

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 8, 2021**

**NEW AND REFUNDING ISSUES**

**Book-Entry-Only**

**RATING:**  
**(See “Rating” herein)**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2021 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). See “TAX MATTERS” herein.*



**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**

**\$13,240,000\* Water System Revenue Bonds, Series 2021-A (the “Series 2021-A Bonds”)**

**\$11,495,000\* Water System Revenue Refunding Bonds, Series 2021-B (the “Series 2021-B Bonds”)**

**Dated:** Date of Delivery

**Due:** As shown on inside cover

The Series 2021-A Bonds and the Series 2021-B Bonds (collectively, the “Series 2021 Bonds”) will be issued by the Buffalo Municipal Water Finance Authority (the “Authority”), pursuant to the Buffalo Municipal Water Finance Authority Act, constituting Title 2-B of Article 5 of the Public Authorities Law of the State of New York, as amended. The Series 2021-A Bonds are being issued for the purpose of financing certain repairs and improvements to the water system (the “System”) owned and operated by the Buffalo Water Board (the “Board”) and to pay certain other expenses, including costs of issuance of the Series 2021-A Bonds. The Series 2021-B Bonds are being issued for the purpose of refunding all or a portion of the outstanding principal amounts of the Water System Revenue Bonds, Series 2012-A (the “Refunded Bonds”) of the Authority and to pay certain other expenses, including costs of issuance of the Series 2021-B Bonds.

The Series 2021 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and lien on the gross revenues of the System.

THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2021 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK, THE CITY OF BUFFALO, NEW YORK (THE “CITY”), OR THE BOARD AND NEITHER THE STATE OF NEW YORK, THE CITY, NOR THE BOARD IS LIABLE ON THE BONDS.

The Series 2021 Bonds are subject to redemption prior to maturity, as described herein. See “OPTIONAL REDEMPTION” herein.

The Series 2021 Bonds are issuable in the form of fully registered bonds without coupons in the denominations of \$5,000 or integral multiples thereof. The Series 2021 Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for the Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2021 Bonds. Individual purchases will be made in book-entry only form (without certificates) in the principal amount of \$5,000 or integral multiples thereof. So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee for DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid and shall not mean the Beneficial Owners of the Series 2021 Bonds.

Interest on the Series 2021 Bonds is payable on January 1 and July 1, commencing on July 1, 2022.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as aforesaid, principal and interest will be payable by U.S. Bank, National Association, New York, New York, as Trustee and Paying Agent, directly to Cede & Co., as nominee for DTC. Disbursements of such payments to Direct Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants. See “THE SERIES 2021 BONDS” and “BOOK-ENTRY ONLY SYSTEM” herein.

*The Series 2021 Bonds are offered, subject to prior sale, when, as and if issued by the Authority and received by the Underwriter, subject to the approval of legality of the Series 2021 Bonds by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority, the Board and the City by the City’s Corporation Counsel, and for the Underwriter by Harris Beach PLLC, Buffalo, New York. Capital Markets Advisors, LLC, Orchard Park, New York, serves as Financial Advisor to the Authority. It is anticipated that the Series 2021 Bonds will be available for delivery in book-entry form through the facilities of The Depository Trust Company on or about December 30, 2021.*

**D.A. Davidson & Co.**

December , 2021

\* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## \$13,240,000\* Water System Revenue Bonds, Series 2021-A

Dated: Date of Delivery

Principal Due: July 1, as shown below  
 Interest Due: July 1, 2022 and semi-annually  
 thereafter on January 1 and July 1

### \$4,680,000\* Serial Bonds

<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP†</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP†</u>
July 1, 2022	\$ 230,000	%	%		July 1, 2030	\$ 320,000	%	%	
July 1, 2023	\$ 245,000	%	%		July 1, 2031	\$ 335,000	%	%	
July 1, 2024	\$ 250,000	%	%		July 1, 2032	\$ 345,000	%	%	
July 1, 2025	\$ 260,000	%	%		July 1, 2033	\$ 360,000	%	%	
July 1, 2026	\$ 275,000	%	%		July 1, 2034	\$ 375,000	%	%	
July 1, 2027	\$ 285,000	%	%		July 1, 2035	\$ 390,000	%	%	
July 1, 2028	\$ 295,000	%	%		July 1, 2036	\$ 405,000	%	%	
July 1, 2029	\$ 310,000	%	%						

\$2,305,000\* % Term Bonds Maturing July 1, 2041\* Priced to Yield %

\$6,255,000\* % Term Bonds Maturing July 1, 2051\* Priced to Yield %

## \$11,495,000\* Water System Revenue Refunding Bonds, Series 2021-B

Dated: Date of Delivery

Principal Due: July 1, as shown below  
 Interest Due: July 1, 2022 and semi-annually  
 thereafter on January 1 and July 1

### \$7,180,000\* Serial Bonds

<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP†</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>CUSIP†</u>
July 1, 2022	\$ 355,000	%	%		July 1, 2030	\$ 495,000	%	%	
July 1, 2023	\$ 375,000	%	%		July 1, 2031	\$ 510,000	%	%	
July 1, 2024	\$ 385,000	%	%		July 1, 2032	\$ 530,000	%	%	
July 1, 2025	\$ 400,000	%	%		July 1, 2033	\$ 555,000	%	%	
July 1, 2026	\$ 415,000	%	%		July 1, 2034	\$ 575,000	%	%	
July 1, 2027	\$ 435,000	%	%		July 1, 2035	\$ 600,000	%	%	
July 1, 2028	\$ 455,000	%	%		July 1, 2036	\$ 625,000	%	%	
July 1, 2029	\$ 470,000	%	%						

\$4,315,000\* % Term Bonds Maturing July 1, 2042\* Priced to Yield %

• † 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 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

\* Preliminary, subject to change

**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY  
CITY HALL  
BUFFALO, NEW YORK 14202**

**MEMBERS**

DONNA J. ESTRICH, CHAIR

MICHAEL J. FINN

MAUREEN A. BRADY

RASHEED N.C. WYATT

---

**BUFFALO WATER BOARD  
CITY HALL  
BUFFALO, NEW YORK 14202**

**MEMBERS**

OLUWOLE A. McFOY, P.E. CHAIRPERSON

WILLIAM L. SUNDERLIN, VICE CHAIRPERSON

GERALD E. KELLY

JESSICA R. BROWN

---

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HAWKINS DELAFIELD & WOOD LLP  
GHD CONSULTING SERVICES, INC.  
CAPITAL MARKETS ADVISORS, LLC  
LISA A. FOTI, CPA

No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representation, other than those contained in this Official Statement. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2021 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 the 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, the Board, and the City since the date hereof. The information set forth herein has been provided by the Authority, the Board, and the City, but is not guaranteed as to its accuracy or completeness and is not construed as a representation by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the Federal 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.

This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its position in this Official Statement. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained herein and the subject matter thereof.

If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” 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 Board or the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Board and the Authority disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Board or the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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## SUMMARY STATEMENT

The following summary is subject in all respects to the additional information contained in this Official Statement, including the Appendices attached hereto, and was prepared in connection with the Authority's sale of its \$13,240,000\* Water System Revenue Bonds, Series 2021-A (the "Series 2021-A Bonds") and \$11,495,000\* Water System Revenue Refunding Bonds, Series 2021-B (the "Series 2021-B Bonds," and, together with the Series 2021-A Bonds, the "Series 2021 Bonds"). Defined terms have the same meaning herein as elsewhere in the text.

### USE OF PROCEEDS

The Series 2021-A Bonds are being issued (i) to finance certain improvements to the System and (ii) to pay certain other expenses, including debt service reserve requirements and costs of issuance of the Series 2021-A Bonds.

The Series 2021-B Bonds are being issued to (i) refund all or a portion of the outstanding principal amount of the Authority's Water System Revenue Bonds, Series 2012-A (the "Refunded Bonds") and (ii) to pay certain other expenses, including costs of issuance of the Series 2021-B Bonds.

### THE SYSTEM

The System provides an average of 67.8 million gallons per day (mgd) of water to 74,750 active accounts. It supplies water within the City of Buffalo and a small number of commercial and residential accounts surrounding the City of Buffalo and consists of approximately 812 miles of pipe, 19,813 line valves, 7,998 fire hydrants, one active Water Intake, two Pumping Plants, a Pumping Plant Complex housing a Distribution department, inventory stores, one Filtration Plant, one treated water Reservoir and five Storage Tanks.

### IMPACT OF THE NOVEL CORONAVIRUS OUTBREAK

The coronavirus pandemic has had, and is expected to continue to have, negative effects on the City, its economy and the System, including on the projected Revenues of the System. The most recent projections of Revenues are reflected in this Official Statement. However, the ultimate impact of the pandemic on Revenues cannot be determined at this time and no assurance can be provided that the economic disruptions caused by the pandemic will not result in Revenues being lower than projected herein. See "INTRODUCTORY STATEMENT – Impact of the Novel Coronavirus Outbreak" and "FINANCIAL OPERATIONS – Forecasted Debt Service Coverage and Projected Rate Increases."

