MINUTES of the **FINANCE COMMITTEE MEETING** of the **ERIE COUNTY WATER AUTHORITY** held in the office, 3030 Union Road, Cheektowaga, New York on the 1st day of November, 2011.

PRESENT: **Francis G. Warthling, Vice Chair**
Earl L. Jann, Commissioner
Robert A. Mendez, Executive Director
Matthew J. Baudo, Secretary to the Authority/Personnel Director
Robert J. Lichtenthal, Jr., Vice Chairman
Karen Prendergast, Comptroller
Wesley C. Dust, Executive Engineer
Mark J. Fuzak, Attorney
Steven D'Amico, Budget/Financial Analyst

ATTENDEES:

CALL TO ORDER

PLEDGE TO THE FLAG

I. - ROLL CALL

II. - READING OF MINUTES

Motion by Mr. Jann seconded by Mr. Warthling and carried to waive the reading of the Minutes of the Finance Committee Meeting held on Thursday, September 15, 2011.

III. - APPROVAL OF MINUTES

Motion by Mr. Jann seconded by Mr. Warthling and carried to approve the Minutes of the Finance Committee Meeting held on Thursday, September 15, 2011.

IV. - REPORTS

A) Presentation on Borrowing Alternatives

Bob Mendez advised the Board that pursuant to the Public Authorities Act, any borrowing by ECWA must be run through the Finance Committee first. As a result of the budget hearings last week, the Board advised to look into some borrowing. He further advised that Bob Lichtenthal and he met with several entities and did extensive research on the matter. This particular type of borrowing is something the Authority has never done in the past, therefore, the purpose of the meeting is to review this type of borrowing and get input from the Board. Bob

Lichtenthal thereafter gave an overview of the matter. The Board approved to go ahead and scheduled an additional Finance Committee Meeting for November 10, 2011 for a recommendation.

Bob Mendez also distributed a few scenarios for the Board to review. He gave an overview of the different scenarios and asked that the Board review and give any feedback.

V. - COMMUNICATIONS AND BILLS

VI. - UNFINISHED BUSINESS (NONE)

VII. - NEW BUSINESS (NONE)

VIII. - ADJOURNMENT

Motion by Mr. Jann, seconded by Mr. Warthling and carried that the meeting adjourn.

Matthew J. Baudo
Secretary to the Authority/Personnel Director

SLZ

U.S. Fixed Income Strategy
J.P. Morgan Securities, Inc.
Terry Belton[AC] (1-212) 834-4650
terry.belton@jpmorgan.com
Meera Chandan (1-212) 834-4924
meera.chandan@jpmorgan.com
Kimberly L Harano (1-212) 834-4856
kimberly.l.harano@jpmorgan.com
September 23, 2011

J.P.Morgan

11/1/11

U.S. Interest Rate Forecast

	Actual 23 Sep 11	1m ahead 23 Oct 11	4Q11 31 Dec 11	1Q12 31 Mar 12	2Q12 30 Jun 12	3Q12 30 Sep 12
Rates						
Effective funds rate	0.08	0.08	0.10	0.10	0.12	0.12
3-mo LIBOR	0.36	0.45	0.40	0.40	0.30	0.30
3-month T-bill (bey)	0.00	0.00	0.03	0.03	0.15	0.15
2-yr Treasury	0.22	0.25	0.30	0.30	0.35	0.35
5-yr Treasury	0.85	0.80	1.15	1.30	1.45	1.45
10-yr Treasury	1.81	1.70	2.25	2.60	2.80	2.80
30-yr Treasury	2.87	2.90	3.50	3.80	4.00	4.00
Spreads						
Fed funds/3m Libor	24	33	28	28	18	18
3m T-bill/3m Libor	36	45	37	37	15	15
Fed funds/2yr	9	13	18	18	23	23
2s/10s	159	145	195	230	245	245
10s/30s	106	120	125	120	120	120
2s/30s	265	265	320	350	365	365

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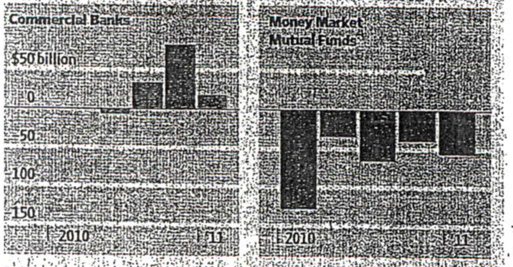
WSJ 7/14/11

Who Wants Municipal Debt?

Banks have boosted holdings of muni loans and bonds, while many other large investors have scaled back.
Figures are seasonally adjusted annual rates, by quarter



Source: U.S. Federal Reserve

Municipalities Shift to Loans

y Michael Corkery

Time was running out for the range County School Board. A 105 million debt deal was about expire, triggering painful penalties for the approximately 5,000-student district in the rlando, Fla.-region.

Along came **Wells Fargo** & o. with a deal that avoided the enalties: Wells bought the $105 illion debt from investors and egotiated new terms with the strict.

"We got a good deal," says Riard Collins, the district's chief nancial officer.

Such deals are cropping up in any cities and states across the S. Teams of bankers are blanting the country pitching ansactions like the one in Orige County, as well as tradional loans, to government offials, people in the industry say.

While big banks still are ght-fisted with many homewners and small businesses, ey see cities, states and schools as one of their least-risky ways to put to work some of the piles of cash that have amassed on their balance sheets.

But the encroachment into territory long dominated by municipal-bond investors is sparking concern that the deals may have downsides for municipalities—and their bondholders. Among them: that bondholders might not be made aware of all of the terms of the deals, which are privately negotiated between the banks and the municipalities.

Federal Reserve data show commercial banks boosted their municipal holdings—both loans extended and municipal bonds scooped up—in the first quarter by a seasonally adjusted annual rate of $18.5 billion. That is a reversal from the first quarter of

Please turn to the next page

Municipalities Turn Away From Bond

Continued from the prior page

2010, when banks decreased their municipal holdings by a rate of $1.2 billion.

"We want to grow our balance sheet, and these are good quality assets," says Phil Smith, head of Wells Fargo's government-finance group. While declining to provide specifics, he said the bank has completed billions of dollars of municipal deals this year, aiming to double last year's volume.

The state of New Jersey, which earlier this month finalized a credit line of as much as $2.25 billion from J.P. Morgan to cover a cash shortage until it can prepare a traditional bond offering, has fielded multiple offers for bank loans for other funding needs, according to a person familiar with the matter. The state has no immediate plans to pursue the proposed loan deals, this person said.

Bankers have pitched the idea that such loans require less documentation than a public bond offering, because a loan is held by banks or sold privately to institutional investors, the person says. But that means bond investors accustomed to learning much of what they need to know from publicly filed bond documents may have to go digging to stay on top of developments.

Barring extra monitoring, "an issuer could have a sizable increase in their debt, and I might not know that until their next audit or public borrowing," says Richard Ciccarone, chief researcher for **McDonnell Investment Management** near Chicago, which manages about $7 billion in municipal bonds.

Another bondholder worry: The deals can raise issues about the pecking order for repayment, should a borrower become financially stressed.

