York State and Local Employees' Retirement System ("State Plan"), which is a cost-sharing, multiple-employer, public employee retirement system. The State Plan provides various plans and options, some of which require employee contributions as authorized by the New York State Retirement and Social Security Law ("NYSSRSL"). As set forth in the NYSSRSL, the Comptroller of the State of New York serves as the sole trustee and administrative head of the System. The State Plan issues publicly available financial reports that contain financial statements and required supplementary information for the State Plan. The State Plan report may be obtained by writing to the New York State and Local Retirement Systems - Employees' Retirement System, 110 State Street, Albany, New York 12244 or on the Internet at [www.ces.state.ny.us](http://www.ces.state.ny.us). Further information and discussion regarding the Authority's Pension obligation can be found in Note 6 of the Authority's 2015 Basic Financial Statements which are included in "APPENDIX B - COMPREHENSIVE ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014, AND INDEPENDENT AUDITORS REPORT."

#### **GAEB 45 (Other Post-Employment Benefits)**

The Authority provides retiree health plans through Labor Management Healthcare Fund ("LMHF"). Retirees must meet age and years of service requirements to qualify for health benefits under this multiple-employer defined benefit healthcare plan (the "Plan"). Retiree benefits continue for the lifetime of the retiree and spousal benefits continue for their lifetime unless they remarry. There were 161 and 155 retirees receiving health care benefits at December 31, 2015 and December 31, 2014 respectively.

Eligible employees not represented by a bargaining unit will contribute 15% of their health insurance premium in retirement. Employees currently represented by AFSCME who were hired after November 23, 2011 and CSEA employees hired after July 26, 2012 will contribute 15% of their health insurance premium in retirement if they meet the eligibility requirements.

The Authority's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GAEB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation for 2015 and 2014.

	Year Ended December, 31	
	2015	2014
Annual required contribution	\$ 5,039,133	\$ 4,575,624
Interest on net OPEB obligation	1,301,046	1,163,178
Adjustment to annual required contribution	(1,692,726)	(1,513,329)
Annual OPEB costs (expense)	4,647,453	4,225,473
Contributions made	(1,445,257)	(1,467,718)
Increase in net OPEB obligation	3,202,218	2,757,755
Net OPEB obligation - beginning of year	26,021,324	23,263,569
Net OPEB obligation - end of year	\$29,223,542	\$26,021,324

As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$49,731,515. The ratio of unfunded actuarial accrued liability to covered payroll of \$15,713,753 is 3.16 for 2015.

Further information and discussion regarding the Authority's reporting of GASB 45 obligations may be found at Note 8 of the Authority's 2015 Basic Financial Statements which are included in "APPENDIX B - COMPREHENSIVE ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014, AND INDEPENDENT AUDITORS REPORT."

#### **Insurance**

The Authority carries comprehensive general liability insurance in the amount of \$1,000,000 per occurrence and \$1,000,000 in the aggregate. The Authority is covered by an umbrella liability insurance policy in the aggregate amount of \$10,000,000. In addition, the Authority has insurance for floods and earthquakes, boiler and machinery, public officials' liability, workers' compensation, automobiles, inland marine, property, travel, crime, cyber 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**

The following presents an overview of various aspects of the Water Works System. For additional information and certain opinions of Russell J. Stoll, P.E., the Authority's Executive Engineer, please see "APPENDIX A - OPINION OF THE AUTHORITY'S EXECUTIVE ENGINEER."

### Service Area

The Authority's service area generally consists of the suburban areas surrounding the City of Buffalo, but does not include the City of Buffalo or the Town of Tonawanda (including the Villages of Kenmore), which maintain their own water supply and distribution systems. The Water Works System presently serves 168,637 accounts and provides water to a population of approximately 550,000. The current service area of the Water Works System includes the following:

<b>Western Genesee County</b>	<b>Seneca Nation of Indians</b>
<b>City of Lockport</b>	<b>City of Tonawanda</b>
<b>Town of Albion</b>	<b>Town of Alden</b>
<b>Town of Amherst</b>	<b>Town of Aurora</b>
<b>Town of Beaverton</b>	<b>Town of Boston</b>
<b>Town of Brant</b>	<b>Town of Cheektowaga</b>
<b>Town of Cheyenne</b>	<b>Town of Colden</b>
<b>Town of Concord</b>	<b>Town of Eden</b>
<b>Town of Elba</b>	<b>Town of Evans</b>
<b>Town of Hamburg</b>	<b>Town of Hanover</b>
<b>Town of Lancaster</b>	<b>Town of Marilla</b>
<b>Town of Mount Pleasant</b>	<b>Town of Orchard Park</b>
<b>Town of West Seneca</b>	<b>Village of Angola</b>
<b>Village of Buffalo</b>	<b>Village of East Aurora</b>
<b>Village of Depew</b>	<b>Village of Foxham</b>
<b>Village of Hamburg</b>	<b>Village of Lancaster</b>
<b>Village of Silver Creek</b>	<b>Village of Tonawanda</b>
<b>Village of Williamsville</b>	<b>Village of Alden*</b>

\* Supplemental supply only

### 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 are generally for terms of 10 years and are renewable.

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

<b>Town of Amherst</b>	<b>Village of Hamburg</b>
<b>Town of Aurora</b>	<b>Inter-Community Board</b>
<b>Town of Boston</b>	<b>Town of Lancaster</b>
<b>Town of Eden</b>	<b>Town of Mount Pleasant</b>
<b>County of Erie†</b>	<b>Town of Orchard Park</b>
<b>Town of Evans</b>	<b>Town of West Seneca</b>

† Agreement with the County of Erie is for delivery of service to the Erie County Correctional Facility.

The Authority has bulk sale agreements with the following municipalities:

<b>Town of Albion</b>	<b>Town of Elba</b>
<b>Village of Alden*</b>	<b>Town of Eden</b>
<b>Village of Angola</b>	<b>Village of Foxham</b>
<b>Town of Beaverton</b>	<b>Town of Hanover</b>
<b>Town of Brant</b>	<b>Monroe County Water Authority</b>



Town of Colden  
Village of East Aurora

Village of Orchard Park  
Village of Silver Creek

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• Supplemental supply only

The Authority is updating its lease-management agreement with Erie County and its bulk sale agreement with the Village of Orchard Park. The Authority is also finalizing execution of its agreement with 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 approximately 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 Plant 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 Plant in the Town of Evans began operation in 1961. The Jerome D. Van de Water Treatment Plant 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") based upon current water withdrawal permits and design capacities. The average water production for these two facilities in 2015 was 70.53 MGD.

The Sturgeon Point Water Treatment Plant has the following ratings: firm operating capacity of 90 MGD based upon the limits of the current water withdrawal permit; a design capacity for water intake of 128 MGD; filter capacity of 120 MGD, and operational capacity of 108 MGD, with one filter unit out of service. This 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 the following ratings: firm design capacity of 66 MGD, expandable to approximately 150 MGD; design capacity for water intake of 150 MGD; filter capacity 66 MGD and operational capacity of 49.5 MGD, with one filter unit out of service. This 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 38 pump stations through its distribution system. The Authority owns 23 of the pump stations and operates an additional 14 pumping stations pursuant to lease-management arrangements.

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 of Cheektowaga. The SCADA system is manned 24 hours a day, 365 days a year.

#### **Storage Facilities**

The Authority operates and maintains 37 water tanks throughout the distribution system. The Authority owns 20 of the water tanks and 17 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 71.3 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 3,617 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 ½ inch to 60 inches. The Authority owns approximately 2,465 miles of pipe and the remaining 1,152 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 18,869 fire hydrants. The Authority owns 9,381 hydrants and the remaining 9,488 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 between \$4 million and \$5 million annually on water line replacements in the Direct Service area of the Water Works System.

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 continuously 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 the Authority's 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 Chestovanga, which houses system control, line maintenance, information technology, 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, maintenance garage, parts warehouse and storage, motor shop and other related facilities.

#### **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 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>
2011	160,088
2012	160,355
2013	165,933
2014	168,069
2015	168,637

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

	<u>Number of Customers:</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Residential	150,992	150,810	156,183	158,317	158,579
Commercial	7,315	7,332	7,480	7,479	7,636
Industrial	321	322	327	317	336
Public Authorities	599	598	627	628	682
Fire Protection	1,241	1,273	1,296	1,315	1,353
Bulk Sales	20	20	20	21	21
Total Number of Customers	162,699	162,367	167,946	170,083	170,632

The ten largest Non-Municipal and Municipal Customers based on revenues in 2015 are shown below:

**Year End December 31, 2015**

**Non-Municipal Customers**

State University of NY at Buffalo	\$ 700,463
Benderson Development Co.	364,151
Upstate Farms Cooperative	315,783
Delta Sands	204,802
Rosina Food Products, Inc.	194,652
Mayer Brothers Apple Products, Inc.	179,814
Niagara Frontier Transportation Authority	146,340
Republic Engineered Products	141,872
Unified Development Company	140,096
Sky Harbor Property, LLC	135,248
Total of the Largest Non-Municipal Customers	<u>\$ 2,683,425</u>

Percent of Total Billings 3.8%

**Year End December 31, 2015**

**Municipal Customers**

Town of Elba	\$ 1,545,455
Village of East Aurora	672,032
Village of Angola	282,626
Village of Orchard Park	281,403
Monroe County Water Authority	273,034
Village of Silver Creek	175,576
Town of Hamner	128,939
Town of Amherst	112,992
Erie County Buildings & Grounds	75,034
Town of Aurora	44,013
Total of the Largest Municipal Customers	<u>\$ 3,952,625</u>

Percent of Total Billings 5.2%

**Utilization**

	<u>Daily Production and Delivery (MGD)</u>				
	2011	2012	2013	2014	2015
Average Daily Production	67.48	68.04	65.53	68.68	70.53
Peak Daily Production	115.34	118.90	90.95	82.34	91.08
Average Daily Metered Sales	47.52	50.23	46.33	45.41	45.24

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.

**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, firefighting, 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 versus 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 five years are listed below:

<u>Year</u>	<u>Metered Ratio</u>
2011	70.4%
2012	73.8%
2013	70.7%
2014	66.1%
2015	64.1%

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, and aggressive prosecution of individuals found to have illegal connections.

**Security**

New York State Public Health Law §1125 - Water Supply Emergency Plans requires every water supplier to submit its emergency plan to the commissioner every five years. The Authority complies with law through submission of its emergency plan to the Erie County Health Department as designed. The Emergency Response Plan was last submitted in December 2012. The Authority regularly reviews the security of its facilities and makes adjustments or improvements every year.

**Federal, State and Local Regulation**

The Safe Drinking Water Act (SDWA) is the main federal law that ensures the quality of your drinking water. Under the SDWA, the United States Environmental Protection Agency (EPA) sets standards for drinking water quality and oversees the states, localities, and water suppliers who implement these standards. In New York, the State Health Department enforces the EPA's regulations and often makes them even more stringent. The EPA sets standards for approximately 150 regulated contaminants in drinking water. For each of these contaminants, EPA sets a legal limit, called a maximum contaminant level (MCL). EPA regulations specify strict testing and reporting requirements for each contaminant. Water suppliers may not provide water that doesn't meet these standards. Water that does meet these standards is safe to drink. In Erie County, the Erie County Health Department is the agency that administers and enforces these standards.

Although boil water orders are extremely rare, on July 21, 2016 the Erie County Health Department, out of an abundance of caution, issued a boil water order affecting approximately 250,000 people in the service area. At approximately 8:30 p.m. on July 20, 2016, the Authority detected a leak in the transmission system which was later identified as a thirty-six inch (36") transmission main. Although water pressure began to recover within two hours of the event, the Erie County Health Department felt it was prudent to issue the order. All necessary testing was completed within a 48 hour period and no contamination was detected. The boil water order was lifted at 11:15 a.m. on July 23, 2016. The last such order was issued in 2006. Test results at that time also indicated no contamination had occurred.

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.

#### **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.

### **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, 2015.

The Consolidated Annual Financial Report of the Authority for the Years Ended December 31, 2015 and 2014, which includes the audited financial statements of the Authority for the Fiscal Years ended December 2015 and 2014 and the auditor's report thereon, is set forth in "APPENDIX E - COMPREHENSIVE ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014, AND INDEPENDENT AUDITORS REPORT."

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 rates and charges. These rules have been amended from time to time and describe the rates and charges levied by the Authority. The 2016 and 2015 quarterly and monthly rate schedules are set forth below, together with alternate minimum charges if a customer's usage falls below a certain amount.

Meters read and billed quarterly (to nearest 1,000 gallons)		
	2016	2015
First 300,000 gallons per quarter	\$3.17	\$3.05 per 1,000 gallons
Next 1,950,000	2.83	2.72 per 1,000 gallons
Next 5,250,000	2.60	2.50 per 1,000 gallons
Over 7,500,000	2.29	2.20 per 1,000 gallons

Meters read and billed monthly (to nearest 1,000 gallons)		
	2016	2015
First 100,000 gallons per month	\$3.17	\$3.05 per 1,000 gallons
Next 650,000	2.83	2.72 per 1,000 gallons
Next 1,750,000	2.60	2.50 per 1,000 gallons
Over 2,500,000	2.29	2.20 per 1,000 gallons

Size of Meter (inches)	Quarterly Minimum Charge (\$)		Allowance Per Quarter (gallons)	Monthly Minimum Charge (\$)	
	2016	2015		2016	2015
3/8	\$ 28.53	\$ 27.45	9,000	\$ 9.51	\$ 9.15
3/4	38.04	36.60	12,000	12.68	12.20
1	64.57	64.05	21,000	22.19	21.35
1 1/4	85.59	82.35	27,000	28.53	27.45
1 1/2	123.63	118.95	39,000	41.21	39.69
2	199.71	192.15	63,000	66.57	64.05
3	380.40	366.00	120,000	126.80	122.00
4	637.64	603.50	190,000	209.22	201.50
6	1,205.70	1,159.80	390,000	401.90	386.60
8	1,884.90	1,812.60	630,000	628.30	604.20
10	2,649.00	2,547.00	900,000	883.00	849.00
12	3,582.90	3,444.60	1,230,000	1,194.30	1,148.20
20	7,951.50	7,644.00	2,820,000	2,650.50	2,548.00
24	10,603.50	10,194.00	3,840,000	3,543.50	3,393.00

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" below.

Over the past ten years, largely in conjunction with system consolidation efforts, the Authority has begun replacing traditional meters with B-coders which are radio read on a monthly or quarterly basis. Currently, 53.4% of the service area has radio read meters. All accounts billed monthly are read each month. The remaining accounts, billed on a quarterly basis are read at least annually with online or postcard readings solicited the remaining three quarters.

A nearly four decade effort to promote conservation and water appliance efficiency is showing results with decreased water consumption per customer. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum. Given the reality of rising repair and replacement costs of an aging infrastructure, and decreasing consumption, the Authority established an infrastructure investment charge in 2011. The infrastructure investment charge was implemented to maintain the Authority's aggressive investment program in very costly system-wide infrastructure, and to allow for a more equitable distribution among customer classifications of fixed costs to provide a dependable, high quality water supply and fire protection services to all customers. In 2015, the infrastructure investment charge was 15.0% of water sales as compared to 12.2% and 9.4% in 2014 and 2013, respectively.

Due to the changing dynamics of customer demand the Authority began in October of 2015 a comprehensive Cost of Service & Rate Structure Review with a national consulting firm. The goal is to update the rate structure to more accurately represent the current business environment and to ensure that costs are being fairly allocated and recovered from the appropriate customers.

Based on information updated through August 1, 2016, the following table compares the average residential water bill for 25,000 gallons rendered in the various departments and municipalities in Erie County.

Area Rate Comparisons

Department/Municipality	Cost for 1,000 Gallons	19,750 Gallons	Effective Date
Village of Akron (outside the Village)	\$11.70	\$231.09	January 1, 2016
Village of East Aurora (outside the Village) - gross rates	11.14	220.02	September 4, 2015
Town of Hanover (outside District 2)	10.26	202.63	February 1, 2016
Village of East Aurora (outside the Village) - net rates	9.98	197.05	September 4, 2015
Town of Hanover (inside District 2)	9.01	177.88	February 1, 2016
Village of East Aurora (inside the Village) - (cf) - gross rates	8.46	167.17	September 4, 2015
Village of East Aurora (inside the Village) - gross rates	8.41	166.01	September 4, 2015
Town of Hanover (outside District 1)	8.16	161.15	February 1, 2016
Village of East Aurora (inside the Village) - (cf) - net rates	7.96	157.27	September 4, 2015
Village of East Aurora (inside the Village) - net rates	7.91	156.24	September 4, 2015
Village of Akron (inside the Village)	7.80	154.06	January 1, 2016
Village of Orchard Park (outside the Village)	7.69	151.87	July 1, 2016
Village of Springville	7.10	140.25	August 1, 2008
Village of Orchard Park (inside the Village)	7.06	139.43	July 1, 2016
Village of North Collins (outside the Village)	6.99	138.01	June 1, 2010
Town of Aurora (District 6's Village of E Aurora)	6.90	136.28	July 1, 2012
Village of Farnham (outside the Village)	6.81	134.45	June 1, 2016
Village of Angola (outside the Village)	6.73	132.94	January 1, 2016
Village of Farnham (Brent Water Supply Area)	6.61	130.45	June 1, 2016
Village of Gowanda	6.21	122.69	April 1, 2015
Village of Angola (inside the Village)	6.06	119.60	January 1, 2016
Village of Farnham (inside the Village)	5.08	100.24	June 1, 2016
Village of Kenmore	5.05	99.75	June 1, 2016
Village of North Collins (inside the Village)	4.99	98.51	June 1, 2010
Town of Elma - Outside District (gross rates)	4.93	97.44	February 1, 2010
City of Buffalo - (cf) - (regular rates- 3/8" meter)	4.82	95.17	July 1, 2012
Town of Aurora (Elma Water supply)	4.51	89.07	July 1, 2012
Town of Hanover (inside District 1)	4.46	88.01	February 1, 2016
Town of Elma - Outside District (net rates)	4.44	87.72	February 1, 2010
Town of Aurora (Water District)	4.38	86.51	July 1, 2012
Town of Elma - Inside District (gross rates)	4.31	85.19	February 1, 2010
Town of Tonawanda	4.25	83.96	January 1, 2016
Erie County Water Authority	4.16	82.26	January 1, 2016
Town of Aurora (Water District)	3.94	77.82	July 1, 2012
Town of Elma - Inside District (net rates)	3.88	76.66	February 1, 2010
Town of Grand Island	2.95	58.29	January 1, 2011

### **Collections**

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 15 day 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 balance 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 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 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. In agreements with lease managed and some sewer direct service water districts, unpaid water bills are guaranteed by the respective municipality. In other areas, service is discontinued until the balance is paid. Allowances for doubtful accounts at December 31, 2015 and 2014 total \$412,256 and \$335,728, respectively.

### **Historical, Budgeted and Projected Operating Results**

The following table summarizes the Authority's historical debt service coverage for each of the Authority's most recent five fiscal years ending December 31, 2015, the Authority's projected 2016 debt service coverage based on the Authority's 2016 budget, and the Authority's projected debt service coverage for the period 2017 through 2020. The historical information set forth in the table 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, 2015 and 2014 are included in APPENDIX E. The 2016 budget-based projections and the projections for 2017 through 2020 are based on a series of assumptions, which the Authority believes to be reasonable, but which are subject to change.



## Belo County Water Authority

## Rate Projections

	ACTUAL					BUDGETED	PROJECTED			
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating Revenues</b>										
Miscellaneous Revenue										
Residential & Commercial	\$ 42,529,882	\$ 43,952,079	\$ 43,888,343	\$ 43,684,925	\$ 44,234,370	\$ 45,359,257	\$ 47,575,136	\$ 49,438,355	\$ 49,438,355	\$ 49,438,355
Industrial	1,948,584	1,881,635	1,825,885	1,889,835	1,731,514	1,703,339	1,837,351	1,988,688	1,988,688	1,988,688
Public Authorities	2,613,272	2,333,872	2,142,870	2,275,352	2,384,504	2,408,027	2,582,944	2,694,858	2,694,858	2,694,858
Fees to Other Utilities	1,684,523	1,384,479	4,375,543	3,684,349	3,421,267	3,023,237	4,488,344	4,198,346	4,198,346	4,198,346
Other Water Revenues	1,888,888	2,482,331	1,883,682	2,481,488	2,731,121	1,879,312	1,879,312	1,879,312	1,879,312	1,879,312
<b>Total Miscellaneous Revenues</b>	<b>\$ 13,151,229</b>	<b>\$ 17,148,989</b>	<b>\$ 12,921,983</b>	<b>\$ 13,088,131</b>	<b>\$ 14,252,672</b>	<b>\$ 10,813,945</b>	<b>\$ 17,917,390</b>	<b>\$ 18,163,683</b>	<b>\$ 18,163,683</b>	<b>\$ 18,163,683</b>
<b>Fee Provisions</b>	<b>3,883,135</b>	<b>4,015,523</b>	<b>4,145,127</b>	<b>4,254,755</b>	<b>4,275,125</b>	<b>4,275,071</b>	<b>4,275,000</b>	<b>4,275,000</b>	<b>4,275,000</b>	<b>4,275,000</b>
Infrastructure Investment Charge	1,884,308	1,841,349	1,826,497	1,902,149	18,285,134	13,134,370	14,533,688	19,050,339	19,050,339	19,050,339
Interest and Miscellaneous Income	1,611,619	1,171,625	1,688,531	938,456	1,688,525	865,626	726,312	818,355	798,366	792,651
<b>Total Operating Revenues</b>	<b>\$ 68,987,343</b>	<b>\$ 68,177,734</b>	<b>\$ 62,988,348</b>	<b>\$ 61,928,675</b>	<b>\$ 68,800,342</b>	<b>\$ 74,058,612</b>	<b>\$ 79,625,622</b>	<b>\$ 82,126,343</b>	<b>\$ 82,117,347</b>	<b>\$ 82,098,433</b>
<b>Operating Expenses</b>										
Payroll	14,672,426	14,384,341	14,501,225	15,148,746	15,713,782	16,679,122	17,178,469	17,694,883	18,223,728	18,772,622
Power Purchased	4,386,323	3,423,484	4,654,384	4,657,349	3,323,641	4,428,622	4,532,888	4,657,923	4,837,979	4,933,237
Chemicals	1,686,718	1,686,323	1,686,323	1,681,689	933,671	1,116,816	1,128,487	1,161,267	1,184,482	1,202,172
Employee Benefits	6,138,309	6,743,379	7,685,488	8,348,439	7,981,477	8,823,421	9,387,834	9,636,538	10,084,674	10,534,257
Admin Costs	(3,778,251)	(3,584,846)	(3,881,457)	(3,384,631)	(1,823,137)	(2,224,534)	(1,843,588)	(2,688,123)	(2,188,531)	(2,213,581)
Insurance (other than Workers Comp)	588,482	588,523	624,811	621,344	623,522	628,821	727,195	763,553	881,733	881,821
<b>Other Expenses</b>	<b>9,662,662</b>	<b>13,628,623</b>	<b>12,912,588</b>	<b>14,224,265</b>	<b>15,146,697</b>	<b>21,213,147</b>	<b>21,378,168</b>	<b>20,873,613</b>	<b>21,342,653</b>	<b>21,718,147</b>
<b>Total Operating Expenses</b>	<b>\$ 34,388,488</b>	<b>\$ 37,512,613</b>	<b>\$ 38,497,388</b>	<b>\$ 41,688,480</b>	<b>\$ 41,321,721</b>	<b>\$ 53,780,823</b>	<b>\$ 52,166,833</b>	<b>\$ 52,767,589</b>	<b>\$ 54,288,128</b>	<b>\$ 55,052,152</b>
<b>Funds Available for Debt Service</b>	<b>\$ 25,888,348</b>	<b>\$ 23,884,821</b>	<b>\$ 24,588,343</b>	<b>\$ 22,948,674</b>	<b>\$ 27,478,621</b>	<b>\$ 20,277,789</b>	<b>\$ 27,448,739</b>	<b>\$ 29,358,754</b>	<b>\$ 27,829,219</b>	<b>\$ 26,946,281</b>
<b>Debt Service to Be Paid out in Year</b>	<b>\$ 10,394,767</b>	<b>\$ 10,318,738</b>	<b>\$ 11,731,272</b>	<b>\$ 11,642,146</b>	<b>\$ 11,642,146</b>	<b>\$ 11,642,146</b>	<b>\$ 11,238,673</b>	<b>\$ 11,237,500</b>	<b>\$ 1,341,286</b>	<b>\$ 4,131,142</b>
<b>Debt Coverage Ratio</b>	<b>2.48</b>	<b>2.30</b>	<b>2.09</b>	<b>2.02</b>	<b>2.41</b>	<b>2.01</b>	<b>2.44</b>	<b>2.60</b>	<b>2.09</b>	<b>2.12</b>
<b>Amount Reserved for Credit</b>	<b>\$ 11,323,122</b>	<b>\$ 12,294,622</b>	<b>\$ 12,775,672</b>	<b>\$ 11,894,822</b>	<b>\$ 16,836,475</b>	<b>\$ 11,673,117</b>	<b>\$ 16,143,384</b>	<b>\$ 21,103,239</b>	<b>\$ 21,478,932</b>	<b>\$ 21,639,139</b>

Although the projections shown above are based upon assumptions which the Authority believes are reasonable, they may be subject to change.

### Management's Discussion and Analysis

Management's Discussion and Analysis can be found in "APPENDIX E - COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014, AND INDEPENDENT AUDITORS REPORT."

Management provides the following discussion and analysis ("MD&A") of the Authority's financial activity for the year ended December 31, 2015.

#### Financial Highlights

- The Authority's net position increased \$14,245,692 as a result of activity for the year ended December 31, 2015. For 2015 \$10,111,672 is net income. The remaining increase of \$4,134,020 represents capital contributions (contributions in aid of construction).
- The assets and deferred outflows of the Authority exceeded its liabilities by \$323,215,094 representing net position at December 31, 2015. At December 31, 2015 unrestricted net position was \$18,770,920, and may be used to meet the Authority's ongoing obligations.
- The Authority's bonded indebtedness, including related bond premiums, decreased \$8,827,236 in 2015. The net decrease in 2015 resulted from scheduled principal payments of \$8,525,000 and premium amortization of \$302,236.

Following are some of the issues and events affecting revenues in 2015:

- The Infrastructure Investment Charge increased \$2,363,224 in 2015. On January 1, 2015, the 2014 rate of \$12.00 per billing quarterly or \$4.00 per billing monthly was increased to \$13.45 and \$5.15 per billing respectively. The conversion of the Village of Williamsville from bulk service to direct service in June of 2014 also contributed to the increase. Approximately 1,800 additional monthly and quarterly customers paid a full year of the infrastructure investment charge compared to seven months of charges in 2014.
- Metered rates rose 1.67% (or \$4.05) per thousand gallons on January 1, 2015 giving rise to small increases in revenue in all metered water categories except bulk sale revenue. Bulk sale revenue decreased 1.6% due to the conversion of the Village of Williamsville from bulk sales to direct service in June of 2014.
- An increase in late charges of \$119,012, 11.5%, from \$1,002,029 in 2014 to \$1,121,041 contributed to the rise in revenue as well. Although the late charge rate remained the same, the Authority collected 7,786 more late charges in 2015 than in 2014. As a result of the increased water and infrastructure investment charges, they were, also, 5.4% higher on average.
- Miscellaneous non-operating revenue increased \$109,812 in 2015 due to the receipt of \$103,350 in payments from the Federal and State Emergency Management Agencies for the Authority's damage claim from a November 2014 snow storm. The income was offset by decreases in proceeds from scrap metals in 2015 as a result of lower market rates.

Following are some of the issues and events affecting expenses in 2015:

- Power costs decreased \$1,141,859, 24.5%, from \$4,667,540 in 2014 to \$3,525,681 in 2015. While usage remained consistent with 2014, the average cost per kilowatt hour was 32% lower in 2015.

- Workers' Compensation insurance expenses increased 34%, or \$412,200, from \$1,213,207 in 2014 to \$1,625,407 in 2015 due largely to the assessment of a New York State Insurance Fund charge equal to 30% of the premium, or \$374,844, for the plan year July 1, 2015—June 30, 2016. This is the first year this assessment was levied.
- Restoration costs decreased \$249,839 due to fewer sites restored at a lower overall average cost per site.
- Payments to other contractors decreased \$88,340 largely due to a new contract for landscaping services. In April of 2015, the Authority contracted with New York State Industries for the Disabled, a New York State Preferred Contractor, to provide landscaping services for all of the Authority's properties.
- Interest expense decreased \$324,354, 10.9% due entirely to bond maturities.
- The value of other postemployment benefits increased \$444,463, 16.1%, due to changes in actuarial assumptions with respect to health care trend rates and updated mortality tables.

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, all of which can be found in "APPENDIX E - COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014, AND INDEPENDENT AUDITORS REPORT."

#### **Capital Improvement Program**

The Authority utilizes a five year capital planning outlook 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.

Some of the projects that are currently underway at a total estimated cost of \$16,002,000 include the following:

- > Ball South Tank is being replaced at a total cost of \$4,342,000
- > Pine Hill Pump Station is being upgraded at a total cost of \$3,600,000
- > Raw water screens at Sturgeon Point are being replaced at a cost of \$3,295,000
- > Water line replacement project on Walden Avenue in the Town of Cheektowaga at a cost of \$2,200,000
- > Water line replacement project on Niagara Falls Boulevard in the Town of Amherst costing \$2,000,000
- > SCADA improvements needed to transition the SCADA system utilized in the distribution operation to the production operation \$645,000
- > Filter piping improvements at Sturgeon Point at a cost of \$500,000

#### Projected Capital Improvement Program

The following table sets forth the total projected expenditures for the Water Works System for the period 2017 through 2020:

	Projected Capital Budget
2017	\$ 25,072,950
2018	26,129,250
2019	22,747,331
2020	<u>23,834,694</u>
	<u>\$ 97,834,229</u>

The four year projected capital budget of \$97,834,229 will be funded with \$87,755,966 projected contributions from operations and the remaining \$10,078,263 will be funded from reserves.

Security risks, and the risk of power outages have driven infrastructure enhancements and redundancy throughout the production system which includes Authority treatment facilities, pump stations and tanks over the past ten years.

As a result of a recent review of the Authority's aging distribution system, the Authority has begun a program to revamp how it plans for capital expenditures in one to five year time frames and also longer horizons up to fifty years, especially as it relates to the replacement of water mains.

In 2019, the Authority's debt service drops significantly and, at that time, a long term capital plan will include both revenue and debt financed infrastructure improvements with the goal of replacing areas of the distribution system which have been the source of increasing repair costs over the past years. The biggest fiscal challenge on the horizon is to generate sufficient resources to help meet the infrastructure needs of the system.

The Authority's Executive Engineer has concluded that the projected capital improvement program is responsive to the long-term operating requirements of the service area. See "APPENDIX A - OPINION OF THE AUTHORITY'S EXECUTIVE ENGINEER" for additional information regarding the capital improvement program.

#### Economic Condition and Outlook

The local economic outlook for Western New York has begun to improve as a result of several economic development projects in the region and general stabilization in the State and National economies. The Authority service area within Erie County encompasses some of the most affluent, growing communities in Western New York.

After decreases in billed consumption of 2.0%, 7.8% and 2.5% in 2014, 2013 and 2012 respectively, billed consumption remained relatively flat in 2015. Due to individual conservation efforts and changes in Federal and State laws and regulations, which require appliances to use less water, significant increases in water sales other than those caused by extreme weather conditions are not expected. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum consumption.

Given the reality of lower consumption and rising repair and infrastructure costs, the Authority adopted an infrastructure investment charge with the 2011 budget. The infrastructure investment charge was implemented to maintain the Authority's infrastructure and to allow for a more equitable distribution among customer classifications of fixed costs. Revenue generated from the charge are being used for infrastructure repairs, replacements and improvements. In 2015 15.0% of total water sales revenue was derived from the infrastructure investment charge as compared to 12.2% in 2014.

In order to help stabilize water rates, the Authority, over the past decade, has been able to use its unrestricted cash to reduce the total amount of outstanding debt, either by executing bond call provisions or refundings. To further reduce long-term interest costs, current unrestricted and internally restricted cash balances are being used to fund a five year capital plan which prioritizes new investment and needed improvements.

The prudent practices of the Erie County Water Authority are reflected in the operating results, reported over a ten year period in the Statistical Section of the Authority's Comprehensive Annual Financial Report. See "APPENDIX B - COMPREHENSIVE ANNUAL FINANCIAL REPORT INCLUDING FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014, AND INDEPENDENT AUDITORS REPORT" for the Authority's Report and "APPENDIX D - INFORMATION REGARDING THE COUNTY."