### CAPITAL IMPROVEMENTS PROGRAM

The current Capital Improvement Plan as approved by the Board covers the period through Fiscal Years 2021-2026 and assuming the implementation of this program and continued maintenance and service to System facilities, the expected life of the System should exceed 30 years, except for the water metering facilities which should exceed 20 years (see "APPENDIX B - ENGINEERING REPORT - 2021 EVALUATION OF THE BUFFALO WATER SYSTEM").

REVENUE  
PLEDGE

The Series 2021 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of all rates, fees, charges, payments and other income received by the Board (the “Revenues”) (except certain monies or securities on deposit or required to be deposited in the Rebate Fund) all moneys or securities in any of the Funds and Accounts established under the Resolution (other than the Rebate Fund), and all other moneys and securities to be received, held or set aside pursuant to the Resolution; subject only to provisions of the Resolution, the Act and the Financing Agreement relating to the use and application thereof.

DEBT SERVICE  
RESERVE  
FUND

The Authority will maintain appropriate balances in the Debt Service Reserve Fund so that the amount on deposit therein will be equal to the Debt Service Reserve Requirement as defined in the Resolution.

RATE  
COVENANT

The Board has covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues received by the Board in such Fiscal Year will be at least equal to the sum of (i) 115% of estimated Aggregate Debt Service on all outstanding bonds and on any Projected Series of Bonds payable in such Fiscal Year, and (ii) 100% of the Operating Expenses, Authority Expenses and Required Deposits for such Fiscal Year. It should be noted that recent policy and practice of the Board has been to establish rates at a level sufficient to increase the Revenue for the Fiscal Year so that it is at least equal to 150% of Aggregate Debt Service payable in such Fiscal Year on all Bonds Outstanding and on any series of Bonds expected to be Outstanding during such Fiscal Year and 100% of the Operating Expenses, Authority Expenses and Required Deposits for such Fiscal Year, but there can be no assurances that such policy and practice will be extended.

TRUSTEE

U.S. Bank, National Association (the “Trustee”) will serve as Trustee for the Series 2021 Bonds pursuant to the Resolution.

RATES

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval, except as provided by law with respect to the supply of water to certain users outside of the City.

ADDITIONAL  
BONDS

Additional Bonds secured on a parity with the Series 2021 Bonds and the Outstanding Bonds may be issued to pay for capital improvements to the System, to refund all Outstanding Bonds and, upon authorization by the City, to refund outstanding general obligation Bonds or Notes of the City issued for System related purposes. Additional Bonds will be issued subject to financial tests specified in the Resolution, as described herein.



THE  
AUTHORITY

The Authority, a separate legal entity established in 1985 and activated in 1992, has the power (i) to issue Bonds for any of its corporate purposes, including the financing of the acquisition of and renovations and improvements to the System by the Board, (ii) to require the Board to fix rates sufficient to pay the costs of operation and financing the System, and (iii) to require the Board to adequately maintain the System. The Authority has no taxing power.

THE BOARD

The Board, a separate legal entity established in 1985 and activated in 1992, acquired the System from the City on September 24, 1992. It is authorized to fix and collect rates, fees, rents and other service charges adequate to pay, among other things, the cost of operating and financing the System.

THE  
FINANCING  
AGREEMENT

Pursuant to the Financing Agreement, as amended, the Authority has agreed to finance all or a portion of the costs of the Projects through the issuance of bonds or other indebtedness secured by Revenues.

THE  
OPERATION  
AGREEMENT

Pursuant to the Operation Agreement, the Board is responsible for the management, operation, maintenance and repair of the System. The operation of the System may include the engagement of independent contractors for the fulfillment of the Board's duties and obligations with respect to the System.

THE  
MANAGEMENT  
AGREEMENT

On May 13, 2020, the Board approved a contract with Veolia Water North America-Northeast, LLC ("Veolia") for the management of the System. The agreement executed by Veolia has a term of ten (10) years commencing July 1, 2020. Furthermore, the Board and Veolia have agreed to use the services of the employees of the City of Buffalo, Division of Water to operate, maintain, repair and improve the System as provided for in the Management Agreement with Veolia. (See "THE BOARD - Management of the System" and "APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Management Agreement").

CONTINUING DISCLOSURE

The Authority and the Board have undertaken to provide certain annual financial and operating information and information regarding certain events (see "CONTINUING DISCLOSURE OBLIGATIONS" and "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT").

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## OFFICIAL STATEMENT

### BUFFALO MUNICIPAL WATER FINANCE AUTHORITY

#### **\$13,240,000\* Water System Revenue Bonds, Series 2021-A** **\$11,495,000\* Water System Revenue Refunding Bonds, Series 2021-B**

### INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, summary statement and appendices, presents information relating to the System (as hereinafter defined); the Buffalo Municipal Water Finance Authority (the "Authority"), a public benefit corporation created by the Buffalo Municipal Water Finance Authority Act, as amended (the "Authority Act"), constituting Title 2- B of Article 5 of the Public Authorities Law of the State of New York (the "State"); the Buffalo Water Board (the "Board"), a corporate municipal instrumentality and public benefit corporation created by Chapter 368 of the New York Laws of 1985, (the "Board Act") (the "Board Act" and the "Authority Act" are, for purposes of this Official Statement, hereinafter collectively referred to as the "Act"); and the Authority's \$13,240,000\* Water System Revenue Bonds, Series 2021-A (the "Series 2021-A Bonds") and \$11,495,000\* Water System Revenue Refunding Bonds, Series 2021-B (the "Series 2021-B Bonds" and, together with the Series 2021-A Bonds, the "Series 2021 Bonds").

The Series 2021 Bonds will be issued by the Authority pursuant to its Water System General Revenue Bond Resolution (the "General Resolution"), adopted on November 20, 1992, as amended and supplemented from time to time, including as supplemented by its Thirty-First Supplemental Water System Revenue Bond Resolution, adopted by the Authority on December \_\_, 2021 (the "Supplemental Resolution"). The General Resolution, as supplemented by the Supplemental Resolution and as the same may be further amended or supplemented, is referred to herein as the "Resolution". The Authority has appointed U.S. Bank, National Association, New York, New York, to act as trustee (the "Trustee") under the Resolution.

The Series 2021 Bonds are being issued (i) to finance certain improvements to the System, (ii) to currently refund the outstanding principal amount of the Authority's Water System Revenue Bonds, Series 2012-A (the "Refunded Bonds") and (iii) to pay certain other expenses, including costs of issuance of the Series 2021 Bonds.

Pursuant to an Acquisition Agreement dated as of September 24, 1992 (the "Acquisition Agreement") by and between the Board and the City of Buffalo (the "City"), the Board acquired title to the City's facilities for the collection, transmission and distribution of water (the "System"). Pursuant to the Operation Agreement amendment dated as of August 1, 1997 (the "Operation Agreement"), the Board is responsible for the management, operation, maintenance and repair of the System. The operation of the System may include the engagement of independent contractors for the fulfillment of the Board's duties and obligations with respect to the System. On May 13, 2020, the Board approved a contract with Veolia Water North America-Northeast, LLC ("Veolia") for the management of the System (the "Management Agreement"). The Management Agreement executed with Veolia has a term of ten (10) years commencing July 1, 2020. Furthermore, the Board has agreed to use the services of the employees of the City of Buffalo, Division of Water to operate, maintain, repair and improve the System as provided for in the Management Agreement with Veolia.

The Board has also entered into a Financing Agreement, dated as of September 24, 1992, as amended as of July 7, 1995, June 19, 1996, August 1, 1997, September 15, 2005, April 17, 2019 and

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\* Preliminary, subject to change

December \_\_, 2021 (the “Financing Agreement”), with the Authority and the City to provide for, among other things, the financing of capital improvements to the System through the issuance of bonds or other obligations of the Authority. The Financing Agreement expressly incorporates both the Acquisition Agreement and the Operation Agreement.

The Series 2021 Bonds are special obligations of the Authority, payable solely from and secured by a pledge of all rents, fees, charges, payments and other income received by the Board from users of the System and all investment proceeds received by the Board (collectively, “Revenues”) (except certain moneys or securities on deposit or required to be deposited in the Rebate Fund), all moneys or securities in any of the Funds and Accounts established under the Resolution (other than the Rebate Fund) and all other moneys and securities to be received, held or set aside pursuant to the Resolution; subject only to provisions of the Resolution, the Act and the Financing Agreement relating to the use and application thereof. The Board has covenanted in the Financing Agreement to maintain rates, fees and charges at sufficient levels so that Revenues received by the Board in each Fiscal Year will be at least equal to the sum of (i) 115% of the principal and interest coming due and projected to become due in such Fiscal Year on the Bonds, and (ii) 100% of the operation and maintenance expenses for the System and the Authority and (iii) 100% of the Required Deposits (see “SECURITY FOR THE SERIES 2021 BONDS”).

**THE AUTHORITY HAS NO TAXING POWER. NEITHER THE STATE, NOR THE CITY, NOR THE BOARD NOR ANY SUBDIVISION THEREOF WILL BE LIABLE ON THE BONDS AND SUCH BONDS WILL NOT BE A DEBT OF THE STATE, THE CITY OR THE BOARD NOR ANY SUBDIVISION THEREOF.**

Rates, fees and charges are established by the Board and are not subject to regulatory approval, nor are they subject to other regulations under current law, except as provided by law with respect to the supply of water to certain users outside the City (see “GOVERNMENTAL REGULATION” and “RATES AND BILLING”).