"The question for us is whether a loan becomes a senior lien to other outstanding debt," says Peter Hayes, portfolio manager of **Blackrock Inc.**'s $102 billion in municipal bonds. "In some cases, there is certainly

> **Bondholders might not be made aware of all deal terms, which are privately negotiated between the banks and the municipalities.**

that potential."

The transactions also can have provisions tough on the borrowers. Oaklawn Hospital, in Marshall, Mich., owes $10.6 million in loans and $67.4 million in bonds held by a total of three banks. It is required to keep 75-days worth of cash on hand to fund operations. Such a demand is not routinely used in municipal finance, according to Jeffrey Previdi, a municipal analyst at Standard & Poor's.

"We have 150 days cash on hand so it is not an issue for us," said the hospital's CEO, Rob Covert. If the cash level dips at the hospital, the banks can demand accelerated debt repayment, according to a June report by S&P, explaining the rationale for changing its outlook on the hospital to "negative" from "stable."

Still, many banks and borrowers see the deals as beneficial.

Banks get tax breaks for lending to municipalities; they can deduct certain lending expenses, such as carrying costs, and they earn tax-free income up to specified levels on municipal bonds they hold. They also are motivated to lend to municipalities because letters of credit and other guarantees, previously popular lines of business with cities and states, are subject to stricter capital requirements than they used to be.

Direct lending solved a problem facing the Orange County school board, one of the nation's largest school systems, in April: It had $105 million in variable-rate bonds with an expiring bank guarantee. That guarantee was a must to the investors holding the debt.

Further complicating the matter: The district had entered into a financial swap to offset some of the interest-rate risk of the bonds. If the district refinanced, it would have to pay $15 million to unwind the swap.

That sum of money pays the salaries of more than 250 teachers, says Mr. Collins.

Enter Wells.

It offered to buy the $105 million in debt, keeping the swap in place, and the terms were better than those of rival bidde Collins says. But some te of concern to S&P. For in Wells could declare "an e default" if there was an " material effect," or change, the school board's finances, erations or prospects, S&P wr in a report this spring.

An event of default co force the district to pay back debt, which matures in 2032 six-month installments over years, with a final balloon p ment, S&P noted.

A Wells spokesman said transaction doesn't expose school district to any more ris accelerated repayment than bond deals involving letter credit.

"A material adverse cha could mean different thing different people," says S&P's Previdi. "Other bondhol could be in the dark about w constitutes a 'material' eve

Mr. Collins says district cials, in negotiations with bank, had balked at the "m rial adverse" clause, to no a In the end, he says, the sch financial adviser and bond co sel "reviewed all the docum and determined that the trict's best interests were tected." If debt repayment mately is accelerated, district believes it would the ability to refinance into ger-term debt, he says, ad that the district alerted rat firms to the transaction's de

—*Lisa Flei contributed to this ar*

11/1/11

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Public Finance

Bank Loan vs Bond Issue Overview

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Public Finance

Bank Loans vs. Bond Issues

- **Bank-Qualified Debt -- Certain Tax-Exempt Debt Obligations, Known as "Bank-Qualified Obligations" are attractive investments for banks. Bank-qualified Obligations are:**

  – **Issued by Local Government Units or Authorities that do not expect to issue more than $10,000,000 of tax-exempt debt in a calendar year.**

  – **Are not Private Activity Bonds, other than Qualified 501©(3) Bonds.**

Concord Public Finance

Bank Loans vs. Bond Issues

- **Banks that buy Non-Bank-Qualified Debt lose federal income tax interest cost deductibility for the interest expense on an amount of deposits corresponding to the amount of non-bank qualified debt purchased.**

- **For Bank-Qualified Debt, banks lose interest cost deductibility on an amount of deposits equal to 20% of the amount of the tax-exempt obligations owned.**

Concord Public Finance

Bank Loans vs. Bond Issues

- Advantages of Bank Loans to Tax-Exempt Borrowers
  - Lower Upfront Costs
  - Administrative Ease
  - No SEC Disclosure compliance requirements
  - Interest rates may be higher or lower depending on term, structure and market conditions

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Public Finance

Bank Loans vs. Bond Issues

- **Advantages of Bond Issues to Tax-Exempt Borrowers**
  - **Often able to obtain longer term fixed interest rates**
  - **Longer term interest rates are often lower than bank loan rates**

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Public Finance

Bank Loans vs. Bond Issues

- **When Banks are most Competitive when compared to Bond Issues**
  - **When Bank-Qualified Debt is being offered.**
  - **In climbing interest rate environments. Generally, public market rates go up more quickly than bank rates.**
  - **When banks are willing to commit to fixed interest rates of 10 years or longer.**
  - **When banks are willing to cap variable interest rate exposure without substantial cost to borrower.**

"$10 MILLION DOLLAR" RULES
RE: BANK QUALIFIED DEBT -- BASIC RULES

STEP #1: DOES THE MUNICIPALITY REASONABLY EXPECT TO ISSUE $10,000,000 OR LESS IN TAX-EXEMPT BONDS AND NOTES IN THE CALENDAR YEAR? (SMALL ISSUER QUESTION)

<u>WHAT COUNTS</u>:

1. ALL NEW MONEY GOVERNMENTAL OR 501(c)(3) ISSUES
2. ADVANCE REFUNDINGS (RENEWAL MORE THAN 90 DAYS IN ADVANCE)
3. ALL GOVERNMENTAL OR 501(c)(3) NEW MONEY OR ADVANCE REFUNDING BONDS OR NOTES ISSUED BY A GOVERNMENTAL ENTITY SUBORDINATE TO THE MUNICIPALITY (i.e., ALL I.D.A.'s GOVERNMENTAL OR 501 (c)(3) DEBT.)
4. ALL TAX-EXEMPT INSTALLMENT SALES/LEASE PURCHASE AGREEMENTS

<u>WHAT DOESN'T</u>:

1. PRIVATE ACTIVITY BONDS OR NOTES
2. CURRENT RENEWALS (TO THE EXTENT THAT THE AMOUNT OF THE RENEWAL DOES NOT EXCEED OUTSTANDING PRINCIPAL AMOUNT OF MATURING DEBT).
3. TAXABLE DEBT OBLIGATIONS.

STEP #2: IS THE ISSUE ITSELF ELIGIBLE FOR DESIGNATED AND QUALIFIED STATUS? (ISSUE QUALIFICATION QUESTION)

A. NEW MONEY ISSUES -

1. Not a private activity bond or note (other than a 501(c)(3) obligation).
2. Not a taxable bond or note.

B. RENEWAL/REFUNDING ISSUES (current or advance)-

1. Aggregate face amount does not exceed $10,000,000.
2. Each refunded bond or renewed note was part of an issue which itself did <u>not</u> qualify at the time for the $10,000,000 exception in its year of issuance and was <u>not</u> designated. (An issue renewing or refunding a designated bond or note will be deemed designated - see below.)