#### **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 (i) the State of New York and all public officers, municipalities, political subdivisions and public bodies, and agencies thereof; (ii) 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 (iii) 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 Joseph T. Burns, Esq., in-house counsel to the Authority, there is no litigation pending or, to the best of his knowledge, threatened, which (i) questions the corporate existence of the Authority or the title of the officers of the Authority to their respective offices, (ii) seeks to restrain or enjoin the issuance or delivery of the Series 2016 Bonds or the collection of the revenues pledged to the payment of the Series 2016 Bonds, (iii) contests or affects the validity of the Series 2016 Bonds or the Resolution, (iv) in any way contests or affects the collection or the pledge of the revenues pledged to the payment of the Series 2016 Bonds or contests the powers of the Authority or any authority for the issuance of the Series 2016 Bonds, the adoption of the Resolution or the application of the proceeds of the Series 2016 Bonds for the purposes and in the manner described herein, or (v) may result in any material adverse change to the Water Works System or the financial condition of the Authority.

#### **VERIFICATION OF MATHEMATICAL ACCURACY**

Cassidy Duggan & Moore P.C., a firm of independent public accountants, will deliver to the Authority its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Authority and its representatives. Included in the scope of its verification report will be a verification of the accuracy of the mathematical computations regarding the adequacy of the amount deposited with the Trustee under the Resolution to pay the interest, principal and redemption price coming due on the Series 2007 and 2012 Bonds on the redemption date.

## TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with the covenants described herein, and the accuracy of certain representations by the Authority, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1984, as amended (the "Code"). Bond Counsel is also of the opinion that interest on the Bonds is not treated as a specific preference item for purposes of calculating the federal alternative minimum tax imposed under the Code with respect to individuals and corporations, although it is included in the adjusted current earnings when calculating corporate alternative minimum tax. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York and the City of Yonkers).

The Code imposes various requirements that must be met in order that interest on the Bonds will be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the investment and use of proceeds of the Bonds and the rebate of certain earnings in respect of such investments to the United States. Failure to comply with the requirements of the Code may cause interest on the Bonds to be included in gross income for purposes of federal income tax retroactive to the date of original issuance and delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs. The Authority has covenanted to comply with the requirements of the Code and has made representations addressing various matters relating to the requirements of the Code.

Certain requirements and procedures contained or referred to in the Certificate as to Arbitrage and Use of Proceeds and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. The opinion of Bond Counsel states that no opinion is rendered as to the exclusion from gross income of interest on the Bonds for purposes of federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Certificate as to Arbitrage and Use of Proceeds or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Borchy Daman, LLP.

Certain maturities of Bonds (the "Discount Bonds") are being sold to the initial purchasers at prices less than the stated principal amounts thereof. The difference between the stated principal amount of the Discount Bonds and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold constitutes original issue discount that is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount. Owners of Discount Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Certain maturities of Bonds (the "Premium Bonds") are being sold to the initial purchasers at prices greater than the stated principal amount thereof. The Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain circumstances, the initial owner of a Premium Bond may realize taxable gain upon disposition of Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that an owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations.

Prospective purchasers should consult their tax advisors as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Interest paid on tax-exempt obligations is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. Interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Bonds and will be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Bonds, if other than the registered owner).

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subjected to state income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Bonds. For example, proposals have been made that could limit the exclusion from gross income of interest on obligations like the Bonds for taxpayers who are individuals and whose income is subject to higher marginal tax rates or that could otherwise significantly reduce the benefit of the exclusion from gross income of interest on obligations like the Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

#### RATINGS

The Series 2016 Bonds have been rated "\_\_\_" by Standard & Poor's and "\_\_\_" by Fitch Ratings on the date of the initial issuance and delivery of the Series 2016 Bonds. Generally, a rating agency bases its rating on information and materials furnished to it and on investigations, studies and assumptions made by such rating agency. There is no assurance that any rating will continue for any given period of time or will not be revised downward, suspended or withdrawn entirely by the rating agency if, in its judgment, circumstances warrant. Any lowering, suspension or withdrawal of the rating might have an adverse effect upon the market price or marketability of the Series 2016 Bonds. The underwriter and the Authority undertake no responsibility after the issuance of the Series 2016 Bonds to assure the maintenance of any of the ratings, or to oppose any revision or withdrawal thereof.

#### MARKET FACTORS

The financial condition of the Authority, as well as the market for the Series 2016 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 sequestering by a municipality or public authority of resources pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Series 2016 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 2016 Bonds, could be adversely affected.

### CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission ("Rule 15c2-12"), certain information regarding the Authority is required to be filed with the Trustee and with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") System for municipal securities disclosures. In order to assist the Underwriter in complying with the requirements of Rule 15c2-12, the Borrower will enter into a Continuing Disclosure Agreement, dated the date of the initial delivery of the Series 2016 Bonds (the "Continuing Disclosure Agreement"). See "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT."

The Authority is also a party to continuing disclosure agreements with respect to the Series 2007 Bonds and the Series 2008 Bonds (collectively, the "Prior Disclosure Agreements"). The Prior Disclosure Agreement with respect to the Series 2007 Bonds requires annual financial statement disclosure by the Authority with a NRM&SR. The Prior Disclosure Agreement for the Series 2008 Bonds requires the Authority to provide Manufacturers and Traders Trust Company, as dissemination agent (the "Dissemination Agent") with certain annual operating and financial information for filing by the Dissemination Agent with EMMA.

For the fiscal years ended December 31, 2014 and 2015, the Authority properly filed its annual operating and financial information as required by the Prior Disclosure Agreements. With respect to the fiscal years ended December 31, 2011 through 2013, the Authority believed it had provided the proper annual financial information to EMMA as required by the Prior Disclosure Agreement for the Series 2007 Bonds. Upon an internal compliance review conducted in June 2015 by the Authority, it was determined that the information was not posted. The Authority remedied this failure by filing such operating data and financial information with EMMA on June 9, 2015. Additionally, on August 22, 2014, the Authority filed historical Collection Rates data with EMMA, which was required to be filed under the Prior Disclosure Agreements, but was inadvertently not included in the Authority's annual filings with EMMA.

The Authority is currently in compliance with its continuing disclosure obligations and intends to timely file with EMMA the annual operating data and financial information required by the Continuing Disclosure Agreement.

### INDEPENDENT ACCOUNTANTS

The financial statements of the Authority for the years ended December 31, 2015 and 2014, set forth in APPENDIX E have been audited by Dwyer & Mahold LLP, independent accountants, whose report thereon appears also in APPENDIX E.

### FINANCIAL ADVISOR

Capital Markets Advisors, LLC, Orchard Park, New York, has served as financial advisor to the Authority for the issuance of the Series 2016 Bonds.

### UNDERWRITING

The Series 2016 Bonds are being purchased for a public offering by Jeffries LLC (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Series 2016 Bonds from the Authority at an aggregate purchase price of \$\_\_\_\_\_ (representing the aggregate principal amount of the Series 2016 Bonds of \$\_\_\_\_\_, plus a recouling premium of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_) and to make a public offering of the Series 2016 Bonds. The Bond Purchase Agreement with respect to the Series 2016 Bonds provides that the Underwriter will purchase all of the Series 2016 Bonds, if any are purchased. The initial public offering prices are set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Series 2016 Bonds to certain dealers (including depositing the Series 2016 Bonds into investment trusts) and others at prices lower than the initial public offering prices. The initial public offering prices may be changed from time to time by the Underwriter.



**LEGAL MATTERS**

Borchay Damon LLP, Buffalo, New York, Bond Counsel to the Authority, will render its approving opinion as to the validity and legality of the Series 2016 Bonds, copies of which will be available at the time of delivery of the Series 2016 Bonds and the form of which is annexed hereto in Appendix F. Certain legal matters will be passed upon for the Authority by its in-house counsel and Secretary to the Authority, Joseph T. Burns, Esq., Buffalo, New York. Certain legal matters will be passed upon for the Underwriter by its counsel, Harter Secrest & Emery LLP, Rochester, New York.

**OTHER INFORMATION**

Additional information may be obtained upon request from Robert J. Lichtenthal, Jr., Deputy Director, Erie County Water Authority, 295 Main Street, Room 350, Buffalo, New York 14203-2494, telephone (716) 849-8470.

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 2016 Bonds which may have been made orally or in writing, is to be construed as a contract with the owners of the Series 2016 Bonds.

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**This Official Statement is submitted only in connection with the sale of the Series 2016 Bonds by the Authority, and may not be reproduced or used in whole or in part for any other purposes.**

**ERIE COUNTY WATER AUTHORITY**

**Dated: \_\_\_\_\_, 2016**

**By: \_\_\_\_\_**

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**APPENDIX A**  
**OPINION OF THE AUTHORITY'S EXECUTIVE ENGINEER**

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8/30/16



## **Erie County Water Authority**

295 Main Street, Rm. 350 • Buffalo, NY 14203-2494  
716-849-8484 • Fax 716-849-8487

**September 8, 2016**

**Mr. Earl L. Jann  
Chairman  
Erie County Water Authority  
295 Main Street, Room 350  
Buffalo, New York 14203**

**Dear Chairman Jann:**

**I hereby submit this opinion letter on the condition of the Water System of the Authority in connection with the issuance of revenue bonds (the "Series 2016 Bonds") to finance the refunding of the Authority's Series 2007 Bonds and Series 2012 Bonds and to pay certain costs of issuance. The Water System is described in the Official Statement. Based on my experience with the Authority's Water System and my review of the regulatory performance of the Water System over the last year, I conclude that, overall, the Water System continues to be operated in a professional and prudent manner. Further, I am of the opinion that:**

- **Overall, the Water System is rated adequate.**
- **The Authority maintains, preserves and keeps the plants, pumping stations and storage facilities of the Water System in good condition in accordance with applicable regulatory requirements and accepted standards for the supply of drinking water.**
- **The projected budgeted operating expenses for the fiscal years 2016, 2017, 2018, 2019 and 2020 included in the Official Statement are adequate for continued reliable operation of the Water System.**
- **The Capital Improvement Program, included in the Official Statement, for the Water System is responsive to the long-term operating requirements of the service area.**
- **Current and projected budgeted staffing levels are adequate for proper operation and maintenance of the Water System.**



**8/30/16**

Mr. Earl L. Jenn  
September 8, 2016  
Page 2

- The Authority is currently in compliance with the conditions of all existing permits, regulations, and other requirements governing safe drinking water standards.
- Through appropriate technology, staffing, tools and equipment, the Authority has operations and maintenance programs that are capable of ensuring the continued effective operation of the Water System. The Water System should continue to provide adequate levels of service with minimal disruption.

I hereby consent to the inclusion of these opinions and conclusions attributed to it in the Official Statement relating to the Series 2016 Bonds.

Very truly yours,

**ERIE COUNTY WATER AUTHORITY**

**Russell J. Stoll, P.E.**  
Executive Engineer

**Executive Engineer**

Russell J. Stoll is a Licensed Professional Engineer and currently serves as Executive Engineer of the Authority. Mr. Stoll has over 30 years of broad and varied engineering experience. His experience includes manager of design and construction phase projects for multi-phase, multi-discipline and multi-consultant public and private sector infrastructure and building projects.

His role from 2012-2015 for the Authority was Distribution Engineer and Municipal Liaison responsible for coordinating design and construction of water main replacement/capital improvement projects and water main extensions in towns and villages throughout the Authority's service area. As design unit manager, he supervised staff completing water facility record mapping, water main replacement designs and backflow prevention approvals. Mr. Stoll's previous positions as a consultant included Senior Project Manager and Regional Office Manager. He also served as Director of Engineering at the Niagara Frontier Transportation Authority. His responsibilities in these positions included overall project quality, budget and schedule. He has managed project design and construction team professionals, and teams of consultants and sub consultants.

**RJS:tf**

**CERTIFICATE OF THE ENGINEER**

Russell J. Stoll, P.E. (the "Engineer") HEREBY CERTIFIES that this Certificate is furnished pursuant to the Bond Purchase Agreement dated September \_\_\_\_, 2016 between the Erie County Water Authority (the "Authority") and Jefferson, LLC relating to the sale of the securities more fully described in the Official Statement of the Authority dated September \_\_\_\_, 2016 (the "Official Statement") and prepared in connection with the sale of such securities.

1. The Engineer consents to the references to it in the Official Statement and the use of the Opinion Letter prepared by the Engineer contained in Appendix A of the Official Statement.

2. The Engineer's Opinion Letter is based on assumptions, which the Engineer believes to be reasonable as of the date of this Certificate.

3. The Engineer has determined that the projections of the Operating Expenses and the Debt Service Requirements for the current year and for each of the five (5) fiscal years following issuance of the Bonds, as set forth in the Official Statement, are adequate for the continued reliable operation of the systems.

4. The Engineer has conducted a detailed evaluation of the physical components of the Erie County Water Authority water system facilities.

Dated: September \_\_\_\_, 2016

By: \_\_\_\_\_  
 Russell J. Stoll, P.E.  
 Executive Engineer

8/30/16

## APPENDIX B

### DEFINITIONS

The following are definitions of certain of the terms defined herein or in the Resolution or the Series 2016 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 all Revenues.

**"Beneficial Owner"** means, so long as the Series 2016 Bonds are exclusively in book-entry form, the owner of a beneficial interest in any Series 2016 Bond through a Participant in DTC.

**"Bond Account"** means the Bond Account 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 assign.

**"Bonds"** means the 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 account or subaccount established pursuant to the Resolution to meet requirements for Bonds;
- (iv) deposits from the proceeds of Bonds in any accounts or subaccounts 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, franchise, 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 bore 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 Refinancing 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 Account"** means the General Account, if any, 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 contribution 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 2016 Resolution defines "Investment Securities" to include, for purposes of the Series 2016 Bonds, the following:

(a) Bonds, notes or other evidences of indebtedness rated "AA+" 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 "AAA" or "AAA-G" or better by Standard & Poor's.

"Moody's" means Moody's Investor Service, Inc.

"Net Revenues" means, with respect to any period, the Revenues during such period less the Operation and Maintenance Expenses during such period.

"Operation and Maintenance Account" means the Operation and Maintenance Account 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 practice 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 then due 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.

**"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.

**"Rebate Account"** means the Rebate Account created in the Resolution and to be held and administered by the Trustee.

**"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"** of **"General 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 2016 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 Account"** means the Revenue Account 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, including investment income on any Construction Account. **"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 thereof pursuant to the Resolution.

**"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 Supplemental Resolution adopted by the Authority on August 16, 2007, authorizing the issuance of the Series 2007 Bonds.

**"Series 2008 Bonds"** means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Supplemental Resolution adopted by the Authority on June 5, 2008, authorizing the issuance of the Series 2008 Bonds.

**"Series 2012 Bonds"** means the outstanding Bonds of the Authority issued pursuant to the 2012 Water Revenue Bond Resolution adopted by the Authority on May 29, 2012, authorizing the issuance of the Series 2012 Bonds.

**"Series 2016 Bonds"** means the outstanding Bonds of the Authority issued pursuant to the Resolution and the Series 2016 Resolution.

**"Series 2016 Resolution"** means the Supplemental Resolution adopted by the Authority on August 30, 2016, entitled **"SUPPLEMENTAL RESOLUTION AUTHORIZING THE ISSUANCE WATER REVENUE REFUNDING BONDS, Series 2016"** authorizing the issuance of the Series 2016 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 Account 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 therein, lands, encumbrances, 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.**

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION AND THE SERIES 2016 RESOLUTION

The following is a brief outline of certain provisions contained in the General Resolution and the Series 2016 Resolution and is not to be considered as a full statement thereof. This summary is qualified by reference to and is subject to the General Resolution and the Series 2016 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 General Resolution are modified or superseded by the provisions of the Series 2016 Resolution, the Series 2016 Bonds, and the rights of the holders thereof, are governed by the Series 2016 Resolution.

#### Authorization of Bonds

The General 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 General 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 General 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 General 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 General 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 General 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 expenses 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 Accounts and Subaccounts under the Resolutions as shall be required by the provisions of the Supplemental Resolution authorizing the issuance of such Refunding Bonds.

#### Establishment of Accounts

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

- (1) Revenue Account, to be held by the Authority;

- (2) Operation and Maintenance Account, to be held by the Authority;
- (3) Bond Account, to be held by the Trustee; and
- (4) Rebate Account, to be held by the Trustee.

#### **Available Revenues**

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

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

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

#### **Operation and Maintenance Account**

All reasonable and necessary Operation and Maintenance Expenses shall be paid from the Operation and Maintenance Account as the same become due and payable after transfer from the Revenue Account and prior to any payment to other accounts and subaccounts set forth in the General Resolution.

#### **Bond Account**

The Bond Account and the moneys deposited in such Account 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 from the Revenue Account after making the transfers hereinabove provided for to the Operation and Maintenance Account, to the Trustee for deposit into the Bond Account, amounts as follows and in the following order of priority:

(i) The Trustee shall create a separate subaccount in the Bond Account 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 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 purchaser, 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 subaccount in the Bond Account 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 shall due, or if the first installment of principal of Serial Bonds of each 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 each 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 subaccount in the Bond Account 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 Account 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, if any, 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.

#### Construction Account

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 account to be known as the "Construction Account, \_\_\_\_\_", or such other designations as may be appropriate (the blank to be completed with the year in which the Account is created). The Construction Account 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 General Resolution and such appropriate Supplemental 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 Account a special subaccount 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 Account 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 Account 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 Account 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 Account 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 Account 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 Account 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.

#### **Payments from Construction Account**

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

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

Amounts on deposit in any Construction Account, pending their application as provided in the General 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.

#### **Investment of Funds**

Moneys in the Interest Account, Principal Account and Bond Retirement Account in the Bond Account 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 Account 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 Account and in the Construction Account, including a Construction Interest Account therein, not required for immediate disbursement for the purposes for which such Accounts 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 Accounts, to the extent allowed by law, solely in, and obligations deposited in such Accounts

shall be, Investment Securities which shall mature or be subject to redemption at the option of the holder thereof not later than such time as shall be necessary to provide moneys when needed to provide payments from such Accounts.

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

Nothing in the General Resolution prevents any Investment Securities acquired as investments of funds held under the General 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 General 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 System 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 thereof.

#### 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 General 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 Revenue shall equal at least 1.10 times the sum of the Debt Service on the 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 items whatsoever payable out of the Available Revenues.

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 General 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 General 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 Account, or (ii) if such proceeds are in excess of \$100,000, (A) into the Bond Retirement Account in the Bond Account and applied to the purchase or redemption of Bonds, or (B) into the Revenue Account 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 Revenue Account.

(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 Account, or (ii) if such proceeds are in excess of \$100,000, (A) into the Bond Retirement Account in the Bond Account and applied to the purchase or redemption of Bonds, or (B) into the Revenue Account and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water Works System, as the Authority shall determine.

**APPENDIX D**  
**INFORMATION REGARDING THE COUNTY**

**General Information**

The County is a municipal corporation of the State. With a 2010 population of 919,040 according to the U.S. Census Bureau, it is one of the State's most populous counties. It has a land area of 1,058 square miles and is situated in Western New York, bounded on the west by Lake Erie and Canada, to the north by Niagara County, to the east by Genesee County and Wyoming County, and to the south by Cattaraugus and Chautauque Counties. The County includes the State's second largest city by population, Buffalo, as well as the cities of Lackawanna and Tonawanda and 25 towns. The County has numerous established residential areas, and its largest taxpayers include National Fuel Gas Corporation, National Grid, Verizon New York and Benderson Development Co., Inc. The County includes major urbanized and industrial areas, as well as farmlands.

The County provides a variety of general governmental services, which supplement local city, town and village services. These include parks, cultural and recreational facilities, police, libraries, youth and senior citizen services, and correctional facilities. The County is responsible for providing mandated social service programs. The County also owns and operates a community college. It provides sanitary sewage collection, treatment and disposal facilities through a variety of special assessment districts.

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. The 2000 and 2010 population estimates of the cities and five largest towns are as follows:

<u>Municipality</u>	<u>2000 Population</u>	<u>2010 Population</u>
Buffalo, City	292,648	261,310
Lackawanna, City	19,064	18,141
Tonawanda, City	16,136	15,130
Amherst, Town	116,510	122,366
Chickadee, Town	94,019	88,226
Tonawanda, Town	78,155	73,567
Hamburg, Town	56,259	56,936
West Seneca, Town	45,920	44,711

**SOURCE:** U.S. Department of Commerce, Bureau of the Census.

**Population Characteristics**

<b>TABLE 1</b> <b>Population (in 000s)</b>				
	<b>Erie County</b>	<b>City of Buffalo</b>	<b>New York State</b>	<b>United States</b>
<b>Year</b>				
1970	1,114	463	18,237	203,212
1980	1,015	357	17,558	227,700
1990	969	328	18,000	240,300
2000	930	293	18,975	281,422
2010	919	261	19,378	308,746

**SOURCE:** U.S. Department of Commerce, Bureau of the Census.

**Economy**

The County is a major New York industrial and commercial center. The following tables illustrate the major components of the County's employment.

**TABLE 2**  
Percent of Non-Farm Employment  
by Industry (NAICS) as of 2014 (Annual Average)

Industry	Buffalo-Niagara Falls MSA (a)	New York State
Goods Producing		
Natural Resources, Mining & Construction .....	3.7%	3.0%
Manufacturing .....	9.5%	5.0%
Service Providing		
Transportation, Warehousing & Utilities .....	18.5%	17.1%
Information .....	1.4%	2.9%
Finance Activities .....	5.9%	7.5%
Professional & Business Services .....	13.0%	13.5%
Educational & Health Services .....	17.1%	20.4%
Leisure & Hospitality .....	10.4%	9.6%
Other Services .....	4.4%	4.3%
Government .....	16.1%	15.8%

<sup>(a)</sup> Metropolitan Statistical Area Summary

SOURCE: New York State Department of Labor, Labor Market Information

**TABLE 3**  
Total Labor Force and Employment 1995 - 2015  
(in 000s)

Year	Erie County		New York State	
	Total Labor Force	Employed	Total Labor Force	Employed
1995	466.4	442.0	8,661.10	8,112.70
1996	468.8	446.1	8,783.70	8,237.10
1997	476.4	452.5	9,012.20	8,432.60
1998	473.1	449.8	9,071.80	8,362.20
1999	467.8	443.8	9,126.60	8,654.60
2000	465.6	445.9	9,133.90	8,718.70
2001	460.2	438.8	9,151.70	8,709.90
2002	470.1	444.9	9,273.50	8,705.40
2003	470.1	443.3	9,263.40	8,672.90
2004	472.1	445.2	9,336.00	8,812.60
2005	472.3	447.8	9,400.00	8,906.90
2006	471.1	448.1	9,508.10	9,077.50
2007	465.3	443.5	9,522.10	9,038.30
2008	473.5	446.5	9,664.08	9,139.10
2009	470.7	432.5	9,647.58	8,844.50
2010	465.7	427.0	9,593.60	8,769.70
2011	458.8	422.1	9,517.40	8,728.10

2012	461.4	423.0	9,617.60	8,797.80
2013	458.1	424.1	9,636.40	8,893.60
2014	449.3	422.0	9,593.30	8,909.40
2015	449.2	424.8	9,679.30	9,166.20

Note: Annual averages not seasonally adjusted. Reflects employment of all employed persons in all occupations.  
 SOURCE: New York State Department of Labor, Labor Market Information

**TABLE 4**  
**Annual Average Unemployment Rates 1996-2016(a)**

<u>Year</u>	<u>Erie County</u>	<u>NYC</u>	<u>United States</u>
1996	4.80%	6.20%	5.40%
1997	5.00%	6.40%	4.90%
1998	5.10%	5.60%	4.50%
1999	5.10%	5.20%	4.20%
2000	4.20%	4.50%	4.00%
2001	4.70%	4.80%	4.70%
2002	5.40%	6.10%	5.80%
2003	5.70%	6.40%	6.00%
2004	5.70%	5.80%	5.50%
2005	5.20%	5.00%	5.10%
2006	4.90%	4.50%	4.60%
2007	4.70%	4.60%	4.60%
2008	5.70%	5.40%	5.80%
2009	8.10%	8.30%	9.30%
2010	8.30%	8.60%	9.60%
2011	8.00%	8.30%	9.00%
2012	8.30%	8.50%	8.60%
2013	7.40%	7.70%	7.40%
2014	6.10%	6.30%	6.20%
2015	5.40%	5.80%	5.30%
2016*	5.00%	5.60%	5.00%

(a) Percent of total force unemployed, by place of residence, not seasonally adjusted.

\* As of May 2016.

SOURCES: U.S. Rate - U.S. Department of Labor, Bureau of Labor Statistics

Other Rates - New York State Department of Labor, Labor Market Information

**TABLE 5**  
**Trends in Non-Farm Employment by Industry (NAICS)**  
**2005 – 2014 (in 000s)**  
**Buffalo-Niagara Falls MSA**

<b>Industry</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Goods Producing:</b>										
<b>Natural Resources, Mining &amp; Construction</b>	20.0	20.1	20.0	20.7	19.3	18.9	19.9	19.5	19.2	20.4
<b>Manufacturing</b>	63.4	61.9	59.9	57.5	50.7	49.6	51.0	51.3	50.7	52.3
<b>Service Providing:</b>										
<b>Trade, Transportation &amp; Utilities</b>	103.4	102.8	103.6	103.0	98.2	97.8	99.1	100.6	100.1	102.3
<b>Information</b>	9.6	9.1	8.5	8.5	8.3	7.8	7.6	7.7	7.5	7.6
<b>Finance Activities</b>	34.4	34.8	33.4	32.8	31.3	30.5	31.4	32.0	31.9	32.6
<b>Professional &amp; Business Services</b>	66.6	68.4	70.0	72.6	70.8	71.6	72.5	73.5	74.3	71.8
<b>Educational &amp; Health Services</b>	85.1	85.3	85.6	87.7	89.5	91.2	91.6	92.3	93.2	94.7
<b>Leisure &amp; Hospitality</b>	47.7	47.6	49.1	50.2	50.8	52.5	52.7	55.1	56.6	57.5
<b>Other Services</b>	22.9	22.9	23.3	23.9	23.8	23.4	23.2	23.3	23.9	24.6
<b>Government:</b>										
<b>Federal Government</b>	10.4	10.0	9.9	10.1	10.2	10.5	9.9	9.7	9.4	9.1
<b>State Government</b>	22.0	21.7	22.2	22.1	22.4	22.8	23.2	23.0	23.0	22.3
<b>Local Government</b>	61.4	61.6	62.2	63.2	63.1	61.7	61.3	59.0	58.2	57.7
<b>Total Non-Farm Employment (a) (b)</b>	<b>546.8</b>	<b>546.1</b>	<b>547.0</b>	<b>552.3</b>	<b>538.4</b>	<b>538.3</b>	<b>542.7</b>	<b>547.0</b>	<b>547.9</b>	<b>552.8</b>

(a) Totals may not add due to rounding.

(b) Total non-farm employment data is compiled by the State Department of Labor upon consultation with employers.

SOURCE: New York State Department of Labor, Labor Market Information



The following is a list of the ten largest property taxpayers:

**TABLE 6**  
**Ten Largest Taxpayers**  
**(As of December 31, 2015)**

	<b>Equalized Full Valuation</b>	<b>% of Equalized Full Valuation</b>
National Fuel Gas Corporation.....	\$728,186,743	1.48%
National Grid / Niagara Mohawk.....	723,172,034	1.47%
Benderson Development Company, Inc. ....	545,789,471	1.11%
Pyramid Company of Buffalo.....	276,409,845	0.56%
NY State Electric and Gas Corporation.....	249,843,155	0.51%
Verizon New York, Inc. ....	249,065,508	0.50%
DDR MDT LLC.....	199,625,383	0.41%
Norfolk/Cornell/CSX.....	182,697,684	0.37%
Unifund Development.....	142,996,408	0.29%
Ellieott Group LLC.....	127,618,310	0.26%
<b>TOTAL.....</b>	<b>23,425,404,041</b>	<b>6.90%</b>

SOURCE: Erie County Division of Real Property Tax Services

**TABLE 7**  
**Ten Largest Employers**  
**(As of December 31, 2015)**

<b>Employer</b>	<b>Type of Activity</b>	<b>Number of Full Time Employees</b>
State of New York	Government	17,643
U.S. Government	Government	10,000
City of Buffalo	Government	9,455
Kaleida Health	Health Care	8,102
Catholic Health System	Health Care	7,069
Employee Services Corp	Human Resources Outsourcing	6,811
University of Buffalo	Education	6,798
M & T Bank	Commercial Bank	6,429
Top's Markets Inc.	Supermarkets and Convenience Stores	5,065
County of Erie	Government	4,020

SOURCE: Erie County Employment-Erie County Comptroller's Office, All Other Business First -Book of Lists  
(Employees in Western New York)

### Transportation

The existing transportation network in Erie County provides for all modes of travel. The unique geographic location, which includes four highway and two rail entry points into Canada from Erie and Niagara Counties, has afforded strategic transportation advantages and it is the primary reason that Erie County continues to serve as a transportation hub for the region.

Railroad infrastructure in Erie County is extensive, and includes passenger rail service provided by Amtrak (along the CSX rail corridor), commuter rail service within the City of Buffalo, four of the seven national Class I railroads, CSX and Norfolk Southern, Canadian National and Canadian Pacific, several short line railroads providing easy freight and passenger access to United States and Canadian markets. It is one of the largest rail centers in the United States and one of the few centers with international connections. Rail transportation continues to be one of the County's largest industries employing more than 2,100 persons with payrolls totaling approximately \$10 million a month.

The Buffalo-Niagara International Airport, located in Cheektowaga, offers commercial passenger service through eight major and nine regional/commuter airlines. In addition, the airport serves as a major distribution center for air cargo traffic through four major operators. The County also has three general aviation airports that serve smaller general aviation aircraft. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2006 through 2015.

**Buffalo-Niagara International Airport  
Passenger Volume Trend**

<b>Year</b>	<b>Passenger Volume</b>	<b>% Change from Prior Year</b>
2006	5,063,884	4.0%
2007	5,335,394	5.0%
2008	5,526,301	3.6%
2009	5,334,232	-3.5%
2010	5,203,104	-2.5%
2011	5,194,162	-0.2%
2012	5,177,913	-0.3%
2013	5,134,923	-0.8%
2014	4,750,643	-7.5%
2015	4,679,070	-1.5%

Source: Niagara Frontier Transportation Authority, February 2016

In addition to rail and air service, the County has a large trucking industry with 10 transcontinental carriers, 23 international carriers, two transcontinental heavy equipment haulers, and numerous common carriers. Of the four highway international crossings in the region, only the Peace Bridge is located in the County. However, the Peace Bridge is by far the busiest with approximately 6 million crossings annually.

The Niagara River, Lake Erie and Lake Ontario serve as the western boundary of the State. The Port of Buffalo provides an outlet to the Great Lakes System and Atlantic Ocean via the St. Lawrence Seaway. In recent years there has been a major push to redevelop Buffalo's waterfront, with restoration of the original commercial slip along with other recreational and employment projects.

### Educational, Cultural, Media and Recreational Facilities

There are eight colleges and universities, four community and junior colleges, and various vocational and technical schools located in the County. Erie Community College consists of three campuses: Williamsville, downtown Buffalo, and Orchard Park, with more than 11,000 students enrolled.

The State University of New York at Buffalo is the largest and most comprehensive component of the State University system. In 2014, more than 29,944 students were enrolled in its undergraduate and graduate programs, and the University has approximately 6,788 full-time equivalent employees.

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 Library System consists of a Central Library, eight branches in the City of Buffalo and twenty-two contracting member libraries, which operate twenty-eight facilities in the County, and owns approximately 5,000,000 volumes. In addition the Library System boasts a number of unique and valuable community assets including ownership of Mark Twain's *The Adventures of Huckleberry Finn* manuscript and a complete collection of John James Audubon's *The Birds of America*, as well as the valuable resources contained in the Mark Twain Room and the Grosvenor Rare Book Room.

The County has 13 hospitals with over 3,100 beds, including the 550 bed, acute care facility managed by the Erie County Medical Center Corporation ("ECMCC"), a U.S. Department of Veterans Affairs medical center and a medical school at the University at Buffalo.

In 2004, the Erie County Medical Center Healthcare Network became a public benefit corporation, known as Erie County Medical Center Corporation ("ECMCC"), an autonomous health system. In 2008, following a recommendation from the State Commission on Healthcare Facilities in the 21st Century, ECMCC combined with Kaleida Health and the University at Buffalo to form a new joint entity called Great Lakes Health. ECMCC has completed approximately \$160 million in new buildings including a center for transplantation and kidney care and adjacent medical offices, as well as a move of the Erie County Home from its former location in Alden, NY to a new facility adjacent to the Erie County Medical Center in the City of Buffalo.