Authority financing will pay for actual expenditures for improvements to be completed by vendors under construction contracts. Pursuant to the Financing Agreement, the Authority must retain an independent Consulting Engineer who shall recommend improvements to the System and provide estimates of the costs of such improvements. The approved Capital Improvement Plan (“CIP”) anticipates an investment of approximately \$238 million in the aggregate for Fiscal Years 2022 through 2027. The Authority anticipates that substantially all of the funds to implement the CIP will be provided from stimulus funding under the American Rescue Plan and Infrastructure Investment and Jobs Act, future bond issues and Revenues. For further information regarding the CIP, see “THE SYSTEM - Approved Capital Improvement Plan” and “APPENDIX B - ENGINEERING REPORT- 2021 EVALUATION OF THE BUFFALO WATER SYSTEM.”

The estimates, forecasts and projections contained in this Official Statement are based on, among other factors, evaluations of historical revenue and expenditure data and analyses of economic trends. The financial forecasts contained herein and in APPENDIX C hereto are subject to certain contingencies, which cannot be quantified and are subject to the uncertainties inherent in any attempt to forecast the results of future operations; accordingly, such financial forecasts are subject to periodic revision, which may involve substantial change. Consequently, the Authority and the Underwriters make no representation or warranty that these estimates and projections will be realized.

This Official Statement contains brief descriptions of the Series 2021 Bonds, the Authority, the Board and the System, together with other information including summaries of the terms of the Series 2021 Bonds, the Financing Agreement, the Acquisition Agreement, the Operation Agreement, the

Management Agreement, and the Resolution. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Financing Agreement, the Acquisition Agreement, the Operation Agreement, the Management Agreement, the Resolution, and the Series 2021 Bonds are qualified by reference to such documents or instruments in their entirety. Copies of the Financing Agreement, the Acquisition Agreement, the Operation Agreement, the Management Agreement, and the Resolution are available from the Authority. Unless otherwise indicated herein, capitalized terms not otherwise defined herein will have the meanings given to such terms in APPENDIX E hereto.

The outbreak of the novel coronavirus has been declared a pandemic by the World Health Organization. The outbreak has altered the behavior of businesses and people in a manner that has had, and is expected to continue to have, negative effects on the City and its economy. Drinking water quality, water supply and wastewater treatment have not been affected by the outbreak of the virus. However, the impact of the virus is projected to negatively affect Cash Receipts of the System. For additional information on projected Cash Receipts, see “FINANCIAL OPERATIONS – Forecasted Debt Service Coverage and Projected Rate Increases.” For additional information on the impact of the coronavirus outbreak on the operations of the System, see “THE SYSTEM – Impact of the Novel Coronavirus Outbreak on the Operations of the System.”

**PLAN OF FINANCE AND SOURCES AND USES OF FUNDS**

**SERIES 2021-A BONDS**

The Series 2021-A Bonds are being issued to finance the cost of projects included in the five-year Capital Improvement Plan approved by the Board in 2021 and to pay certain other expenses, including debt service reserve requirements and costs of issuance in the amounts as set forth below (exclusive of accrued interest, which shall be deposited in the Debt Service Fund). Any proposed application of proceeds to projects not included in the Capital Improvement Plan will require an amendment to the Financing Agreement.

**Sources:**

Par Amount of Series 2021-A Bonds	\$	
Original Issue Discount/Premium		
Total:	\$	_____

**Uses:**

Deposit to Construction Fund – New Projects	\$	
Underwriting Discount		
Costs of Issuance, Bond Insurance and Contingency		
Total:	\$	_____

**SERIES 2021-B BONDS**

The Series 2021-B Bonds are being issued to currently refund the Refunded Bonds, and to pay certain other expenses, including costs of issuance in the amounts as set forth below (exclusive of accrued interest, which shall be deposited in the Debt Service Fund). A portion of the proceeds of the Bonds will be used to refund the specific maturities of the Authority’s Series 2012-A Bonds in the principal amounts shown below (the “Refunded Bonds”), all of which were issued previously by the Authority under the

Resolution. Such proceeds will be deposited with the Trustee to be held for the redemption of the Refunded Bonds on their redemption date and at their respective redemption prices shown below.

**Table of Refunded Bonds\***  
**Buffalo Municipal Water Finance Authority (New York) Water System Revenue Bonds, Series**  
**2012-A**

<u>Maturing July 1,</u>	<u>Principal Amount Outstanding</u>	<u>Principal Amount To be Refunded</u>	<u>Call Date</u>	<u>Redemption Price</u>	<u>CUSIP Number†</u>
2022	\$450,000	\$450,000	01-31-2022	100%	119699HH2
2023	465,000	465,000	01-31-2022	100%	119699HJ8
2024	475,000	475,000	01-31-2022	100%	119699HK5
2025	490,000	490,000	01-31-2022	100%	119699HL3
2026	505,000	505,000	01-31-2022	100%	119699HM1
2027	525,000	525,000	01-31-2022	100%	119699HN9
2028	545,000	545,000	01-31-2022	100%	119699HP4
2029	560,000	560,000	01-31-2022	100%	119699HQ2
2030	585,000	585,000	01-31-2022	100%	119699HR0
2031	605,000	605,000	01-31-2022	100%	119699HS8
2032	625,000	625,000	01-31-2022	100%	119699HT6
2033	650,000	650,000	01-31-2022	100%	119699HU3
2034	675,000	675,000	01-31-2022	100%	119699HV1
2035	700,000	700,000	01-31-2022	100%	119699HW9
2036	730,000	730,000	01-31-2022	100%	119699HX7
2037	760,000	760,000	01-31-2022	100%	119699HY5
2042	4,290,000	4,290,000	01-31-2022	100%	119699HZ2

† 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 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

\*Preliminary Subject to Change

**Sources:**

Par Amount of Series 2021-B Bonds	\$
Original Issue Discount/Premium	
Transfer from Debt Service Reserve Fund/Surplus Fund	
Transfer from Refunded Bonds Debt Service Fund	
Transfer from Refunded Bonds Construction Fund	
Total:	\$ _____

**Uses:**

Deposit to Escrow Fund	\$
Underwriting Discount	
Costs of Issuance, Bond Insurance and Contingency	
Total:	\$ _____

**AUTHORIZATION FOR THE SERIES 2021 BONDS**

The Authority will issue the Series 2021 Bonds pursuant to the Act and the Resolution. Under the terms of the Act, the Authority is empowered to issue bonds to pay the cost of any water projects, to refund bonds then outstanding or for other Authority purposes, and to authorize the execution of the Resolution in connection with such issuance.

## THE SERIES 2021 BONDS

The following is a summary of certain provisions of the Series 2021 Bonds. Reference is made to the Series 2021 Bonds for the complete text thereof and to the Resolution for all of the provisions relating to the Series 2021 Bonds. The discussion herein is qualified by such reference. For a more detailed description of such provisions, see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Resolution”. Any reference herein to the Bonds or to the Resolution or other similar documents shall be deemed to mean the Bonds of a particular series or the documents related thereto, unless the context or use clearly indicates otherwise.

### General

The Series 2021 Bonds shall be dated the date of delivery of and payment for the Series 2021 Bonds, shall bear interest from such date, payable July 1, 2022, and semi-annually thereafter on January 1 and July 1 of each year at the rates and shall mature on the dates and in the principal amounts as set forth on the inside front cover of this Official Statement. Interest on the Series 2021 Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. The Series 2021 Bonds will be issued only as fully registered bonds without coupons in the denominations of \$5,000 or any multiple thereof not exceeding the aggregate principal amount of each series of the Series 2021 Bonds maturing in such year. The principal of and interest on all Series 2021 Bonds are payable at the corporate trust office of the Trustee in New York, New York.

So long as The Depository Trust Company (“DTC”) or its nominee, Cede & Co., is the registered owner of the Series 2021 Bonds, all payments with respect to the principal of and interest on the Series 2021 Bonds and all notices with respect to the Series 2021 Bonds will be made by the Paying Agent directly to Cede & Co., as nominee for DTC. Disbursements of such payments to the participants of DTC (“DTC Participants”) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners (as herein defined) of the Series 2021 Bonds is the responsibility of the DTC Participants and not the Authority or the Paying Agent. See “BOOK-ENTRY-ONLY SYSTEM.”

In connection with any notice or other communication to be provided to holders of the Series 2021 Bonds pursuant to the Resolution or the Supplemental Resolution by the Authority or the Trustee with respect to any consent or other action to be taken by holders of the Series 2021 Bonds, the Authority or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Bond Depository or its nominee notice of such record date.