3. Not a private activity bond or note (other than a 501(c)(3) obligation.
4. Not a taxable bond or note.

C. CERTAIN REFUNDINGS/RENEWALS OF DESIGNATED OBLIGATIONS MAY BE "DEEMED DESIGNATED"

1. If a qualified and designated obligation is refunded/renewed, the refunding bonds or renewal notes are "deemed designated" if:
   a. The refunded/renewed obligation was both eligible to be designated and was actually designated.
   b. The par amount of refunding obligations does not exceed the outstanding amount of the refunded or renewal obligation. (Any excess can be designated.)
   c. The average maturity date of the refunding/renewal obligation is not later than the average maturity date of the obligations being refunded/renewed.
      Note: This rule by itself would eliminate renewal notes or bonds from qualifying when refunding/renewing typical 1 year notes so there is an exception:
         If the average maturity of the refunded debt is 3 years or less, the requirement is waived.
   d. No refunding bond has a maturity date which is later than the date which is 30 years after the date that the original note or bond was issued.
2. Deemed designated obligations provide financial institutions with same benefit as designated obligations.
3. Deemed designated obligations do not count toward the $10,000,000 limit of obligations which may be designated in a calendar year.

   Therefore over $10,000,000 may ultimately be issued, of which, $10,000,000 is designated and the rest is renewals/refundings which are deemed designated.

D. CERTAIN OBLIGATIONS MAY NOT BE DESIGNATED OR DEEMED DESIGNATED:

1. Any refunding/renewal obligation when the aggregate face amount of the issue exceeds $10,000,000.
2. Private activity notes or bonds (other than 501(c)(3) obligations).
3. Taxable obligations.

ECWA Bond Issuance Costs
1990-2008

Bond Series	Par Amount	Total Costs of Issuance	Cost per $1,000 Par	
Series 90A	$51,063,022.50	$1,744,442.48	$34.16	
Series 90B	$20,015,791	$752,109.52	$37.58	
Series 92	$50,269,709.65	$1,064,740.19	$21.18	
Series 93 A&B	$42,500,000	$1,100,137.35	$25.89	
Series 93 Taxable	$43,886,062.65	$892,246.51	$20.33	
Series 98A	$7,780,931	$109,711.00	$14.10	
Series 98B	$16,859,700	$249,523.81	$14.80	
Series 2003	$15,544,443	$444,572.00	$28.60	
Series 2007	$35,000,000	$559,935.35	$16.00	
Series 2008	$45,770,000	$378,449.25	$8.27	
Totals	$328,689,659.80	$7,295,867.46	$22.20	Average

11/1/11

$1,000,000

20 years

2.50%

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2001	-	-	-	-
12/01/2002	40,000.00	2.500%	25,000.00	65,000.00
12/01/2003	40,000.00	2.500%	24,000.00	64,000.00
12/01/2004	40,000.00	2.500%	23,000.00	63,000.00
12/01/2005	40,000.00	2.500%	22,000.00	62,000.00
12/01/2006	45,000.00	2.500%	21,000.00	66,000.00
12/01/2007	45,000.00	2.500%	19,875.00	64,875.00
12/01/2008	45,000.00	2.500%	18,750.00	63,750.00
12/01/2009	45,000.00	2.500%	17,625.00	62,625.00
12/01/2010	50,000.00	2.500%	16,500.00	66,500.00
12/01/2011	50,000.00	2.500%	15,250.00	65,250.00
12/01/2012	50,000.00	2.500%	14,000.00	64,000.00
12/01/2013	50,000.00	2.500%	12,750.00	62,750.00
12/01/2014	55,000.00	2.500%	11,500.00	66,500.00
12/01/2015	55,000.00	2.500%	10,125.00	65,125.00
12/01/2016	55,000.00	2.500%	8,750.00	63,750.00
12/01/2017	55,000.00	2.500%	7,375.00	62,375.00
12/01/2018	60,000.00	2.500%	6,000.00	66,000.00
12/01/2019	60,000.00	2.500%	4,500.00	64,500.00
12/01/2020	60,000.00	2.500%	3,000.00	63,000.00
12/01/2021	60,000.00	2.500%	1,500.00	61,500.00
Total	1,000,000.00	-	282,500.00	1,282,500.00

YIELD STATISTICS

Bond Year Dollars	$11,300.00
Average Life	11.300 Years
Average Coupon	2.5000000%
Net Interest Cost (NIC)	2.5000000%
True Interest Cost (TIC)	2.5000000%
Bond Yield for Arbitrage Purposes	2.5000000%
All Inclusive Cost (AIC)	2.5000000%

IRS FORM 8038

Net Interest Cost	2.5000000%
Weighted Average Maturity	11.300 Years

$1,000,000

20 years

3.00%

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2001	-	-	-	-
12/01/2002	35,000.00	3.000%	30,000.00	65,000.00
12/01/2003	40,000.00	3.000%	28,950.00	68,950.00
12/01/2004	40,000.00	3.000%	27,750.00	67,750.00
12/01/2005	40,000.00	3.000%	26,550.00	66,550.00
12/01/2006	40,000.00	3.000%	25,350.00	65,350.00
12/01/2007	45,000.00	3.000%	24,150.00	69,150.00
12/01/2008	45,000.00	3.000%	22,800.00	67,800.00
12/01/2009	45,000.00	3.000%	21,450.00	66,450.00
12/01/2010	45,000.00	3.000%	20,100.00	65,100.00
12/01/2011	50,000.00	3.000%	18,750.00	68,750.00
12/01/2012	50,000.00	3.000%	17,250.00	67,250.00
12/01/2013	50,000.00	3.000%	15,750.00	65,750.00
12/01/2014	55,000.00	3.000%	14,250.00	69,250.00
12/01/2015	55,000.00	3.000%	12,600.00	67,600.00
12/01/2016	55,000.00	3.000%	10,950.00	65,950.00
12/01/2017	60,000.00	3.000%	9,300.00	69,300.00
12/01/2018	60,000.00	3.000%	7,500.00	67,500.00
12/01/2019	60,000.00	3.000%	5,700.00	65,700.00
12/01/2020	65,000.00	3.000%	3,900.00	68,900.00
12/01/2021	65,000.00	3.000%	1,950.00	66,950.00
Total	1,000,000.00	-	345,000.00	1,345,000.00

YIELD STATISTICS

Bond Year Dollars	$11,500.00
Average Life	11.500 Years
Average Coupon	3.0000000%
Net Interest Cost (NIC)	3.0000000%
True Interest Cost (TIC)	3.0000000%
Bond Yield for Arbitrage Purposes	3.0000000%
All Inclusive Cost (AIC)	3.0000000%