The Buffalo Niagara Medical Campus ("BNMC") is a consortium of the region's premier health care, life sciences research, and medical education institutions, all located on 120 acres in downtown Buffalo. The BNMC is dedicated to the cultivation of a world-class medical campus for clinical care, research, education, and entrepreneurship and consists of member agencies including the State University of New York at Buffalo, Kaleida Health, Hasbrouck Woodward Medical Research Institute, Roswell Park Cancer Institute, and other private sector non-profit groups. The BNMC has 4.5 million square feet of existing research, clinical, and support space today and more than 2 million square feet currently or soon to be under construction, equalling an investment of \$300 million in public and private funding. This includes a new \$64 million 300 bed long-term-care facility opened by Kaleida Health in December 2011. By 2017, there is expected to be more than 17,000 employees at the BNMC, due to the completion of several major projects at the campus:

- The University at Buffalo's \$375 million new medical school, with more than a half-million square feet of space, which broke ground in 2013 and will be completed by 2016.
- Kaleida Health's Oakes Women & Children's Hospital, a \$272 million, 12-story, 250,000 square foot facility, which broke ground in 2014 is expected to be completed by 2017.
- A \$50 million expansion of Roswell Park Cancer Institute, including an 11-story, 142,000 square foot Clinical Sciences Center, which is under construction and expected to be completed by 2016.
- Conventus, a \$110 million medical office facility, opened in 2015.
- A \$105 million genomic and supercomputing center at the campus was announced in 2014.

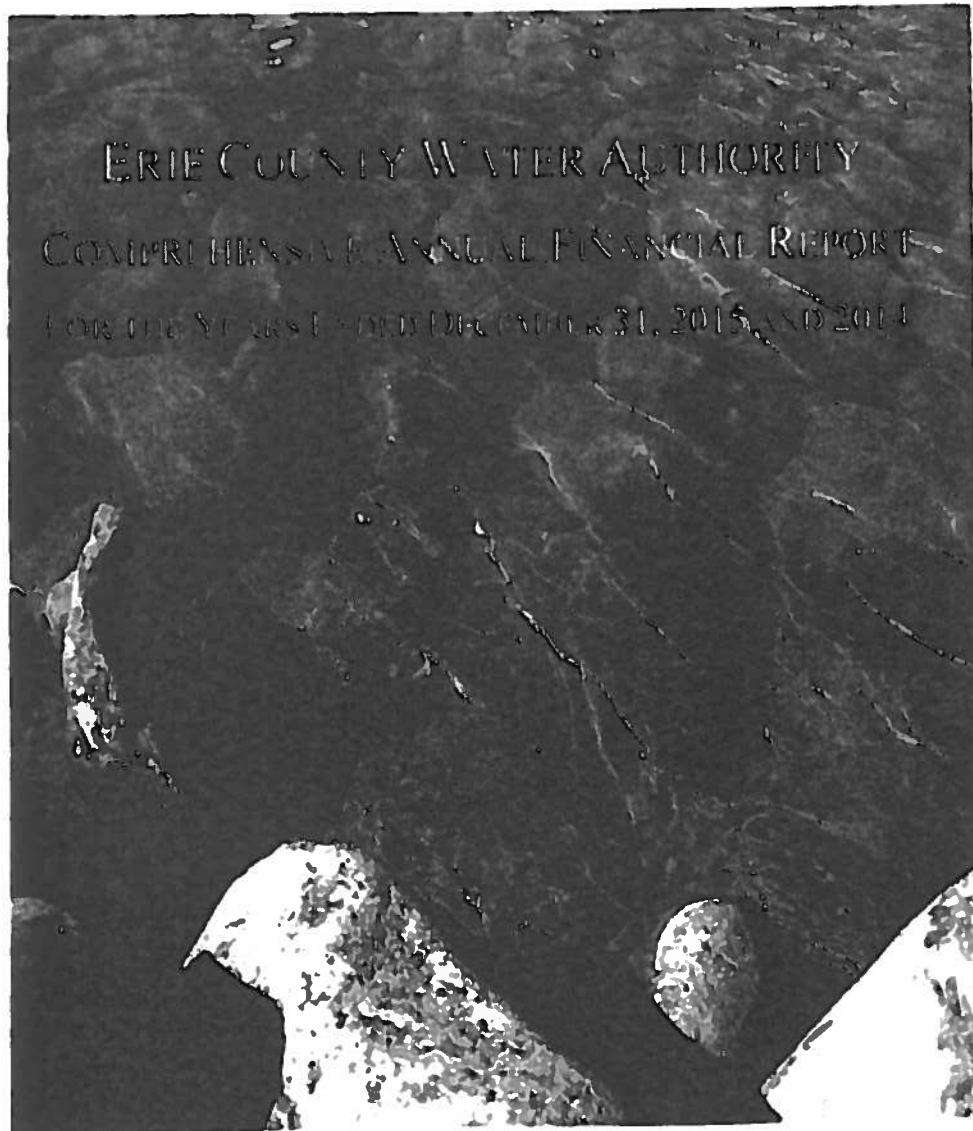
The County is served by a morning newspaper published by the Buffalo News, Inc. with a circulation of more than 200,000. In addition, approximately 40 weekly newspapers, and local, general and special interest magazines and periodicals are circulated throughout the County. The area is served by 24 radio stations with a diverse range of programming, seven television stations (four of which are national network affiliates), and several cable TV companies covering multi-channel service to a growing list of subscribers.

Erie County is home to a number of professional sports teams including the Buffalo Bills football team, Buffalo Sabres hockey team, the Buffalo Bisons minor league baseball team, and the Buffalo Bandits lacrosse team.

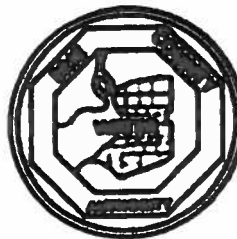
The Buffalo area has attained a national reputation for a broad diversity of ethnic heritage and culture. Cultural centers include Kleinhans Music Hall (home of the Buffalo Philharmonic Orchestra), Burchfield-Penney Art Center, the First Niagara Center, the Naval and Servicemen's Park, the Buffalo Zoo, the Albright-Knox Art Gallery, the Museum of Natural Science, the Buffalo and Erie County Historical Society Museum, the Botanical Gardens, and others.

For many years there has been an emphasis on enhancing the "quality of life" and on further developing the region's considerable cultural and recreational potential as another means of attracting and retaining investment and jobs. This includes the County's significant investment in recent years in the area's cultural institutions, including Frank Lloyd Wright's Darwin Martin House, Graycliff Estate and Rowing Bouthouse and the Buffalo and Erie County Zoological Gardens. The County continued to serve as a significant source of annual operational funding to dozens of local agencies during 2012.

**APPENDIX E**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014,**  
**AND INDEPENDENT AUDITORS REPORT**



ERIE COUNTY



NEW YORK

**ERIE COUNTY WATER AUTHORITY**

**Comprehensive Annual Financial Report  
For The Years Ended December 31, 2015 and 2014**

**PREPARED BY:**

**THE FINANCE DEPARTMENT  
ERIE COUNTY WATER AUTHORITY**

**ERIE COUNTY WATER AUTHORITY**  
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## **INTRODUCTORY SECTION**

8/30/16



## Erie County Water Authority

295 Main Street • Room 330 • Buffalo, New York 14203  
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May 20, 2016

### INTRODUCTION

**Management Representation.** This report was prepared by the Finance Department of the Erie County Water Authority (the "Authority") in conformance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board ("GASB"). Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Board of Commissioners and management of the Authority.

Drecher & Malachuk, LLP have issued an unmodified ("clean") opinion on the Erie County Water Authority's financial statements for the year ended December 31, 2015. The independent auditors' report is located at the front of the financial section of this report.

We believe the information as presented is accurate in all material respects, and is presented in a manner designed to fairly set forth the financial position and results of operations of the Authority. We further acknowledge the Authority's responsibility for the design and implementation of programs and internal controls to provide reasonable assurance that fraud is prevented and detected. There are no significant deficiencies or material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect the Authority's ability to record, process, summarize and report financial data.

The Management Discussion and Analysis beginning on page 12 provides complementary information not included in this introduction.

### ORGANIZATION PROFILE

The Erie County Water Authority is a Public Benefit Corporation formed in 1949 to provide a potable water supply to the residents of Erie County. The Authority was created by an Act of the New York State Legislature, codified in Sections 1650 through 1673 of Title 3 (the "Erie County Water Authority Act") of Article 5 of the Public Authorities Law of the State of New York (as amended), to, among other things, finance, construct, operate and maintain a water supply and distribution system to benefit the residents of the County of Erie, New York. The Authority became operational in 1953.

The Authority is financially self-sustaining, paying all operating expenses from revenues generated from the sale of water to 168,637 customers. The Erie County Water Authority is not an agency of New York State, nor an agency of Erie County government. The Authority is completely independent with respect to budgeting, bonding authority, debt management and credit rating.

The Erie County Water Authority is governed by a Board of Commissioners. The Board consists of three members appointed by the Chairman of the Legislature of Erie County, subject to confirmation by a majority of said Legislature. Each Board member is appointed for a three-year term and continues to hold office until a successor is confirmed. The three-year terms of office are staggered. The enabling



State legislation provides that the officers of the Authority shall consist of a Chairman, a Vice-Chairman and Treasurer who shall be members of the Authority, and a Secretary, who need not be a member of the Authority. The Board establishes policy and is responsible for the overall operations of the Authority.

The Erie County Water Authority is 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 report directly to the Board of Commissioners. The remaining departments are under the supervision and administrative control of the Executive Director.

The Erie County Water Authority operates its business activities 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 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 customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvements and replacement, as well as billings and customer collections. No financial consideration is afforded municipalities in lease managed agreements with the Authority.

The Erie County Water Authority's water supply comes from Lake Erie and the Niagara River. Annually, the Authority treats and distributes approximately 25 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 Chautauque, Cattaraugus, Wyoming and western Genesee Counties. Before water is delivered, the Authority rigorously 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 38 pump stations, 37 water tanks, 4 process tanks, 3,617 miles of pipe, and 18,869 fire hydrants, all operated in direct service areas or under lease management agreements, serve approximately 550,000 people in Western New York, 24 hours a day, 365 days a year. The water produced and delivered by the Erie County Water Authority has always met or exceeded the most stringent water quality standards mandated by federal, state, and local government regulations.

#### **FINANCIAL INFORMATION**

**Budgetary Controls.** Although not obligated to legally adopt a budget, the Authority believes that budget preparation and implementation are important in maintaining fiscal responsibility and accountability, and it is a good business practice to conduct the budgetary process annually. Operating and capital budgets are prepared by management and approved by the Board of Commissioners. The purpose of the budget process is to authorize and control expenditures, evaluate projected revenue to determine the Authority's ability to meet its obligations under various bond covenants and to provide analysis for planning purposes.

Each department head evaluates and specifically identifies their operating and maintenance needs for the coming year. A capital budget is also prepared for the coming year and the next succeeding four years. A series of budget hearings are held with each department head, the Executive Director, the Deputy Director and the Budget Director. A final budget is prepared for review by the Board of Commissioners, and subsequently approved by the Board of Commissioners.

**Financial Reporting.** Financial statements and an investment report are prepared monthly, usually within two weeks of the last day of the month. A monthly presentation is made to the Board of

Commissioners, comparing actual results of operations with the budget. If unforeseen circumstances arise which alter the projections used in the budget process, a revision may be prepared by management for consideration and approval by the Board of Commissioners.

The Authority retains an independent audit firm to review the Authority's financial statements at the end of the fiscal year. A copy of the independent audit firm's opinion on the Authority's financial statements is contained in this report on page 10.

#### **OTHER RELEVANT INFORMATION**

**Meetings of the Board of Commissioners.** The Board of Commissioners takes an active role in establishing policy and in carrying out its responsibility of oversight of the Authority. The Board of Commissioners holds public meetings on a regular schedule which is posted on the Authority's website. The Board of Commissioners schedules work sessions with management as needed.

**External Oversight.** In addition to annual review by an independent audit firm, the Authority is subject to periodic audits by the Office of the New York State Comptroller and the Erie County Comptroller. The Authority also reports annually to the New York State Public Authorities Budget Office as required by the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009. In 2014, the Erie County Comptroller completed a review of the Authority's compliance with the reporting requirements of the Public Authorities Accountability Act of 2005 and the Public Authorities Reform Act of 2009. The resulting audit report found no significant matters effecting compliance with applicable laws, rules or procedures.

**Operations.** The Authority's enabling state legislation, Section 1054(10) grants the power to make rules for the sale of water and the collection of rents and charges, subject to agreements with bondholders. In compliance with this section, the Authority has established a Board-approved Tariff which establishes policies relating to water service. It includes charges and fees for water and provisions relating to system hookups, extensions of mains, public and private fire protection services and such other matters of importance in servicing its customers and accounts. The complete Tariff is available on the Authority's website.

In addition to departmental policy and procedures manuals, an Authority-wide internal policy and procedures manual is maintained. It contains sections relating to employment policies, compensation, fringe benefits, code of ethics, and rules of the work environment. These policies have been approved by the Board of Commissioners by formal resolution and are implemented by all operating units of the Authority, subject to provisions in current collective bargaining agreements.

The Authority's enabling State legislation requires that all construction projects exceeding \$5,000 must be competitively bid. The Board of Commissioners has adopted a procurement policy to openly promote fair competition and to acquire the best quality of goods and services at the most reasonable price from responsible providers. The Authority's procedures fully comply with the provisions of the New York State Finance Law relative to the procurement of goods, services and construction work and activity relating to real property. A copy of the Authority's Purchasing and Procurement Disclosure policy can be found on the website.

Performance measurements, as required under the Public Authorities Accountability Act, have been developed and are included in our annual filing as well as posted on our website.

The Authority's debt is rated by all three credit rating agencies. Moody's Investors Services rated the Authority's bonds Aa3. Standard & Poor's rating services reaffirmed the Authority's AA+ rating in 2015, and Fitch reaffirmed their AA+ rating in 2016.

#### **ECONOMIC CONDITION AND OUTLOOK**

The local economic outlook for Western New York has begun to improve as a result of several economic development projects in the region and general stabilization in the State and National economies. The Authority service area within Erie County encompasses some of the most affluent, growing communities in Western New York.

After decreases in billed consumption of 2.0%, 7.8% and 2.5% in 2014, 2013 and 2012, respectively, billed consumption remained relatively flat in 2015. Due to individual conservation efforts and changes in Federal and State laws and regulations, which require appliances to use less water, significant increases in water sales other than those caused by extreme weather conditions are not expected. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum consumption.

Given the reality of lower consumption and rising repair and infrastructure costs, the Authority adopted an infrastructure investment charge with the 2011 budget. The infrastructure investment charge was implemented to maintain the Authority's infrastructure and to allow for a more equitable distribution among customer classifications of fixed costs. Revenues generated from the charge are being used for infrastructure repairs, replacements and improvements. In 2015 15.0% of total water sales revenue was derived from the infrastructure investment charge as compared to 12.3% in 2014.

In order to help stabilize water rates, the Authority, over the past decade, has been able to use its unrestricted cash to reduce the total amount of outstanding debt, either by executing bond call provisions or refundings. To further reduce long-term interest costs, current unrestricted and internally restricted cash balances are being used to fund a five year capital plan which prioritizes new investment and needed improvements.

The prudent practices of the Erie County Water Authority are reflected in the operating results, reported over a ten year period in the Statistical Section of this report.

#### **LONG TERM FINANCIAL PLANNING**

The Authority has been exposed to significant cost increases primarily for employee health care costs and pension costs. To mitigate the negative cost pressures, the Authority has reduced its workforce from 261.8 budgeted full-time equivalents in 2006 to 245.9 budgeted full-time equivalents in 2015. Through its membership in the Labor Management Healthcare Coalition, which negotiates with and selects healthcare providers for Coalition members, the trend in health care costs has stabilized. The Authority maintains a seat on the Labor Management Healthcare Coalition, giving the Authority more control over its future healthcare costs. Personnel and fringe benefit costs account for approximately fifty-five percent of the Authority's operating and maintenance expenses.

The Authority is part of a consortium of municipal power users formed to secure lower prices for electricity purchases through aggregation of purchases in the open market. Erie County, which acts as the lead agency in the consortium, purchases electricity by competitive bid and bills the Authority monthly. The Authority is making preliminary inquiries into the feasibility of installing solar panels at its facilities to further reduce power costs.

Due to the changing dynamics of customer demand cited elsewhere, the Authority began in October of 2015 a comprehensive rate study with a national consulting firm. The goal is to update the rate structure to more accurately represent the current business environment and to ensure that costs are being fairly allocated and recovered from the appropriate customers.

The Authority has also begun a program to revamp how it plans for capital expenditures in one to five year time frames and also longer horizons up to fifty years.

Security risks, disasters, and power outages have highlighted a need for infrastructure enhancements and redundancy throughout the system. The biggest fiscal challenge on the horizon is to generate sufficient resources to help meet the infrastructure needs of the system.

#### MAJOR INITIATIVES

Over the past fifteen years the Authority has been engaged in a series of water system consolidations whereby independent municipal water system operators have transferred ownership of their systems to the Authority. The pace of these consolidations has increased in the past three years and is in keeping with the original intention for the creation of the Authority. The continuation of this trend will have the effect of shifting costs from smaller systems and rate bases to the Authority. However, due to economies of scale enjoyed by the Authority, the overall community-wide costs should be lower in a coordinated, unified system compared to those of a patchwork network of small systems.

In the second quarter of 2014, the Village of Williamsville completed its conversion to direct service, and in January of 2016, the Town of Marilla converted their system from lease managed to direct service. Discussions continue with the Towns of Aurora and Eden, and with the Village of Hamburg on converting their systems from lease managed to direct service.

In September of 2011, the Authority began accepting credit card and ACH payments. During 2015, 95,936 payments were received through telephone or website access as compared to 72,377 payments in 2014. Customers absorb the total cost of processing credit card payments through a service fee paid directly to our payment agent. Payments processed via ACH are free to our customers. In addition to providing more convenience to our customers, new payment options have reduced the number of paper payments that require processing through a lockbox operation.

Beginning in 2013, the Authority embarked on a revision to its vehicle and equipment replacement strategy. Each vehicle is now specified for purchase based upon the tasks to be performed. Data is collected regarding fuel economy, maintenance, repairs, optimal resale values and replacement costs. This data is regularly reviewed and replacement timing is based upon finding the lowest cost of ownership point in the vehicle's life. When the cost of ownership begins to increase, the vehicle is replaced. The Authority has begun to see reductions in fuel costs (in excess of pricing fluctuations) and repair costs and less out of service time for vehicles along with overall cost of ownership savings.

In late 2014 the Authority embarked on its most comprehensive technology and work methods update in over twenty years. "ECWA Advancer" is the project name and is a multifaceted effort to modernize the Authority's work and asset management systems, increase automation of the supervisory control and data acquisition processes in both the plants and the transmission/distribution system, the building of a high speed wide area network to connect all of the authority's facilities and the introduction of an information technology master plan and governance structure to manage these systems. The Authority expects this project to produce recurring long term savings through greater efficiency.

**AWARDS AND ACKNOWLEDGEMENTS**

In order to provide meaningful financial and operational data for its operations, the Authority, starting with fiscal year 2004, has prepared and issued a Comprehensive Annual Financial Report. The Authority has received recognition for its financial reporting efforts. The Certificate of Achievement for Excellence in Financial Reporting has been presented to the Authority by the Government Finance Officers Association of the United States and Canada each year since 2004.

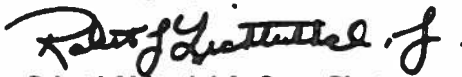
The preparation of this report would not have been possible without the dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to the Finance Department staff and all other members of the Authority who assisted and contributed to the preparation of this report. We would also like to extend our congratulations on the receipt of a Certificate of Achievement for Excellence in Financial Reporting for the 2014 report, which is presented on page 7.

As it looks toward the future, the Erie County Water Authority is well positioned to continue to efficiently meet the demand for safe, clean drinking water in the communities that it serves.

Respectfully Submitted,



Robert F. Gaylord, Executive Director



Robert J. Lichtenthal, Jr., Deputy Director





**Government Finance Officers Association**

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

**Presented to**

**Erie County Water Authority  
New York**

**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**December 31, 2014**

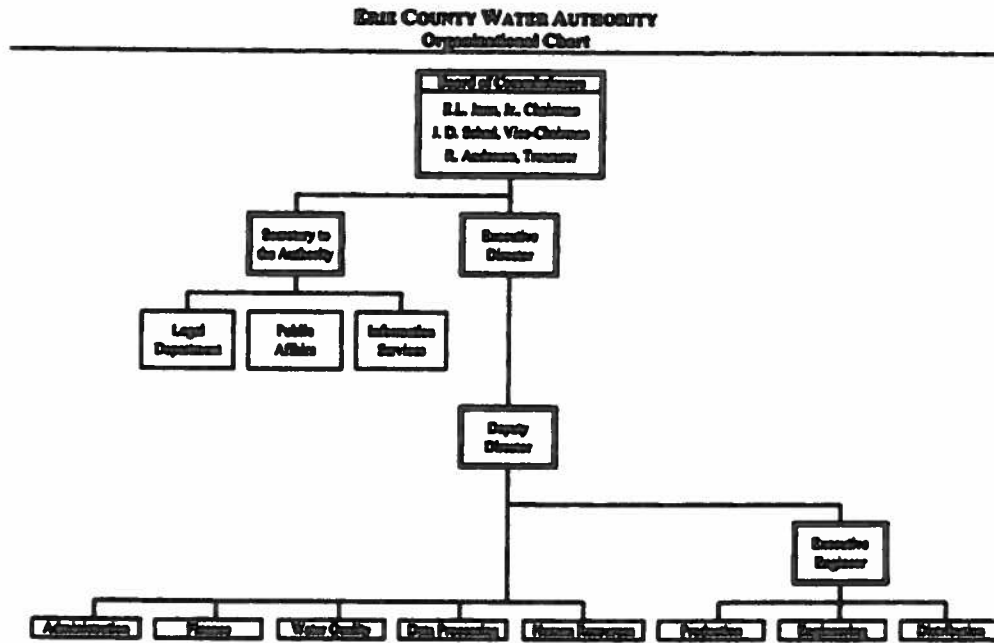
**Executive Director/CEO**

**ERIE COUNTY WATER AUTHORITY**  
**Members of the Board of Commissioners**

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Members of the Board of the Erie County Water Authority are appointed by the Chairman of the Erie County Legislature upon receiving nominations from the majority of the Majority Caucus or the Minority Caucus, subject to confirmation by a majority of the Legislature. Each Member is appointed to a three year term; and, not more than two members of the Authority's Board of Commissioners, at any time, shall belong to the same political party.

<u>Board Members as 12/31/2015</u>	<u>Most Recent Appointment Date</u>
Earl L. Jann, Chairman	2014
Jerome D. Schad, Vice Chairman	2013
Robert Anderson, Treasurer	2015



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## **FINANCIAL SECTION**

8/30/16

**Droecher & Malachuk LLP**  
 3083 William Street, Suite 5  
 Buffalo, New York 14227  
 Telephone: 716.565.2200  
 Fax: 716.565.2201



**Certified Public Accountants**

## **INDEPENDENT AUDITORS' REPORT**

**The Board of Commissioners  
 Erie County Water Authority**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Erie County Water Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of December 31, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended December 31, 2015 the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Introductory Section and the Statistical Section, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Introductory and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



March 24, 2016

**ERIE COUNTY WATER AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2015 and 2014**

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Management provides the following discussion and analysis ("MD&A") of the Erie County Water Authority's (the "Authority") financial activities and statements for the years ended December 31, 2015 and 2014. Certain data from the prior year has been reclassified to conform with the current year presentation. 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, all of which follow this narrative on the subsequent pages. The Authority is not required to legally adopt a budget; therefore, comparative budgetary information is not included in this report.

**Financial Highlights**

- The Authority's net position increased \$14,245,692 as a result of activity for the year ended December 31, 2015. For 2015, \$10,111,672 results from net income. The remaining increase of \$4,134,020 represents capital contributions (contributions in aid of construction). In 2014, the Authority's net position increased \$7,007,079. For 2014, \$5,542,391 results from net income. The remaining increase of \$1,464,688 represents capital contributions.
- The assets and deferred outflows of the Authority exceeded its liabilities by \$323,215,094 and \$308,969,402, representing net position at December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, unrestricted net positions were \$18,770,920 and \$19,018,756 respectively, and may be used to meet the Authority's ongoing obligations.
- The Authority's bonded indebtedness, including related bond premiums, decreased \$8,827,236 in 2015 compared to a decrease of \$8,487,236 in 2014. The net decrease in 2015 resulted primarily from scheduled principal payments of \$8,525,000. The net decrease in 2014 resulted from scheduled principal payments of \$8,185,000.

**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 Position* presents information on all of the Authority's assets, deferred outflows of resources and liabilities, with the difference reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *Statement of Revenue, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent reporting period. All changes in net position 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 future periods (e.g., earned but unbilled revenue and earned but unused vacation leave).
- The *Statement of Cash Flows* presents information depicting the Authority's cash flow activities for the most recent reporting period and the effect that those activities had on the Authority's cash and cash equivalent balances.
- The *Notes to 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 section of this report.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities by \$323,215,094 at December 31, 2015 as compared to \$306,969,402 at December 31, 2014, as presented below in Table 1:

Table 1—Condensed Statement of Net Position

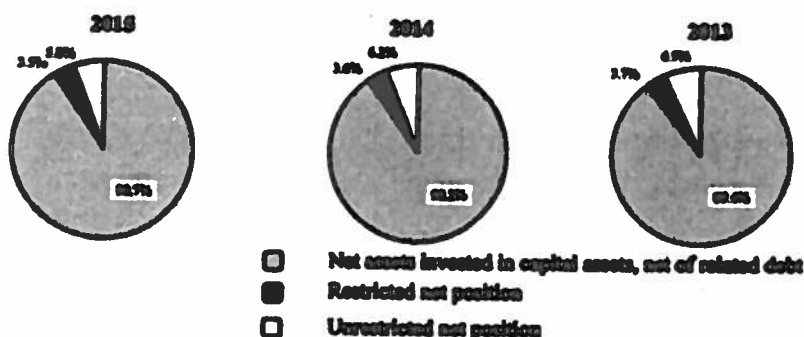
	December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Current assets	\$ 48,260,946	\$ 44,186,699	\$ 4,074,247	9.2
Noncurrent assets:				
Other noncurrent assets	21,655,499	24,661,647	(3,006,148)	(12.2)
Capital assets	<u>349,641,152</u>	<u>354,995,016</u>	<u>5,353,864</u>	1.6
Total assets	<u>439,557,597</u>	<u>423,843,362</u>	<u>15,714,235</u>	3.7
Deferred outflows of resources	<u>2,300,423</u>	<u>2,246,830</u>	<u>53,593</u>	2.4
Current liabilities	17,674,779	18,367,368	(692,589)	(3.8)
Noncurrent liabilities	<u>92,165,147</u>	<u>98,733,442</u>	<u>(6,568,295)</u>	(6.7)
Total liabilities	<u>109,840,926</u>	<u>117,100,810</u>	<u>(7,259,884)</u>	(6.2)
Invested in capital assets, net of related debt	250,189,072	278,715,700	14,473,372	5.2
Restricted	11,253,102	11,234,946	18,156	0.2
Unrestricted	<u>18,770,920</u>	<u>19,018,736</u>	<u>(247,816)</u>	(1.3)
Total net position	<u>\$ 323,215,094</u>	<u>\$ 306,969,402</u>	<u>\$ 16,245,692</u>	5.3

	December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Current assets	\$ 44,186,699	\$ 41,428,587	\$ 2,758,112	6.7
Noncurrent assets:				
Other noncurrent assets	24,661,647	26,217,379	(1,555,732)	(5.9)
Capital assets	<u>354,995,016</u>	<u>354,952,617</u>	<u>42,399</u>	0.0
Total assets	<u>423,843,362</u>	<u>422,598,583</u>	<u>1,244,779</u>	0.3
Deferred outflows of resources	<u>2,246,830</u>	<u>-</u>	<u>2,246,830</u>	100.0
Current liabilities	18,367,368	17,979,626	387,742	2.2
Noncurrent liabilities	<u>98,733,442</u>	<u>102,317,118</u>	<u>(3,583,676)</u>	(3.5)
Total liabilities	<u>117,100,810</u>	<u>120,296,744</u>	<u>(3,195,934)</u>	(2.6)
Invested in capital assets, net of related debt	278,715,700	270,106,069	8,609,631	3.2
Restricted	11,234,946	11,225,943	9,003	0.1
Unrestricted	<u>19,018,736</u>	<u>20,999,921</u>	<u>(1,981,185)</u>	(9.9)
Total net position	<u>\$ 306,969,402</u>	<u>\$ 302,301,939</u>	<u>\$ 4,667,463</u>	1.5



At December 31, 2015, the largest portion of the Authority's net position, 90.7%, consists of the Authority's investment in capital assets, as compared to 90.2% and 89.4% at December 31, 2014 and 2013, respectively. This amount is presented net of any outstanding debt which was used to acquire such capital assets. The second portion of net position, 5.0%, at December 31, 2015, as compared to 6.2% and 6.9%, at December 31, 2014, and 2013, respectively, consists of unrestricted net position. These assets are not limited in any way with regards to how and what they may be used for. The remainder of net position, 3.5%, 3.6% and 3.7% at December 31, 2015, 2014 and 2013, respectively, is restricted for various purposes.



The Authority's liabilities totaled \$109,842,926, \$117,120,810, and \$120,296,744, at December 31, 2015, 2014 and 2013 respectively. The largest component of liabilities is outstanding water revenue bonds.

The Authority had current ratios of 2.73, 2.41, and 2.30, at December 31, 2015, 2014 and 2013, 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, 2015, 2014, and 2013 follows:

Table 2—Comparison of current assets and current liabilities

	December 31,		
	2015	2014	2013
Current assets	\$ 48,280,946	\$ 44,186,699	\$ 41,428,587
Current liabilities	17,674,779	18,367,368	17,979,626
Ratio of current assets to current liabilities	2.73	2.41	2.30

Table 3 shows the changes in net position for the years ended December 31, 2015, 2014, and 2013:

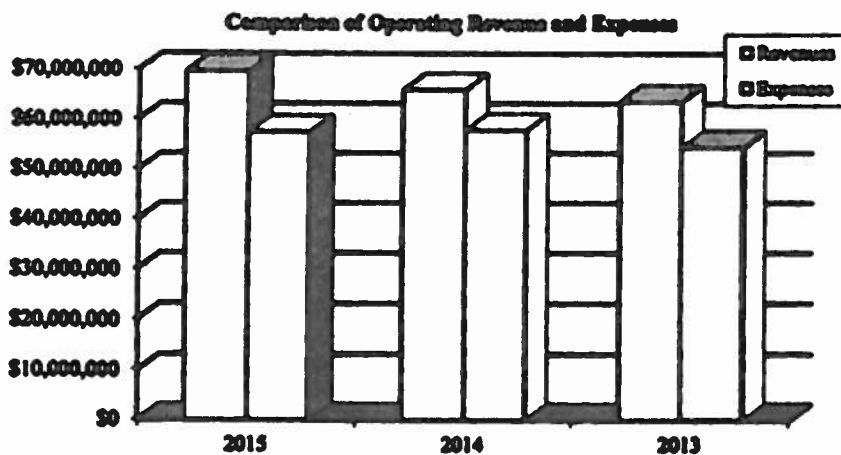
**Table 3—Changes in Net Position**

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 68,995,215	\$ 65,900,000
Operating expenses:		
Operation and administration	27,838,447	28,335,340
Maintenance	13,880,373	14,343,462
Depreciation	12,494,765	12,355,437
Other post-employment benefits	3,202,218	2,757,755
Total operating expenses	<u>57,415,803</u>	<u>57,811,994</u>
Operating income	<u>12,159,571</u>	<u>8,095,824</u>
Nonoperating revenues (expenses):		
Interest income	355,130	356,668
Interest capitalization during construction	259,440	55,722
Interest expense	<u>(2,642,469)</u>	<u>(2,966,823)</u>
Total nonoperating revenues (expenses)	<u>(2,027,899)</u>	<u>(2,554,433)</u>
Net income before contributions in aid of construction	<u>10,111,672</u>	<u>5,542,391</u>
Contributions in aid of construction	<u>4,134,020</u>	<u>1,464,688</u>
Change in net position	<u>14,245,692</u>	<u>7,007,079</u>
Total net position - beginning of year	308,969,402	302,301,839
GAEB Statement Nos. 68 & 71 implementation	-	(232,516)
Total net position - end of year	<u>\$ 323,215,094</u>	<u>\$ 302,069,402</u>

	<u>Year Ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Operating revenue	\$ 65,900,000	\$ 63,343,781
Operating expenses:		
Operation and administration	28,335,340	26,560,359
Maintenance	14,343,462	12,496,844
Depreciation	12,355,437	12,153,619
Other post-employment benefits	2,757,755	2,772,693
Total operating expenses	<u>57,811,994</u>	<u>54,383,515</u>
Operating income	<u>8,095,824</u>	<u>8,172,834</u>
Nonoperating revenues (expenses):		
Interest income	356,668	402,707
Interest capitalization during construction	55,722	215,181
Interest expense	<u>(2,966,823)</u>	<u>(3,345,794)</u>
Total nonoperating revenues (expenses)	<u>(2,554,433)</u>	<u>(2,727,906)</u>
Net income before contributions in aid of construction	<u>5,542,391</u>	<u>6,445,008</u>
Contributions in aid of construction	<u>1,464,688</u>	<u>1,372,341</u>
Change in net position	<u>7,007,079</u>	<u>7,817,349</u>
Total net position - beginning of year	294,463,650	294,463,650
GAEB Statement Nos. 68 & 71 implementation	(232,516)	-
Total net position - end of year	<u>\$ 302,069,402</u>	<u>\$ 302,301,839</u>

The following chart depicts a 5.6% increase in operating revenue from \$65,908,808 in 2014 to \$69,593,215 in 2015, compared to a 3.7% increase in operating revenue from \$63,553,781 in 2013 to \$65,908,808 in 2014. Operating expenses decreased 0.6% from \$57,811,984 in 2014 to \$57,435,644 in 2015, compared to a 6.3% increase from \$54,382,827 in 2013 to \$57,811,984 in 2014.