### Mandatory Sinking Fund Redemption

The Series 2021-A Bonds maturing July 1 in the years 2041\* and 2051\* will be subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments, which are required to be made in amounts sufficient to redeem on July 1 in each of the years and in the respective principal amounts per maturity as follows:

SERIES 2021-A TERM BOND MATURING JULY 1, 2041*		SERIES 2021-A TERM BOND MATURING JULY 1, 2051*	
Year*	Amount*	Year*	Amount*
2037	\$425,000	2042	\$520,000
2038	\$440,000	2043	\$540,000
2039	\$460,000	2044	\$560,000
2040	\$480,000	2045	\$585,000
2041**	\$500,000	2046	\$610,000
		2047	\$635,000
		2048	\$660,000
		2049	\$685,000
		2050	\$715,000
		2051**	\$745,000

\*Preliminary, subject to change

\*\*Maturity

The Series 2021-B Bonds maturing July 1 in the year 2042\* will be subject to mandatory sinking fund redemption prior to maturity in part, by lot, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date, from mandatory sinking fund installments, which are required to be made in amounts sufficient to redeem on July 1 in each of the years and in the respective principal amounts per maturity as follows:

SERIES 2021-B TERM BOND MATURING JULY 1, 2042*	
Year*	Amount*
2037	\$650,000
2038	\$675,000
2039	\$705,000
2040	\$730,000
2041	\$760,000
2042**	\$795,000

\* Preliminary, subject to change

\*\*Maturity

As soon as practicable after the 45th day preceding the due date of any such sinking fund redemption, the Trustee will proceed to call for redemption on such redemption date, Series 2021 Bonds of the maturity for which such sinking fund redemption was established in such amount as is necessary to complete the retirement of the principal amount specified for such sinking fund redemption. The Trustee will apply to the redemption of the Series 2021 Bonds on each such redemption date, the amount required for the redemption of such Series 2021 Bonds.

The amounts accumulated for each sinking fund installment may be applied by the Trustee, and if so directed by the Authority shall, prior to the 45th day preceding the due date of such sinking fund installment, be applied by the Trustee to the purchase or redemption of the respective Series 2021-A Bonds maturing 2041 and 2051 and the Series 2021-B Bonds maturing in the year 2042 at prices not exceeding the applicable redemption price, plus accrued interest to the date of purchase.



At the option of the Authority, there shall be applied to or credited against any of the required sinking fund redemption amounts with respect to the Series 2021 Bonds, the principal amount of any such Series 2021 Bonds subject to such sinking fund redemption that have been optionally redeemed or purchased and cancelled and not previously so applied or credited.

### **Optional Redemption**

The Series 2021 Bonds of each Series maturing on or after July 1, 2030 will be subject to redemption prior to maturity at the option of the Authority on July 1, 2029 and thereafter on any date, as a whole or in part, as specified by the Authority, in such order of maturity within a series as may be determined by the Authority (selected by lot within a maturity), at par, plus accrued interest to the date of redemption.

Notice of redemption shall be given by mailing such notice to the registered holders of the Series 2021 Bonds to be redeemed at their respective addresses as shown upon the registration books of the Paying Agent at least 30 days prior to the date set for any such redemption. If notice of redemption shall have been given as aforesaid, the Series 2021 Bonds so called for redemption shall become due and payable at the applicable redemption price on the redemption date designated in such notice, and interest on such Series 2021 Bonds shall cease to accrue from and after such redemption date.

### **Transfer of Bonds**

The Series 2021 Bonds shall be initially issued in the form of separate single authenticated fully registered bond certificates in the amount of each separate stated maturity of each series of the Series 2021 Bonds. Upon initial issuance (i) the ownership of such Series 2021 Bonds shall be registered in the registry books of the Authority in the name of Cede & Co., as nominee of DTC, the initial Bond Depository with respect to the Series 2021 Bonds, and (ii) the Series 2021 Bonds will be deposited with DTC to be held in trust until maturity or prior redemption, if any. Beneficial owners of the Series 2021 Bonds will not receive certificates representing their interest in the Series 2021 Bonds. Unless the Authority determines otherwise, transfers or exchanges of ownership interest in the Series 2021 Bonds may be accomplished via book-entry transactions only, as recorded through the book-entry system established and maintained by DTC or a successor Bond Depository.

Upon receipt by the Authority and the Trustee of written notice from the Bond Depository to the effect that the Bond Depository is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of the Bond Depository hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, then the Series 2021 Bonds shall no longer be restricted to being registered in the registry books of the Authority kept by the Trustee in the name of the nominee of the Bond Depository, but may be registered in whatever name or names the beneficial owners transferring or exchanging Series 2021 Bonds shall designate, in accordance with the provisions of the Resolution and the Supplemental Resolution.

In the event the Authority determines to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository), the Authority may notify the Bond Depository and the Trustee, whereupon the Bond Depository or its nominee will notify the Bond Depository's participants, of the availability through the Bond Depository or such nominee of Series 2021 Bond certificates. In such event, the Trustee shall issue, register the transfer of and exchange Series 2021 Bond certificates as requested to the Bond Depository and any other Series 2021 Bond owners in appropriate amounts.

The Authority and each Fiduciary may deem and treat the person in whose name any Series 2021 Bond shall be registered upon the books of the Authority as the absolute owner thereof, whether such Series 2021 Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the

principal or Redemption Price of such Series 2021 Bond and for all other purposes and all such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Authority nor any Fiduciary shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging or transferring Series 2021 Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver the Series 2021 Bonds in accordance with the provisions of the Resolution. For every such exchange or transfer of Series 2021 Bonds, the Authority or the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer but may impose no other charge therefor. Neither the Authority nor the Trustee shall be required to make any such exchange or transfer of Series 2021 Bonds during the 15 days next preceding an Interest Payment Date or, in the case of any proposed redemption, during the 15 days next preceding the first publication or mailing of notice of redemption.

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

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2021 Bonds. The Series 2021 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. One fully-registered bond certificate will be issued for each maturity in the aggregate principal amount of each series of the Series 2021 Bonds, and will be deposited with DTC.

DTC, the world’s largest securities 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.dtcc.com](http://www.dtcc.com).

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC’s records. The ownership interest of each actual purchaser of the Series 2021 Bonds (“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 2021 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 Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 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 Series 2021 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 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 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. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Series 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021 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 Trustee, 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, Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, 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 and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered. 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, Series 2021 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, the Underwriter and the Trustee do not take responsibility for the accuracy thereof.

None of the Authority, the Trustee, or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Series 2021 Bonds, or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2021 Bonds.

**NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.**

## **SECURITY FOR THE SERIES 2021 BONDS**

### **Revenues**

The Act empowers the Board to establish, fix, revise, charge, collect and enforce the payment of all fees, rates, rents and other service charges for the use of, or services provided by, the System in order to receive Revenues sufficient to place the System on a self-sustaining basis and to make payments to the City pursuant to the Financing Agreement. All Revenues of the System will be deposited by the Board in the Local Water Fund established pursuant to the Act and in the custody of the Board. Under the Act, a statutory lien is created upon the Revenues in favor of the payment of all amounts due pursuant to the Financing Agreement and in the order and priority set forth in such agreement. The Act provides that such lien shall be a first lien upon the Revenues. In the event that the Board fails to make any required payment to the Authority, the Authority or the Trustee may petition for the appointment, by any court having jurisdiction, of a receiver to administer the affairs of the Board, and, with court approval, establish rates and charges to provide Revenues sufficient to make required payments. The statutory lien, however, does not give any holder or owner of any Bond issued by the Authority power to compel the sale of any part of the System.

The City and the Board have covenanted in the Financing Agreement and Operation Agreement that the Board shall manage, operate, maintain and repair the System. Such obligation to operate and maintain the System may be enforced by the Authority in accordance with the provisions of the Act and the terms of the Financing Agreement and the Operation Agreement. Pursuant to the Operation Agreement, the City certifies to the Board on an annual basis the amounts expected to be required to operate and maintain the System. The Board pays such amounts, as described below, after receipt by the Board of an annual certificate of the Consulting Engineer or the Rate Consultant to the effect that such amounts are reasonable and appropriate.

## **Flow of Funds**

Beginning on the first day of each month, the Board is required to transfer the Revenues in the General Account of the Local Water Fund to the Trustee for deposit in the Revenue Fund, until the amount on deposit in the Revenue Fund and the Debt Service Fund combined equals the Minimum Monthly Balance for all outstanding bonds in such month and the Trustee has additionally received amounts necessary to satisfy any Required Deposits for such month (see “APPENDIX E -GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Financing Agreement - Minimum Monthly Balance”). Thereafter in such month from the balance remaining in the General Account of the Local Water Fund, the Board is required, after transferring budgeted money to the Board Expense Account in the Local Water Fund to pay monthly Board Expenses, to transfer to the Operation Account in the Local Water Fund, for credit against the amount due from the Board to the City for Operating Expenses, 1/12 of the Operating Expenses for such Fiscal Year; however, the City may provide an alternative payment schedule, which must be agreed to by the Rate Consultant. After making such transfer, any amounts remaining in the General Account of the Local Water Fund in each month are paid to the Operation and Maintenance Reserve Account and the Ongoing Project Account in the Local Water Fund. For a more complete description of the required payments from the General Account of the Local Water Fund, see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Financing Agreement - Establishment of Certain Accounts and Application of Revenues in the Local Water Fund”.