IRS FORM 8038

Net Interest Cost	3.0000000%
Weighted Average Maturity	11.500 Years

$1,000,000
20 years
3.50%

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2001	-	-	-	-
12/01/2002	35,000.00	3.500%	35,000.00	70,000.00
12/01/2003	35,000.00	3.500%	33,775.00	68,775.00
12/01/2004	40,000.00	3.500%	32,550.00	72,550.00
12/01/2005	40,000.00	3.500%	31,150.00	71,150.00
12/01/2006	40,000.00	3.500%	29,750.00	69,750.00
12/01/2007	40,000.00	3.500%	28,350.00	68,350.00
12/01/2008	45,000.00	3.500%	26,950.00	71,950.00
12/01/2009	45,000.00	3.500%	25,375.00	70,375.00
12/01/2010	45,000.00	3.500%	23,800.00	68,800.00
12/01/2011	50,000.00	3.500%	22,225.00	72,225.00
12/01/2012	50,000.00	3.500%	20,475.00	70,475.00
12/01/2013	50,000.00	3.500%	18,725.00	68,725.00
12/01/2014	55,000.00	3.500%	16,975.00	71,975.00
12/01/2015	55,000.00	3.500%	15,050.00	70,050.00
12/01/2016	55,000.00	3.500%	13,125.00	68,125.00
12/01/2017	60,000.00	3.500%	11,200.00	71,200.00
12/01/2018	60,000.00	3.500%	9,100.00	69,100.00
12/01/2019	65,000.00	3.500%	7,000.00	72,000.00
12/01/2020	65,000.00	3.500%	4,725.00	69,725.00
12/01/2021	70,000.00	3.500%	2,450.00	72,450.00
Total	1,000,000.00	-	407,750.00	1,407,750.00

YIELD STATISTICS

Bond Year Dollars	$11,650.00
Average Life	11.650 Years
Average Coupon	3.5000000%
Net Interest Cost (NIC)	3.5000000%
True Interest Cost (TIC)	3.5000000%
Bond Yield for Arbitrage Purposes	3.5000000%
All Inclusive Cost (AIC)	3.5000000%

IRS FORM 8038

Net Interest Cost	3.5000000%
Weighted Average Maturity	11.650 Years

$1,000,000

20 years

4.00%

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I
12/01/2001	-	-	-	-
12/01/2002	35,000.00	4.000%	40,000.00	75,000.00
12/01/2003	35,000.00	4.000%	38,600.00	73,600.00
12/01/2004	35,000.00	4.000%	37,200.00	72,200.00
12/01/2005	35,000.00	4.000%	35,800.00	70,800.00
12/01/2006	40,000.00	4.000%	34,400.00	74,400.00
12/01/2007	40,000.00	4.000%	32,800.00	72,800.00
12/01/2008	40,000.00	4.000%	31,200.00	71,200.00
12/01/2009	45,000.00	4.000%	29,600.00	74,600.00
12/01/2010	45,000.00	4.000%	27,800.00	72,800.00
12/01/2011	50,000.00	4.000%	26,000.00	76,000.00
12/01/2012	50,000.00	4.000%	24,000.00	74,000.00
12/01/2013	50,000.00	4.000%	22,000.00	72,000.00
12/01/2014	55,000.00	4.000%	20,000.00	75,000.00
12/01/2015	55,000.00	4.000%	17,800.00	72,800.00
12/01/2016	60,000.00	4.000%	15,600.00	75,600.00
12/01/2017	60,000.00	4.000%	13,200.00	73,200.00
12/01/2018	65,000.00	4.000%	10,800.00	75,800.00
12/01/2019	65,000.00	4.000%	8,200.00	73,200.00
12/01/2020	70,000.00	4.000%	5,600.00	75,600.00
12/01/2021	70,000.00	4.000%	2,800.00	72,800.00
Total	1,000,000.00	-	473,400.00	1,473,400.00

YIELD STATISTICS

Bond Year Dollars	$11,835.00
Average Life	11.835 Years
Average Coupon	4.0000000%
Net Interest Cost (NIC)	4.0000000%
True Interest Cost (TIC)	4.0000000%
Bond Yield for Arbitrage Purposes	4.0000000%
All Inclusive Cost (AIC)	4.0000000%

IRS FORM 8038

Net Interest Cost	4.0000000%
Weighted Average Maturity	11.835 Years

Evensen Dodge, Inc.
Orchard Park, New York

File = EXAMPLES.SF-EXAMPLES- SINGLE PURPOSE
10/25/2001 11:01 AM

Capital Markets Advisors, LLC
Independent Financial Advisors
4211 N. Buffalo Road, Suite 19
Orchard Park, New York 14127
Telephone (716) 662-3910 Fax (716) 662-6684

Other locations:
Great Neck
New York City
Hopewell Junction
Elmira

DATE: March 18, 2011

Faxed (716) 662-6684 or telephoned (716) 662-3910 bids will be received by Capital Markets Advisors, LLC, financial advisor to Niagara County, New York, on **Tuesday March 29, 2011** before 11:00 AM for the purchase at not less than par the following notes:

TERM SHEET

ISSUER: Niagara County, New York (the "County")

ISSUE: $120,000 Bond Anticipation Notes, Series B (the "Notes") (RENEWALS)

SALE DATE / TIME: March 29, 2011 11:00AM

DATE OF ISSUE: April 7, 2011

DATE OF MATURITY: April 5, 2012

DENOMINATION AND FORM: The purchaser shall have the option of having the Notes issued in certificated form registered to bearer or in the name of the purchaser or in the form of fully registered book-entry only notes registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"). The purchaser must indicate in its proposal the form in which the Notes will be issued.

If the Notes are issued in certificated form, a single note will be issued registered to bearer or in the name of the purchaser.

If the Notes are issued in book-entry only form, a single note registered in the name of Cede & Co., as nominee for DTC shall be issued. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their respective ownership interests in the Notes. The purchaser shall be responsible for establishing eligibility with DTC for the Notes and applying for the assignment of a CUSIP number for the Notes. All expenses relating thereto shall be paid by the purchaser.

DELIVERY: Delivery of the Notes will be in Niagara County, New York or New York, New York on or about the Date of Issue or as otherwise mutually agreed upon by the County and the purchaser.

LEGAL OPINION: Opinion of Harris Beach PLLC, Bond Counsel, Rochester, New York will be provided at closing.

CALL FEATURE: Non-callable

DESIGNATION: The Notes will **not** be designated qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

AUTHORITY FOR AND PURPOSE OF ISSUE: The Notes are being issued to finance the increase and improvement of the facilities of the Niagara County Refuse Disposal District, by the closure of Landfill No. 2 Lockport, pursuant to a bond resolution adopted by the County Legislature on

November 4, 1992 authorizing the issuance of serial bonds in an amount not to exceed $1,000,000 for such purpose. The proceeds of the Notes along with $60,000 in available cash will be used to redeem, in full, bond anticipation notes in the amount of $180,000 maturing on April 8, 2011.