A summary of operating revenue for the years ended December 31, 2015, 2014 and 2013 is presented below in Table 4:

**Table 4—Summary of Operating Revenue**

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
<b>Water sales:</b>				
Residential	\$ 36,335,268	\$ 35,934,051	\$ 381,217	1.1
Commercial	7,899,110	7,450,835	448,255	6.0
Industrial	1,721,516	1,689,835	31,681	1.9
Public authorities	2,394,994	2,275,352	119,642	5.3
Fire protection	4,275,127	4,266,755	8,372	0.2
Sales to other utilities	3,625,852	3,606,340	(60,488)	(1.6)
Infrastructure investment charge	10,355,324	7,992,100	2,363,224	29.6
Other water sales	<u>2,281,932</u>	<u>2,011,690</u>	<u>270,235</u>	<u>13.4</u>
Total water sales	66,838,124	65,326,906	1,562,138	5.5
<b>Other operating revenue:</b>				
Rents from water towers	546,043	531,608	14,457	2.7
Miscellaneous	<u>160,036</u>	<u>50,214</u>	<u>109,812</u>	<u>218.7</u>
Operating revenue	<u>\$ 69,593,215</u>	<u>\$ 65,908,808</u>	<u>\$ 3,684,407</u>	<u>5.6</u>

Table 4—Summary of Operating Revenue (cont'd)

	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
<b>Water sales:</b>				
Residential	\$ 35,934,051	\$ 35,784,099	\$ 169,152	0.5
Commercial	7,450,835	7,245,844	205,011	2.8
Industrial	1,609,835	1,585,025	104,810	6.6
Public authorities	2,275,352	2,147,079	128,273	6.0
Fire protection	4,266,755	4,145,727	121,028	2.9
Sales to other utilities	3,686,340	4,275,543	(589,203)	(13.8)
Infrastructure investment charge	7,992,100	5,885,407	2,106,693	35.8
Other water sales	<u>2,011,698</u>	<u>1,883,493</u>	<u>128,205</u>	<u>6.8</u>
Total water sales	65,326,906	62,953,017	2,373,969	3.8
<b>Other operating revenue:</b>				
Rents from water towers	\$31,608	\$24,616	6,992	1.3
Miscellaneous	<u>50,214</u>	<u>78,149</u>	<u>(27,934)</u>	<u>(35.7)</u>
Operating revenue	<u>\$ 65,908,808</u>	<u>\$ 63,555,781</u>	<u>\$ 2,353,027</u>	<u>3.7</u>

Water sales represent the vast majority of revenue for the Authority, 99.0% for the year ended December 31, 2015, 99.1% for the years ended December 31, 2014 and December 31, 2013.

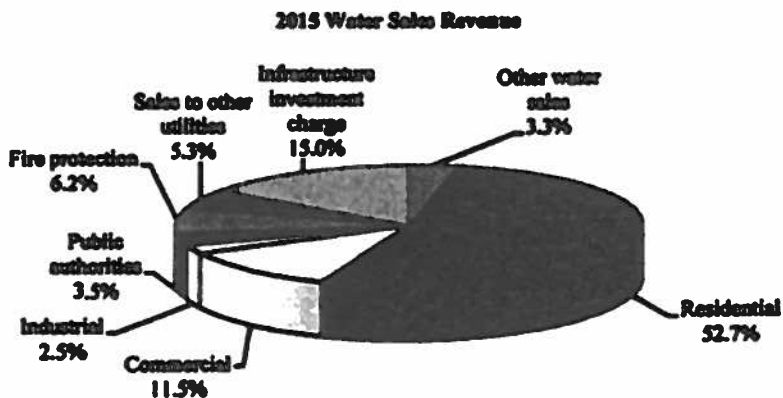
Following are some of the issues and events affecting revenue in 2015:

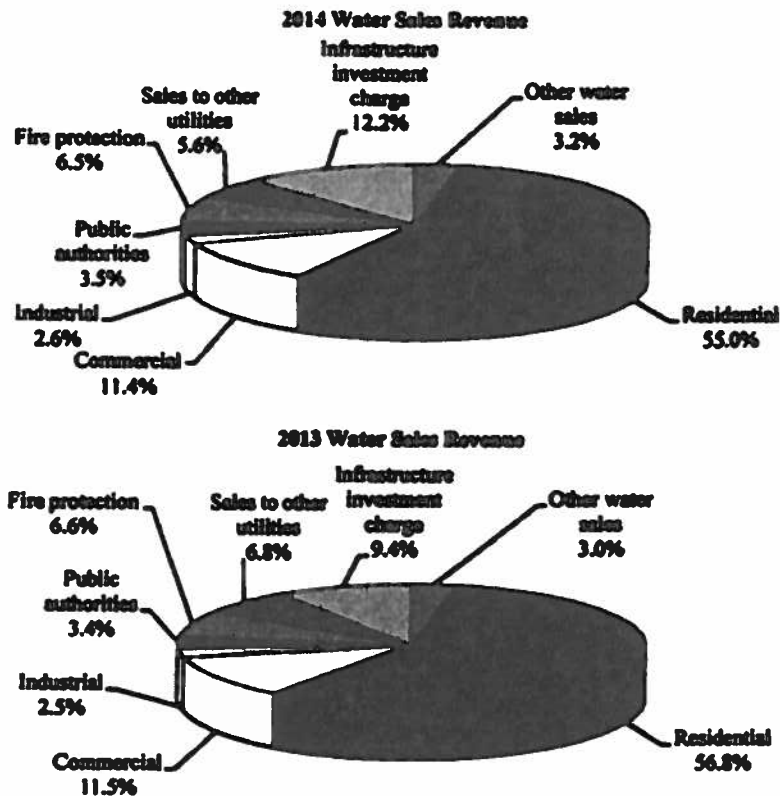
- The infrastructure investment charge increased \$2,363,224 in 2015. On January 1, 2015, the 2014 rate of \$12.00 per billing quarterly or \$4.00 per billing monthly was increased to \$15.45 and \$5.15 per billing, respectively. The conversion of the Village of Williamsville from bulk service to direct service in June of 2014 also contributed to the increase. Approximately 1,800 additional monthly and quarterly customers paid a full year of the infrastructure investment charge compared to seven months of charges in 2014.
- Metered rates rose 1.67% (or \$0.05) per thousand gallons on January 1, 2015 giving rise to small increases in revenue in all metered water categories except bulk sale revenue. Bulk sale revenue decreased 1.6% due to the conversion of the Village of Williamsville from bulk sales to direct service in June of 2014.
- An increase in late charges of \$119,012, 11.9%, from \$1,002,029 in 2014 to \$1,121,041 contributed to the rise in revenue as well. Although the late charge rate remained the same, the Authority collected 7,786 more late charges in 2015 than in 2014. As a result of the increased water and infrastructure investment charges, they were, also, 5.4% higher on average.
- Miscellaneous non-operating revenue increased \$109,812 in 2015 due to the unanticipated receipt of \$108,350 in net payments in excess of the 2014 receivable from the Federal and State Emergency Management Agencies for the Authority's damage claim from a November 2014 snow storm.

Comparatively, these issues and events impacted revenue in 2014:

- The infrastructure investment charge increased \$2,106,693 in 2014. On January 1, 2014, the 2013 rate of \$9.00 per billing quarterly or \$3.00 per billing monthly was increased to \$12.00 and \$4.00 per billing respectively. The conversion of the Village of Williamsville from bulk service to direct service also contributed to the increase.
- Metered rates rose 1.35% (or \$.04) per thousand gallons on January 1, 2014 giving rise to small increases in revenue in all metered water categories except bulk sale revenue. Bulk sale revenue decreased 13.8% due to the conversion of the Village of Williamsville from bulk sales to direct service in June of 2014. Billed consumption decreased 2.0% offsetting most of the increase in metered revenue.
- A sharp increase in late charges of \$236,393, 30.9%, from \$765,636 in 2013 to \$1,002,029 in 2014 contributed to the rise in revenue as well. Although the late charge rate remained the same, the Authority collected 18,521 more late charges in 2014 than in 2013. As a result of the increased water and infrastructure investment charges, they were, also, 11.6% higher on average.
- Miscellaneous non-operating revenue decreased \$28,463 from 2013 due to fewer scrap sales in 2014. The enactment of a new Federal Public Law 111-380: Reduction of Lead in Drinking Water Act resulted in scrapping non-compliant parts and materials during 2013.

As presented in the illustration below, residential water sales represent the largest portion of water sales for the Authority, which was 52.7%, 55.0%, and 56.8% of total water sales for the years ended December 31, 2015, 2014 and 2013, respectively. The next largest water sales revenue component for the Authority in the years ended December 31, 2015 and 2014 is the infrastructure investment charge, which was 15.0%, 12.2%, respectively. Commercial sales were the second largest water sales revenue component for the year ended December 31, 2013 which was 11.5% of water sales revenue.





As illustrated below, operation and administration expenses are the largest expenses and account for 46.4%, 46.7%, and 46.7%, of the Authority's expenses for the years ended December 31, 2015, 2014 and 2013, respectively. The second largest expenses for the Authority for the years ended December 31, 2015, 2014 and 2013 was maintenance, which was 23.1%, 21.6% and 21.6%, respectively.

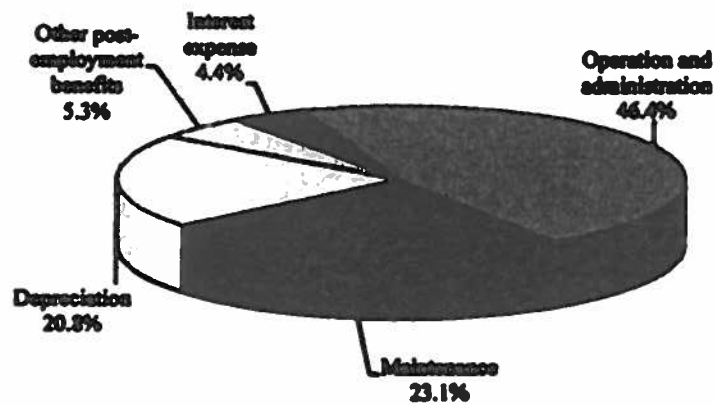
**Table 5—Summary of Expenses**

	Year Ended December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
Operation and administration	\$ 27,858,447	\$ 28,355,340	\$ (496,893)	(1.8)
Maintenance	13,880,273	14,343,462	(463,189)	(3.2)
Depreciation	12,494,706	12,355,427	139,279	1.1
Interest expense	2,642,469	2,966,823	(324,354)	(10.9)
Other postemployment benefits	3,202,218	2,757,755	444,463	16.1
<b>Total</b>	<b>\$ 60,078,113</b>	<b>\$ 60,778,807</b>	<b>\$ (700,694)</b>	<b>(1.2)</b>

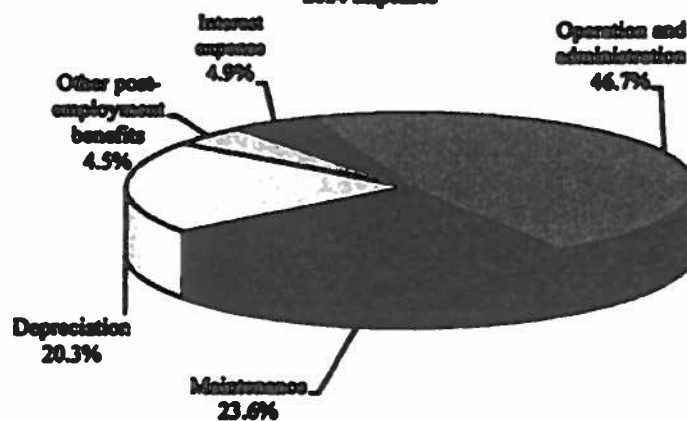
Table 5—Summary of Expenses (cont'd)

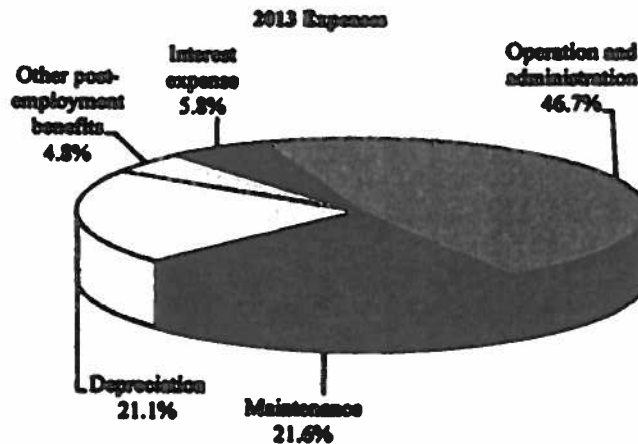
	Year Ended December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
Operation and administration	\$ 28,353,340	\$ 26,960,359	\$ 1,394,981	5.2
Maintenance	14,343,462	12,496,844	1,846,618	14.8
Depreciation	12,353,427	12,153,619	201,808	1.7
Interest expense	2,966,823	3,345,294	(378,471)	(11.3)
Other postemployment benefits	2,757,755	2,772,005	(14,250)	(0.5)
Total	\$ 60,778,807	\$ 57,728,121	\$ 3,050,686	5.3

## 2015 Expenses



## 2014 Expenses





Following are some of the issues and events affecting expenses in 2015:

- Operation and administration expenses decreased 1.8%, or \$496,893.
  - ✓ Power costs decreased \$1,141,889, 24.5%, from \$4,667,540 in 2014 to \$3,525,641 in 2015. While usage remained consistent with 2014, the average cost per kilowatt hour was 32% lower in 2015.
  - ✓ Workers' Compensation insurance expense increased 34%, or \$412,200, from \$1,213,207 in 2014 to \$1,625,407 in 2015 due largely to the assessment of a New York State Insurance Fund charge equal to 30% of the premium, or \$374,844, for the plan year July 1, 2015—June 30, 2016. This is the first year this assessment was levied.
- Maintenance expenses decreased 3.2%, or \$463,189.
  - ✓ Restoration costs decreased \$249,839 due to fewer sites restored at a lower overall average cost per site.
  - ✓ Payments to other contractors decreased \$88,340 largely due to a new contract for landscaping services. In April of 2015, the Authority contracted with New York State Industries for the Disabled, a New York State Preferred Contractor, to provide landscaping services for all of our properties.
- Interest expense decreased \$324,354, 10.9% due entirely to bond maturities.
- The value of other postemployment benefits increased \$444,463, 16.1%, due to changes in actuarial assumptions with respect to health care trend rates and updated mortality tables.



Comparatively, these issues and events impacted expenses in 2014:

- Operation and administration expenses increased 5.2%, or \$1,394,981.
  - ✓ Retiree Health Insurance expense increased \$509,156, or 38.3% as a result of increases in both medical and prescription drug claims.
  - ✓ Power purchased increased \$637,146, or 15.8%, due to a 6% increase in usage during 2014 and a 12.8% increase in the average cost per kilowatt hour.
- Maintenance expenses increased 14.8%, or \$1,846,618.
  - ✓ Payments to contractors for emergency main repairs increased \$595,007 or 57.9%. Watermain leaks in January and February of 2014 increased 19.4% over the same two months in the previous year, creating a need for additional service from outside contractors.
  - ✓ Payments to restoration contractors increased \$648,303 or 34.3%, due to an increase in the number of sites restored and unit cost increases under new restoration contracts effective March 31, 2014.
  - ✓ The cost of renting traffic control equipment rose 104.7% in 2014. In the last quarter of 2013 the Authority's provider for traffic control discontinued their emergency response service. A new vendor was identified and a contract was negotiated. The number of sites billed increased 13.8% and the average cost per site increased 79.7% in 2014.
- Interest expense decreased \$378,471 mainly due to bond maturities and a decrease in interest rates on the 2003P Bonds as a result of the August 2013 Refunding.

**Table 6—Summary of Cash Flow Activities**

	Year Ended December 31,		Increase/(Decrease)
	2015	2014	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 23,730,946	\$ 21,547,274	\$ 2,183,672
Capital and related financing activities	(24,980,603)	(22,108,338)	(2,872,265)
Investing activities	994,802	(30,912)	625,714
Net decrease in cash and cash equivalents	(654,855)	(591,976)	(62,879)
Cash and cash equivalents, beginning of year	38,072,477	38,664,453	(591,976)
Cash and cash equivalents, end of year	\$ 37,417,622	\$ 38,072,477	\$ (654,855)

Table 6—Summary of Cash Flow Activities (cont'd)

	Year Ended December 31,		Increase/(Decrease)
	2014	2013	Dollars
Cash flows provided (used) by:			
Operating activities	\$ 21,547,274	\$ 23,318,586	\$ (1,771,312)
Capital and related financing activities	(22,108,338)	(29,087,842)	6,979,504
Investing activities	(30,912)	(2,658,644)	2,627,732
Net decrease in cash and cash equivalents	(591,976)	(8,427,900)	7,835,924
Cash and cash equivalents, beginning of year	<u>38,664,453</u>	<u>47,092,353</u>	<u>(8,427,900)</u>
Cash and cash equivalents, end of year	<u>\$ 38,072,477</u>	<u>\$ 38,664,453</u>	<u>\$ (591,976)</u>

At December 31, 2015, 2014, and 2013, cash and cash equivalents were restricted for various purposes as presented below:

Table 7—Summary of Cash and Cash Equivalents

	Year Ended December 31,		
	2015	2014	2013
Unrestricted	\$ 28,722,627	\$ 24,227,980	\$ 23,099,589
Restricted	<u>8,694,995</u>	<u>13,844,497</u>	<u>15,564,864</u>
Total	<u>\$ 37,417,622</u>	<u>\$ 38,072,477</u>	<u>\$ 38,664,453</u>

Total cash and cash equivalents decreased \$654,855 from \$38,072,477 in 2014 to \$37,417,622 in 2015.

Total cash and cash equivalents decreased \$591,976 from \$38,664,453 in 2013 to \$38,072,477 in 2014.

#### Capital Assets

The Authority's investment in capital assets as of December 31, 2015 amounted to \$360,641,152 (net of accumulated depreciation) as compared to \$354,995,016 as of December 31, 2014 and \$354,952,617 as of December 31, 2013. This investment includes land, buildings and structures, mains and hydrants, equipment, construction in progress and other (service installations, household improvements, etc.). The Authority's greatest investment in capital assets is in buildings and structures and mains and hydrants.

Presented in Table 8 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.

Table 8—Summary of Capital Assets (Net of Accumulated Depreciation)

	December 31,		Increase/(Decrease)	
	2015	2014	Dollars	Percent
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,231,137	\$ 2,231,137	\$ -	-
Construction work in progress	3,244,739	5,793,468	(2,550,729)	(44.0)
<b>Total capital assets, not being depreciated</b>	<b>5,475,876</b>	<b>8,026,605</b>	<b>(2,550,729)</b>	<b>(31.8)</b>
<b>Capital assets being depreciated:</b>				
Buildings and structures	270,683,457	260,667,136	10,018,321	3.8
Mains and hydrants	220,347,031	214,871,473	5,475,558	2.5
Equipment	56,393,641	54,333,355	2,062,286	3.8
Other	56,192,707	54,807,942	1,384,765	2.5
<b>Total capital assets, being depreciated</b>	<b>603,620,836</b>	<b>584,679,906</b>	<b>18,940,930</b>	<b>3.2</b>
<b>Less accumulated depreciation</b>	<b>248,455,360</b>	<b>237,711,493</b>	<b>10,744,065</b>	<b>4.5</b>
<b>Total capital assets, being depreciated, net</b>	<b>355,165,276</b>	<b>346,968,411</b>	<b>8,196,865</b>	<b>2.4</b>

	December 31,		Increase/(Decrease)	
	2014	2013	Dollars	Percent
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,231,137	\$ 2,231,137	\$ -	-
Construction work in progress	5,793,468	3,327,930	2,467,538	74.1
<b>Total capital assets, not being depreciated</b>	<b>8,026,605</b>	<b>5,599,067</b>	<b>2,467,538</b>	<b>44.4</b>
<b>Capital assets being depreciated:</b>				
Buildings and structures	260,667,136	258,052,423	2,614,713	1.0
Mains and hydrants	214,871,473	212,089,378	2,782,095	1.3
Equipment	54,333,355	53,831,889	501,466	0.9
Other	54,807,942	53,738,138	1,069,804	2.0
<b>Total capital assets, being depreciated</b>	<b>584,679,906</b>	<b>577,711,828</b>	<b>6,968,078</b>	<b>1.2</b>
<b>Less accumulated depreciation</b>	<b>237,711,493</b>	<b>228,318,278</b>	<b>9,393,217</b>	<b>4.1</b>
<b>Total capital assets, being depreciated, net</b>	<b>346,968,411</b>	<b>349,393,550</b>	<b>(2,425,139)</b>	<b>(0.7)</b>

**Debt Administration**

At December 31, 2015, the Authority had \$67,452,000 in water revenue bond principal outstanding, net of deferred amounts for bond premiums, as compared to \$76,279,316 and \$84,766,552 at December 31, 2014 and 2013. Water revenue bonds outstanding, net of deferred amounts from bond premiums, decreased \$8,827,236 during the year ended December 31, 2015, as a result of principal payments shown in Table 9.

**Table 9—Summary of Bond Payments and Premiums**

	Year Ended December 31,	
	2015	2014
Series 1998D	\$ 1,000,000	\$ 960,000
Series 2003F	705,000	690,000
Series 2007	800,000	770,000
Series 2008	4,845,000	4,615,000
Series 2012	<u>1,175,000</u>	<u>1,150,000</u>
Total water revenue bond payments	8,525,000	8,185,000
Amortization of bond premiums	<u>302,236</u>	<u>302,236</u>
Total water revenue bond payments and bond premiums	<u>\$ 8,827,236</u>	<u>\$ 8,487,236</u>

The Authority's issuance of Series 1998D and Series 2003F bonds were through the New York State Environmental Facilities Corporation (EFC) and are rated based on the EFC's rating.

The Authority's bond ratings have remained stable since receiving an upgrade in 2008 from all three rating agencies. Moody's assigned the 2008 bonds and parity debt a long-term underlying rating of Aa3. Standard & Poor's assigned the 2008 bonds and parity debt a long-term underlying rating of AA+. Fitch Ratings assigned the 2008 bonds and parity debt a long-term underlying rating of AA.

For additional information on long-term debt activity, see Note 5 to the bonds financial statements.

#### **Economic Factors**

The local economic outlook for Western New York has begun to improve as a result of several economic development projects in the region. After decreases in billed water consumption of 2.0%, 7.8% and 2.5% in 2014, 2013 and 2012, billed water consumption remained relatively flat in 2015. Due to individual conservation efforts and changes in Federal and State laws and regulations which require appliances to use less water, significant increases in water sales other than those caused by extreme weather conditions are not expected.

As noted earlier, the Authority's largest sources of operating revenues are water sales to customers. These revenues result from rates charged based on water usage by the individual customer. Rates can be adjusted accordingly in order to help meet the expenses of the Authority. Tariff rates are shown in Table 10.

Table 10—Tariff Rates

Meters read and billed quarterly (To Nearest 1,000 Gallons)						
	2016	2015	2014	2013		
First 300,000 gallons per quarter	\$ 3.17	\$ 3.05	\$ 3.00	\$ 2.96	per 1,000 gallons	
Next 1,950,000	2.83	2.72	2.67	2.63	per 1,000 gallons	
Next 5,250,000	2.60	2.50	2.45	2.41	per 1,000 gallons	
Over 7,500,000	2.29	2.20	2.16	2.12	per 1,000 gallons	

Meters read and billed monthly (To Nearest 1,000 Gallons)						
	2016	2015	2014	2013		
First 100,000 gallons per month	\$ 3.17	\$ 3.05	\$ 3.00	\$ 2.96	per 1,000 gallons	
Next 650,000	2.83	2.72	2.67	2.63	per 1,000 gallons	
Next 1,750,000	2.60	2.50	2.45	2.41	per 1,000 gallons	
Over 2,500,000	2.29	2.20	2.16	2.12	per 1,000 gallons	

Annual hydrant charges						
	2016	2015	2014	2013		
License managed districts	\$160.00	\$160.00	\$160.00	\$160.00	per hydrant	
Direct service areas	229.08	229.08	229.08	229.08	per hydrant	

Size of Meter (inches)	Quarterly Minimum Charge (\$)			Allowance per Quarter (gallons)	Monthly Minimum Charge (\$)		
	2016	2015	2014		2016	2015	2014
3/8	\$ 28.53	\$ 27.45	\$ 27.00	9,000	\$ 9.51	\$ 9.15	\$ 9.00
3/4	38.04	36.60	36.00	12,000	12.68	12.20	12.00
1	66.57	64.05	63.00	21,000	22.19	21.35	21.00
1 1/4	85.99	82.35	81.00	27,000	28.53	27.45	27.00
1 1/2	123.63	118.95	117.00	39,000	41.21	39.65	39.00
2	199.71	192.15	189.00	63,000	66.57	64.05	63.00
3	380.40	366.00	360.00	120,000	126.80	122.00	120.00
4	627.66	603.90	594.00	190,000	209.22	201.30	198.00
6	1,205.70	1,159.80	1,140.30	390,000	401.90	386.60	380.10
8	1,884.90	1,812.60	1,781.10	630,000	628.30	604.20	593.70
10	2,649.00	2,547.00	2,502.00	900,000	883.00	849.00	834.00
12	3,582.90	3,444.60	3,383.10	1,230,000	1,194.30	1,148.20	1,127.70
20	7,951.50	7,644.00	7,503.00	2,820,000	2,650.50	2,548.00	2,501.00
24	10,603.50	10,194.00	10,002.00	3,840,000	3,534.50	3,398.00	3,334.00

A nearly four decade effort to promote conservation and water appliance efficiency is showing results with decreased water consumption per customer. At present, over 30% of the bills sent to Authority customers are for the monthly or quarterly minimum. Given the reality of rising repair and replacement costs of an aging infrastructure, and decreasing consumption, the Authority established an infrastructure investment charge in 2011. The infrastructure investment charge was implemented to maintain the Authority's aggressive investment program in very costly system-wide infrastructure, and to allow for a more equitable distribution among customer classifications of fixed costs to provide a dependable, high quality water supply and fire protection services to all customers. In 2015, the infrastructure investment charge was 15.0% of water sales as compared to 12.2% and 9.4% in 2014 and 2013, respectively.

In addition to the implementation and maintenance of the infrastructure investment charge, the Authority increased metered water rates 3.9% in 2016 after increases of 1.67% and 1.35% in 2015 and 2014, respectively. In an effort to keep pace with increasing operating and maintenance expenses and to generate adequate resources to meet future infrastructure needs, the Authority has begun a review of our rate structure and capital financing plan.

Over the past fifteen years the Authority has also been engaged in a series of water system consolidations whereby independent municipal water system operators have transferred ownership of their systems to the Authority. The pace of these consolidations has increased in the past three years and is in keeping with the original intention for the creation of the Authority. The continuation of this trend will have the effect of shifting costs from smaller systems and rate bases to the Authority. However, due to economies of scale enjoyed by the Authority, the overall community-wide costs should be lower in a coordinated, unified system compared to those of a patchwork network of small systems.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Robert J. Lichtenhal, Jr., Deputy Director, Erie County Water Authority, 295 Main Street, Rm. 350, Buffalo, New York 14203-2494.

## **BASIC FINANCIAL STATEMENTS**

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**ERIE COUNTY WATER AUTHORITY**  
**Statements of Net Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 28,722,627	\$ 24,227,980
Restricted cash and cash equivalents	1,784,338	1,762,991
Restricted investments	1,380,791	1,390,783
Customer accounts receivable, (net of allowance for doubtful accounts)	4,193,746	5,374,841
Materials and supplies	2,116,557	2,119,398
Accrued revenues	7,354,044	6,882,749
Prepaid expenses and other assets	2,706,943	2,427,957
Total current assets	<u>48,260,946</u>	<u>44,186,699</u>
Noncurrent assets:		
Investments	549,983	549,983
Restricted cash and cash equivalents	6,910,657	12,081,506
Restricted investments	11,797,158	12,030,158
Loans receivable	2,397,701	-
Capital assets, not being depreciated	3,473,876	8,026,605
Capital assets, net of accumulated depreciation	<u>355,165,276</u>	<u>346,968,411</u>
Total noncurrent assets	<u>382,296,651</u>	<u>379,696,663</u>
Total assets	<u>430,557,597</u>	<u>423,883,362</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Post-measurement date retirement contributions	1,946,395	2,246,830
Changes in retirement system assumptions	<u>554,028</u>	<u>-</u>
Total deferred outflows of resources	<u>2,500,423</u>	<u>2,246,830</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	3,398,738	3,088,936
Advances for construction	405,202	398,161
Construction retention	1,046,400	755,812
Accrued interest on water revenue bonds	354,033	393,192
Accrued liabilities	1,563,525	1,352,770
Compensated absences	1,709,625	1,549,241
Water revenue bonds - current portion	<u>9,197,236</u>	<u>8,827,236</u>
Total current liabilities	<u>17,674,779</u>	<u>18,367,352</u>
Noncurrent liabilities:		
Compensated absences	2,756,225	2,693,672
Net pension liability	1,933,536	2,586,366
Other postemployment benefits	29,223,542	26,021,324
Water revenue bonds - long term	<u>58,224,844</u>	<u>67,652,000</u>
Total noncurrent liabilities	<u>92,168,147</u>	<u>97,753,442</u>
Total liabilities	<u>109,842,926</u>	<u>117,120,810</u>
<b>NET POSITION</b>		
Net investment in capital assets	293,189,072	278,715,700
Restricted:		
Debt service reserve account	8,903,197	8,903,180
Debt service account	2,351,905	2,331,766
Unrestricted	<u>18,778,522</u>	<u>19,813,736</u>
Total net position	<u>\$ 323,215,094</u>	<u>\$ 309,969,402</u>

The notes to the financial statements are an integral part of these statements.

**ERIE COUNTY WATER AUTHORITY**  
**Statements of Revenue, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 69,595,215	\$ 65,908,808
Operating expenses:		
Operation and administration	27,858,447	28,355,340
Maintenance	13,800,273	14,343,462
Depreciation	12,494,706	12,355,427
Other postemployment benefits	3,202,218	2,757,755
Total operating expenses	<u>57,435,644</u>	<u>57,811,984</u>
Operating income	<u>12,159,571</u>	<u>8,096,824</u>
Nonoperating revenues (expenses):		
Interest income	355,130	356,668
Interest capitalization during construction	239,440	55,722
Interest expense	<u>(2,642,469)</u>	<u>(2,966,823)</u>
Total nonoperating revenues (expenses)	<u>(2,047,899)</u>	<u>(2,554,433)</u>
Net income before contributions in aid of construction	10,111,672	5,542,391
Contribution in aid of construction	<u>4,134,020</u>	<u>1,464,688</u>
Change in net position	14,245,692	7,007,079
Net position—beginning	308,969,402	302,301,839
GASB Statement Nos. 68 & 71 implementation	-	(339,516)
Net position—ending	<u>\$ 323,215,094</u>	<u>\$ 308,969,402</u>

The notes to the financial statements are an integral part of these statements.