Under the Resolution, all Revenues received by the Authority from the Board will be deposited promptly in the Revenue Fund. As soon as practicable in each month after the deposit of Revenues, the Trustee will, from the amounts in the Revenue Fund, make the deposits in the Funds and Accounts established under the Resolution (see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Resolution - Payments Into Certain Funds”).

## **Parity Obligations**

The Series 2021 Bonds will be on a parity with Bonds heretofore and hereafter issued pursuant to the Resolution and the Act and are payable from and secured by a pledge of all Revenues (except certain moneys or securities on deposit or required to be deposited in the Rebate Fund) and all other moneys and securities to be received, held or set aside pursuant to the Resolution; subject only to the provisions of the Resolution, the Act and the Financing Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein. Reimbursement Obligations created pursuant to the Resolution may only be on a parity with the Bonds to the extent that such Reimbursement Obligations shall not exceed 25% of the principal amount of Bonds then Outstanding (see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Resolution” and “- Summary of the Financing Agreement”).

On September 15, 2005, the Resolution was amended by the Sixteenth Supplemental Resolution to allow the Authority to enter into various Qualified Swap transactions. The Resolution provides that swap payments made by the Authority are to be paid from the Subordinated Indebtedness Fund. Swap payments received by the Authority are to be paid into the Authority Revenue Fund. The Authority may calculate Debt Service and Required Deposits with respect to any Bonds that are Outstanding or proposed to be issued using the fixed interest rate on any floating-to-fixed Qualified Swap Agreement for the principal amount of Bonds equal to the notional amount set forth in such Qualified Swap Agreement, and the principal amount of such Bonds will not constitute Variable Rate Bonds for the purposes of the definition of Debt Service Reserve Fund Requirement and Sections 206 and 207 of the Resolution, but only for the period during which such Qualified Swap Agreement is in effect. The Authority also adopted an Interest Rate Swap Policy to confirm the commitment of the Authority, its Board, management, staff

and advisors to adhere to sound financial and risk management practices in connection with the use of interest rate and other swaps, caps, options, basis swaps, rate locks, total return swaps and other similar products, and setting forth guidelines for their execution and management. The Authority currently is not a party to any of these swap transactions.

### **Debt Service Reserve Fund**

The Resolution establishes a Debt Service Reserve Fund and a Common Account therein. The Resolution requires that upon the issuance of each series of Bonds there shall be deposited into the Common Account (unless the Supplemental Resolution for a series of Bonds establishes a Special Account for such Series) an amount necessary to make the amount on deposit, together with any applicable Financial Guaranty, equal to the Debt Service Reserve Requirement for all Bonds Outstanding to which the Common Account relates, after giving effect to the issuance of such Bonds. The Debt Service Reserve Requirement on any date of calculation, and for any Fiscal Year, shall be an amount equal to the lesser of (i) maximum Aggregate Debt Service in the then current or any future Fiscal Year on all Bonds outstanding, (ii) 125% of average annual Aggregate Debt Service on all Bonds outstanding or (iii) 10% of the principal amount of the Bonds outstanding, as more fully described in “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Resolution”. Amounts on deposit in the Common Account will be applied, to the extent Revenues or amounts advanced on behalf of the Authority under the terms of a Credit Facility are not available pursuant to the Resolution, to pay Principal Installments and interest on Bonds. The Resolution also provides that any Supplemental Resolution providing for a Credit Facility to secure the payment of any Bonds may establish one or more “Special Accounts” in the Debt Service Reserve Fund for such payment. The Debt Service Reserve Requirement for Bonds secured by a Credit Facility may be limited to an amount not in excess of the maximum Debt Service on such Bonds in the current or any future Fiscal Year and may be satisfied in whole or in part by a Financial Guaranty.

In lieu of making cash deposits to the Debt Service Reserve Fund, the Authority may satisfy the Debt Service Reserve Requirement by depositing Financial Guaranties into the Debt Service Reserve Fund (see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Resolution”).

### **Rate Covenant**

The Board has covenanted in the Financing Agreement to establish, fix and revise, from time to time, fees, rates, rents or other charges for the use of, or the services furnished by, the System to provide, together with any other available funds, for (i) the timely payment of debt service on the Series 2021 Bonds, the Outstanding Bonds and the principal of and interest on any other indebtedness of the Authority payable from Revenues, (ii) the proper operation and maintenance of the System, (iii) all other payments required for the System not otherwise provided for, and (iv) all other payments including payments to the City and debt service on City General Obligation Water Supply Serial Bonds previously issued that are required pursuant to the Financing Agreement and the Operation Agreement.

Without limiting the generality of the foregoing, the Board has covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of (i) 115% of Aggregate Debt Service payable in such Fiscal Year on all Bonds Outstanding and on any series of Bonds expected to be Outstanding during such Fiscal Year, and (ii) 100% of the Operating Expenses, Authority Expenses and Required Deposits for such Fiscal Year. A failure to generate Revenues as set forth in this paragraph shall not constitute an “event of default” under the Financing Agreement if the Board takes timely action to correct any such deficiency as described in the following paragraph. Pursuant to the Financing Agreement the portion of accrued surplus in the Operation and Maintenance Reserve Account at the end of any Fiscal Year that exceeds

ten percent (10%) of the total Annual Budget of the Board for such Fiscal Year shall be deemed to be Revenues collected for the next Fiscal Year of such Annual Budget. (It should be noted that recent policy and practice of the Board has been to establish rates at a level sufficient to increase the Revenue for the Fiscal Year so that it is at least equal to 150% of Aggregate Debt Service payable in such Fiscal Year on all Bonds Outstanding and on any series of Bonds expected to be Outstanding during such Fiscal Year and 100% of the Operating Expenses, Authority Expenses and Required Deposits for such Fiscal Year, but there can be no assurances that such policy and practice will be extended.)

The Board has covenanted in the Financing Agreement to review the adequacy of fees, rates, rents or other charges at least annually. If such annual or more frequent review, or the report of the Rate Consultant required pursuant to the Financing Agreement, indicates that the rates, fees and charges are or will be insufficient to meet the requirements of the rate covenant, the Board will promptly take the necessary action to cure or avoid any such deficiency. In addition, under the Operation Agreement, the City and the Board have agreed to cooperate with each other and pursue all actions necessary to cure or avoid any insufficiency in such rates, fees or other charges within the limits of the funding provided by the Board.

The Board has covenanted in the Financing Agreement that, except as required by law, it will not furnish or supply or cause to be furnished or supplied any product, use or service of the System free of charge (or at a nominal charge) to any person, firm or corporation, public or private, and the Board will enforce the payment of any and all amounts owing to the Board for use of the System. Notwithstanding the foregoing, the Financing Agreement provides that there shall be no charges for any use of the System by the City in pursuance of its governmental functions or for services rendered to the City in connection with such use of the System (see "RATES AND BILLING").

### **Investment of Funds**

The Resolution requires that interest and other earnings on amounts on deposit in all Funds and Accounts established under the Resolution, other than the Construction Fund, the Debt Service Reserve Fund and the Rebate Fund, shall be paid into the Revenue Fund as and when received. Interest earned on monies on deposit in the Rebate Fund shall be held in the Rebate Fund until required for payment to the United States Government. Interest and other investment earnings on any moneys or investments in (i) the Debt Service Reserve Fund shall be paid into the Surplus Fund, and (ii) the Construction Fund shall be paid to the Board for deposit in the Local Water Fund, except that interest on invested amounts from the Construction Fund in excess of that allowable by the Arbitrage and Use of Proceeds Certificate shall be paid directly into the Rebate Fund. Amounts so transferred to the Board constitute Revenues under the Financing Agreement and would therefore be considered, together with Revenues derived from the operation of the System, for purposes of compliance by the Board with the rate covenant described above. For a complete definition of Permitted Investments for Authority funds and further restrictions for certain funds see "APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - "Investment Securities" and "Investment of Certain Funds."

### **Conditions Precedent To Delivery of Bonds**

The Resolution provides that the Authority may issue Additional Bonds on a parity with all Bonds Outstanding only upon satisfaction of certain requirements, including, among other things as more fully described in "APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS," receipt by the Trustee of:

*Except in the case of Refunding Bonds*

(a) a certificate by an Authorized Representative of the Authority to the effect that the Revenues for either of the last two Fiscal Years immediately preceding the Fiscal Year in which such

Bonds are to be issued were at least equal to the sum of (i) 115% of the Aggregate Debt Service during such Fiscal Year (excluding from Aggregate Debt Service any Principal Installments, or portion thereof, paid from a source other than Revenues), and (ii) 100% of the sum of the Operating Expenses, Authority Expenses and the Required Deposits for such Fiscal Year.