PROPOSAL REQUIREMENTS:	Proposals must be for all of the Notes and must state in a multiple of one-hundredth or one-eighth of 1% a rate of interest per annum, which such Notes shall bear. The Notes will be awarded to the bidder complying with the terms of this Term Sheet and offering to purchase the Notes at the lowest net interest cost, that being the rate of interest which will produce the least interest cost over the life of the Notes, after accounting for the premium offered, if any; provided, however, that if two or more bidders offer to purchase the Notes at the same lowest net interest cost, then such award will be made to one of said bidders selected by lot or by another customary method from among all said bidders. The right is also reserved to reject any or all bids and any bid not complying with the terms of this notice will be rejected.
DISCLOSURE INFORMATION:	The County has not prepared an official statement in connection with the sale of these Notes. Financial information is available from the County's recent Official Statement, dated January 27, 2011, or upon request to the County's Financial Advisor.
BOND RATING:	The Notes will not be rated. Moody's Investors Service has previously assigned an underlying rating of "Aa3" to the uninsured outstanding bonded indebtedness of the County.
FINANCIAL ADVISOR:	Capital Markets Advisors, LLC 4211 N. Buffalo Rd., Suite 19 Orchard Park, New York 14127 Contact: Rick Ganci, Vice President (716) 662-3910 rganci@capmark.org
BOND COUNSEL:	Harris Beach PLLC 99 Garnsey Road Pittsford, NY 14534 Contact: Charles I. Schachter, Partner (585) 419-8633 cschachter@harrisbeach.com
ISSUER:	Niagara County 59 Park Ave. Lockport, NY 14094 Contact: Kyle Andrews, County Treasurer (716) 439-7018 Kyle.Andrews@niagaracounty.com

PROPOSAL FOR NOTES

Mr. Kyle Andrews
County Treasurer and Chief Fiscal Officer
Niagara County, New York
Capital Markets Advisors, LLC
4211 N. Buffalo Rd., Suite 19
Orchard Park, NY · 14127

March 29, 2011

TELEPHONE: (716) 662-3910

FACSIMILE: (716) 662-6684

NIAGARA COUNTY, NEW YORK

$120,000 BOND ANTICIPATION NOTES, 2011 Series B (RENEWALS)
(the "Notes")

DATED: April 7, 2011

MATURITY: April 5, 2012

Principal Amount	*Interest Rate*	*Premium*	*Net Interest Cost*
$120,000	%	$	%

Signature: ______________________________________

Name of Bidder: ______________________________________

Address of Bidder: ______________________________________

____

Telephone Contact of Bidder (Include Area Code): ______________________________________

Facsimile Contact of Bidder (Include Area Code): ______________________________________

Email Address of Bidder : ______________________________________

Please select one of the following:
_____ Registered in Name of Bidder
_____ Book-Entry/DTC
_____ Bearer

0% Commodity Rate Increase and 3 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011

Erie County Water Authority
Rate Projections

- Meet Minimum Debt Coverage Ratio of 1.35
- Avoid Loss on GAAP Basis
- Maintain 20% of Gross Revenues

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(Based on 2012 Preliminary Budget Numbers and Assumptions)

As of October 18, 2011

Year	2012	2013	2014	2015	2016	
Enter Rate Percentage Change	0.0000	0.0000	0.0000	0.0000	0.0000	
Amount Increased per 1,000 Gallons	$0.000	$0.000	$0.000	$0.000	$0.000	
New Rate per 1,000 Gallons	$2.96	$2.96	$2.96	$2.96	$2.96	
Enter Dollar Amount Increase in Infrastructure Charge	$3.00	$3.00	$3.00	$3.00	$3.00	
New Quarterly Infrastructure Investment Charge	$6.00	$9.00	$12.00	$15.00	$18.00	
CASH BASIS	**2012**	**2013**	**2014**	**2015**	**2016**	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,364,063	41,364,063	41,364,063	41,364,063	41,364,063	
Industrial	1,548,199	1,548,199	1,548,199	1,548,199	1,548,199	
Public Authorities	2,050,692	2,050,692	2,050,692	2,050,692	2,050,692	
Sales to Other Utilities	5,067,535	5,067,535	5,067,535	5,067,535	5,067,535	
Total Metered Revenue	50,030,489	50,030,489	50,030,489	50,030,489	50,030,489	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,790,254	5,685,381	7,580,508	9,475,635	11,370,762	
Total Operating Revenue	59,520,749	61,415,876	63,311,003	65,206,130	67,101,257	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,428,830**	**$ 62,341,737**	**$ 64,218,972**	**$ 66,132,773**	**$ 68,037,430**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	22,095,615	22,616,012	21,936,572	22,407,321	22,708,463	
Less: Debt Service Payments (Reflects EFC Subsidy)	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Available for Capital Budget	**$ 11,266,005**	**$ 11,758,294**	**$ 11,053,153**	**$ 11,500,370**	**$ 11,777,181**	**$ 57,355,002**
GAAP Adjustments						
Add: Adjustment for Bond Principal	6,866,973	7,133,642	7,451,175	7,783,750	8,135,136	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(10,143,922)	(10,484,972)	(10,796,699)	(11,116,431)	(11,442,015)	
Projected Net Income(Loss) on GAAP basis	$ 1,122,083	$ 1,273,322	$ 256,454	$ 383,938	$ 335,166	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Debt Coverage Ratio	**2.04**	**2.08**	**2.02**	**2.05**	**2.08**	
Capital Resource Summary						
Funds Available for Capital Budget:						
O& M Available	11,266,005	11,758,294	11,053,153	11,500,370	11,777,181	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	28,361,982	21,395,026	17,680,179	14,127,549	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 47,116,432**	**$ 40,695,276**	**$ 33,448,179**	**$ 30,205,549**	**$ 26,974,729**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 28,361,982**	**$ 21,395,026**	**$ 17,680,179**	**$ 14,127,549**	**$ 10,016,729**	
Proposed Newly Issued Bond Proceeds/Funds	-	-	-	-	-	
Total Balance of All Funds	**$ 28,361,982**	**$ 21,395,026**	**$ 17,680,179**	**$ 14,127,549**	**$ 10,016,729**	
Maintaining 20% of Gross Revenues:	**$ 12,085,766**	**$ 12,468,347**	**$ 12,843,794**	**$ 13,226,555**	**$ 13,607,486**	
Differ of:	**$ 16,276,216**	**$ 8,926,679**	**$ 4,836,385**	**$ 900,994**	**$ (3,590,757)**	**-26.39%**
	Sufficient	**Sufficient**	**Sufficient**	**Sufficient**	**Insufficient**	

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0% Commodity Rate Increase and 3 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011 & $10,000,000 in 2012

Erie County Water Authority
Rate Projections

- **Meet Minimum Debt Coverage Ratio of 1.35**
- **Avoid Loss on GAAP Basis**
- **Maintain 20% of Gross Revenues**

(Based on 2012 Preliminary Budget Numbers and Assumptions)

****As of October 18, 2011****

Year	2012	2013	2014	2015	2016
Enter Rate Percentage Change	0.0000	0.0000	0.0000	0.0000	0.0000
Amount Increased per 1,000 Gallons	$0.000	$0.000	$0.000	$0.000	$0.000
New Rate per 1,000 Gallons	$2.96	$2.96	$2.96	$2.96	$2.96
Enter Dollar Amount Increase in Infrastructure Charge	$3.00	$3.00	$3.00	$3.00	$3.00
New Quarterly Infrastructure Investment Charge	$6.00	$9.00	$12.00	$15.00	$18.00