**ERIE COUNTY WATER AUTHORITY**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 68,000,946	\$ 64,684,338
Payments to contractors	(20,383,143)	(18,603,834)
Payments to employees including fringe benefits	(23,886,857)	(24,533,230)
Net cash provided by operating activities	<u>23,730,946</u>	<u>21,547,274</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(17,850,253)	(12,221,773)
Bond repayments	(8,525,000)	(8,185,000)
Interest paid on revenue bonds	(2,746,404)	(3,252,579)
Advances for construction	7,034	86,326
Contribution in aid of construction	4,134,020	1,464,688
Net cash used for capital and related financing activities	<u>(24,980,603)</u>	<u>(22,108,338)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment securities	(11,398,160)	(13,174,030)
Proceeds from sale or maturity of investments	11,641,161	12,792,025
Interest received	<u>351,801</u>	<u>351,092</u>
Net cash used for investing activities	<u>594,802</u>	<u>(30,912)</u>
<b>Net decrease in cash</b>	<b>(654,855)</b>	<b>(591,976)</b>
<b>Cash and cash equivalents—beginning</b> (including amounts restricted for future construction, debt service reserve, and debt service, reserve for compensated absences, and customer deposits)	<u><b>38,072,477</b></u>	<u><b>38,664,453</b></u>
<b>Cash and cash equivalents—ending</b> (including amounts restricted for future construction, debt service reserve, debt service, and customer deposits)	<u><b>\$ 37,417,622</b></u>	<u><b>\$ 38,072,477</b></u>

(continued)

**ERIE COUNTY WATER AUTHORITY**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

(concluded)

	<u>2015</u>	<u>2014</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income:	\$ 12,159,571	\$ 8,096,824
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	12,494,706	12,355,427
Other postemployment benefits expense	3,202,218	2,757,755
GASB Statement Nos. 68 & 71 implementation	-	(339,516)
(Increase) decrease in accounts receivable	1,179,095	(971,081)
(Increase) decrease in material and supplies	2,841	(110,375)
(Increase) in accrued revenue	(471,295)	(357,338)
(Increase) decrease in other assets	(275,560)	32,016
(Increase) in other loans receivable	(2,397,701)	-
(Increase) in other deferred outflows	(253,573)	(2,246,850)
Increase (decrease) in accounts payable	(1,690,218)	809,345
Increase (decrease) in other accrued liabilities	210,755	(1,110,653)
Increase in compensated absences	222,937	45,354
Increase (decrease) in net pension liability	(652,830)	2,586,366
Total adjustments	<u>11,571,375</u>	<u>13,450,450</u>
Net cash provided by operating activities	<u>\$ 23,730,946</u>	<u>\$ 21,547,274</u>

The notes to the financial statements are an integral part of these statements.

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**ERIE COUNTY WATER AUTHORITY**  
**Notes to the Financial Statements**  
**Years Ended December 31, 2015 and 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting entity*—The Erie County Water Authority (the "Authority") is a public benefit corporation created in 1949 by the State of New York. The accounts of the Authority are maintained generally in accordance with the Uniform System of Accounts prescribed by the New York State Public Service Commission ("PSC"), although the Authority is not subject to PSC rules and regulations. The rates established by the Authority do not require PSC approval.

The Authority operates its business activities 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 is responsible for the operation and maintenance of the assets while the lessor is responsible for the improvement and replacement of assets; and on a bulk sales basis where the Authority contracts with the customer to provide water while the customer owns the assets and is responsible for their operation, maintenance, improvement and replacement as well as billings and customer collections.

*Basis of accounting*—The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The activities of the Authority are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from providing water services are reported as operating revenues. Operating revenues are recorded as water service is supplied. Water supplied, but not billed, as of the calendar year end is estimated based upon historical usage and has been accounted for as accrued revenue.

Transactions which are capital, financing or investing related are reported as nonoperating revenues. All expenses related to operating the system are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

*Budgets*—The Authority is not required to have a legally adopted budget.

*Compensated absences*—Authority employees earn vacation, sick leave and compensatory time in varying amounts. In the event of termination or upon retirement, represented employees are entitled to payment for accrued vacation, sick and compensatory time limited to amounts defined under their respective collectively bargained agreements. All non-represented employees receive benefits as defined by Authority policy.

**Retirement plan**—The Authority provides retirement benefits for all of its employees through contributions to the New York State and Local Employees' Retirement System. The system provides various plans and options, some of which require employee contributions.

**Cash and cash equivalents**—The Authority considers cash and cash equivalents to be all unrestricted and restricted cash accounts and short-term investments purchased with an original maturity of three months or less.

**Investments**—The Authority considers cash invested for more than three months investments. Investments are carried at fair value based on quoted market prices. The cost of investments sold is determined using the specific identification method and then adjusted to fair value changes to reflect the combined net change in these elements in the statements of revenue, expenses and changes in net position.

**Customer accounts receivable**—All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Authority recognizes water revenues in the period in which the service is provided. Billings to customers generally consist of revenues earned from the prior three months for quarterly billed customers and revenues earned from the prior month for monthly-billed customers.

**Materials and supplies**—Materials and supplies are stated at the lower of cost or market, cost being determined on the basis of moving-average cost.

**Accrued revenue**—This account represents earned water revenues as of the end of the year that have not yet been billed to customers.

**Prepaid expenses and other assets**—These consist primarily of certain payments reflecting costs applicable to future accounting periods and interest earned from securities and investments but not yet received.

**Capital assets**—Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Infrastructure assets with individual costs less than \$10,000 are treated as a class of assets and are capitalized. The cost of additions to capital assets, including purchased property or property contributed in aid of construction, and replacement of property, is capitalized. Cost includes direct material, labor, overhead and an allowance for funds used during construction equivalent to the average cost of borrowed funds advanced for construction purposes. Overhead is added proportionately to the cost of a project on a monthly basis. The cost of retirements of capital assets is charged against accumulated depreciation. Maintenance and repairs are charged to expenses as incurred, and major betterments are capitalized.

Depreciation of capital assets is computed using the composite and straight-line methods based upon annual rates established in accordance with FSC guidelines: buildings and structures, 15 to 76 years; hydrants and mains, 64 to 100 years; equipment, 5 to 43 years; and other, 4 to 50 years. Depreciation expense approximated 2.10% and 2.13% of the original cost of average depreciable property for the years ended December 31, 2015 and 2014 respectively.

**Long-term obligations**—Long term debt is reported as a liability in the statements of net position. Bond premiums and bond discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**Advances for construction**—Advances for construction primarily represent amounts received from contractors for water system expansions. Upon completion of the expansion, the cost of the construction is transferred to contributions in aid of construction, with any remaining advance being refunded.

**Accrued liabilities**—Included are provisions for estimated losses and surcharges collected from customers on behalf of various municipalities and unpaid at year end.

**Contributions in aid of construction**—Contributions in aid of construction represent amounts received from individuals, governmental agencies, and others to reimburse the Authority for construction costs incurred on capital projects or the original cost of certain water plant systems conveyed to the Authority by municipalities and others. Only those water plant systems resulting in increased revenue generation are assigned any value and, therefore, recorded as a contribution in aid of construction.

**Risk management**—The Authority limits its risk exposure to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters through various insurance policies. Insurance coverage has remained relatively stable from the previous year. Insurance expense for the years ended December 31, 2015 and 2014 totaled \$2,425,398 and \$1,987,700, respectively. There were no settlements that significantly exceeded insurance coverage or reserved amounts for each of the last three years. Any unpaid claims outstanding as of December 31, 2015 and 2014 have been adequately reserved for.

**Use of estimates**—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from those estimates.

**Reclassification**—Certain amounts relating to the financial statements as of and for the year ended December 31, 2014 have been reclassified in order to be consistent with the current year's presentation.

**Adoption of New Accounting Pronouncements**—During the year ended December 31, 2015, the Authority implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which resulted in the recognition of deferred outflows and net pension liability. The Statement of Net Position and Statement of Changes in Net Position have been restated for December 31, 2014 to reflect implementation as follows:

Net position—December 31, 2014, as previously stated	\$ 309,303,918
GASB Statement Nos. 68 & 71 implementation:	
Beginning system liability	(2,586,366)
Deferred outflows of resources for post-measurement date retirement contributions	2,246,850
Net position—December 31, 2014, as restated	<u>\$ 308,969,402</u>

**Future impacts of accounting pronouncements**—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 72, *Fair Value Measurement and Application*; No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions*



of GASB Statements 67 and 68; No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; and 79, *Certain External Investment Pools and Pool Participants* effective for the year ending December 31, 2016. Similarly, the Authority has not completed the process of evaluating the impact of adopting GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, effective for year ending December 31, 2017 or GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for year ending December 31, 2018. The Authority is therefore unable to disclose the impact that adopting these Statements will have on its financial position and results of operations when such statements are adopted, if any.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

**Deposits**—All uninsured bank deposits are fully collateralized.

**Investments**—The Authority's bond resolutions and investment guidelines allow for monies to be invested in the following instruments:

- Obligations of the United States Government;
- Obligations of Federal Agencies which represent full faith and credit of the United States Government;
- Bonds issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;
- Time deposits and money market accounts;
- Commercial paper which matures not more than 270 days after the date of purchase; and
- Municipal obligations of any state, instrumentality, or local governmental unit of such state.

**Restricted cash, cash equivalents, and investments**—Cash has been deposited into various trust accounts with a fiscal agent to satisfy certain legal covenants, or restricted internally through Board resolution. Further, the amounts are invested in compliance with the Authority's investment guidelines. The following is a brief synopsis of restricted cash:

**Restricted for debt service**—Cash restricted for debt service was established to fulfill the debt service requirements on the outstanding water revenue bonds as they become due and payable.

**Restricted for customer deposits**—Cash restricted for customer deposits was established to keep customer deposits for future work to be performed and deposits taken from customers to secure payment of their water bills segregated from the Authority's operating cash.

**Restricted for employee pension contributions**—During 2014, the Authority began participation in the New York State Voluntary Defined Contribution Program sponsored by the State University of New York (SUNY) Optional Retirement Plan. Eligible employees have a 366 day vesting period during which the employer retains the employee and employer contributions.

**Restricted employee payroll withholdings**—Employee elective payroll withholding under Title 26 U.S. Code §125 - Cafeteria plans and §105(h) - Amounts received under accident and health plans.

*Restricted for future construction*—Cash restricted for future construction was established to maintain a construction account, which has been committed for future capital expenditures.

*Restricted for debt service reserve*—The Authority restricts investments in the debt service reserve account as required by various bond resolutions.

As of December 31, 2015 and 2014, the Authority had the following restricted cash, cash equivalents, and investments:

	December 31, 2015		December 31, 2014	
	Amortized Cost	Market Value	Amortized Cost	Market Value
<b>Restricted for debt service:</b>				
Cash	\$ 886,098	\$ 886,098	\$ 788,969	\$ 788,969
Cash equivalents - U.S. Treasury bills	84,994	85,016	151,999	152,014
Investments - U.S. Treasury bills	<u>1,380,930</u>	<u>1,380,791</u>	<u>1,390,835</u>	<u>1,390,783</u>
	<u>2,352,022</u>	<u>2,351,905</u>	<u>2,331,803</u>	<u>2,331,766</u>
<b>Restricted for customer deposits:</b>				
Cash	797,703	797,703	807,230	807,230
<b>Restricted for employee payroll withholdings:</b>				
Cash	<u>15,519</u>	<u>15,519</u>	<u>14,778</u>	<u>14,778</u>
<b>Current restricted cash, cash equivalents, and investments</b>	<u>\$ 3,165,246</u>	<u>\$ 3,165,129</u>	<u>\$ 3,153,811</u>	<u>\$ 3,153,774</u>
<b>Restricted for future construction:</b>				
Cash	\$ 6,910,618	\$ 6,910,618	\$ 12,081,484	\$ 12,081,484
Investment - Certificate of Deposit	<u>2,894,000</u>	<u>2,894,000</u>	<u>3,127,000</u>	<u>3,127,000</u>
	<u>9,804,618</u>	<u>9,804,618</u>	<u>15,208,484</u>	<u>15,208,484</u>
<b>Restricted for debt service reserve:</b>				
Cash	39	39	22	22
Investment - State and Local Government Series Treasury bonds	<u>8,903,158</u>	<u>8,903,158</u>	<u>8,903,158</u>	<u>8,903,158</u>
	<u>8,903,197</u>	<u>8,903,197</u>	<u>8,903,180</u>	<u>8,903,180</u>
<b>Noncurrent restricted cash, cash equivalents, and investments</b>	<u>\$ 18,707,815</u>	<u>\$ 18,707,815</u>	<u>\$ 24,111,664</u>	<u>\$ 24,111,664</u>
<b>Total restricted cash, cash equivalents and investments</b>	<u>\$ 21,873,061</u>	<u>\$ 21,872,944</u>	<u>\$ 27,265,475</u>	<u>\$ 27,265,438</u>

*Counterparty credit risk*—For deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned. For cash equivalents and investments, this is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. By State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2015 and 2014, all uninsured bank deposits were fully collateralized with securities held by the pledging financial institutions' trust departments or agents in the Authority's name and all of the Authority's cash equivalents and investments were registered in the Authority's name.

*Interest rate risk*—For investments, this is the risk that potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. There is the prospect of a loss should those securities be sold prior to maturity. The Authority uses the specific identification method to identify the maturity for each investment and evaluate risk accordingly.

### 3. CUSTOMER ACCOUNTS RECEIVABLE

Customer accounts receivable primarily represent amounts due from customers for current and past due water services provided, including penalties, unpaid bill charges, collection fees and shut-off charges.

Customers are billed either on a monthly or quarterly basis depending on the type of customer and the level of water usage. Municipalities are billed for hydrant maintenance annually. 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 discontinuance of their water service and additional delinquent charges.

Following fifteen (15) days from the collection letter date, an unpaid account is sent to a collector who schedules a visit to the customer with an unpaid bill notice. At the visit, the account is "posted," and 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. In agreements with lease managed water districts and in some direct service districts, unpaid water bills are referred to municipalities for payment per the terms of the service agreement. Allowances for doubtful accounts at December 31, 2015 and 2014 total \$412,256 and \$335,728, respectively.

### 4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and December 31, 2014 are presented on the following page.

	Balance 1/1/2015	Additions	Retirements & Reclassifications	Balance 12/31/2015
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,231,137	\$ -	\$ -	\$ 2,231,137
Construction work in progress	5,795,468	17,219,708	(19,770,437)	3,244,739
Total non-depreciable capital assets	8,026,605	17,219,708	(19,770,437)	5,475,876
<b>Capital assets being depreciated:</b>				
Buildings and structures	260,667,136	10,018,321	-	270,685,457
Mains and hydrants	214,871,473	5,505,498	(29,939)	220,347,032
Equipment	54,333,355	3,343,464	(1,281,179)	56,395,640
Other	54,807,942	2,352,488	(967,723)	56,192,707
Total depreciable capital assets	584,679,906	21,219,771	(2,278,841)	603,620,836
<b>Less accumulated depreciation:</b>				
Buildings and structures	126,529,670	6,585,773	-	133,115,443
Mains and hydrants	48,478,911	2,159,962	(29,939)	50,608,934
Equipment	31,464,358	2,826,811	(752,977)	33,538,192
Other	31,238,556	922,160	(967,725)	31,192,991
Total accumulated depreciation	237,711,495	12,494,706	(1,750,641)	248,455,560
Capital assets being depreciated, net	346,968,411	8,725,065	(528,200)	355,165,276
Total capital assets, net	\$ 354,995,016	\$ 25,944,773	\$ (20,298,637)	\$ 360,641,152
	Balance 1/1/2014	Additions	Retirements & Reclassifications	Balance 12/31/2014
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,231,137	\$ -	\$ -	\$ 2,231,137
Construction work in progress	3,327,930	12,038,938	(9,571,400)	5,795,468
Total non-depreciable capital assets	5,559,067	12,038,938	(9,571,400)	8,026,605
<b>Capital assets being depreciated:</b>				
Buildings and structures	258,052,423	3,880,013	(1,265,300)	260,667,136
Mains and hydrants	212,089,378	2,793,350	(11,255)	214,871,473
Equipment	53,831,889	2,386,880	(1,885,414)	54,333,355
Other	53,738,138	1,359,846	(290,042)	54,807,942
Total depreciable capital assets	577,711,828	10,420,099	(3,452,011)	584,679,906
<b>Less accumulated depreciation:</b>				
Buildings and structures	121,289,868	6,505,102	(1,265,300)	126,529,670
Mains and hydrants	46,358,222	2,130,594	(9,905)	48,478,911
Equipment	30,121,681	2,739,640	(1,396,963)	31,464,358
Other	30,540,597	980,091	(290,042)	31,238,556
Total accumulated depreciation	228,310,278	12,355,427	(2,962,210)	237,711,495
Capital assets being depreciated, net	349,399,550	(1,935,328)	(489,801)	346,968,411
Total capital assets, net	\$ 354,952,617	\$ 10,103,600	\$ (10,061,201)	\$ 354,995,016

## 5. LONG-TERM DEBT

*Summary of long-term debt*—the following is a summary of the Authority's water revenue bonds at December 31, 2015:

Series	Final Annual Installment Payment Due	Year of Earliest Principal Payment	Interest Rate	Original Issue	Principal Outstanding 12/31/2015
Series 1998D	10/15/2019	2000	.845-3.35% (*)	\$ 16,859,700	\$ 4,415,000
Series 2003P	7/15/2023	2004	.79-4.50% (*)	15,544,443	7,233,384
Series 2007	12/1/2037	2008	4.50-5.00%	35,000,000	29,705,000
Series 2008	12/1/2018	2009	4.00-5.00%	45,770,000	16,040,000
Series 2012	6/1/2022	2013	2.41%	12,500,000	9,055,000
					<u>66,448,384</u>
Less portion due within one year					<u>(8,895,000)</u>
					<u>\$ 57,553,384</u>

(\*) Gross rates subject to subsidy from the New York State Environmental Facilities Corporation (EFC)

All outstanding bonds have been issued under the Authority's Fourth Resolution and, therefore, all of the current bondholders have equal claims against the Authority's revenues.

### *Bonds Prior to 1993*

The Authority completed a plan of restructuring a significant portion of its debt through a series of bond issuances. The net proceeds from these issuances and certain existing funds were deposited with an escrow agent pursuant to refunding agreements, and invested in U.S. Government securities. The maturities of these invested funds and related earnings thereon are expected to provide sufficient cash flow to meet the debt service requirements of the defeased bonds as they mature. These advance refunding transactions effectively released the Authority from its obligation to repay these bonds and constituted in-substance defeasances. The final maturity of the defeased bonds was on December 1, 2014.

### *1998D Series Bonds*

The Current Interest Series 1998D Bonds were issued to the EFC under their aggregate pool financing identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Series 1998D in 1998.

The 1998D Bonds in the amount of \$16,859,700, representing the Authority's portion of the financing, were issued to cover the cost of the construction of two new clearwell water tanks and a new pumping station at the Authority's Sturgeon Point plant.

Interest on the 1998D Bonds ranges from .845% to 3.355% and is payable semi-annually on April 15 and October 15. The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

Principal is payable on October 15. The final maturity of the bonds is October 15, 2019.

**2003F Series Bonds**

On July 24, 2003, the 2003F Series Bonds were issued to the EFC under their aggregate pool financing identified as New York State Environmental Facilities Corporation State Clean Water and Drinking Water Revolving Funds Revenue Bonds Series 2003F.

The 2003F Bonds in the amount of \$15,544,443 representing the Authority's portion of this financing were issued to cover the cost of new pump stations along with meters, water mains, a pump station and a storage tank in the City of Tonawanda.

Interest on the 2003F Bonds ranges from .79% to 4.50% and is payable semi-annually on January 15 and July 15. The terms of the EFC borrowings provide for an interest subsidy of approximately one-third of the stated interest rates shown above. The subsidy is generated from a United States Environmental Protection Agency grant to the EFC which the EFC invests and credits the borrower with the earnings on the invested funds as an offset to the interest payable on the bonds.

Principal is payable on July 15. The final maturity of the bonds is July 15, 2023.

On August 1, 2013, EFC refunded the Series 2003F Bonds. New bonds were issued in the same principal denomination. The Authority paid off \$691,616 on the outstanding bond principal. The Authority did not issue new bonds to EFC. The interest rates on the outstanding bonds were significantly reduced. The net present value savings as calculated by EFC is \$1,382,893.

**2007 Series Bonds**

On September 13, 2007, the 2007 Series Bonds were issued for \$35,194,200, which includes a premium of \$194,288 that is amortized over the life of the bonds. The purpose of these bonds includes the replacement of various water mains and valves in the distribution system, construction of new pump stations, upgrades to the coagulation basins, the replacement of electrical equipment and installation of standby emergency generation at the Authority's Shurgeon Point and Van de Water Treatment Plants.

Interest on the 2007 Bonds ranges from 4.50% to 5.00% and is payable semi-annually on June 1 and December 1.

Principal is payable on December 1. The final maturity of the bonds is December 1, 2037.

**2008 Series Bonds**

On June 25, 2008, the Authority issued \$45,770,000 of Water Revenue Refunding Bonds, Series 2008. The proceeds of the issue, including a \$3,081,304 premium which is amortized over the life of the Series 2008 Bonds, were used to refund the principal of the Series 1993A and Series 1993B Bonds, \$27,500,000 and \$15,000,000, respectively. A portion of the proceeds covered the costs of issuance including a fee in connection with the termination of the swap agreement related to the Series 1993A and Series 1993B Bonds. The remaining proceeds were deposited into the Series 2008 Debt Service Reserve Account. The Series 1993A and Series 1993B Bonds were redeemed on July 25, 2008. The issuance of the Series 2008 refunding bonds reduced the debt service by \$7,481,572 and has a net present value cash flow savings of \$8,393,467.

Interest on the 2008 Bonds ranges from 4.0% to 5.0% and is payable semi-annually on June 1 and December 1.

Principal is payable on December 1. The final maturity of the bonds is December 1, 2018.

**2012 Series Bonds**

On June 8, 2012, the Authority issued \$12,500,000 of Bonds under a Bond Direct Purchase Agreement. The bonds were issued under the Authority's Fourth Bond Resolution. The purpose of these bonds is to provide funds for the acquisition and construction of Sturgeon Point clarifier/thickener improvements, pump station improvements, raw water pumps, Van De Water coagulation basins and the Texe/Lang interconnection with the City of Buffalo.

Interest on the 2012 bonds is 2.41% and is payable semi-annually on June 1 and December 1.

Principal is payable annually on June 1. The final maturity of the bonds is June 1, 2022.

**Long-term debt requirements**—Long-term debt requirements are summarized as follows:

Year ending December 31,	Bond Principal	Interest on Bonded Debt
2016	\$ 8,895,000	\$ 2,765,639
2017	9,255,000	2,390,972
2018	9,660,000	1,993,770
2019	4,180,000	1,580,901
2020	3,110,000	1,438,216
2021-2025	11,753,384	5,629,303
2026-2030	6,935,000	4,090,448
2031-2035	8,630,000	2,297,412
2036-2037	4,030,000	304,500
	<u>66,448,384</u>	<u>22,493,161</u>
Less portion due within one year	<u>8,895,000</u>	<u>2,765,639</u>
	<u>\$ 57,553,384</u>	<u>\$ 19,727,522</u>

**Summary of changes in long-term debt**—the following is a summary of changes in water revenue bonds and other long-term debt for the years ended December 31, 2015 and December 31, 2014:

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Series 1990D	\$ 5,415,000	\$ -	\$ (1,000,000)	\$ 4,415,000	\$ 1,040,000
Series 2003F	7,938,384	-	(705,000)	7,233,384	725,000
Series 2007	30,305,000	-	(800,000)	29,705,000	835,000
Series 2008	20,885,000	-	(4,845,000)	16,040,000	5,090,000
Series 2012	<u>10,230,000</u>	<u>-</u>	<u>(1,175,000)</u>	<u>9,055,000</u>	<u>1,205,000</u>
Bonds payable	74,973,384	-	(8,525,000)	66,448,384	8,895,000
Bond premiums	<u>1,305,932</u>	<u>-</u>	<u>(302,236)</u>	<u>1,003,696</u>	<u>302,236</u>
Total bonds payable	<u>\$ 76,279,316</u>	<u>\$ -</u>	<u>\$ (8,827,236)</u>	<u>\$ 67,452,080</u>	<u>\$ 9,197,236</u>
Compensated absences	<u>\$ 4,242,910</u>	<u>\$ 544,524</u>	<u>\$ (321,584)</u>	<u>\$ 4,465,850</u>	<u>\$ 1,709,625</u>

	Balance 1/1/2014	Additions	Reductions	Balance 12/31/2014	Due Within One Year
Series 1998D	\$ 6,375,000	\$ -	\$ (960,000)	\$ 5,415,000	\$ 1,000,000
Series 2003F	8,628,384	-	(690,000)	7,938,384	705,000
Series 2007	31,275,000	-	(770,000)	30,505,000	800,000
Series 2008	25,500,000	-	(4,615,000)	20,885,000	4,845,000
Series 2012	<u>11,390,000</u>	-	<u>(1,150,000)</u>	<u>10,230,000</u>	<u>1,175,000</u>
Bonds payable	83,158,384	-	(8,185,000)	74,973,384	8,525,000
Bond premiums	<u>1,608,168</u>	-	<u>(302,236)</u>	<u>1,305,932</u>	<u>302,236</u>
Total bonds payable	<u>\$ 84,766,552</u>	<u>\$ -</u>	<u>\$ (8,487,236)</u>	<u>\$ 76,279,316</u>	<u>\$ 8,827,236</u>
Compensated absences	<u>\$ 4,178,510</u>	<u>\$ 317,790</u>	<u>\$ (253,390)</u>	<u>\$ 4,242,910</u>	<u>\$ 1,549,241</u>

#### 6. PENSION PLAN

**Plan Description**—The Authority participates in the New York State and Local Employees' Retirement System ("State Plan"), which is a cost-sharing, multiple-employer, public employee retirement system. The State Plan provides retirement, disability, and death benefits to members as authorized by the New York State Retirement and Social Security Law ("NYSRSSL"). The net position of the State Plan is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the State Plan. The Comptroller of the State of New York ("Comptroller") serves as the trustee of the Fund and is the administrative head of the State Plan. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014 he was elected for a new term commencing January 1, 2015. Once a public employer elects to participate in the State Plan, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Authority also participates in the Public Employees' Group Life Insurance Plan ("GLIP") which provides death benefits in the form of life insurance. The State Plan is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

**Funding Policy**—Plan members who joined the State Plan before July 27, 1976 are not required to make contributions. Those joining on or after July 27, 1976 are required to contribute 3% of their annual salary for the first ten years of their membership, and members hired after January 1, 2010 generally contribute 3% of their salary for the duration of their membership.

Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the State Plans fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100% of the contributions required, as presented on the following page.



<u>Year Ended December 31,</u>	<u>Amount</u>
2015	\$ 2,995,193
2014	2,995,800
2013	2,904,953

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions—***  
At December 31, 2015, the Authority reported a liability of \$1,933,536 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015 the Authority's proportion was .057%. For the year ended December 31, 2015, the Authority recognized pension expense of \$1,769,726. As of December 31, 2015, the Authority reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 61,895
Net difference between projected and actual earnings on pension plan investments	335,831
Changes in proportion and differences between Authority contributions and proportionate share of contributions	156,302
Authority contributions subsequent to the measurement date	<u>1,946,395</u>
Total deferred outflows of resources	<u>\$ 2,500,423</u>

The \$1,946,395 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 138,507
2017	138,507
2018	138,507
2019	138,507

**Actuarial assumptions**—The total pension liability for the March 31, 2015 and March 31, 2014 measurement dates were determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.7%
Salary scale	4.9%, indexed by service
Investment rate of return, including inflation	7.5% compounded annually, net of investment expense
Cost of living adjustments	1.4% annually
Decrement	Developed from the Plan's 2010 experience study period April 1, 2005 through March 31, 2010
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected return, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 and 2014 are summarized as follows.

Asset class	Target allocation	Long-term expected real rate of return
Domestic equity	38.00%	7.30%
International equity	13.00%	8.55%
Private equity	10.00%	11.00%
Real estate	8.00%	8.25%
Absolute return strategies	3.00%	6.75%
Opportunistic portfolio	3.00%	8.60%
Real assets	3.00%	8.65%
Bonds and mortgages	18.00%	4.00%
Cash	2.00%	2.25%
Inflation-indexed bonds	2.00%	4.00%
	<u>100.00%</u>	

**Discount rate**—The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current rates and contributions from employers will be made at the statutory required rates, actuarially. Based upon the assumptions, the State Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the proportionate share of the net pension liability to the discount rate assumption—***

The following presents the Authority's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.5%, as well as what the Authority's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Assumption 7.5%	1% Increase 8.5%
Employer's proportionate share of the net pension liability/(asset)	12,887,851	1,933,536	(7,314,623)

***Collective net pension liability of participating employers and actuarial information—***The components of the net pension liability of the employers as of March 31, 2015 and March 31, 2014 were as follows:

	2015	2014
Employers' total pension liability	\$ 164,591,504	\$ 158,792,223
Plan net position	(161,213,259)	(154,273,363)
Employers' net pension liability	\$ 3,378,245	\$ 4,518,860
Fiduciary net position as a percentage of total pension liability	97.90%	97.20%

## 7. LABOR RELATIONS

Certain Authority employees are represented by two bargaining units, American Federation of State, County and Municipal Employees ("AFSCME") and Civil Service Employees Association, Inc. ("CSEA"). The CSEA and the Authority entered into a new nine-year collective bargaining agreement dated October 16, 2012. A new nine-year collective bargaining agreement was ratified by the AFSCME union and adopted by the Board on November 23, 2011. Both contracts are effective from April 1, 2006 through March 31, 2017.

## 8. POSTEMPLOYMENT BENEFITS

***Plan Description—***The Authority provides retirees health plans through Labor Management Healthcare Fund ("LMHF"). Retirees must meet age and years of service requirements to qualify for health benefits under this multiple-employer defined benefit healthcare plan ("the Plan"). Retiree benefits continue for the lifetime of the retiree and spousal benefits continue for their lifetime unless they remarry. There were 161 and 155 retirees receiving health care benefits at December 31, 2015 and December 31, 2014 respectively.

***Funding Policy—***Authorization for the Authority to pay a portion, or all, of retiree health insurance premiums was enacted by resolution of the Authority's Board of Commissioners or through union contracts, which are ratified by the Board of Commissioners. Retired employees that met the age and years of service requirements and were enrolled in any healthcare plan prior to June 1, 2004 are not required to make a contribution. Retirees enrolling in the Traditional Blue PPO 812 plan after June 1, 2004 are required to make contributions equal to the difference between the Traditional Blue PPO 812 plan premium and the highest premium of any other plan offered to that retiree.

Represented AFSCME employees hired after November 23, 2011 who meet the eligibility requirements will pay 15% of the total premium of the Core Plan for the duration of their retirement. To be eligible, employees represented by AFSCME must be 55 years of age. Employees hired before January 1, 2006 must have 15 years of service, and employees hired after January 1, 2006, become eligible after 20 years of service.

Employees represented by the CSEA hired after July 26, 2012 who meet the eligibility requirements will pay 15% of the total premium of the Core Plan for the duration of their retirement. Eligibility criteria for CSEA employees hired prior to January 1, 2008 is 55 years of age with a minimum of ten years of service, while employees hired on or after January 1, 2008 must be 58 with a minimum of fifteen years of service with the Authority.

Retirees not represented by a collective bargaining agreement who meet the eligibility requirements contribute 15% of the full premium for a single, double or family point of service ("POS") contract. Eligibility requirements for non-represented employees is 55 years of age with a minimum of 15 years of service; or a minimum of 10 years of service, and the sum of age and service years is equal to or greater than 70.

The Authority's annual postemployment benefit ("OPEB") cost is calculated based on the annual required contributions ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan, and the changes in the Authority's net OPEB obligation for 2015 and 2014.

	Year Ended December 31,	
	2015	2014
Annual required contribution	\$ 5,039,133	\$ 4,575,624
Interest on net OPEB obligation	1,301,066	1,163,178
Adjustment to annual required contribution	(1,692,724)	(1,513,329)
Annual OPEB costs (expense)	4,647,475	4,225,473
Contributions made	(1,445,257)	(1,467,718)
Increase in net OPEB obligation	3,202,218	2,757,755
Net OPEB obligation—beginning	26,021,324	23,263,569
Net OPEB obligation—ending	\$ 29,223,542	\$ 26,021,324

**Funding Status and Funding Progress**—As of January 1, 2015, the most recent actuarial valuation date, the plan was not funded. Since there were no assets, the unfunded actuarial liability for benefits was \$49,731,515. The ratio of unfunded actuarial accrued liability to covered payroll of \$15,713,753 is 3.16 for 2015.

The schedule of the Authority's annual OPEB cost, amount and percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal Year Ending	Valuation Date	Annual OPEB Cost	Contributions Made	Percentage Contributed	Net OPEB Obligation
December 31, 2015	January 1, 2015	\$ 4,647,475	\$ 1,445,257	31.1%	\$ 29,223,542
December 31, 2014	January 1, 2014	4,225,473	1,467,718	34.7%	26,021,324
December 31, 2013	January 1, 2013	4,164,441	1,392,436	33.4%	23,263,569

**Actuarial Methods and Assumptions**—Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress for the most recent and past two actuarial

valuations immediately follows the notes to the financial statements and presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Calculations are based on the types of benefits provided under the terms of the substantive plan, the plan as understood by the employer and the plan members at the time of the valuation, and on the pattern of cost sharing between the employer and plan members. The projection of benefits does not incorporate the potential effect of a change in the pattern of cost sharing between the employer and plan members in the future. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the January 1, 2015 actuarial valuation the actuarial methods and assumptions listed below were used.