(b) a certificate of the Consulting Engineer setting forth the projected Operating Expenses and estimated Required Deposits for each of the five Fiscal Years following the issuance of such series of Bonds, plus the Fiscal Year in which such Bonds are issued;

(c) a report by the Rate Consultant as to their examination of a statement that shows that the estimated Revenues for each of the five Fiscal Years following the issuance of such series of Bonds (plus the Fiscal Year in which such Bonds are issued), after giving effect to any increases or decreases in rates, fees and charges projected for such Fiscal Years, will be at least equal to the sum of (i) 115% of the maximum estimated Aggregate Debt Service on all Bonds then Outstanding including the Bonds to be issued, and (ii) 100% of the sum of the projected Operating Expenses, Authority Expenses and Required Deposits for such Fiscal Years;

(d) a certificate of each of the respective Authorized Representatives of the Authority, the Board and City, each dated as of the date of delivery of such Bonds, stating that (i) the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Resolution, and (ii) neither the Board nor the City is in default in the performance of any of the covenants, conditions, agreements or provisions contained In the Financing Agreement; and

#### *Refunding Bonds*

One or more series of Refunding Bonds may be issued pursuant to the Resolution at any time to refund any Outstanding Bonds, provided that (i) average annual Debt Service on such series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service in any Fiscal Year on such series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded, all as shown in a Certificate signed by an Authorized Representative of the Authority and delivered to the Trustee prior to the authentication and delivery of such series of Refunding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and Accounts required by the provisions of the Supplemental Resolution authorizing such Bonds. All Refunding Bonds of a series issued under the Resolution shall be executed by the Authority for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon the receipt by the Trustee of: (w) irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed on a redemption date or dates specified in such instructions; (x) if the Bonds to be refunded are not to be redeemed within the next succeeding sixty (60) days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of any refunding of such Bonds on a specified date prior to their maturity, as provided in the Resolution; (y) either (1) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment of the Principal Installments and the applicable Redemption Price, if any, of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or redemption date thereof, as the case may be, or (2) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of the Resolution, which Defeasance Obligations and moneys shall be held in trust and used only as provided in the Resolution; and (z) such further documents and moneys as are required by Resolution and any Supplemental Resolution.



## DEBT SERVICE REQUIREMENTS

The following schedule sets forth the Aggregate Debt Service requirements for the current Outstanding Bonds, the Refunded Bonds and the Series 2021 Bonds and the aggregate annual debt service requirements after the issuance of the Series 2021 Bonds and the refunding of the Refunded Bonds.

<b>Fiscal Year Ending June 30th</b>	<b>Outstanding Bonds Total Debt Service</b>	<b>Less Refunded Bonds Debt Service*</b>	<b>Series 2021 Bonds Principal</b>	<b>Series 2021 Bonds Interest</b>	<b>Series 2021 Bonds Total Debt Service</b>	<b>Aggregate Annual Debt Service</b>
2022	\$11,660,349.12	\$252,411.25				
2023	11,223,552.55	948,072.52				
2024	11,176,523.53	949,347.52				
2025	11,228,747.88	945,247.52				
2026	11,183,333.93	945,466.27				
2027	11,190,397.30	944,603.77				
2028	11,360,299.80	947,538.14				
2029	10,108,002.07	949,141.26				
2030	10,140,306.67	944,803.76				
2031	5,681,738.17	949,473.76				
2032	5,462,740.63	947,978.13				
2033	5,454,912.50	945,450.00				
2034	5,028,900.00	946,700.00				
2035	5,016,106.25	946,856.25				
2036	5,013,025.00	945,200.00				
2037	4,581,753.13	946,600.00				
2038	4,582,971.88	946,800.00				
2039	3,904,581.25	945,800.00				
2040	3,901,781.25	948,500.00				
2041	3,904,287.50	944,900.00				
2042	2,786,837.50	945,000.00				
2043	2,789,625.00	948,600.00				
2044	1,842,212.50	-				
2045	1,840,275.00	-				
2046	1,840,087.50	-				
2047	1,844,650.00	-				
2048	1,843,700.00	-				
2049	1,843,725.00	-				
2050	<u>260,100.00</u>					
<b>Total:</b>	<b><u>\$168,695,522.91</u></b>	<b><u>\$20,134,490.15</u></b>				

\*Preliminary Subject to Change

## THE AUTHORITY

### Purpose and Powers

The Authority is a public benefit corporation created pursuant to the Authority Act. Among its powers under the Act, the Authority may borrow money and issue negotiable or non-negotiable notes, bonds or other obligations including the Series 2021 Bonds and provide for the rights of the holders thereof. Additionally, the Authority has the power to enter into the Financing Agreement, whereby the Board is required to charge and collect sufficient rates to pay the costs of operating and financing the System and to enforce the obligation of the City to adequately operate and maintain the System.

Pursuant to the Act, there is a statutory lien upon the Revenues (except certain moneys or securities on deposit or required to be deposited in the Rebate Fund) in favor of the payment of all amounts due to the Authority under the Financing Agreement. The Revenues will remain subject to this lien until provision for payment of all indebtedness issued by the Authority has been made.

### Membership

The Authority is administered by the Board of Directors consisting of seven members. Four of the members of the Board are designated in the Act as ex-officio members: the State Commissioner of Environmental Conservation, the City Commissioner of Administration and Finance, the City Commissioner of Public Works and the Chairman of the City Common Council's Finance Committee. Of the three remaining public members, two are appointed by the Mayor and subject to confirmation by the City Common Council and one is appointed by the Governor. Ex-officio members may designate a deputy to perform their respective duties. Pursuant to the Act, the Comptroller of the City is the Chief Fiscal Officer of the Authority. There are currently three vacancies on the Board of Directors. The current members of the Authority are:

<u>MEMBER</u>	<u>OCCUPATION</u>	<u>TERM EXPIRES</u>
Donna J. Estrich Chair	Commissioner, Administration, Finance, Policy and Urban Affairs City of Buffalo	ex-officio
Michael J. Finn, P.E.	Commissioner of Public Works City of Buffalo	ex-officio
Maureen A. Brady	Regional Attorney, Dept. of Environmental Conservation State of New York	ex-officio
Rasheed N.C. Wyatt	City of Buffalo Common Councilmember - University District	ex-officio

## THE BOARD

### Purpose and Powers

The Board is a corporate municipal instrumentality and public benefit corporation of the State created by the Board Act. Among the Board's powers pursuant to the Act, the Board is empowered to acquire from the City title to the System, to establish, fix, revise, charge, collect and enforce the payment of all fees, rates, rents and other service charges for the use of or services furnished by the System.

The Board is required under the Act and the Financing Agreement to establish rates that will provide adequate funds to pay the debt service on outstanding Authority indebtedness and amounts to be paid by the Board to the City under the Operation Agreement. Any surplus of funds remaining after these and certain other payments are made will be deposited in the Operation and Maintenance Reserve Account. For a detailed description of the application of such funds, see “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Financing Agreement.”

Pursuant to the Operation Agreement, the Board is responsible for the management, operation, maintenance and repair of the System. The operation of the System may include the engagement of independent contractors for the fulfillment of the Board's duties and obligations with respect to the System. The Board has contracted with Veolia, an independent contractor, to manage the System pursuant to the Management Agreement. Furthermore, the Board has agreed to use the services of the employees of the City of Buffalo, Division of Water to operate, maintain, repair and improve the System as provided for in the aforementioned Management Agreement (see “RATES AND BILLING - Billing and Collection”).

**Membership**

The Board consists of seven members who are appointed by the Mayor and subject to confirmation by the City Common Council. At least one member shall have experience in the science of water resource development. Any member who is an officer of the City may designate another City officer to perform their respective duties. There are currently three vacancies on the Board. The Mayor appoints the Chair of the Board.

**The current members of the Board are:**

<u>MEMBER</u>	<u>OCCUPATION</u>	<u>TERM EXPIRES</u>
Oluwole A. McFoy, P.E. Chair	General Manager of the Buffalo Sewer Authority	Pleasure of Mayor
Gerald E. Kelly	President, Kelly Capital Inc.	Pleasure of Mayor
William L. Sunderlin	Director of Purchase, City of Buffalo	Pleasure of Mayor
Jessica R. Brown	Director of Administration and Finance, City of Buffalo	Pleasure of Mayor

**Management of the System**

On May 13, 2020, the Board approved a contract with Veolia Water North America-Northeast, LLC (“Veolia”) for the management of the System. The agreement executed with Veolia has a term of ten (10) years commencing July 1, 2020. Furthermore, the Board and Veolia have agreed to use the services of the employees of the City of Buffalo, Division of Water to operate, maintain, repair and improve the System as provided for in the Management Agreement with Veolia. The relationship created between Veolia and the Board is one for professional and technical services by Veolia as an independent contractor. The Management Agreement grants Veolia limited authority as the representative of the Board in carrying out its obligations, and neither the Board nor Veolia is an agent, employee or joint venturer with the other, the City or the Authority. In accordance with the provisions of the Management Agreement, Veolia is to manage the City employees in a manner that is expected to achieve certain efficiencies and provide certain benefits to the Board. The Management Agreement obligates the Board to pay Veolia an annual fee during the ten-year term of the Management Agreement; payable in monthly

installments. The base management fee is \$6,687,900 and is subject to annual increases based on various indexes as described below. In addition, several operation and maintenance expenditures are also provided for under the contract. These operation and maintenance expenditures as set forth in Exhibit D of the Agreement are also adjusted by the indexes as described below and are as follows: the Vehicle Account Fee (\$500,000), the Specialty Preventive Maintenance Account Fee (\$100,000), the High Priority Water main Repair, Service Line Repair/Replacement and Pavement Restoration Account Fee (\$500,000) and the Spoils Management Account Fee (\$50,000). The Management and Operations Fee (or aggregate of the above amounts) is subject to annual adjustment, (potentially increases or decreases, as of July 1, each year during the term of the Agreement, in accordance with increases or decreases in several indexes, consisting of the Producer Price Index for Water Industry Chemicals, the Employment Cost Index, the Producer Price Index for Industrial and Commercial Machinery and Equipment, and the CPIU Class B/C for Buffalo (all items excluding energy) throughout the ten-year term. In addition, Veolia will be subject to several defined performance standards, which are designed to ensure accountability, and are supported by financial incentive payments, as well as liquidated damages.