CASH BASIS	2012	2013	2014	2015	2016	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,364,063	41,364,063	41,364,063	41,364,063	41,364,063	
Industrial	1,548,199	1,548,199	1,548,199	1,548,199	1,548,199	
Public Authorities	2,050,692	2,050,692	2,050,692	2,050,692	2,050,692	
Sales to Other Utilities	5,067,535	5,067,535	5,067,535	5,067,535	5,067,535	
Total Metered Revenue	50,030,489	50,030,489	50,030,489	50,030,489	50,030,489	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,790,254	5,685,381	7,580,508	9,475,635	11,370,762	
Total Operating Revenue	59,520,749	61,415,876	63,311,003	65,206,130	67,101,257	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,428,830**	**$ 62,341,737**	**$ 64,218,972**	**$ 66,132,773**	**$ 68,037,430**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	22,095,615	22,616,012	21,936,572	22,407,321	22,708,463	
Less: Debt Service Payments (Reflects EFC Subsidy)	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Available for Capital Budget	**$ 10,570,054**	**$ 11,062,342**	**$ 10,357,201**	**$ 10,804,418**	**$ 11,081,229**	**$ 53,875,244**
GAAP Adjustments						
Add: Adjustment for Bond Principal	7,218,528	7,497,702	7,828,183	8,174,167	8,539,439	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(9,792,367)	(10,120,912)	(10,419,691)	(10,726,015)	(11,037,712)	
Projected Net Income(Loss) on GAAP basis	$ 777,687	$ 941,430	$ (62,489)	$ 78,403	$ 43,517	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Debt Coverage Ratio	**1.92**	**1.96**	**1.89**	**1.93**	**1.95**	

Capital Resource Summary

	2012	2013	2014	2015	2016	
Funds Available for Capital Budget:						
O& M Available	10,570,054	11,062,342	10,357,201	10,804,418	11,081,229	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	37,666,031	30,003,123	25,592,324	21,343,742	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 46,420,481**	**$ 49,303,373**	**$ 41,360,324**	**$ 37,421,742**	**$ 33,494,971**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 27,666,031**	**$ 30,003,123**	**$ 25,592,324**	**$ 21,343,742**	**$ 16,536,971**	
Proposed Newly Issued Bond Proceeds/Funds	**10,000,000**	**-**	**-**	**-**	**-**	
Total Balance of All Funds	**$ 37,666,031**	**$ 30,003,123**	**$ 25,592,324**	**$ 21,343,742**	**$ 16,536,971**	
Maintaining 20% of Gross Revenues:	**$ 12,085,766**	**$ 12,468,347**	**$ 12,843,794**	**$ 13,226,555**	**$ 13,607,486**	
Differ of:	**$ 25,580,265**	**$ 17,534,775**	**$ 12,748,530**	**$ 8,117,187**	**$ 2,929,485**	**21.53%**
	Sufficient	**Sufficient**	**Insufficient**	**Sufficient**	**Sufficient**	

11/1/11

1.5% Commodity Rate Increase and 2 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011

Erie County Water Authority
Rate Projections

- Meet Minimum Debt Coverage Ratio of 1.35
- Avoid Loss on GAAP Basis 30
- Maintain 20% of Gross Revenues

(Based on 2012 Preliminary Budget Numbers and Assumptions)

As of October 18, 2011

Year	2012	2013	2014	2015	2016
Enter Rate Percentage Change	1.5000	1.5000	1.5000	1.5000	1.5000
Amount Increased per 1,000 Gallons	$0.044	$0.045	$0.046	$0.046	$0.047
New Rate per 1,000 Gallons	$3.00	$3.05	$3.10	$3.14	$3.19
Enter Dollar Amount Increase in Infrastructure Charge	$2.00	$2.00	$2.00	$2.00	$2.00
New Quarterly Infrastructure Investment Charge	$5.00	$7.00	$9.00	$11.00	$13.00

CASH BASIS	2012	2013	2014	2015	2016	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,984,524	42,614,292	43,253,506	43,902,309	44,560,843	
Industrial	1,571,422	1,594,993	1,618,918	1,643,202	1,667,850	
Public Authorities	2,081,452	2,112,674	2,144,364	2,176,530	2,209,178	
Sales to Other Utilities	5,143,548	5,220,701	5,299,012	5,378,497	5,459,174	
Total Metered Revenue	50,780,946	51,542,661	52,315,800	53,100,537	53,897,046	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,158,545	4,421,963	5,685,381	6,948,799	8,212,217	
Total Operating Revenue	59,639,497	61,664,630	63,701,187	65,749,342	67,809,269	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,547,578**	**$ 62,590,491**	**$ 64,609,156**	**$ 66,675,985**	**$ 68,745,442**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	22,214,363	22,864,766	22,326,756	22,950,534	23,416,475	
Less: Debt Service Payments (Reflects EFC Subsidy)	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Available for Capital Budget	**$ 11,384,754**	**$ 12,007,047**	**$ 11,443,338**	**$ 12,043,582**	**$ 12,485,192**	**$ 59,363,913**
GAAP Adjustments						
Add: Adjustment for Bond Principal	6,866,973	7,133,642	7,451,175	7,783,750	8,135,136	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(10,143,922)	(10,484,972)	(10,796,699)	(11,116,431)	(11,442,015)	
Projected Net Income(Loss) on GAAP basis	$ 1,240,831	$ 1,522,075	$ 646,639	$ 927,151	$ 1,043,177	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Debt Coverage Ratio	**2.05**	**2.11**	**2.05**	**2.10**	**2.14**	

Capital Resource Summary

	2012	2013	2014	2015	2016	
Funds Available for Capital Budget:						
O& M Available	11,384,754	12,007,047	11,443,338	12,043,582	12,485,192	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	28,480,731	21,762,528	18,437,865	15,428,447	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 47,235,181**	**$ 41,062,778**	**$ 34,205,865**	**$ 31,506,447**	**$ 28,983,640**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 28,480,731**	**$ 21,762,528**	**$ 18,437,865**	**$ 15,428,447**	**$ 12,025,640**	
Proposed Newly Issued Bond Proceeds/Funds	-	-	-	-	-	
Total Balance of All Funds	**$ 28,480,731**	**$ 21,762,528**	**$ 18,437,865**	**$ 15,428,447**	**$ 12,025,640**	
Maintaining 20% of Gross Revenues:	**$ 12,109,516**	**$ 12,518,098**	**$ 12,921,831**	**$ 13,335,197**	**$ 13,749,088**	
Differ of:	**$ 16,371,215**	**$ 9,244,430**	**$ 5,516,034**	**$ 2,093,250**	**$ (1,723,449)**	**-12.54%**
	Sufficient	**Sufficient**	**Sufficient**	**Sufficient**	**Insufficient**	

11/1/11

1% Commodity Rate Increase and 2 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011

Erie County Water Authority
Rate Projections

31

- **Meet Minimum Debt Coverage Ratio of 1.35**
- **Avoid Loss on GAAP Basis**
- **Maintain 20% of Gross Revenues**

(Based on 2012 Preliminary Budget Numbers and Assumptions)