*Actuarial cost method – Projected Unit Credit*

*Investment rate of return and discount rate – 5%*

*Annual rate of increase in the consumer price index – 2.25%*

*Healthcare cost trend rate –* The assumed rates of increase in health care costs are presented in the table below. The trend rate schedule has been developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trends Model (The Gotman model).

Year	Pre-65 Medical	Post-65 Medical Medicare Advantage	Prescription Drug
2015	8.000%	6.000%	7.500%
2016	7.750%	6.000%	7.250%
2017	7.500%	6.000%	7.000%
2018	7.250%	5.750%	6.750%
2019	7.000%	5.750%	6.500%
2020	6.723%	5.623%	6.307%
2021	6.447%	5.613%	6.113%
2022	6.170%	5.545%	5.920%
2023	5.894%	5.477%	5.727%
2024	5.617%	5.409%	5.534%

*Amortization of actuarial accrued liability –* Actuarial accrued liability is being amortized over thirty years using the level dollar method, on an open basis.

*Mortality –* The RP-2014 Mortality Table for annuitants and non-annuitants, fully generational with projected mortality improvements using Scale MP-2014, with no collar adjustment.

*Turnover –* Rates of turnover are based on experience under the New York State Employees' Retirement System (State Plan).

*Retirement incidence –* Rates of retirement are based on the experience under the State Plan.

*Election percentage –* It was assumed 100% of future retirees eligible for coverage will elect postretirement healthcare coverage.

*Spousal coverage –* 80% of future retirees are assumed to elect spousal coverage upon retirement.

*Per capita costs* - All retiree health plans are offered through Independent Health's LMHF Encompass 65 HMO. Effective January 1, 2015, the plans will be provided via an Employee Group Waiver Plan (EGWP). The expected EGWP subsidies were reflected in the development of the average expected prescription drug costs. Actual claims experience from LMHF was used to develop retiree claim costs.

## 9. NET POSITION AND RESERVES

The Authority financial statements utilize a net position presentation. Net position is categorized into net investment in capital assets, restricted and unrestricted.

*Net investment in capital assets*—This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

	December 31,	
	2015	2014
Capital assets, net of accumulated depreciation	\$ 360,641,152	\$ 354,995,016
Related debt:		
Water revenue bonds issued for capital assets	(66,448,384)	(74,973,384)
Bond premium	(1,003,696)	(1,305,932)
Net investment in capital assets	<u>\$ 293,189,072</u>	<u>\$ 278,715,700</u>

*Restricted net position*—This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

For the years ended December 31, 2015 and 2014, net position was restricted for the following purposes:

- *Debt Service Reserve Account* — During 1998, the Authority established a Debt Service Reserve Account as required by the Series 1998D bond resolution. The bond resolution requires a reserve amount equal to the average of the annual installments of debt service. The required amount was determined by EPC and must remain on deposit until the bonds mature.

During 2003, per the 2003F bond resolution the Authority established a Debt Service Reserve Account from a portion of the 2003F bond proceeds. The required debt service reserve is based on ten percent of the total principal of the loan. The required amount was determined by EPC and must remain on deposit until the bonds mature.

During 2007, the Authority established a Debt Service Reserve Account as required by the Series 2007 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on the maximum amount of principal and interest coming due in any succeeding calendar year on the outstanding Series 2007 bonds.

During 2008, the Authority established a Debt Service Reserve Account as required by the Series 2008 bond resolution to maintain a specified amount of funds to meet future debt service requirements. The Authority established the Debt Service Reserve Account based on ten percent of the total principal of the loan.

- **Debt Service Account** — The 1992 Fourth Resolution, 1998D, 2003F, 2007, 2008 and 2012 Supplemental Fourth Resolution bond resolutions require that a specified amount of funds be maintained in the Debt Service Account. The requirements of the Debt Service Account state that the Authority must deposit funds to provide for monthly interest and principal payments to start not later than six months prior to the payment of interest and twelve months prior to the payment of principal.

**Unrestricted net position**—This category represents the amount of net position the Authority has not restricted for any project or other purpose. Management intends to utilize a portion of unrestricted net position to support the Authority's projected five-year capital spending, which will require future funding in excess of \$126,000,000.

When an expense is incurred for purposes for which both restricted and unrestricted amounts are available, the Authority's policy concerning which to apply first varies with the intended use and associated legal requirements. Management typically makes this decision on a transactional basis.

## 10. COMMITMENTS AND CONTINGENCIES

The Authority maintains and operates certain facilities employed in the sale and distribution of water which it leases from various local municipal water districts pursuant to lease management agreements. No financial consideration is afforded the municipalities in conjunction with these lease agreements. Such agreements generally are for at least ten-year terms and automatically renew for additional ten-year terms unless terminated by either party one year prior to expiration of the term. The agreements provide that the municipalities obtain water exclusively from the Authority. Future maintenance and operating costs to be incurred by the Authority under such arrangements presently in effect are not determinable.

The Authority is also committed under various operating leases for the use of certain equipment and office space. Rental expense for 2015 and 2014 aggregated \$251,958 and \$274,752. Future minimum annual rentals to be paid under such leases are not significant.

The Authority is subject to various laws and regulations, which primarily establish uniform minimum national water quality standards. The Authority has established procedures for the on-going evaluation of its operations to identify potential exposures and assure continued compliance with these regulatory standards.

The Authority is involved in litigation and other matters arising in its normal operating, financing, and investing activities. While the resolution of such litigation or other matters could have a material effect on earnings and cash flows in the year of resolution, the Authority has obtained various liability, property, and workers' compensation insurance policies which would reduce exposure to loss on the part of the Authority. Management has made provisions for anticipated losses in the accompanying financial statements as advised by legal counsel. None of this litigation and none of these other matters are expected to have a material effect on the financial condition of the Authority at this time.

## 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2016, which is the date the financial statements are available for issuance, and have determined that there are no subsequent events that require disclosure under generally accepted accounting principles.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**ERIE COUNTY WATER AUTHORITY**  
**Schedule of Funding Progress-Other Postemployment Benefit Plan**  
**Year Ended December 31, 2015**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio ^	Budgeted Covered Payroll	Ratio of UAAL to Budgeted Covered Payroll
January 1, 2014	\$ -	\$ 45,566,345	\$ 45,566,345	-	\$ 15,140,745	3.01
January 1, 2012	-	41,810,183	41,810,183	-	14,573,087	2.81
January 1, 2010	-	49,748,261	49,748,261	-	15,102,780	3.29

^As described in note 5 to the financial statements, the Authority's plan is unfunded.

See independent auditors' report.

**ERIE COUNTY WATER AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the**  
**Net Pension Liability—New York State Employees' Retirement System**  
**Last Two Fiscal Years**

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Measurement date	March 31, 2015	March 31, 2014
Authority's proportion of the net pension liability/(asset)	0.0572349%	0.0572349%
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 1,933,536</u>	<u>\$ 2,586,366</u>
Authority's covered-employee payroll	\$ 15,714,000	\$ 15,141,000
Authority's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	12.3%	17.1%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	97.2%

**ERIE COUNTY WATER AUTHORITY**  
**Schedule of Contributions to the New York State Employees' Retirement System**  
**Last Ten Fiscal Years**  
**(Dollar amounts in thousands)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,985	\$ 2,996	\$ 2,905	\$ 2,564	\$ 2,208	\$ 1,658	\$ 962	\$ 1,123	\$ 1,332	\$ 1,329
Contributions in relation to required contribution	<u>2,985</u>	<u>2,996</u>	<u>2,905</u>	<u>2,564</u>	<u>2,208</u>	<u>1,658</u>	<u>962</u>	<u>1,123</u>	<u>1,332</u>	<u>1,329</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	\$15,714	\$15,141	\$14,947	\$14,305	\$14,672	\$14,466	\$14,704	\$14,457	\$14,955	\$14,205
Contributions as a percentage of covered payroll	16.514%	19.787%	19.435%	17.924%	15.049%	11.461%	6.507%	7.768%	8.907%	9.356%

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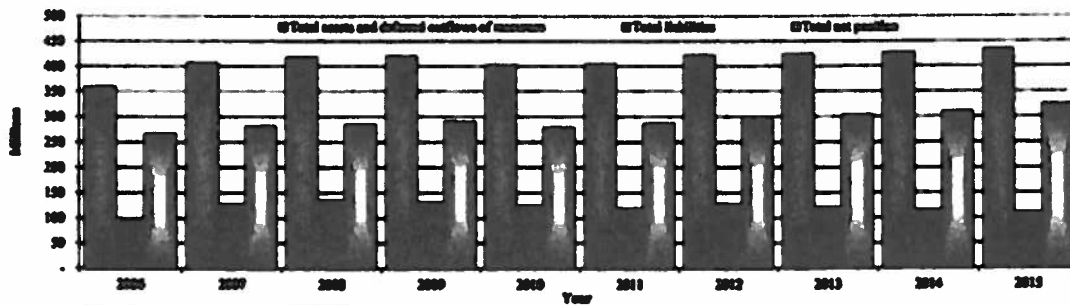
## STATISTICAL SECTION (UNAUDITED)

This section of the Erie County Water Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents	Page
Financial Trends .....	53
<i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	58
<i>These schedules contain information to help the reader assess the Authority's most significant local revenue sources, the charges for services.</i>	
Debt Capacity .....	60
<i>These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.</i>	
Demographic and Economic Information .....	63
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.</i>	
Operating Information .....	65
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.</i>	

**ERIE COUNTY WATER AUTHORITY**  
**Summary Comparison of the Statements of Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

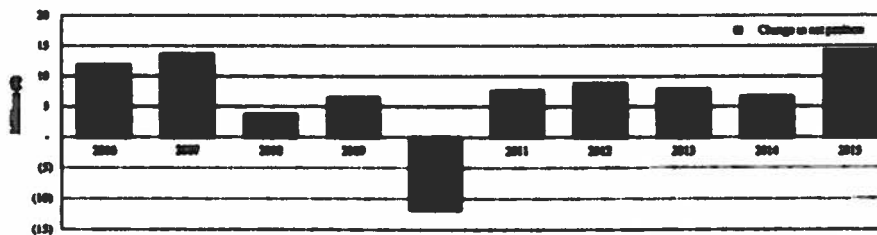
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Current assets	\$ 41,346,984	\$ 38,833,642	\$ 34,532,183	\$ 34,389,838	\$ 32,615,988	\$ 33,731,489	\$ 37,888,817	\$ 41,438,587	\$ 44,126,699	\$ 48,388,946
Noncurrent assets	317,449,712	373,696,541	392,625,692	393,586,151	395,659,679	399,665,617	393,978,492	391,169,928	379,628,663	382,396,651
Total assets	358,796,697	412,530,183	427,157,875	427,975,989	428,275,667	433,397,106	431,867,317	432,608,515	423,755,362	430,785,601
Deferred outflows of resources	-	-	-	-	-	-	-	-	2,346,839	2,308,632
Current liabilities	28,813,673	14,679,672	21,588,645	26,315,641	26,156,939	17,848,663	18,178,376	17,979,636	18,367,380	17,674,779
Noncurrent liabilities	72,893,111	189,928,728	112,692,589	189,683,693	189,479,694	189,793,693	188,793,192	182,317,118	96,167,676	92,168,147
Total liabilities	101,706,784	204,608,400	134,281,234	215,999,334	215,636,633	117,642,356	126,971,577	120,296,754	114,535,056	109,842,926
Net investment in capital assets	234,436,645	226,604,326	234,914,124	247,432,433	243,287,826	239,274,882	233,114,864	278,186,665	278,715,760	293,189,072
Restricted	15,516,946	22,874,646	12,137,312	12,132,183	11,343,676	11,338,169	19,662,629	11,225,943	11,234,946	11,235,182
Unrestricted	21,893,022	28,619,692	48,171,321	38,289,889	21,347,431	13,129,666	19,696,797	29,095,831	15,618,726	16,778,929
Total net position	\$ 265,090,712	\$ 279,518,781	\$ 293,876,641	\$ 289,787,632	\$ 277,995,633	\$ 285,653,710	\$ 294,633,699	\$ 302,301,639	\$ 288,905,652	\$ 323,215,694



Source: Erie County Water Authority Annual Audited Financial Statements

**ERIE COUNTY WATER AUTHORITY**  
**Comparison of Statements of Revenues, Expenses and Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenues	\$ 23,764,588	\$ 44,332,617	\$ 34,384,671	\$ 34,670,321	\$ 37,781,689	\$ 38,538,383	\$ 44,713,347	\$ 43,383,781	\$ 45,988,888	\$ 49,588,213
Operating expenses	<u>43,689,332</u>	<u>47,773,335</u>	<u>33,479,635</u>	<u>44,689,432</u>	<u>49,471,433</u>	<u>45,728,477</u>	<u>32,349,382</u>	<u>34,382,832</u>	<u>37,811,232</u>	<u>37,659,685</u>
Operating income	11,075,256	11,559,282	1,905,036	8,980,889	8,310,256	9,609,906	12,363,965	9,000,949	8,177,656	11,928,528
Nonoperating revenue (expense)	(1,234,882)	(781,374)	(2,381,746)	(2,788,649)	(1,388,655)	(2,708,383)	(2,978,149)	(2,737,345)	(2,594,433)	(2,847,849)
Net income before contributions in aid of construction and special items	9,840,374	12,609,908	2,523,290	6,192,240	6,921,601	6,901,523	9,385,816	6,263,604	5,583,223	9,080,679
Contributions in aid of construction	1,175,166	982,687	789,342	623,387	1,688,835	985,233	1,884,889	1,382,561	1,404,689	4,134,689
Special items & GASB implementation changes	-	-	-	-	(17,884,786)	-	-	-	-	-
Change in estimated fair value of acquired assets	-	-	-	-	-	-	(1,494,546)	-	-	-
Change in estimated useful life of assets	-	-	-	-	-	-	-	-	-	-
GASB Statement Nos. 68 & 71 implementation	-	-	-	-	-	-	-	-	(129,219)	-
Change in net position	11,040,558	13,612,600	1,931,586	6,913,627	(11,766,973)	7,603,363	8,673,334	7,626,149	6,067,568	14,268,682
Total net position - beginning of year	<u>234,688,622</u>	<u>248,299,712</u>	<u>279,418,721</u>	<u>286,332,347</u>	<u>264,565,374</u>	<u>272,168,737</u>	<u>280,842,116</u>	<u>288,468,265</u>	<u>294,535,833</u>	<u>308,804,515</u>
Total net position - end of year	<u>\$ 245,729,180</u>	<u>\$ 261,912,312</u>	<u>\$ 281,350,307</u>	<u>\$ 293,245,974</u>	<u>\$ 252,798,401</u>	<u>\$ 279,772,100</u>	<u>\$ 289,515,450</u>	<u>\$ 296,094,414</u>	<u>\$ 300,603,401</u>	<u>\$ 323,073,197</u>



Source: Erie County Water Authority Annual Audited Financial Statements

**ERIE COUNTY WATER AUTHORITY**  
**Operating Revenues by Source**  
**Last Ten Fiscal Years**  
**(Unaudited)**

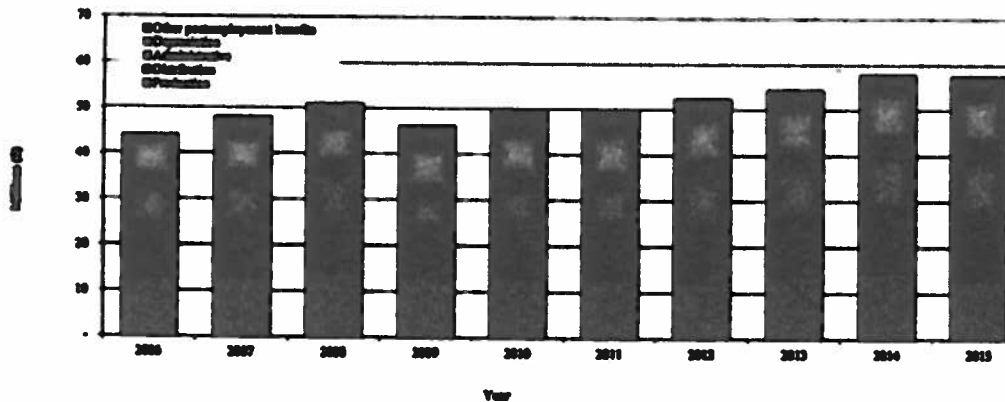
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water revenue	\$ 33,918,574	\$ 33,899,527	\$ 34,528,149	\$ 33,381,673	\$ 33,334,573	\$ 33,653,644	\$ 33,889,148	\$ 33,794,889	\$ 33,934,891	\$ 34,333,268		
Residential	4,941,766	7,493,593	7,693,821	6,839,498	6,973,593	6,888,348	7,493,593	7,243,844	7,438,833	7,859,119		
Commercial	1,825,446	1,912,687	1,951,334	1,664,688	1,694,404	1,645,894	1,651,635	1,583,623	1,688,833	1,731,516		
Industrial	2,633,687	2,179,687	2,693,689	1,988,593	2,178,733	2,613,252	2,533,673	2,147,679	2,373,333	2,394,894		
Public authorities	3,718,534	3,774,686	3,799,468	3,783,947	3,814,693	3,948,135	4,081,633	4,343,727	4,388,733	4,373,127		
Fire protection	4,699,210	4,583,532	4,638,658	4,584,683	5,322,369	5,684,622	5,584,679	4,278,543	3,683,349	3,623,523		
Sales to other utilities	-	-	-	-	-	1,888,788	1,841,349	1,893,405	7,983,189	10,335,334		
Infrastructure investment charge	1,731,671	2,353,636	1,524,573	1,928,547	1,881,677	1,833,522	2,482,331	1,993,493	2,811,622	2,281,632		
Other water revenue	34,639,949	65,679,637	31,363,157	34,164,469	36,974,693	36,944,133	65,689,579	63,653,917	63,324,986	66,889,134		
Total water revenue	446,886	547,879	493,829	584,334	498,457	487,331	536,894	524,646	531,688	546,883		
Rents from water system	487,531	5,433	5,753	22,822	225,046	51,852	218,726	78,149	39,314	189,636		
Other operating revenue												
Total operating revenue	\$ 23,794,522	\$ 41,237,617	\$ 24,324,671	\$ 24,688,381	\$ 27,793,689	\$ 22,529,382	\$ 66,765,947	\$ 63,525,321	\$ 63,698,898	\$ 67,579,212		
Water sales as a percent of total operating revenue	93.6%	93.1%	93.1%	93.6%	93.7%	99.0%	92.8%	93.7%	93.6%	93.6%		

Sources: Erie County Water Authority Financial Records



**ERIE COUNTY WATER AUTHORITY**  
**Operating Expenses**  
**Last Ten Fiscal Years**  
**(Unaudited)**

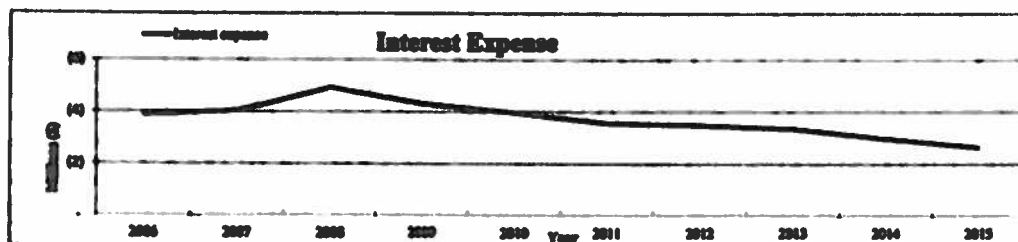
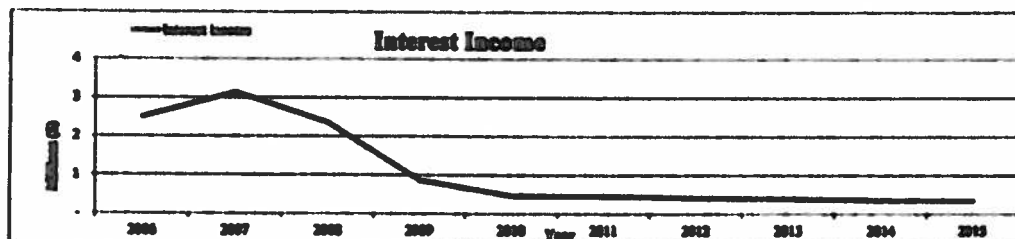
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production	\$ 12,721,432	\$ 13,313,632	\$ 14,088,749	\$ 13,023,763	\$ 13,902,677	\$ 12,288,144	\$ 12,563,364	\$ 13,741,174	\$ 14,734,288	\$ 12,857,387
Distribution	9,822,373	10,488,037	9,471,673	9,884,644	9,599,375	10,069,680	10,821,342	10,629,723	11,529,474	11,432,437
Administrative	11,769,816	11,381,949	12,566,894	8,837,343	11,418,934	10,823,514	14,972,977	13,626,254	16,693,441	17,435,493
Depreciation	9,778,654	9,941,663	10,677,831	10,684,537	11,228,774	11,369,130	12,774,638	12,133,619	12,334,437	12,404,780
Other postemployment benefits	-	3,624,671	3,483,184	3,489,482	3,251,652	4,693,422	2,422,345	2,772,654	2,727,288	3,282,218
<b>Total operating expenses</b>	<b>\$ 43,632,127</b>	<b>\$ 47,832,378</b>	<b>\$ 49,991,632</b>	<b>\$ 46,673,522</b>	<b>\$ 49,673,621</b>	<b>\$ 49,639,677</b>	<b>\$ 53,245,392</b>	<b>\$ 54,293,637</b>	<b>\$ 57,811,451</b>	<b>\$ 57,672,644</b>



Source: Erie County Water Authority Financial Records

**ERIE COUNTY WATER AUTHORITY**  
**Nonoperating Revenues and Expenses**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Nonoperating revenues and (expenses)										
Interest expense	\$ (2,868,864)	\$ (4,833,307)	\$ (4,808,438)	\$ (4,304,738)	\$ (2,653,395)	\$ (2,362,978)	\$ (2,425,877)	\$ (3,343,294)	\$ (2,968,823)	\$ (2,642,469)
Gains on sale of investments					158,187					
Interest income	2,498,889	1,132,936	2,353,643	871,878	487,483	433,269	414,187	402,767	336,668	353,139
Interest capitalized during construction	145,898	158,197	273,661	645,393	45,121	174,312	76,341	215,181	35,722	239,498
Net nonoperating (expense)	<u>\$ (1,224,077)</u>	<u>\$ (3,542,174)</u>	<u>\$ (2,181,134)</u>	<u>\$ (2,787,567)</u>	<u>\$ (1,120,691)</u>	<u>\$ (755,397)</u>	<u>\$ (935,329)</u>	<u>\$ (2,725,406)</u>	<u>\$ (2,596,433)</u>	<u>\$ (2,049,832)</u>

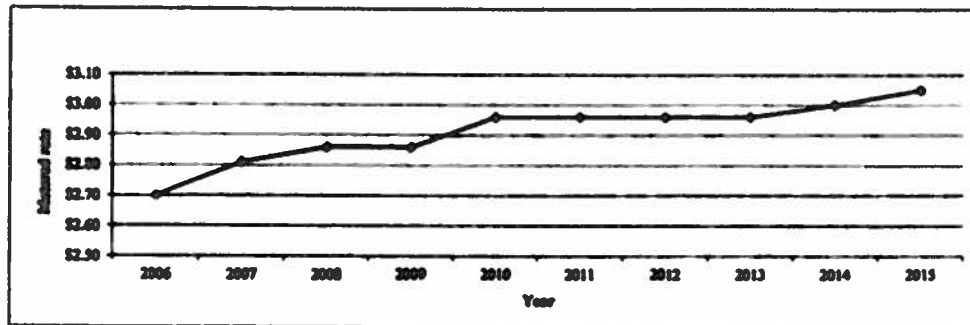


Source: Erie County Water Authority Annual Audited Financial Statements

**ERIE COUNTY WATER AUTHORITY**  
**Metered Water Rate History**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006 (Base Year)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Metered water rates*	\$2.56	\$2.70	\$2.81	\$2.86	\$2.96	\$2.96	\$2.96	\$2.96	\$3.00	\$3.03
Percentage Increase (%)		5.47%	4.07%	1.75%	3.50%	0.00%	0.00%	0.00%	1.35%	1.67%

\*Metered water rates represent the cost per 1,000 gallons for the first 300,000 gallons per quarter



Source: Erie County Water Authority Tariff

**ERIE COUNTY WATER AUTHORITY**  
**Largest Customers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

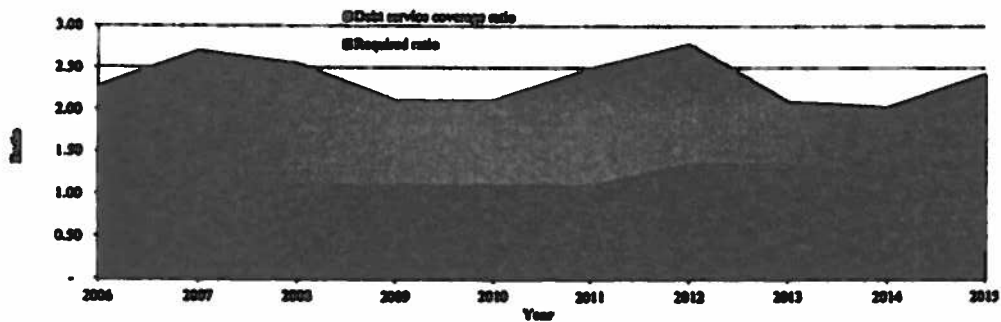
Year End December 31, 2015		Year End December 31, 2006	
Non-Municipal Customers		Non-Municipal Customers	
State University of New York at Buffalo	\$ 788,663	International Steel	\$ 536,469
Benderson Development Co.	264,151	State University of New York at Buffalo	489,193
Uptate Farms Cooperative	313,783	DDR Corporation	267,090
Della Seale	204,862	Seneca Nation of Indians	242,653
Rosine Food Products, Inc.	194,652	Benderson Development Co.	192,617
Mayer Brothers Apple Products, Inc.	179,814	Uptate Farms Cooperative	182,827
Niagara Frontier Transportation Authority	146,348	Rosine Food Products, Inc.	143,114
Rapahite Engineered Products	141,672	Rapahite Engineered Products	140,851
Unifont Development Co.	140,696	Mayer Brothers Apple Products, Inc.	137,539
Sky Harbor Property, LLC	135,248	Niagara Frontier Transportation Authority	113,771
<b>Total of Largest Non-Municipal Customers</b>	<b>\$ 2,493,432</b>	<b>Total of Largest Non-Municipal Customers</b>	<b>\$ 2,494,555</b>
Percent of total billings	3.8%	Percent of total billings	4.5%
Municipal Customers		Municipal Customers	
Town of Elms	\$ 1,945,455	Town of Elms	\$ 1,118,341
Village of East Aurora	672,632	Town of Evans*	853,394
Village of Angola	282,636	Village of East Aurora	474,985
Village of Orchard Park	281,488	Village of Williamsonville *	464,153
Monroe County Water Authority	273,634	Village of Angola	311,824
Village of Silver Creek	175,576	Village of Blackett*	286,644
Town of Manover	128,609	Buffalo Water Board	227,777
Town of Amherst	112,582	Monroe County Water Authority	218,996
Erie County Buildings & Grounds	75,934	Village of Orchard Park	206,875
Town of Aurora	44,812	Village of Silver Creek	197,054
<b>Total of Largest Municipal Customers</b>	<b>\$ 3,992,637</b>	<b>Total of Largest Municipal Customers</b>	<b>\$ 4,353,393</b>
Percent of total billings	5.2%	Percent of total billings	7.5%

\*These municipalities converted from bulk sale to direct service or lease managed customers

Source: Erie County Water Authority Business Office Records

**ERIE COUNTY WATER AUTHORITY**  
**Debt Service Coverage Ratio**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Operating revenue	\$ 55,744,905	\$ 61,227,617	\$ 56,204,571	\$ 54,608,581	\$ 57,701,010	\$ 59,329,320	\$ 65,763,947	\$ 63,515,781	\$ 65,908,805	\$ 69,395,215
Interest income	2,498,839	3,138,936	2,353,043	871,870	487,408	438,260	414,187	402,767	356,645	383,130
Operating expense less non-cash expenses	(34,253,672)	(34,826,330)	(37,499,245)	(31,872,585)	(34,571,888)	(34,798,433)	(37,312,913)	(39,657,203)	(42,699,802)	(41,728,720)
Net revenue	\$ 23,990,121	\$ 29,529,999	\$ 21,148,666	\$ 23,607,873	\$ 23,596,488	\$ 25,009,105	\$ 30,664,821	\$ 24,501,345	\$ 23,964,674	\$ 28,311,635
Debt service	\$ 10,563,882	\$ 10,925,022	\$ 8,329,779	\$ 11,223,798	\$ 11,159,540	\$ 10,299,764	\$ 10,310,728	\$ 11,721,373	\$ 11,452,109	\$ 11,445,333
Debt service coverage ratio	2.27	2.69	2.54	2.11	2.11	2.48	2.78	2.09	2.08	2.42
Required ratio	1.10	1.10	1.10	1.10	1.10	1.10	1.35	1.35	1.35	1.35



Source: Erie County Water Authority Financial Records

**ERIE COUNTY WATER AUTHORITY**  
**Debt Service Maturity Schedule**  
**(Unaudited)**

Issued Directly by the Authority						EPC Financing						
2007 Bonds		2008 Bonds		2012 Bonds						Total Principal	Total Interest	Total Principal & Interest
Revolving Bonds		Revolving Bonds		Revolving Bonds		Serial Bonds						
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest				
2016	\$ 835,000	\$ 1,394,964	\$ 1,000,000	\$ 882,000	\$ 1,200,000	\$ 203,700	\$ 1,700,000	\$ 363,370	\$ 6,200,000	\$ 2,763,639	\$ 11,668,639	
2017	865,000	1,330,000	1,540,000	947,500	1,230,000	174,364	1,830,000	710,119	6,235,000	2,799,972	11,645,972	
2018	905,000	1,320,000	1,610,000	290,500	1,200,000	144,399	1,800,000	230,047	6,060,000	1,990,770	11,635,770	
2019	900,000	1,279,339	.	.	1,250,000	113,632	1,930,000	107,930	4,100,000	1,500,901	5,700,901	
2020	900,000	1,237,000	.	.	1,325,000	52,121	800,000	110,000	3,110,000	1,430,216	4,540,216	
2021	1,025,000	1,192,000	.	.	1,325,000	49,827	830,000	96,000	3,210,000	1,330,733	4,540,733	
2022	1,045,000	1,146,814	.	.	1,390,000	14,750	830,000	65,370	3,310,000	1,220,834	4,530,834	
2023	1,115,000	1,000,000	.	.	.	.	1,730,304	(53,170)	2,833,304	1,015,711	3,849,015	
2024	1,145,000	1,040,714	.	.	.	.	.	.	1,665,000	1,040,714	2,711,714	
2025	1,215,000	990,200	.	.	.	.	.	.	1,215,000	990,200	2,211,200	
2026	1,270,000	941,614	.	.	.	.	.	.	1,270,000	941,614	2,211,614	
2027	1,325,000	882,076	.	.	.	.	.	.	1,325,000	882,076	2,207,076	
2028	1,305,000	821,500	.	.	.	.	.	.	1,305,000	821,500	2,126,500	
2029	1,445,000	730,500	.	.	.	.	.	.	1,445,000	730,500	2,175,500	
2030	1,510,000	607,000	.	.	.	.	.	.	1,510,000	607,000	2,117,000	
2031	1,575,000	616,137	.	.	.	.	.	.	1,575,000	616,137	2,191,137	
2032	1,650,000	541,323	.	.	.	.	.	.	1,650,000	541,323	2,191,323	
2033	1,720,000	462,000	.	.	.	.	.	.	1,720,000	462,000	2,182,000	
2034	1,800,000	381,250	.	.	.	.	.	.	1,800,000	381,250	2,181,250	
2035	1,885,000	290,700	.	.	.	.	.	.	1,885,000	290,700	2,175,700	
2036	1,970,000	201,500	.	.	.	.	.	.	1,970,000	201,500	2,171,500	
2037	2,050,000	102,000	.	.	.	.	.	.	2,050,000	102,000	2,152,000	
Total	\$ 25,700,000	\$ 18,750,000	\$ 15,000,000	\$ 1,410,000	\$ 9,031,000	\$ 784,732	\$ 11,400,304	\$ 1,210,000	\$ 65,400,304	\$ 22,470,161	\$ 87,870,465	