In accordance with the Act and the Management Agreement, the Board has used the services of the City employees assigned to the Division of Water to perform the duties associated with the operation, maintenance, repair and improvement of the System. The employees remain as City employees subject to the rights and duties imposed by their collective bargaining agreements with the City. The City charges the Board for the compensation costs (salaries and fringe benefits) of the employees assigned to work on the System. (See “APPENDIX E - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Management Agreement”).

### **Economic and Demographic Data**

The service area served by the Board consists primarily of the City of Buffalo. For additional information regarding that portion of the service area that is within the boundaries of the City, see “APPENDIX D - CERTAIN INFORMATION CONCERNING THE CITY OF BUFFALO.” The Authority has provided the information set forth in APPENDIX D solely for reference and has no obligation to update such information pursuant to the secondary market disclosure obligations described under the caption “CONTINUING DISCLOSURE OBLIGATIONS” herein.

### **THE SYSTEM**

Set forth below is a summary description of the System and its physical facilities. For more information regarding the System, see “APPENDIX B - ENGINEERING REPORT - 2020 Evaluation OF THE BUFFALO WATER SYSTEM.”

Impact of the Novel Coronavirus Outbreak on the Operations of the System. Drinking water quality, water supply and wastewater treatment capacities have not been affected by the outbreak of novel coronavirus. The Board and Veolia have complied with New York State mandated stay at home orders commencing in March 2020 by closing the Customer Service Center to the general public and suspending meter reading, and meter repair activities. Billing activities continued and bills were issued daily with usage based on an estimate of a customers’ last three actual reads. Customers were able to contact the Customer Service Center by phone or email and were able to make payments utilizing the United States Postal Service or by correspondence directly to the main office. Capital construction projects, equipment repairs and maintenance activities were considered essential services and exempt from stay at home and stop work orders.

The Board and Veolia prepared a COVID-19 reopening safety plan in accordance with New York State guidelines and re-opened the Customer Service Center and resumed meter reading, and meter repair activities on July 6, 2020. All critical functions of the Water System were restored to normal

operations with appropriate controls, protocols and policies implemented to prevent the spread of novel coronavirus. Certain non-emergency repairs and some capital projects may take longer than originally expected due to issues relating to the availability of staff, materials and contract services. However, such postponements and delays are not expected at this time to substantially impact the operation of the Water System. All billing policies and due dates remain in effect, with the exception of water turn-off and service termination policies due to non-payment which are subject to a moratorium during the COVID-19 State of Emergency. (See New York State Public Service Law 89-L requiring restoration of water service and prohibition on termination of water service to residential customers during the State of Emergency.) See “RATES AND BILLING – Rates” and “INTRODUCTORY STATEMENT – Impact of the Novel Coronavirus Outbreak.”

At its upcoming meeting on December 8, 2021, the Board is expected to adopt a resolution approving a new water shut off and termination of services policy that will permit qualified low income residents and other users of the water system (including certain small business) to enter into a deferred payment agreements to avoid water shut offs and termination of services. The Board’s policy conforms with recent guidance provided by the State Department of Public Services and is expected to take effect December 21, 2021 through June 30, 2022.

Service Area and Interconnections. The Board supplies water to the City of Buffalo, which, according to the United States Census Bureau, had a population of 278,349 as of 2019. Water service is provided to approximately 74,750 active accounts. In addition to supplying water to residents and businesses located in the City, the System also supplies treated water to businesses bordering the City limits and several residential accounts in Cheektowaga, West Seneca and Lackawanna. The distribution system is interconnected with both the Erie County Water Authority (the “ECWA”) and the Town of Tonawanda water distribution systems. Most of these interconnections are currently closed and are inactive. Some interconnections have the potential to provide additional revenue from the sale of water to bordering water companies and some can provide limited reciprocal emergency supply.

The average daily water production by the Board for the last three years has been approximately 67.8 mgd.

Water Supply. The City’s water source is Lake Erie at the mouth of the Niagara River.

The City of Buffalo’s water supply and distribution system includes one active water intake. The Emerald Channel Intake, constructed in 1913, is located in Lake Erie approximately 6,600 feet offshore. The lake is about 30 feet deep at this point and the raw water is of good quality. In the Spring of 2001, the City completed upgrades to the intake structure, including roof replacement, architectural modifications, landing dock repairs, door and window replacement and modifications to the walkway system.

The Bird Island Intake, which was constructed in 1876, is located approximately three miles downstream from the Emerald Channel Intake in the Niagara River. This Intake has not been used since 1963 due to ice wear and damage. Due to its poor condition, the Bird Island Intake is currently out of service.

Water Treatment. The water supplied from Lake Erie is delivered to the Water Treatment Plant (the “Plant”) entirely by gravity through a tunnel which has a height of 12 feet and a width of 12 feet. The supply tunnel is approximately 6,600 feet long. Water is carried to the Plant by the conduit passing through a screen house. The Plant, built in 1927, is a flocculation sedimentation facility with rapid sand filters. The Plant presently consists of a low lift pump room with six pumps having a total rated pumping capacity of 315 mgd, one 10 mg settling basin, 40 filters and a 30 mg final clearwell. The chemically treated raw water is pumped up into the settling basin and then through filters to the clearwell. The filtered chemically treated water then moves by gravity to the Colonel Ward Pumping Station via two

underground water conduits: a concrete tunnel, which has an approximate height of 12 feet and an approximate width of 12 feet, and a 90-inch concrete pipe constructed in the early 1990s.

Several major capital upgrades have been completed recently or are currently underway at the Plant. These improvements, along with the implementation of the CIP and continued maintenance will extend the useful life of the treatment facilities beyond 30 years and will meet the current and anticipated regulatory requirements.

Water Transmission. The Colonel Ward Pumping Station was put into service in 1915. It has three 50 mgd centrifugal pumps that were installed in 1938 and completely reconditioned in 1998. Further pumping improvements were completed in recent years including the addition of two 20 mgd pumps in 2014, and a third 20 mgd pump was installed in 2018.

The treated water flows by gravity to the Massachusetts Avenue Pumping Station in an 8 foot by 9 foot concrete tunnel, which is approximately 4,400 feet long. The Massachusetts Avenue Pumping Station has two 50 mgd, one 30 mgd and one 18 mgd pumps. In recent years the 50 mgd and 30 mgd pumps were completely rebuilt and rehabilitated.

The Colonel Ward and Massachusetts Pumping Stations are each alone capable of meeting the System's current average daily demand.

Water Storage & Elevated Tanks. The System has four active storage tanks, also used for pressure control, located throughout the City of Buffalo. In addition, the System contains clearwell storage of 30,000,000 gallons at the Plant. The Manhattan Tank, constructed in 1968, is a 5,000,000 gallon ground level storage tank in the northeast section of the City. Also, there is a booster pump station at Manhattan Tank, which houses three 3,500 gpm pumps. This station is used to boost pressures as needed in the northeast section of Buffalo. This facility is the main source of supply to the Grover Cleveland Tank. Improvements to the Manhattan Pump Station and Tank are scheduled in the CIP.

The Grover Cleveland Tank and Pump Station, constructed in 1912, consist of a 250,000 gallon steel tank and four booster pumps. This tank is located in the northeast section and is used to manage pressure in that area. Improvements to the Grover Cleveland Tank and Pump Station are included in the CIP.

The Kensington Tank was constructed in 1909 and is a 789,500 gallon steel tank enclosed in a brick building. It is located in the northeast section of the City and has not been used since 2014 due to its deteriorated condition. Subsequently, due to its condition, the Kensington Tank was taken offline after consultation and concurrence from the Erie County Department of Health ("ECDOH"). A comprehensive hydraulic analysis and field evaluation were completed that demonstrated minimal impact due to this operational change. An ongoing hydraulic evaluation is currently evaluating the need for additional storage in the System.

The Hancock Tank, constructed in 1938, is an elevated 2,000,000 gallon tank located in the south section of Buffalo. This tank acts to support distribution pressure in the surrounding area.

The Ferry Tank, located in the east section of Buffalo, is an elevated 2,000,000 gallon tank and supports the distribution system pressure in the central part of the City. Water flows in and out of the tank by gravity. Improvements to the Hancock and Ferry Tanks are included in the CIP.

Water Transmissions & Distribution System. The distribution system consists of approximately 812 miles of pipe, 19,813 valves and 7,998 fire hydrants. The primary transmission system consists of 36 inch, 48 inch and 60 inch feeder mains, which are constructed to form major supply loops around the City and directly supply the water storage facilities. The secondary transmission system consisting of

16 inch, 20 inch, and 24 inch mains forms an intermediate system of supply within and around the major transmission system. The distribution system consists of all remaining water mains that range in size from 4 inches to 14 inches in diameter.