****As of October 18, 2011****

Year	2012	2013	2014	2015	2016
Enter Rate Percentage Change	1.0000	1.0000	1.0000	1.0000	1.0000
Amount Increased per 1,000 Gallons	$0.030	$0.030	$0.030	$0.030	$0.031
New Rate per 1,000 Gallons	$2.99	$3.02	$3.05	$3.08	$3.11
Enter Dollar Amount Increase in Infrastructure Charge	$2.00	$2.00	$2.00	$2.00	$2.00
New Quarterly Infrastructure Investment Charge	$5.00	$7.00	$9.00	$11.00	$13.00

CASH BASIS	2012	2013	2014	2015	2016	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,777,704	42,195,481	42,617,435	43,043,610	43,474,046	
Industrial	1,563,681	1,579,318	1,595,111	1,611,062	1,627,173	
Public Authorities	2,071,199	2,091,911	2,112,830	2,133,958	2,155,298	
Sales to Other Utilities	5,118,210	5,169,392	5,221,086	5,273,297	5,326,030	
Total Metered Revenue	50,530,794	51,036,102	51,546,463	52,061,927	52,582,547	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,158,545	4,421,963	5,685,381	6,948,799	8,212,217	
Total Operating Revenue	59,389,345	61,158,071	62,931,850	64,710,732	66,494,770	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,297,426**	**$ 62,083,932**	**$ 63,839,819**	**$ 65,637,375**	**$ 67,430,943**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	21,964,211	22,358,207	21,557,419	21,911,924	22,101,976	
Less: Debt Service Payments (Reflects EFC Subsidy)	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Available for Capital Budget	**$ 11,134,601**	**$ 11,500,488**	**$ 10,674,000**	**$ 11,004,972**	**$ 11,170,693**	**$ 55,484,755**
GAAP Adjustments						
Add: Adjustment for Bond Principal	6,866,973	7,133,642	7,451,175	7,783,750	8,135,136	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(10,143,922)	(10,484,972)	(10,796,699)	(11,116,431)	(11,442,015)	
Projected Net Income(Loss) on GAAP basis	$ 990,679	$ 1,015,517	$ (122,699)	$ (111,459)	$ (271,321)	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	10,829,610	10,857,719	10,883,419	10,906,952	10,931,283	
Debt Coverage Ratio	**2.03**	**2.06**	**1.98**	**2.01**	**2.02**	

Capital Resource Summary

Funds Available for Capital Budget:	2012	2013	2014	2015	2016	
O& M Available	11,134,601	11,500,488	10,674,000	11,004,972	11,170,693	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	28,230,578	21,005,817	16,911,817	12,863,789	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 46,985,028**	**$ 40,306,067**	**$ 32,679,817**	**$ 28,941,789**	**$ 25,104,482**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 28,230,578**	**$ 21,005,817**	**$ 16,911,817**	**$ 12,863,789**	**$ 8,146,482**	
Proposed Newly Issued Bond Proceeds/Funds	-	-	-	-	-	
Total Balance of All Funds	**$ 28,230,578**	**$ 21,005,817**	**$ 16,911,817**	**$ 12,863,789**	**$ 8,146,482**	
Maintaining 20% of Gross Revenues:	**$ 12,059,485**	**$ 12,416,786**	**$ 12,767,964**	**$ 13,127,475**	**$ 13,486,189**	
Differ of:	**$ 16,171,093**	**$ 8,589,030**	**$ 4,143,853**	**$ (263,686)**	**$ (5,339,706)**	**-39.59%**
	Sufficient	**Sufficient**	**Insufficient**	**Insufficient**	**Insufficient**	

11/1/11

1% Commodity Rate Increase and 2 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011 & $10,000,000 in 2012

Erie County Water Authority
Rate Projections

- Meet Minimum Debt Coverage Ratio of 1.35
- Avoid Loss on GAAP Basis 32
- Maintain 20% of Gross Revenues

(Based on 2012 Preliminary Budget Numbers and Assumptions)

As of October 18, 2011

Year	2012	2013	2014	2015	2016	
Enter Rate Percentage Change	1.0000	1.0000	1.0000	1.0000	1.0000	
Amount Increased per 1,000 Gallons	$0.030	$0.030	$0.030	$0.030	$0.031	
New Rate per 1,000 Gallons	$2.99	$3.02	$3.05	$3.08	$3.11	
Enter Dollar Amount Increase in Infrastructure Charge	$2.00	$2.00	$2.00	$2.00	$2.00	
New Quarterly Infrastructure Investment Charge	$5.00	$7.00	$9.00	$11.00	$13.00	
CASH BASIS	**2012**	**2013**	**2014**	**2015**	**2016**	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,777,704	42,195,481	42,617,435	43,043,610	43,474,046	
Industrial	1,563,681	1,579,318	1,595,111	1,611,062	1,627,173	
Public Authorities	2,071,199	2,091,911	2,112,830	2,133,958	2,155,298	
Sales to Other Utilities	5,118,210	5,169,392	5,221,086	5,273,297	5,326,030	
Total Metered Revenue	50,530,794	51,036,102	51,546,463	52,061,927	52,582,547	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,158,545	4,421,963	5,685,381	6,948,799	8,212,217	
Total Operating Revenue	59,389,345	61,158,071	62,931,850	64,710,732	66,494,770	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,297,426**	**$ 62,083,932**	**$ 63,839,819**	**$ 65,637,375**	**$ 67,430,943**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	21,964,211	22,358,207	21,557,419	21,911,924	22,101,976	
Less: Debt Service Payments (Reflects EFC Subsidy)	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Available for Capital Budget	**$ 10,438,650**	**$ 10,804,537**	**$ 9,978,048**	**$ 10,309,020**	**$ 10,474,742**	**$ 52,004,997**
GAAP Adjustments						
Add: Adjustment for Bond Principal	7,218,528	7,497,702	7,828,183	8,174,167	8,539,439	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(9,792,367)	(10,120,912)	(10,419,691)	(10,726,015)	(11,037,712)	
Projected Net Income(Loss) on GAAP basis	$ 646,283	$ 683,624	$ (441,643)	$ (416,994)	$ (562,970)	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Debt Coverage Ratio	**1.91**	**1.94**	**1.86**	**1.89**	**1.90**	
Capital Resource Summary						
Funds Available for Capital Budget:						
O& M Available	10,438,650	10,804,537	9,978,048	10,309,020	10,474,742	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	37,534,627	29,613,913	24,823,962	20,079,982	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 46,289,077**	**$ 48,914,163**	**$ 40,591,962**	**$ 36,157,982**	**$ 31,624,724**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 27,534,627**	**$ 29,613,913**	**$ 24,823,962**	**$ 20,079,982**	**$ 14,666,724**	
Proposed Newly Issued Bond Proceeds/Funds	**10,000,000**	-	-	-	-	
Total Balance of All Funds	**$ 37,534,627**	**$ 29,613,913**	**$ 24,823,962**	**$ 20,079,982**	**$ 14,666,724**	
Maintaining 20% of Gross Revenues:	**$ 12,059,485**	**$ 12,416,786**	**$ 12,767,964**	**$ 13,127,475**	**$ 13,486,189**	
Differ of:	**$ 25,475,141**	**$ 17,197,127**	**$ 12,055,998**	**$ 6,952,507**	**$ 1,180,535**	**8.75%**
	Sufficient	**Sufficient**	**Insufficient**	**Insufficient**	**Insufficient**	