Sources: Official Statements from Bond Issues and Erie County Water Authority Financial Records

**ERIE COUNTY WATER AUTHORITY**  
**Principal Debt Outstanding by Issue**  
**(Unaudited)**

RFC Financing			Issued Directly by the Authority							
	Series 1999	Series 2007	Series 2007	Series 2008	Series 2011	Total				
2016	\$ 1,040,000	\$ 725,000	\$ 631,000	\$ 1,090,000	\$ 1,380,000	\$ 4,866,000				
2017	1,680,000	740,000	915,000	1,940,000	1,230,000	9,235,000				
2018	1,125,000	700,000	900,000	1,610,000	1,380,000	9,600,000				
2019	1,770,000	700,000	940,000	-	1,390,000	4,180,000				
2020	-	800,000	900,000	-	1,320,000	3,110,000				
2021	-	800,000	1,020,000	-	1,330,000	3,210,000				
2022	-	833,000	1,063,000	-	1,300,000	3,210,000				
2023	-	1,730,304	1,115,000	-	-	2,835,304				
2024	-	-	1,165,000	-	-	1,165,000				
2025	-	-	1,215,000	-	-	1,215,000				
2026	-	-	1,270,000	-	-	1,270,000				
2027	-	-	1,325,000	-	-	1,325,000				
2028	-	-	1,385,000	-	-	1,385,000				
2029	-	-	1,445,000	-	-	1,445,000				
2030	-	-	1,510,000	-	-	1,510,000				
2031	-	-	1,575,000	-	-	1,575,000				
2032	-	-	1,640,000	-	-	1,640,000				
2033	-	-	1,720,000	-	-	1,720,000				
2034	-	-	1,800,000	-	-	1,800,000				
2035	-	-	1,885,000	-	-	1,885,000				
2036	-	-	1,970,000	-	-	1,970,000				
2037	-	-	2,060,000	-	-	2,060,000				
Bonds payable	4,435,000	7,233,304	29,700,000	10,040,000	9,050,000	60,448,304				
Bond premiums	-	-	149,931	863,782	-	1,013,713				
Total bonds payable	\$ 4,435,000	\$ 7,233,304	\$ 29,849,931	\$ 10,903,782	\$ 9,050,000	\$ 61,462,017				
Total principal debt outstanding	\$ 73,664,333	\$ 106,822,130	\$ 118,934,347	\$ 104,497,112	\$ 94,414,876	\$ 57,897,640	\$ 93,640,404	\$ 84,706,532	\$ 76,379,316	\$ 67,432,880
Outstanding debt per customer	\$ 483	\$ 681	\$ 704	\$ 641	\$ 593	\$ 349	\$ 304	\$ 311	\$ 454	\$ 400

Sources: Official Statements from Bond Issues and Erie County Water Authority Business Office Records

**ERIE COUNTY WATER AUTHORITY**  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

	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>5</sup>
2006	916,292	\$ 34,273	\$ 21,730,626,000	4.5%	4.0%	581,131
2007	911,784	36,883	23,742,483,500	3.4%	4.8%	588,133
2008	908,638	37,594	24,654,498,100	6.5%	6.5%	588,528
2009	908,347	38,398	24,216,326,500	8.6%	8.8%	573,829
2010	919,677	39,713	23,321,832,100	8.6%	8.2%	567,673
2011	919,634	41,686	24,618,932,800	8.3%	8.4%	563,112
2012	928,431	43,180	23,346,333,600	8.1%	8.1%	565,899
2013	931,794	43,431	22,548,894,700	6.7%	6.7%	532,513
2014	933,193	44,740	23,774,987,000	5.7%	5.5%	541,740
2015	922,578	n/a	n/a	4.9%	4.7%	537,871

(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



**ERIE COUNTY WATER AUTHORITY**  
**Ten Largest Employers in Western New York**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

Employer	2015			2006		
	Employees	Percentage of Total Labor Force	Rank	Employees	Percentage of Total Labor Force	Rank
State of New York	17,643	3.2%	1	16,633	2.9%	1
United States of America	10,000	1.8%	2	10,000	1.7%	2
Katella Health	8,102	1.5%	3	6,866	1.2%	3
Catholic Health System	7,000	1.3%	4	4,702	0.8%	9
Buffalo City School District	6,804	1.3%	5	3,310	0.6%	7
Employer Services Corp.	6,311	1.2%	6	n/a	n/a	n/a
University at Buffalo	4,790	1.2%	7	4,488	1.1%	6
M&T Bank	4,420	1.2%	8	4,163	0.7%	10
Tops Markets	3,065	0.6%	9	2,000	1.4%	3
Erie County	4,000	0.7%	10	7,200	1.2%	4
HSBC Bank USA	n/a	n/a	n/a	3,100	0.5%	8
Total of Largest Employers	75,011	14.1%		71,902	12.8%	

Source: Business First Buffalo 2014 Book List; Business First of Buffalo 2005 Book of Lists

**ERIE COUNTY WATER AUTHORITY**  
**Operating Statistics**  
**Last Ten Years**  
**(Unaudited)**

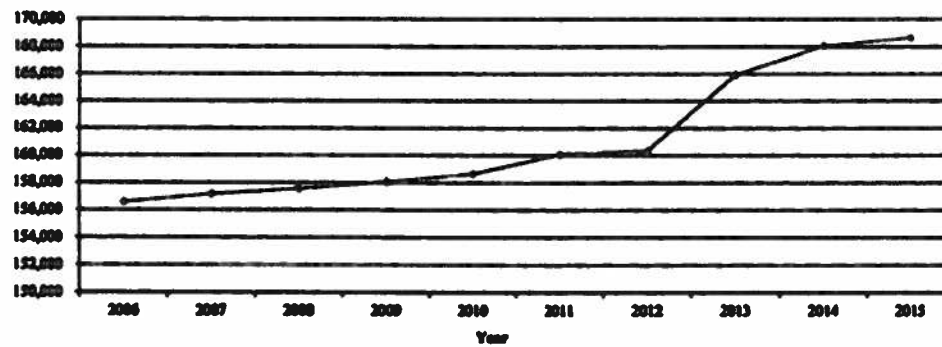
	2005	2007	2009	2010	2010	2011	2012	2013	2014	2015
Total number of customers	156,579	157,163	157,571	158,089	158,600	160,083	160,353	163,933	168,000	168,637
Number of employees	261.8	262.8	267.0	264.8	258.9	250.9	247.8	247.1	243.9	243.9
Customers per employee	598.1	598.0	590.2	596.0	612.8	638.1	647.1	671.3	683.5	688.8
Total water output (MG)	23,076.4	27,291.3	23,174.7	24,676.8	24,983.2	24,638.8	24,834.6	23,917.5	23,068.3	23,741.7
Output per customer (gallons)	148,279.3	173,658.9	159,387.3	156,114.1	154,648.2	153,852.9	154,872.6	144,136.3	149,160.8	152,643.6
Total water sales (MG)	18,491.3	19,474.0	17,637.5	17,389.6	17,378.1	17,343.4	18,333.2	16,909.6	16,572.6	16,513.0
Sales per customer (gallons)	118,083.7	123,988.6	111,533.7	109,253.6	109,537.3	108,349.2	114,341.3	101,905.2	98,611.9	97,988.4
Percentage of water sold	73.7%	71.4%	76.1%	70.6%	70.9%	70.4%	73.0%	70.7%	68.1%	68.1%
Total operating expenses	\$ 43,832,327	\$ 47,832,392	\$ 58,991,963	\$ 46,688,328	\$ 49,673,823	\$ 48,928,877	\$ 52,348,289	\$ 54,383,827	\$ 57,811,984	\$ 57,433,644
Operating expense per customer	\$ 280	\$ 304	\$ 324	\$ 291	\$ 313	\$ 312	\$ 326	\$ 328	\$ 344	\$ 341
Total operating revenue	\$ 33,744,985	\$ 41,327,617	\$ 36,284,871	\$ 34,682,381	\$ 37,704,050	\$ 39,529,303	\$ 43,763,347	\$ 43,533,781	\$ 43,908,083	\$ 49,393,213
Operating revenue per customer	\$ 236	\$ 290	\$ 237	\$ 246	\$ 260	\$ 272	\$ 410	\$ 283	\$ 292	\$ 413

Source: Erie County Water Authority's Financial, Production and Business Office Records

**ERIE COUNTY WATER AUTHORITY**  
**Number of Customers by Classification**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of customers:										
Residential	147,336	147,858	148,310	148,697	149,253	150,593	150,810	156,183	158,317	158,579
Commercial	7,197	7,224	7,244	7,248	7,249	7,313	7,332	7,488	7,479	7,464
Industrial	333	327	333	322	322	321	322	327	317	336
Public authorities	688	688	593	593	593	599	598	627	638	682
Fire protection	1,098	1,133	1,161	1,197	1,289	1,341	1,273	1,296	1,315	1,333
Built sales	20	20	20	20	20	20	20	20	21	21
Total number of customers	<u>156,572</u>	<u>157,162</u>	<u>157,571</u>	<u>158,092</u>	<u>158,699</u>	<u>160,033</u>	<u>160,352</u>	<u>165,933</u>	<u>168,092</u>	<u>168,637</u>

**Total Number of Customers**

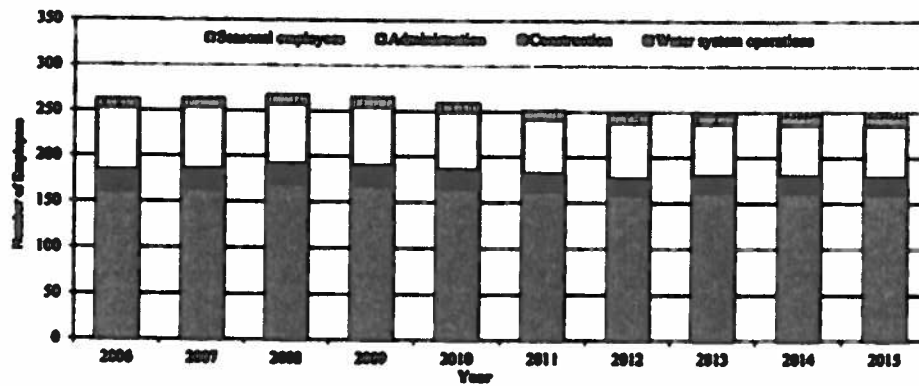


Source: Erie County Water Authority's Financial and Business Office Records

**ERIE COUNTY WATER AUTHORITY**  
**Number of Employees<sup>1</sup> by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water system operations	161.3	163.3	169.2	167.3	164.3	163.3	159.3	162.3	161.4	160.0
Construction	22.0	22.0	22.0	22.0	21.0	19.0	17.0	17.3	18.0	18.0
Administration	60.7	60.7	64.4	65.4	64.4	60.4	61.9	57.9	56.0	57.9
Seasonal employees	9.3	9.3	9.4	16.1	9.2	9.2	9.6	9.6	9.6	10.0
<b>Total number of employees</b>	<b>251.3</b>	<b>252.3</b>	<b>267.0</b>	<b>264.8</b>	<b>258.9</b>	<b>251.9</b>	<b>247.8</b>	<b>247.1</b>	<b>245.0</b>	<b>245.9</b>

<sup>1</sup>Number of employees represents the number of budgeted full time equivalents based on 2,080 hours.



Source: Erie County Water Authority Financial Records

**ERIE COUNTY WATER AUTHORITY**  
**Operating and Capital Indicators**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Main lines in direct service areas (miles)	2,143	2,146	2,151	2,154	2,157	2,400	2,413	2,470	2,510	2,465
Main lines in leased managed areas (miles)	1,186	1,224	1,229	1,230	1,230	1,035	1,095	1,179	1,181	1,152
Number of hydrants	16,792	17,126	17,134	17,177	17,252	17,444	17,651	18,481	18,899	18,869
Number of water tanks	40	40	40	40	40	40	38	37	37	37
Storage capacity of water tanks (million gallons)	74.9	74.9	74.9	74.9	74.9	74.9	71.8	71.3	71.3	71.3
Number of pump stations	37	38	38	38	38	38	38	38	38	38
Number of raw water taps	673	730	551	541	491	395	470	534	579	591

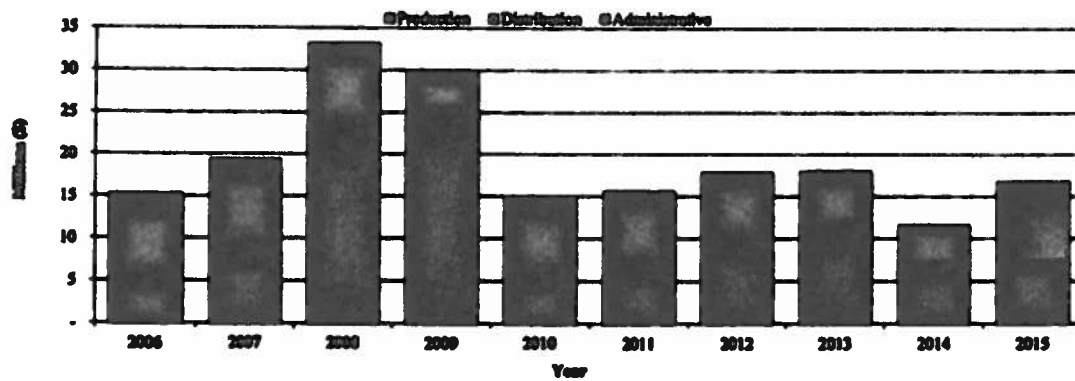
Sources: Erie County Water Authority Financial Records

**ERIE COUNTY WATER AUTHORITY**  
**Annual Capital Project Expenditures**  
**Last Ten Years**  
**(Unaudited)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production	\$ 4,614,891	\$ 8,120,750	\$22,822,685	\$25,254,304	\$ 5,816,833	\$ 5,933,633	\$ 9,287,492	\$10,667,575	\$ 6,397,180	\$ 7,599,134
Distribution	9,714,943	18,682,499	9,732,934	3,609,836	9,203,944	9,498,982	8,433,945	6,964,898	5,031,063	8,578,991
Administrative	911,888	617,692	578,632	525,637	712,168	94,310	88,084	347,240	123,826	216,337
Total capital expenditures	\$15,242,944	\$18,340,363	\$33,169,174	\$29,769,987	\$14,937,145	\$15,970,933	\$17,831,541	\$17,979,813	\$11,582,077	\$16,754,402

Capital expenditures  
per customer

\$	97	\$	120	\$	210	\$	188	\$	94	\$	97	\$	111	\$	103	\$	69	\$	99
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Source: Erie County Water Authority Financial Records

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## APPENDIX F

## FORM OF OPINION OF BOND COUNSEL

September \_\_, 2016

Erie County Water Authority  
295 Main Street, Room 350  
Buffalo, New York 14203

**Gentlemen:**

We have acted as bond counsel in connection with the issuance of \$32,145,000\* Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 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 2016 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" or the "Resolution") and the Supplemental Resolution Authorizing the Issuance of Water Revenue Refunding Bonds, Series 2016, adopted by the Authority on August 30, 2016 (the "Series 2016 Resolution"). The Series 2016 Bonds are being issued pursuant to the Act, the General Resolution and the Series 2016 Resolution to refund the Authority's outstanding \$29,705,000 aggregate principal amount of Series 2007 Bonds issued pursuant to the General Resolution and the Authority's Series 2007 Supplemental Resolution, and the Authority's outstanding \$7,230,000 aggregate principal amount of the Authority's Series 2012 Bonds issued pursuant to the Authority's 2012 Water Revenue Bond Resolution (the "Series 2012 Bonds," and collectively with the Series 2007 Bonds, the "Refunded Bonds"), and to pay certain Costs of Issuance of the Series 2016 Bonds. All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the General Resolution or the Series 2016 Resolution.

The Series 2016 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 2016 Bonds. Only one Series 2016 Bond will be initially issued for each maturity in the aggregate principal amount of such maturity. Purchases of ownership interests in the Series 2016 Bonds will be made in book-entry form in denominations of \$5,000 or any integral multiple thereof.

The Series 2016 Bonds mature on December 1 in each year in the principal amounts set forth opposite each year in the following table, and bear interest at the rates per annum set forth in the table, payable on December 1, 2016, and semi-annually on June 1 and December 1 of each year until maturity or prior redemption, if any.

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
<u>December 1</u>		

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\* Preliminary, subject to change

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8/30/16



The Series 2016 Bonds maturing on or after December 1, 2027 are subject to redemption prior to maturity at the option of the Authority, on December 1, 2026 and thereafter on any date, in whole or in part, at par plus accrued interest to the date of redemption, in principal amounts of \$3,000 or integral multiples thereof. In addition, the Series 2016 Bonds are subject to redemption prior to maturity by the Authority upon a Change of Control, 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 2016 Resolution. The Series 2016 Term Bonds are subject to mandatory sinking fund redemption.

The Authority has the right to issue additional Series of Bonds, ranking equally as to security and payment with the Series 2016 bonds, upon the terms and conditions and for the purposes stated in the General Resolution.

In connection with the Series 2016 Bonds, we have examined the following:

- (a) The Constitution and statutes of the State, including particularly the Act.
- (b) The Internal Revenue Code of 1906, as amended, 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 1906, as amended (collectively, the "Code").
- (c) Certified copies of the proceedings of the Authority, including particularly the General Resolution and the Series 2016 Resolution authorizing, among other things, the issuance of the Series 2016 Bonds and the issuance, from time to time, of additional Bonds of the Authority on a parity with the Series 2016 Bonds.
- (d) The Arbitrage and Use of Proceeds Certificate executed by the Chairman of the Authority, certifying to the effect that the Authority will comply with the provisions and procedures set forth therein and that it will do and perform all acts necessary or desirable to assure that interest paid on the Bonds is excludable from gross income under Section 103 of the Code.

We have also examined an executed counterpart of the Certificate of Award executed by the Authority pursuant to the Series 2016 Resolution, together with such other documents, certificates, opinions and proofs relative to the issuance and sale of the Series 2016 Bonds as we deemed necessary or advisable in rendering this opinion.

We have also examined a form of the Series 2016 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 2016 Resolution and to issue and sell the Series 2016 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.
- (4) The Series 2016 Bonds are valid and legally binding obligations of the Authority as provided in the General Resolution and the Series 2016 Resolution, enforceable against the Authority in

accordance with their terms and the terms of the General Resolution and the Series 2016 Resolution and are entitled to the benefits of the Act and of the General Resolution and the Series 2016 Resolution and have been duly and validly authorized and issued in accordance with the Act, the General Resolution and the Series 2016 Resolution.

- (5) The Series 2016 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 2016 Resolution and the Arbitrage and Use of Proceeds Certificate relating to certain requirements contained in the Code and certain other tax-related covenants, interest on the Series 2016 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 163 of the Code. Moreover, interest on the Series 2016 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 2016 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 2016 bonds is exempt from personal income taxes imposed by the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

No opinion is rendered as the exclusion from gross income of interest on the Series 2016 Bonds for purposes of Federal income taxation on or after the date on which any change occurs or action is taken or omitted under the Arbitrage and Use of Proceeds Certificate or under any other relevant documents without the advice or approval of, or upon the advice or approval of any bond counsel other than, Barclay Damon, LLP.

In rendering the foregoing opinions, we also wish to advise you that the enforceability of the General Resolution, the Series 2016 Resolution and the Series 2016 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 2016 Bonds.

Very truly yours,

**APPENDIX G**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

1319

**EXHIBIT B**  
**FORM OF BOND PURCHASE AGREEMENT**

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**\$32,145,000\***

**ERIE COUNTY WATER AUTHORITY  
WATER REVENUE REFUNDING BONDS, SERIES 2016**

**BOND PURCHASE AGREEMENT**

September \_\_, 2016

Erie County Water Authority  
295 Main Street, Room 350  
Buffalo, New York 14203

Ladies and Gentlemen:

Jefferies LLC (the "Underwriter") offers to enter into this Bond Purchase Agreement (the "Agreement") with the Erie County Water Authority (the "Authority"), which, upon the Authority's acceptance hereof, will be binding upon the Authority and upon the Underwriter. This offer is made subject to the written acceptance of this Bond Purchase Agreement by the Authority and the delivery of such acceptance to the Underwriter at or prior to 11:00 A.M., New York City time, on the date hereof.

1. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for reoffering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of the \$32,145,000\* Erie County Water Authority Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"). The purchase price of the Series 2016 Bonds shall be \$\_\_\_\_\_ as set forth in Exhibit A hereto.

The Authority acknowledges and agrees that (i) the purchase and sale of the Series 2016 Bonds pursuant to this Agreement is an arm's length commercial transaction between the Authority and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the Authority, (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the Authority with respect to the offering of the Series 2016 Bonds or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the Authority on other matters) or any other obligation to the Authority, except the obligations expressly set forth in this Agreement, (iv) the

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\* Preliminary, subject to change

obligation to the Authority, except the obligations expressly set forth in this Agreement, (iv) the Underwriter has financial and other interests that differ from those of the Authority, (v) the Underwriter is not acting as the Authority's selling or marketing agent hereunder, and (vi) the Authority has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Series 2016 Bonds.

2. The Series 2016 Bonds shall be as described in the Official Statement of the Authority, dated September \_\_, 2016 relating to the Series 2016 Bonds (which, including the financial statements therein and all appendices thereto with such changes therein and supplements thereto which are consented to in writing by the Underwriter, such consent not to be unreasonably withheld, is herein called the "Official Statement"). Certain terms defined in the Official Statement are used herein as therein defined. The Series 2016 Bonds are being issued pursuant to a Fourth General Water Revenue Bond Resolution adopted by the Authority on July 9, 1992 (the "Resolution"), a resolution supplemental thereto entitled "Supplemental Resolution Authorizing the Issuance of Water Revenue Refunding Bonds, Series 2016" adopted by the Authority on August 25, 2016 (the "Series 2016 Resolution") 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"). The Authority has Outstanding \$26,963,384 aggregate principal amount of Bonds previously issued under the Resolution, all of which will be secured on a parity basis to the Series 2016 Bonds by a pledge of and lien on the Available Revenues of the Water Works System.

3. The Underwriter agrees to make a bona fide public offering of all the Series 2016 Bonds at the respective initial public offering prices as set forth on the inside cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change the public offering prices as it may deem necessary in connection with the marketing of the Series 2016 Bonds. The Underwriter may offer and sell the Series 2016 Bonds to certain dealers (including dealers depositing the Series 2016 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Series 2016 Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

4. The Authority shall deliver to the Underwriter a copy of the Official Statement, in a form reasonably satisfactory to the Underwriter, duly executed by the Authority as promptly as practicable (but no later than the earlier of seven (7) business days after the Authority's acceptance of this Bond Purchase Agreement or the Closing), a sufficient number of confirmed copies to comply with the rules of the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board ("MSRB"). The Authority authorizes the Underwriter to file, to the extent required by applicable SEC or MSRB rule, and the Underwriter agrees to file or cause to be filed, the Official Statement with the MSRB or its designee (including submission to the MSRB's Electronic Municipal Market Access system ("EMMA")). The Authority authorizes the use of the Official Statement only in connection with the offering and sale of the Series 2016 Bonds and as required to comply with the rules of the SEC. The Authority also approves of and ratifies the use by the Underwriter of the Preliminary Official Statement of the Authority, dated September 8, 2016 (which, including the financial statements therein and all

appendices thereto, is herein called the "Preliminary Official Statement"), in connection with the prospective offering of the Series 2016 Bonds prior to the date hereof. The Authority confirms that it deemed the Preliminary Official Statement final as of its date, except for certain omissions in connection with the pricing of the Series 2016 Bonds. The Preliminary Official Statement and/or the Official Statement may be delivered in printed and/or electronic form to the extent permitted by applicable rules of the MSRB and as may be agreed by the Authority and the Underwriter.

5. At 10:00 A.M., New York City time, on September \_\_, 2016 or at such other time or on such later business day as shall have been mutually agreed upon by the Authority and the Underwriter (the "Closing"), the Authority shall deliver, at the request of the Underwriter, at The Depository Trust Company, New York, New York ("DTC"), or at such other place as the Authority and the Underwriter may mutually agree upon, one typewritten Bond for the principal amount of each maturity of the Series 2016 Bonds, duly executed and authenticated, and the other documents hereinafter mentioned, at the offices of the Authority, and the Underwriter will accept such delivery and pay the purchase price in immediately available funds in the amount of \$ \_\_\_\_\_ payable to or upon the order of the Authority. The Series 2016 Bonds shall be registered in the name of Cede & Co., as partnership nominee for DTC. The Series 2016 Bonds will be made available for review at least one business day prior to the Closing.

6. The Authority represents and warrants to the Underwriter that:

A. The Authority is and will be at the date of Closing (the "Closing Date") duly organized and validly existing as a public benefit corporation under the laws of the State of New York, including the Act and the New York State Constitution, with the right and power to issue the Series 2016 Bonds and to execute, deliver and perform its obligations under this Bond Purchase Agreement and the Series 2016 Bonds in conformity with the provisions of the Act, the Resolution and the Series 2016 Resolution.

B. The execution and delivery of this Bond Purchase Agreement, the Continuing Disclosure Agreement dated as of September 1, 2016 (the "Continuing Disclosure Agreement"), and the Series 2016 Bonds and the adoption of the Resolution and the Series 2016 Resolution and compliance with the provisions of all of them, under the circumstances contemplated hereby and thereby, do not as of the date of acceptance hereof and will not as of the Closing Date in any material respect conflict with or constitute on the part of the Authority a breach of or default under the Act or any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

C. At or prior to the Closing, the Authority will have taken all action required to be taken by it to authorize the issuance and delivery of the Series 2016 Bonds and the performance of its obligations thereunder. The Authority has, and at the Closing Date will have, full legal right, power and authority to enter into this Bond Purchase Agreement and the Continuing Disclosure Agreement and, at the Closing Date, will have full legal right, power and authority to issue and deliver the Series 2016 Bonds to the Underwriter and to perform its obligations thereunder as provided herein and therein. At or prior to the Closing, the execution and delivery of, and the performance by the Authority of its obligations contained in the Series

2016 Bonds, the Continuing Disclosure Agreement and this Bond Purchase Agreement shall have been duly authorized. This Bond Purchase Agreement has been duly executed and delivered and constitutes a valid and legally binding obligation of the Authority. The Authority has duly authorized the consummation by it of all transactions contemplated by this Bond Purchase Agreement.

D. The Preliminary Official Statement as of its date did not and the Official Statement (excluding therefrom the stabilization clause, the information under the caption "UNDERWRITING," and the information in Appendix A - Summary Reports of Engineer as to which no representations or warranties are made), at the time of acceptance hereof and at all times subsequent thereto up to and including the Closing Date does not and will not at the Closing contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

E. All authorizations, consents or approvals of, or filings or registrations with, any Governmental Authority (as defined below), court or private third party necessary for the valid execution, delivery or performance by the Authority of this Bond Purchase Agreement, or the valid issuance of, and performance by the Authority of its obligations under, the Series 2016 Bonds, will have been duly obtained or made prior to the issuance of the Series 2016 Bonds (and disclosed to, if so requested by, the Underwriter). As used herein, the term "Governmental Authority" refers to any legislative body or governmental official, department, commission, board, bureau, authority, instrumentality, body or public benefit corporation. Notwithstanding the foregoing, the Authority shall not be required to take any action that would subject it to general service of process in any jurisdiction where it is not now so subject.

F. As of the time of acceptance hereof and as of the Closing, except as disclosed in the Official Statement or in a schedule delivered to the Underwriter at the Closing, no action, suit, proceeding or investigation is or will at the Closing be pending or, to the Authority's knowledge, threatened against the Authority or any other person in any court or before any Governmental Authority (i) seeking to prohibit, restrain or enjoin the issuance, sale or delivery of any of the Series 2016 Bonds or this Bond Purchase Agreement; or (ii) contesting or affecting the validity or enforceability of, or the power or authority of the Authority to enter into, this Bond Purchase Agreement or to issue the Series 2016 Bonds; or (iii) in which a final adverse decision would (a) in any manner adversely affect provisions for or materially adversely affect the sources for payment of the Series 2016 Bonds, or (b) declare this Bond Purchase Agreement or the Act to be invalid or unenforceable in whole or in material part; or (iv) contesting the status of the interest on the Series 2016 Bonds as excludable from gross income for federal income tax purposes or as exempt from any applicable state tax, in each case as described in the Official Statement.

G. The Series 2016 Bonds will conform in all material respects to the descriptions thereof contained in the Official Statement, and the Series 2016 Bonds, when delivered and sold to the Underwriter as provided herein, will constitute validly issued and legally binding special obligations of the Authority, entitled to the benefits of the Resolution and the Series 2016 Resolution.



H. Any certificate signed by any official or other representative of the Authority and delivered to the Underwriter pursuant to this Bond Purchase Agreement shall be deemed a representation and warranty by the Authority to the Underwriter as to the truth of the statements therein made.

I. The Authority has complied in all respects with the State Environmental Quality Review Act, if applicable, with respect to the issuance of the Series 2016 Bonds.

J. The Authority has never been in default at any time as to principal of or interest on any obligation which it has issued, and other than the Resolution, the Authority has not entered into any contract or arrangement of any kind which might give rise to any lien or encumbrance on the Water Works System or the revenues derived therefrom.

K. The Authority will cause the proceeds from the sale of the Series 2016 Bonds to be applied in a manner as provided in the Resolution and will not knowingly take or omit to take any action which would cause interest on the Series 2016 Bonds to be includable in gross income of the holders thereof for tax purposes.

L. The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certificate may not be relied upon.

M. The Authority has engaged Drescher & Molecki LLP, as auditors who are "independent" of the Authority. The financial reports of the Authority for the years ended 2015 and 2014 included in the Official Statement present fairly the financial position of the Authority as of the dates indicated and the results of the Authority's operations for the periods specified, and such financial reports and statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto. There has been no material change in the general affairs, management, properties, financial position, capitalization, or results of operation of the Authority since the date of such financial statements, except as set forth in the Official Statement, and the Authority has not entered into any transaction or incurred any debt or other liability material as to the Authority, except as set forth in the Official Statement.

N. The Authority has good title, free and clear of any liens thereon, to all real property and other assets of the Water Works System other than the lien of the Resolution.

O. In accordance with Rule 15c2-12, the Authority has entered or will enter into the Continuing Disclosure Agreement and, unless otherwise described in the Official Statement or set forth below, the Authority has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12 or voluntarily self-reported any such violations under the Municipalities Continuing Disclosure Cooperation initiative.

7. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority contained herein, the covenants of the Authority contained herein and in the Resolution and the Series 2016 Resolution, and the performance by the Authority of its obligations hereunder, both as of the date hereof and as of

the Closing Date. The Underwriter's obligations under this Bond Purchase Agreement are and shall be subject to the following further conditions as of the Closing:

A. The representations and warranties of the Authority contained herein shall be true and accurate on the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true and accurate at the Closing; and the Authority shall be in compliance with each of the agreements made by it in this Bond Purchase Agreement (unless such agreements are waived by the Underwriter).

B. At the time of the Closing, this Bond Purchase Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter. All actions which, in the opinion of Barclay Damon, LLP, Bond Counsel to the Authority, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect. The Authority shall perform or shall have performed all of its respective obligations required under or specified in the Resolution, the Series 2016 Resolution, this Bond Purchase Agreement or the Official Statement to be performed at or prior to the Closing. The Official Statement shall have been executed and delivered by the Authority at or prior to the Closing in sufficient time to permit the Underwriter to comply with its obligations under Rule 15c2-12.

C. Except as disclosed in the Official Statement or in a schedule delivered to the Underwriter at the Closing, no decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Bond Purchase Agreement (and not reversed on appeal or otherwise set aside) which has any of the effects described in Section 6(F) hereof.

D. The provisions of the Act, as in effect on the date of this Bond Purchase Agreement, shall be in full force and effect and shall not have been amended, except as to amendments not adverse to the interests of the Underwriter or the bondholders.