11/1/11

1.5% Commodity Rate Increase and 2 Dollar per Quarter Increase of Infrastructure Investment Charge Across the Board borrowing $10,000,000 in 2011 & $10,000,000 in 2012

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Erie County Water Authority
Rate Projections

- Meet Minimum Debt Coverage Ratio of 1.35
- Avoid Loss on GAAP Basis
- Maintain 20% of Gross Revenues

(Based on 2012 Preliminary Budget Numbers and Assumptions)

As of October 18, 2011

Year	2012	2013	2014	2015	2016	
Enter Rate Percentage Change	1.5000	1.5000	1.5000	1.5000	1.5000	
Amount Increased per 1,000 Gallons	$0.044	$0.045	$0.046	$0.046	$0.047	
New Rate per 1,000 Gallons	$3.00	$3.05	$3.10	$3.14	$3.19	
Enter Dollar Amount Increase in Infrastructure Charge	$2.00	$2.00	$2.00	$2.00	$2.00	
New Quarterly Infrastructure Investment Charge	$5.00	$7.00	$9.00	$11.00	$13.00	
CASH BASIS	2012	2013	2014	2015	2016	
Operating Revenue:						
Metered Revenue: Residential and Commercial	41,984,524	42,614,292	43,253,506	43,902,309	44,560,843	
Industrial	1,571,422	1,594,993	1,618,918	1,643,202	1,667,850	
Public Authorities	2,081,452	2,112,674	2,144,364	2,176,530	2,209,178	
Sales to Other Utilities	5,143,548	5,220,701	5,299,012	5,378,497	5,459,174	
Total Metered Revenue	50,780,946	51,542,661	52,315,800	53,100,537	53,897,046	
Fire Protection: Private Fire Prot	540,000	540,000	540,000	540,000	540,000	
Public Fire Prot (Direct Service)	2,003,305	2,003,305	2,003,305	2,003,305	2,003,305	
Public Fire Prot (Lease-Managed)	1,396,950	1,396,950	1,396,950	1,396,950	1,396,950	
Total Fire Protection:	3,940,255	3,940,255	3,940,255	3,940,255	3,940,255	
Other Water Revenue	1,759,751	1,759,751	1,759,751	1,759,751	1,759,751	
Infrastructure Investment Charge	3,158,545	4,421,963	5,685,381	6,948,799	8,212,217	
Total Operating Revenue	59,639,497	61,664,630	63,701,187	65,749,342	67,809,269	
Add: Interest and Misc Income	908,081	925,861	907,969	926,643	936,173	
Total Income	**$ 60,547,578**	**$ 62,590,491**	**$ 64,609,156**	**$ 66,675,985**	**$ 68,745,442**	
LESS: Operating & Maintenance Expenses:						
Payroll	14,922,594	15,221,046	15,525,467	15,835,976	16,152,696	
Power Purchased	4,836,983	4,982,092	5,131,555	5,285,502	5,444,067	
Chemicals	1,196,048	1,315,653	1,447,218	1,591,940	1,751,134	
Employee Benefits	9,218,155	9,873,160	10,570,885	11,327,627	12,148,813	
Insurance(Other than Workers Comp and Automobile)	580,557	609,585	640,064	672,067	705,671	
Other Expenses	10,819,340	11,035,727	11,256,441	11,481,570	11,711,202	
Total O&M Expense	41,573,677	43,037,263	44,571,631	46,194,683	47,913,582	
Deduct: Administrative Credits	(3,240,462)	(3,311,538)	(2,289,231)	(2,469,231)	(2,584,615)	
Net O&M Expense	**$ 38,333,215**	**$ 39,725,725**	**$ 42,282,400**	**$ 43,725,452**	**$ 45,328,967**	
Total Available for Debt Service	22,214,363	22,864,766	22,326,756	22,950,534	23,416,475	
Less: Debt Service Payments (Reflects EFC Subsidy)	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Available for Capital Budget	**$ 10,688,802**	**$ 11,311,095**	**$ 10,747,386**	**$ 11,347,630**	**$ 11,789,241**	**$ 55,884,154**
GAAP Adjustments						
Add: Adjustment for Bond Principal	7,218,528	7,497,702	7,828,183	8,174,167	8,539,439	
Less: Adjustment for Depreciation	(12,182,385)	(12,482,385)	(12,782,385)	(13,082,385)	(13,382,385)	
Adjustment for OPEB Cost	(4,395,988)	(4,703,707)	(5,032,967)	(5,385,274)	(5,762,244)	
Adjustment for Amortization	(432,522)	(432,522)	(432,522)	(432,522)	(432,522)	
Total GAAP Adjustments	(9,792,367)	(10,120,912)	(10,419,691)	(10,726,015)	(11,037,712)	
Projected Net Income(Loss) on GAAP basis	$ 896,435	$ 1,190,183	$ 327,695	$ 621,616	$ 751,529	
Calculation of Debt Coverage Ratio:						
Debt Service to Be Paid out in Year	11,525,561	11,553,670	11,579,370	11,602,903	11,627,234	
Debt Coverage Ratio	**1.93**	**1.98**	**1.93**	**1.98**	**2.01**	

Capital Resource Summary

	2012	2013	2014	2015	2016	
Funds Available for Capital Budget:						
O& M Available	10,688,802	11,311,095	10,747,386	11,347,630	11,789,241	
All Other Cash (Unrestricted/Restricted for Capital)	35,400,427	37,784,779	30,370,624	26,350,010	22,644,641	
Proceeds from Sale of Vehicles	450,000	575,000	1,000,000	1,025,000	1,070,000	
Total Available for Capital	**$ 46,539,229**	**$ 49,670,874**	**$ 42,118,010**	**$ 38,722,641**	**$ 35,503,881**	
Less: Capital Projects Requested in Budget	**$ 18,754,450**	**$ 19,300,250**	**$ 15,768,000**	**$ 16,078,000**	**$ 16,958,000**	**$ 86,858,700**
Balance of Funds Remaining	**$ 27,784,779**	**$ 30,370,624**	**$ 26,350,010**	**$ 22,644,641**	**$ 18,545,881**	
Proposed Newly Issued Bond Proceeds/Funds	**10,000,000**	-	-	-	-	
Total Balance of All Funds	**$ 37,784,779**	**$ 30,370,624**	**$ 26,350,010**	**$ 22,644,641**	**$ 18,545,881**	
Maintaining 20% of Gross Revenues:	**$ 12,109,516**	**$ 12,518,098**	**$ 12,921,831**	**$ 13,335,197**	**$ 13,749,088**	
Differ of:	**$ 25,675,263**	**$ 17,852,526**	**$ 13,428,179**	**$ 9,309,444**	**$ 4,796,793**	**34.89%**
	Sufficient	**Sufficient**	**Sufficient**	**Sufficient**	**Sufficient**	

11/1/11