E. In recognition of the desire of the Authority and Underwriter to effect a successful public offering of the Series 2016 Bonds, and in view of the potential adverse impact of any of the following events on a public offering, the Underwriter shall have the right to cancel its obligation to purchase the Series 2016 Bonds, by written notice from the Underwriter to the Authority, if at any time prior to the Closing: (i) the Official Statement shall have been amended, modified or supplemented in any material respect without the consent in writing of the Underwriter which amendment, in the reasonable professional judgment of the Underwriter, materially and adversely affects the marketability of the Series 2016 Bonds; or (ii) any event shall occur which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they are made, not misleading (provided however, that if any such event shall occur, the Authority shall have the right to amend the Official Statement to correct such statement or to include such fact, as the case may be, and the Underwriter shall have no right to cancel its obligation to acquire the Series 2016 Bonds pursuant to this clause (ii), unless, in the reasonable professional judgment of the Underwriter such event and such amendment materially and

adversely affect the marketability of the Series 2016 Bonds); or (iii) the market for the Series 2016 Bonds or the ability of the Underwriter to enforce contracts for the sale of the Series 2016 Bonds shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States or the legislature of the State, or passed by either House of Congress or the legislature of the State, or recommended to the Congress for passage by the President of the United States, or favorably reported for passage to either House of the Congress or the legislature of the State by a committee of such House to which such legislation has been referred for consideration, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, official statement, or regulation (final, temporary or proposed) made by the Treasury Department of the United States or the Internal Revenue Service, with respect to Federal taxation upon interest received on obligations of the general character of the Series 2016 Bonds or which would have the effect of materially changing, directly or indirectly, the Federal income tax consequences of interest on obligations of the general character of the Series 2016 Bonds to the owners thereof, or (b) the declaration of war or engagement in major hostilities by the United States or an escalation of any existing conflict or hostilities by the United States or the sovereign debt rating of the United States is downgraded by any major credit rating agency or a payment default occurs on United States Treasury obligations or other national or international calamity or crisis or an event of fiscal default by any municipality in the State with a population in excess of 100,000 or any water authority in the State, the effect of such outbreak, rating downgrade, calamity, crisis or default being such as would cause a major disruption in the municipal bond market, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by the New York Stock Exchange or by order of the Securities and Exchange Commission or any other Governmental Authority having jurisdiction or a major financial crisis or a material disruption in commercial banking, securities settlement or clearance services, or (d) a general banking moratorium declared by either Federal or State authorities having jurisdiction, or (e) any action, suit, proceeding or investigation described in Section 6(F) hereof or any decision described in Section 7(C) hereof shall have been commenced or occurred; or (iv) any material and adverse change shall have occurred in or affect the business, properties, affairs, position, results of operations or condition, financial or otherwise of the Authority which, in the reasonable opinion of the Underwriter upon the advice of counsel, materially and adversely impairs the operation of the Water Works System as contemplated by the Official Statement, the transactions to be entered into in connection therewith and which, in the reasonable judgment of the Underwriter, adversely affects the marketability of the Series 2016 Bonds or the market price thereof; or (v) there shall have been a material and adverse change from the descriptions contained in the Official Statement in the status of operation of the Water Works System, required permits and approvals, or arrangements for financing of the Water Works System which, in the reasonable judgment of the Underwriter, adversely affects the marketability of the Series 2016 Bonds or the market price thereof, or (vi) except as disclosed in the Official Statement, any litigation or proceeding shall be pending or threatened questioning the validity or enforceability of the Resolution or the Series 2016 Resolution or seeking to enjoin the performance thereof; or (vii) a material disruption in the securities settlement, payment or clearance services affecting the Series 2016 Bonds shall have occurred.

**F. At or prior to the Closing, the Underwriter shall receive, in form and substance satisfactory to Bond Counsel and to the Underwriter and its counsel, the following documents, each dated the Closing Date:**

**(1) An approving opinion of Barclay Damon, LLP, Buffalo, New York, Bond Counsel ("Bond Counsel") dated the Closing Date, as to the Series 2016 Bonds, substantially in the form and to the effect set forth in Appendix F to the Official Statement.**

**(2) A letter from Bond Counsel, to the effect that the approving opinion referred to in (1) above, which is addressed to the Authority and dated the Closing Date may be relied upon by the Underwriter as though such opinion were addressed to it.**

**(3) A supplemental opinion of Bond Counsel, addressed to and solely for the benefit of the Underwriter, substantially in the form and to the effect attached hereto as Exhibit D.**

**(4) A Certificate of the Authority, substantially in the form attached hereto as Exhibit B.**

**(5) A certificate or confirmation of Underwriter's Counsel dated the Closing Date, addressed to the Underwriter, in a form acceptable to the Underwriter.**

**(6) An opinion of the Authority's in-house counsel, Joseph T. Burns, Esq., dated the Closing Date and addressed to the Authority, the Underwriter, and the Trustee, substantially in the form and to the effect attached hereto as Exhibit C.**

**(7) An opinion of Trustee's Counsel dated the Closing Date, addressed to the Authority, the Underwriter, and the Trustee in a form reasonably acceptable to the Authority and the Underwriter and its counsel.**

**(8) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Authority with legal requirements, the accuracy, as of the time of Closing, of the Authority's representations herein contained and the due performance or satisfaction by the Authority of all agreements then to be performed and all conditions then to be satisfied by the Authority.**

**(9) Evidence that the Series 2016 Bonds have been rated "AA+" by both Standard & Poor's Ratings Group ("S&P") and Fitch Ratings. [In addition, evidence that the Authority has received an underlying rating of "A-" from S&P.]**

**(10) Certified copies of the Resolution and the Series 2016 Resolution and any other supplemental resolutions of the Authority relating to the Series 2016 Bonds, and all other certificates and documents material to the transactions contemplated thereby which may be reasonably requested by the Underwriter or**

its counsel, each of which counterparts shall be in the respective forms heretofore submitted to and approved by the Underwriter and referred to and summarized in the Official Statement, with only such changes therein or modifications thereof as the Underwriter and its counsel may approve.

(11) Evidence of the approval of the State Comptroller of the terms and conditions of the sale of the Series 2016 Bonds.

(12) An executed copy of the Authority's Executive Engineer's Report, dated September \_\_, 2016 set forth in Appendix A to the Official Statement and prepared by Russell J. Stoll, P.E.

(13) A letter from Drescher & Malecki LLP, dated the date of the Official Statement and addressed to the Underwriter consenting to the inclusion in the Official Statement of its report on the financial statements of the Authority for the fiscal years ended December 31, 2015 and December 31, 2014 and to all references to its firm included in the Official Statement.

(14) Evidence that the Authority has cured any prior failures under any Continuing Disclosure Agreements to which it is a party, which cure may include, but not be limited to, filings with the MSRB.

(15) The Tax Certificate, executed by a duly authorized officer of the Authority, in form and substance satisfactory to Bond Counsel, to ensure compliance with the Internal Revenue Code of 1986, as amended.

(16) An Information Return for Tax-Exempt Bond Issues (Internal Revenue Service Form 8038-G), in a form satisfactory to Bond Counsel for filing, executed by a duly authorized officer of the Authority.

(17) A letter from Causey Demgan & Moore, P.C., certified public accountants, verifying the mathematical accuracy of the related schedules and computations with respect to the yield on the Series 2016 Bonds and the availability of sufficient funds (including investment income) for payment of the obligations to be refunded; the executed escrow agreement, if any; and an opinion or opinions of Bond Counsel, dated the Closing Date, in form and substance satisfactory to the Underwriter, relating to the defeasance of the obligations to be refunded.

8. If the Authority shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Bond Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Authority nor the Underwriter shall have any further obligation hereunder.

9. The obligations of the Authority hereunder to issue and deliver the Series 2016 Bonds are subject to the performance by the Underwriter of its obligations and agreements to be performed hereunder in accordance with the terms hereof and the receipt of the opinions of Bond

Counsel, which will be conditioned upon receipt by Bond Counsel of all necessary or desirable certificates, representations and opinions in each case in a form acceptable to Bond Counsel, upon which Bond Counsel shall rely in rendering its opinion as to the exclusion of interest on the Series 2016 Bonds from gross income for Federal income tax purposes.

10. The performance by the Authority of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; (ii) receipt by the Authority and the Underwriter of the opinions and certificates being delivered at the Closing by persons and entities other than the Authority; and (iii) the consent by the Underwriter to any amendments to the Official Statement and the Resolution.

11. Within one (1) business day after receipt from the Authority but no later than the Closing, the Underwriter shall file the Official Statement with the MSRB.

12. If within twenty-five (25) days after the end of the underwriting period any event shall occur which might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof. If, in the opinion of the Underwriter and its counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and manner approved by the Underwriter and its counsel. Unless the Underwriter has otherwise notified the Authority in writing by the Closing Date, the Authority may assume that the underwriting period ended on the Closing Date.

13. No expenses and costs of the Authority incident to the performance of the Authority's obligations in connection with the authorization, issuance and sale of the Series 2016 Bonds to the Underwriter shall be paid by the Underwriter, including, but not limited to, the costs of printing the Series 2016 Bonds, this Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement (including any amendment or supplement thereto), and the fees and expenses of rating agencies, accountants, Bond Counsel, the Consulting Engineer, the Trustee and its counsel, and any experts or consultants retained by the Authority. The Underwriter shall pay the costs of preparation of this Bond Purchase Agreement, the costs of preparation and printing of any Blue Sky memoranda, the costs of qualifying the Series 2016 Bonds for sale in the various states chosen by the Underwriter, all advertising expenses, the fees and disbursements of its counsel (unless the Authority agrees to pay such costs directly), any fees or assessments payable to the MSRB or the Securities Industry and Financial Markets Association, and all other expenses incurred by the Underwriter in connection with the issuance and sale of the Series 2016 Bonds, including any out-of-pocket, miscellaneous and closing expenses (included in the expense component of the Underwriters' discount) incurred by the Underwriters on behalf of the Authority's employees and representatives for (1) normal travel costs, including reasonable transportation and lodging, and (2) ordinary and reasonable meals hosted by the Underwriter that are, in both cases, directly related to the offering contemplated by this Bond Purchase Agreement.

14. Any notice or other communication to be given to the Authority under this Bond Purchase Agreement may be given by delivering the same in writing to the Authority's

Chairman, Earl L. Jann, Jr., or to such other person as he may designate in writing, with copies to the Authority's in-house counsel, Joseph T. Burns, Esq., or at such other address or to such other firm as the Authority shall hereafter advise the Underwriter in writing and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing to Jefferies LLC, 520 Madison Ave., 8<sup>th</sup> Floor, New York, New York 10022, Attention: Edward K. Flynn, Managing Director. The approval of the Underwriter when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing signed by Jefferies LLC and delivered to the Authority.

15. This Bond Purchase Agreement when accepted by the Authority in writing as heretofore specified shall constitute the entire agreement between the Authority and the Underwriter and is made solely for the benefit of the Authority and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's representations, warranties and agreements in this Bond Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter and (b) delivery of and payment by the Underwriter for the Series 2016 Bonds hereunder, and all such representations, warranties and agreements shall survive regardless of any termination of this Bond Purchase Agreement.

16. Receipt is hereby acknowledged of a copy of this Bond Purchase Agreement executed on behalf of the Authority which was delivered to the Underwriter at or prior to 11:00 A.M., New York City time, on the date hereof.

17. (a) To the extent permitted by law, the Authority agrees to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter against any and all losses, claims, damages and liabilities (i) arising out of any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (excluding therefrom the stabilization clause, the information under the caption "UNDERWRITING" and information attributed to others), and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Authority. In case any claim shall be made or action brought against the Underwriter or any person controlling the Underwriter based upon the Official Statement, as aforesaid, in respect of which indemnity may be sought against the Authority, the Underwriter shall promptly notify the Authority in writing setting forth the particulars of such claim or action and the Authority shall assume the defense thereof, including the employment of counsel satisfactory to the Underwriter and the payment of all expenses. The Underwriter or any such controlling person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Underwriter or such controlling person unless the employment and payment by the Authority of such counsel have been specifically authorized by the Authority.



(b) The Underwriter will, to the extent permitted by law, indemnify and hold the Authority harmless against any losses, claims, damages or liabilities to which the Authority may become subject, under federal laws or regulations or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Official Statement under the caption "UNDERWRITING" or arise out of or are based upon the omission or the alleged omission to state under such caption a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Authority by the Underwriter specifically for use therein; and will indemnify and hold harmless the Authority for any legal or other expenses reasonably incurred by the Authority in connection with investigating or defending any such loss, claim, damage, liability or action.



18. This Bond Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Very truly yours,

**JEFFERIES LLC**

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

**Edward K. Flynn**  
Managing Director

Accepted:

**EMERSON COUNTY WATER AUTHORITY**

\_\_\_\_\_  
**Earl L. Jann, Jr.**  
Chairman

**EXHIBIT A**  
**to the**  
**Bond Purchase Agreement**

Principal Amount:	\$ 32,145,000.00
Plus: Original Issue Premium:	<u>TBD</u>
Less: Underwriter's Discount:	<u>(\$ TBD)</u>
Purchase Price:	\$ TBD

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Preliminary, subject to change

EXHIBIT A

A-1

8/30/16

**EXHIBIT B**  
to the  
**Bond Purchase Agreement**

**CERTIFICATE OF THE ERIE COUNTY WATER AUTHORITY**

I, Earl L. Jann, Jr., Chairman of the Erie County Water Authority (the "Authority"),  
HEREBY CERTIFY on behalf of the Authority and to the best of my knowledge and belief as  
follows:

1. The representations and warranties of the Authority contained in the Bond Purchase Agreement, dated September \_\_, 2016, between the Authority and the Underwriter named therein (the "Bond Purchase Agreement"), are true and correct on and as of the date hereof as if made on and as of the date hereof, and the Authority has complied with and performed all of its covenants and agreements in the Bond Purchase Agreement.

2. Each of the conditions in the Bond Purchase Agreement to be satisfied by the Authority has been satisfied by the Authority on the date hereof.

3. The Official Statement of the Authority dated September \_\_, 2016 delivered pursuant to the Bond Purchase Agreement (excluding from such Official Statement the information under the captions "UNDERWRITING" and "TAX MATTERS", and information attributed to others as to which no representations or warranties are made), as of the date hereof, does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

4. There is no action, suit, proceeding or investigation before or by any court or public board or body pending or threatened against the Authority to restrain or enjoin the issuance, execution or delivery of the Series 2016 Bonds or in any manner questioning the proceedings or authority for the issuance of the Series 2016 Bonds or affecting directly or indirectly the validity of the Series 2016 Bonds or of any provisions made or authorized for their payment or contesting the existence of the issuer or the title of any of its officers to their respective offices.

IN WITNESS WHEREOF, I have set my hand this \_\_\_\_ day of September, 2016.

**ERIE COUNTY WATER AUTHORITY**

By: \_\_\_\_\_  
Earl L. Jann, Jr.  
Chairman

**EXHIBIT C**  
**to the**  
**Bond Purchase Agreement**  
**Form of Opinion of Authority Counsel**  
**September \_\_, 2016**

**Erie County Water Authority**  
**295 Main Street, Room 350**  
**Buffalo, New York 14203**

**Jeffries LLC**  
**520 Madison Ave., 8<sup>th</sup> Floor**  
**New York, New York 10022**

**Manufacturers and Traders Trust Company, as**  
**Trustee**  
**One M & T Plaza**  
**Buffalo, New York 14203**

**Re: Erie County Water Authority**  
**\$\_\_\_\_\_ Water System Revenue Refunding Bonds, Series 2016**

**Ladies and Gentlemen:**

I am in-house counsel to the Erie County Water Authority (the "Authority"). This opinion is rendered to you pursuant to Paragraph 7F(6) of that certain Bond Purchase Agreement, dated September \_\_, 2016 (the "Bond Purchase Agreement"), between the Authority and Jeffries LLC (the "Underwriter"), pursuant to which, the Authority has agreed to issue and sell to the Underwriter, and the Underwriter has agreed to purchase from the Authority, the Authority's \$\_\_\_\_\_ Water System Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"). The capitalized terms in this opinion are used with the meanings set forth in the Bond Purchase Agreement.

In connection with the rendering of this opinion, I have examined duly executed counterparts of the Bond Purchase Agreement, the Continuing Disclosure Agreement, the Resolution, and the Series 2016 Resolution (collectively, the "Authority Agreements"); certified copies of proceedings of the Authority approving the form and content of the Authority Agreements; and originals or copies certified or otherwise identified to my satisfaction of such documents and records and of such statutes, court decisions, proceedings and certification of officers of the Authority and the Board, and such other documents as I have deemed necessary or appropriate for the purposes of this opinion.

In rendering the opinions expressed herein, I have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by me which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the

accuracy or truthfulness thereof. I have also assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof. Based upon the foregoing, it is my opinion that:

1. The Authority is duly organized and validly existing as a public benefit corporation under the laws of the State, including the Act and the New York State Constitution, with the right and power to issue the Series 2016 Bonds and to execute, deliver and perform its obligations under the Authority Agreements and the Series 2016 Bonds in conformity with the provisions of the Act, the Resolution, and the Series 2016 Resolution.

2. The execution and delivery (and in connection with the Resolution and the Series 2016 Resolution the adoption thereof) of the Authority Agreements and the Series 2016 Bonds, under the circumstances contemplated, hereby and thereby, do not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, administrative regulation, court order or consent decree to which the Authority is subject.

3. The Authority has taken all action required to be taken by it to authorize and approve (i) the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, (ii) the issuance and delivery of the Series 2016 Bonds and (iii) the performance of its obligations thereunder and the execution, delivery and performance of the Authority Agreements. The Authority has full legal right, power and authority to enter into the Authority Agreements and has full legal right, power and authority to issue and deliver the Series 2016 Bonds to the Underwriter and to perform its obligations thereunder as provided herein and therein.

4. All authorizations, consents or approvals of, or filings or registrations with, any Governmental Authority (as defined below), court or private third party necessary for the valid execution, delivery or performance by the Authority of the Authority Agreements or the valid issuance of, and performance by the Authority of its obligations under, the Series 2016 Bonds has been duly obtained or made. As used herein, the term "Governmental Authority" refers to any legislative body or governmental official, department, commission, board, bureau, authority, instrumentality, body or public benefit corporation.

5. The Authority has complied in all respects with the State Environmental Quality Review Act with respect to the issuance of the Series 2016 Bonds and with respect to the adoption, execution and delivery (as appropriate) of the Authority Agreements and the performance of its obligations therein contemplated.

6. Without having undertaken independently to verify the accuracy, completeness or fairness of, or to verify the information furnished with respect to, matters (excluding from such Official Statement the stabilization clause, the information under the captions "UNDERWRITING" and "TAX MATTERS", and information attributed to others as to which no representations or warranties are made), as of the date hereof, I have not become aware of any untrue statement of a material fact in the Official Statement or the omission to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

7. The Authority is not required to pay taxes, special ad valorem levies or assessments, whether state or local, including but not limited to fees, taxes, special ad valorem levies or assessments on real property, franchise taxes, sales taxes or other excise taxes upon any property owned by it or under its jurisdiction, control or supervision, or upon the uses thereof, or upon its activities in the operation and maintenance of its facilities or any fees, tolls, rentals, rates, charges, fees, revenues or other incomes received by the Authority; provided, however, the Authority shall be required to pay water and/or sewer fees or charges based upon services rendered to the Authority. The Authority is further exempt from any filing, mortgage recording or transfer fees or taxes in relation to instruments filed, recorded or transferred by or on its behalf.

8. I hereby confirm that except as disclosed in the Official Statement, there is no action, suit or proceeding, or inquiry or investigation, at law or in equity, before or by any court, public board or body, pending against or involving the Authority as a party, or to the best of my knowledge, threatened against or affecting the Authority, which (i) questions the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices, (ii) seeks to restrain or enjoin the issuance or delivery of the Series 2016 Bonds or the collection of the revenues pledged to the payment of the Series 2016 Bonds, (iii) contests or affects the validity of the Series 2016 Bonds or the Resolution, (iv) in any way contests or affects the collection or the pledge of the revenues pledged to the payment of the Series 2016 Bonds or contests the powers of the Authority or any authority for the issuance of the Series 2016 Bonds, the adoption of the Resolution or the application of the proceeds of the Series 2016 Bonds for the purposes and in the manner described herein, or (v) may result in any material adverse change to the Water Works System or the financial condition of the Authority.

Very truly yours,

**EXHIBIT D**  
**to the**  
**Bond Purchase Agreement**

**FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL**

September \_\_, 2016

Jefferies LLC  
 520 Madison Ave., 8<sup>th</sup> Floor  
 New York, New York 10022

Re: Erie County Water Authority  
 \$32,145,000 Water System Revenue Bonds, Series Series 2016

Ladies and Gentlemen:

Reference is made to a Bond Purchase Agreement dated September \_\_, 2016 (the "Purchase Agreement") between Erie County Water Authority (the "Authority") and Jefferies LLC, as underwriter (the "Underwriter"), relating to the sale of the above-referenced Bonds (the "Bonds").

We are Bond Counsel to the Authority and are today rendering our opinion with respect to the validity of the Bonds and as to certain other matters relating thereto. You are entitled to rely on such opinion as though it were addressed to you. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Purchase Agreement.

In connection with our role as Bond Counsel to the Authority, we have reviewed the Purchase Agreement, the Constitution and statutes of the State of New York, including the Act, a tax certificate (the "Tax Certificate") executed on behalf of the Authority dated the date hereof, an executed counterpart of the Resolution and the Series 2016 Resolution (both as defined in the hereinafter defined Official Statement), the Official Statement dated September \_\_, 2016 relating to the Bonds (the "Official Statement"), opinions of counsel to the Authority and the Trustee, certificates of the Authority, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

(a) The Bond Purchase Agreement has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Underwriter, constitutes a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms, except that enforceability of rights and remedies may be limited by bankruptcy, insolvency or other laws or judicial decisions affecting the enforcement of creditor's rights and the unavailability of equitable remedies and that no opinion is being rendered as to the availability of any particular remedy; and

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(b) The Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and all documents relating to the issuance of the Bonds are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(c) All New York governmental and regulatory approvals necessary to the issuance of the Bonds have been obtained; and

(d) The execution and delivery of the Bond Purchase Agreement and the Bonds by the Authority, and compliance with the provisions of each of the foregoing, will not conflict with or constitute a breach of or a default under any New York law or New York administrative regulation.

In addition to the foregoing, we have reviewed the statements as to legal matters in the Official Statement, insofar as they relate to the Authority, and in the Official Statement under the headings "INTRODUCTION," "THE SERIES 2016 BONDS," "SECURITY FOR THE SERIES 2016 BONDS," "ADDITIONAL BONDS," "INDEBTEDNESS OF THE AUTHORITY," "ESTIMATED SOURCES AND USES OF FUNDS," "THE WATER WORKS SYSTEM," "FINANCIAL OPERATIONS OF THE WATER WORKS SYSTEM," "THE AUTHORITY," "TAX MATTERS," "APPENDIX F - FORM OF OPINION OF BOND COUNSEL" and "APPENDIX C - CERTAIN PROVISIONS OF THE RESOLUTION AND THE SERIES 2016 RESOLUTION" and, based upon such review, we are of the opinion that such statements accurately summarize the provisions of the Bonds, the Resolution, the Series 2016 Resolution, the provisions of law pertaining thereto and the legal matters stated therein with respect to the Authority, the Board and the use of the proceeds of the Bonds; and, without having independently verified the information contained therein except the statements contained in the above-referenced captions, to the best of our knowledge, nothing has come to our attention in our capacity as Bond Counsel in the course of such review, which would lead us to believe that such statements contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading.

This letter is solely for the information of, and assistance to, the addressee hereof and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds except that reference may be made to this letter in any list of closing documents pertaining to the sale of the Bonds.

Very truly yours,



**EXHIBIT C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

### CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is entered into as of September 1, 2016 by and between ERIE COUNTY WATER AUTHORITY (the "Authority") and MANUFACTURERS AND TRADERS TRUST COMPANY, as trustee (the "Trustee") in connection with the issuance by the Authority of its \$\_\_\_\_\_ aggregate principal amount Water Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds").

The Series 2016 Bonds are being issued pursuant to a certain Fourth General Water Revenue Bond Resolution adopted by the Authority on July 9, 1992 (the "Resolution"), as amended by a Series 2016 Supplemental Resolution dated as of August 30, 2016 (the "Series 2016 Resolution").

In order to permit the Underwriter (as defined below) to comply with the provisions of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 in connection with the public offering of the Series 2016 Bonds, the parties hereto, in consideration of the mutual covenants herein contained and other good and lawful consideration, hereby agree for the sole and exclusive benefit of the Bondholders, as follows:

**Section 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Bondholders and Beneficial Owners (as defined below) of the Series 2016 Bonds and in order to assist Jefferies LLC (the "Underwriter") in complying with the Rule (defined below). The Authority and the Trustee acknowledge that Erie County, New York has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement.

**Section 2. Definitions.** In addition to the definitions set forth in the Resolution, which are incorporated herein by reference, unless otherwise defined in this Section, the following capitalized terms used in this Disclosure Agreement shall have the following meanings:

"Annual Report" shall mean any annual report provided by the Authority pursuant to and as described in Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any beneficial owner of a security, including a person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares investment power which includes the power to dispose, or to direct the disposition, of such security subject to certain exceptions as set forth in the Undertaking, as defined in Section 8 of this Disclosure Agreement. Any assertion of beneficial ownership must be filed with full documentary support, as part of the written request described in Section 8 of this Disclosure Agreement.

"Bondholder" shall mean any holder of the Series 2016 Bonds.

"Business Day" means any day other than a Saturday or Sunday or a day on which the Federal Reserve System is closed.

**"Disclosure Representative"** shall mean the Deputy Directory of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the Trustee from time to time.

**"EMMA"** shall mean the MSRB's Electronic Municipal Market Access system.

**"Fiscal Year"** shall mean the period of twelve months beginning January 1 of each year and ending on December 31 of the same year, or any other twelve month period adopted by the Authority, respectively, as its fiscal year for accounting purposes.

**"Listed Events"** shall mean any of the events listed in Subsection 4(a) of this Disclosure Agreement.

**"MSRB"** shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(i) of the Securities Exchange Act of 1934.

**"Repository"** shall mean the MSRB as the sole repository of information required to be provided pursuant to the Rule, in each instance through and in accordance with EMMA.

**"Rule"** shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**"SEC"** shall mean the Securities and Exchange Commission.

### **Section 3. Provision of Annual Report.**

(a) The Authority shall provide to the Repository an Annual Report containing the information listed below. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information, as provided in Section 4 hereof. If the Fiscal Year changes, the Authority shall give notice of such change in the same manner as required for a Listed Event. The Authority shall provide a copy of the Annual Report to the Trustee. The Annual Report shall be prepared on an annual basis within 270 days after the end of the 2016 Fiscal Year and each subsequent Fiscal Year thereafter.

(b) The Annual Report shall contain core financial information and operating data for the prior Fiscal Year, including (x) audited financial statements, if available, prepared in accordance with generally acceptable accounting principles in effect from time to time, or, if such annual audited financial statements are not available, annual unaudited financial statements shall be so provided and such annual audited financial statements shall be so delivered when they become available, and (y) material historical financial and operating data concerning the Water Works System and the Revenues of the Authority generally of the type included under the captions "INDEBTEDNESS OF THE AUTHORITY," "THE WATER WORKS SYSTEM," "FINANCIAL OPERATIONS OF THE WATER WORKS SYSTEM," and, only for information presented from time to time in the Authority's Comprehensive Annual Financial Information, "INFORMATION REGARDING THE COUNTY."

(c) The Annual Report shall also contain information regarding (i) any litigation involving the Authority that could have a material affect on the operations or financial condition of the Authority; (ii) any material change in the arrangements by the Authority for the provision of water services; and (iii) the status of permits and approvals for and the physical condition of the water facilities of the Authority.

(d) If within 280 days after the end of a Fiscal Year the Trustee has not received an Annual Report from the Authority for the preceding Fiscal Year, and the Trustee does not have actual knowledge that such Annual Report has been provided to the Repository, the Trustee shall send a notice to the Repository in substantially the form attached hereto as Exhibit A, with a copy to the Authority.

(e) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by the Rule), which have been filed with the Repository. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

#### **Section 4. Reporting of Significant Events.**

(a) The Authority shall provide in a timely manner to the Repository, written notice of any of the following Listed Events with respect to the Series 2016 Bonds, if material:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the Tax-Exempt status of the Series 2016 Bonds;
- (7) Modifications to rights of Bondholders;
- (8) Bond calls;
- (9) Default or non-payment;

- (10) Release, substitution, or sale of property securing repayment of the Series 2016 Bonds;
- (11) Rating changes;
- (12) Failure to comply with the requirements of Section 3 hereof;
- (13) Bankruptcy, insolvency, receivership or similar event of the Authority;
- (14) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (15) The appointment of a successor or additional trustee or the change of name of a trustee.

(b) The Authority shall provide in a timely manner to the Repository, written notice of a failure of any officer or other person authorized by the Authority to provide required annual financial information on or before the date specified in this Disclosure Agreement or other written agreement or contract in connection with the Series 2016 Bonds.

(c) The Trustee shall promptly, upon obtaining actual knowledge of the occurrence of any of the Listed Events, contact the applicable Disclosure Representative, inform such person of the event, and request that the Authority promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(d) Whenever the Authority obtains knowledge of the occurrence of a Listed Event, because of a notice from the Trustee pursuant to subsection (c) or otherwise, the Authority shall as soon as possible determine if such event would be material under applicable federal securities laws.

(e) If the Authority has determined that knowledge of the occurrence of a Listed Event would be material under applicable law, the Authority shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (g).

(f) If in response to a request under subsection (c), the Authority determines that the Listed Event would not be material under applicable law, the Authority shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (g).

(g) If the Trustee has been instructed by the Authority to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Authority. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(1) or (9) above shall be given by the Trustee unless the Authority gives the Trustee affirmative instructions not to disclose such occurrence;

(ii) notice of the occurrence of a Listed Event described in subsection (a)(11) shall be given by the Trustee notwithstanding any instructions to the contrary by the Authority; and

(iii) notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the holders of affected Series 2016 Bonds pursuant to the Resolution.

The Trustee shall file notice if the Authority fails to direct the Trustee pursuant to subparagraph (e) above, unless the Trustee has received an opinion of counsel to the effect that such event is not material.

**Section 5. Termination of Reporting Obligation.** The Authority's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2016 Bonds.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, the Authority may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

**Section 7. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 8. Default. Venue.** In the event of a failure of the Authority or the Trustee to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Trustee, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance. No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the requirements (the "Undertaking") or for any remedy for breach thereof, unless such Bondholder shall have filed with the Authority evidence of ownership and a written notice of and request to cure such breach, and the Authority shall have refused to comply within a reasonable time. All proceedings shall be instituted only as specified herein, in any federal court for the Western District of the State or, if in State court, in the Erie County Supreme Court and for the equal benefit of all holders of the outstanding bonds benefited by the same or a substantially similar covenant, and no remedy shall be sought or granted other than specific performance of the covenant at issue.

**Section 9. Duties, Immunities and Liabilities of Trustee.**

Article VII of the Resolution is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Resolution. The Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority agrees to release the Trustee from any claim arising out of the discharge of any duties hereunder and to defend, indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The obligations of the Authority under this Section 9 shall survive resignation or removal of the Trustee and payment of the Series 2016 Bonds.

**Section 10. Notices.** Any notices or communications to or among any of the parties to this Disclosure Agreement or the notice parties may be given as follows:

To the Authority:

Erie County Water Authority  
295 Main Street, Room 350  
Buffalo, New York 14203  
Attention: Robert J. Lichtenthal, Jr., Deputy Director  
Tel: (716) 849-8470

To the Trustee:

Manufacturers and Traders Trust Company  
One M&T Plaza - 7<sup>th</sup> Floor  
Buffalo, New York 14203  
Attention: Corporate Trust Department

Any person may, by written notice to the other persons noted above, designate a different address, telephone, electronic transmission, or facsimile number(s) to which subsequent notices or communications should be sent.

**Section 11. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of Bondholders and Beneficial Owners (and the Trustee acting on behalf of Bondholders and/or Beneficial Owners), and shall create no rights in any other person or entity.

**Section 12. Counterparts.** This Disclosure Agreement may be executed in one or more counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 13. Previous Non-Compliance.** The Authority represents that, except as disclosed in the Official Statement, it has never failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in the Rule.

**ERIE COUNTY WATER AUTHORITY**

By: \_\_\_\_\_  
Chairperson

**MANUFACTURERS AND TRADERS TRUST  
COMPANY, as Trustee**

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



**EXHIBIT A**  
**NOTICE TO REPOSITORY OF FAILURE**  
**TO FILE ANNUAL REPORT**

**Name of Issuer:** Erie County Water Authority

**Name of Bond Issue:** Erie County Water Authority  
\$ \_\_\_\_\_ Water Revenue Refunding Bonds, Series 2016  
(the "Series 2016 Bonds")

**Date of Issuance:** September 29, 2016

**NOTICE IS HEREBY GIVEN** that the Erie County Water Authority (the "Authority") has not provided an Annual Report with respect to the above-named Series 2016 Bonds as required by the Continuing Disclosure Agreement, dated as of September 1, 2016 between the Authority and Manufacturers and Traders Trust Company, as Trustee. [The \_\_\_\_\_ anticipates that an Annual Report will be filed by \_\_\_\_\_.]

**Dated:** \_\_\_\_\_


**By:** \_\_\_\_\_

**By:** \_\_\_\_\_

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**VIII. - ADJOURNMENT**

Motion by Mr. Anderson, second by Mr. Schad and carried that the meeting adjourn.

A handwritten signature in black ink, appearing to read "J.T. Burns", followed by a horizontal line.

Joseph T. Burns  
Secretary to the Authority

SLZ

8/30/16