The function of the distribution system is to deliver treated water, under pressure, to all properties within the City so that individual service taps can be made directly along these pipelines. These mains have fire hydrants installed at intervals and constitute the sole source of water to fight fires.

Engineering evaluations have cited that many of the System's waterlines and appurtenances have experienced a reduction in hydraulic capacity due to tuberculation and leaks. To restore system capacity, the tuberculated lines must either be cleaned and lined or replaced and the leaking lines must be repaired if economically practical, or replaced. Since the Distribution System Rehabilitation Program began after the first bond issue, many improvements have been performed (*i.e.*, leaks have been repaired, and outdated pipes have been replaced, cleaned and/or lined) and the CIP includes ongoing future improvements.

In conjunction with the Distribution System Rehabilitation Program, the City has completed approximately 87% of a Meter Installation Program. The goal of the program is to have all properties served by the System metered. This will ultimately give better information of how water is used and may decrease water demand. In addition, the City has recently completed a Water Audit to identify and quantify water usage and water loss.

Division of Water - Engineering. The Division of Water – Engineering, is a division of the Public Works Department of the City and headed by the Commissioner of Public Works. The Division is staffed by five employees. Division of Waters responsibilities include: the design and construction of capital improvement projects; operational review, personnel, hiring records and payrolls; preparation of fiscal reports for the Comptroller's Office and the Budget Office , and the preparation of Water Division budgets. All purchases and payments and all engineering and construction contracts are processed through this Division.

Veolia Water North America -- Northeast, LLC. Beginning July 1, 2020, the Board contracted with Veolia to continue to manage the day-to-day operation of the Water System and to manage all functions of the System not managed by the Division of Water. The Board retained the privately held company to reduce operating costs and to improve System efficiencies. The Management Agreement has a ten-year term.

The Administration Office is currently staffed with approximately 14 employees, who serve under the supervision of Veolia. This office processes billing data and maintains all information on approximately 74,750 active water customer accounts. The Administration Office services the customers' accounts, issues water and sewer bills, processes the bill payments, reads the meters for billings, prepares new meter applications, distributes meters and bills all miscellaneous charges for work performed by both the Meter and the Distribution Departments. In addition, this office administers all Bankruptcy Accounts and manages the collection of all arrears owed to the Division of Water as part of the Turn-Off Program.

The Inspection Office is staffed with approximately 4 employees. This office performs meter readings, inspections for billing and for compliance with the Division of Water Ordinances, investigates causes for high or low readings on water meters, notifies owners of service leaks, inspects all repairs to water service lines made by plumbers and verifies water service line installations on construction projects.

The Distribution System Section for the Division of Water maintains and makes repairs to all water mains and hydrants in the System. Current staff includes a Superintendent, 2 Assistant

Superintendents and approximately 50 permanent employees. This section is also responsible for making all water service connections for plumbers, inspecting service box installations, performing water turn-offs, investigating all leaks in the System, investigating complaints of leaks on water services, maintaining hydrants and street valves, operating valves and making connections to live mains on construction projects, terminating water services for demolition, posting notices for the Water Turn-Off Program, shutting water off for non-payment and doing turn-ons when accounts are paid.

The Meter Section is responsible for installation, repair and rehabilitation of meters in the System. This section maintains a preventative maintenance program to prevent water loss in the System. The replacement of obsolete meters and repair of larger meters insures that proper water revenue is maintained. At present, there are approximately 6 employees.

The Pumping Section has the responsibility for pumping treated water into the distribution system. This section operates the System's Pumping Stations and Storage Tanks located throughout the City and maintains and repairs all boilers, pumps and motors. There are approximately 17 employees in this section including a Pumping Plant Superintendent.

Current staff includes 1 Water Treatment Supervisor, 2 Chemists and approximately 7 other employees at the Filtration Plant. The responsibility of the Filtration Plant is to filter and treat raw water with chemicals and deliver quality water to be pumped to the distribution system. It also maintains a testing laboratory and controls processes in order to meet the standards set by the State and County Health Laws as well as the Federal Safe Drinking Water Act.

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## Approved Capital Improvement Plan

On October 13, 2021, the Board approved the CIP for the System, as shown on the following table:

PROJECT CATEGORY	PROJECT NO.	PROJECT NAME	Fiscal Year - Estimated Project Costs (000)					
			FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
Colonel Ward Treatment and Pumping Plant	1	Filter Plant Clearwell Optimization	\$500	\$1,500				
	2	Filter Plant Lagoon Rehabilitation / Sed. Basin Improvements	\$3,500					
	3	Flood Control	\$3,000					
	4	Filter Plant PAC		\$200	\$1,000			
	5	Flocculation motors / baffles			\$200	\$2,000		
	6	Thickener Rehab including Tube Settlers	\$300	\$2,000				
	7	Sodium Hypochlorite System	\$4,500					
	8	Filter Plant Miscellaneous Improvements <sup>(1)</sup>			\$250	\$250	\$2,000	\$1,000
	9	Colonel Ward Valve House Rehabilitation				\$200	\$1,000	\$1,000
	10	Colonel Ward Pumping Improvements					\$200	\$1,500
	11	Colonel Ward Complex Building Improvements	\$500	\$3,000	\$3,000			
	12	Colonel Ward Miscellaneous Improvements <sup>(1)</sup>			\$500	\$1,000	\$1,000	\$1,000
System Pumping and Storage	13	Massachusetts Ave. P.S. Power Upgrades	\$300	\$25,000				
	14	Massachusetts Ave. Tunnel Rehab.			\$200	\$750	\$1,000	
	15	Massachusetts Ave. P.S. Miscellaneous Improvements <sup>(1)</sup>				\$250	\$250	\$250
	16	Manhattan Tank & P.S. Rehabilitation					\$200	\$1,000
	17	Manhattan Tank & P.S. Misc. Improvements <sup>(1)</sup>				\$250	\$250	\$250
	18	Kensington Tank Stabilization	\$500					
	19	Grover Cleveland Tank & P.S. Rehabilitation / Replacement	\$1,500			\$200	\$8,000	
	20	Hancock Tank Rehabilitation			\$200	\$8,000		
	21	Ferry Tank Rehabilitation		\$300	\$8,000			
	22	Tank Mixing / System Disinfection Booster Stations						
Transmission & Distribution	23	New Pressure Zone - New Tanks & Pump Station <sup>(3)</sup>			\$200	\$5,000	\$5,000	\$5,000
	24	New Pressure Zone Distribution System Improvements <sup>(3)</sup>		\$500	\$4,000	\$3,000	\$2,000	\$2,000
	25	Annual Water Main / Valve Replacement / Rehabilitation	\$29,500	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	26	Service Line Lead Abatement Program <sup>(4)</sup>		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Buildings & Other	27	Metering Program	\$1,000	\$750	\$750	\$750	\$750	\$750
	28	System Security			\$250	\$250	\$250	\$250
	29	Intake Rehabilitation					\$200	\$1,000
	30	Additional Building Improvements <sup>(2)</sup>			\$2,000	\$2,000	\$2,000	\$1,000
<b>Estimated Total Annual Capital Project Costs:</b>			<b>\$45,100</b>	<b>\$48,250</b>	<b>\$35,550</b>	<b>\$38,900</b>	<b>\$39,100</b>	<b>\$31,000</b>

**Notes:**

- (1) This item includes miscellaneous funds to be used to perform additional upgrades in the treatment, pumping, storage, transmission, and other systems as required.
- (2) This item includes funds to be used to perform improvements to the buildings including structural beams, walls, floors, windows, roofs, and other items as required.
- (3) This item includes initial projected costs for construction of a new pressure zone. Engineering study currently underway that will determine final requirements and costs.
- (4) The Water Board will also pursue Federal and State funding for this objective.

For a general discussion of the status of projects in the CIP and current plans for their funding, see “Capital Improvement Plan” in the Engineering Report in Appendix B hereto.

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## **New York State Environmental Facilities Corporation**

The New York State Environmental Facilities Corporation (“EFC”) is a public benefit corporation of the State created by State legislation enacted in 1970. EFC administers the State’s revolving fund program, authorized by Federal legislation known as the Safe Drinking Water Act of 1996, to provide financial assistance to local governments and public authorities for community water systems. This State program accepts Federal grants and State matching funds, which are used to reduce borrowing costs for the Authority and other public entities by providing interest subsidies and reserves. The Authority has previously borrowed through this program and has \$9,920,000 of long-term principal on bonds outstanding. The bonds were issued on a parity basis.

To the extent that it appears cost effective the Authority anticipates continuing to explore the use of the program in future years to finance future projects to the greatest extent allowable under applicable Federal and State law. Such future participation may involve the issuance of parity bonds.

### **ENGINEERING REPORT**

GHD Consulting Services, Inc. (GHD), the Authority's Consulting Engineer, has found all major elements of the System to be in generally “Sufficient” condition. The quality of the City's treated water has consistently complied with regulatory standards. The Consulting Engineer has also concluded that with the implementation of the CIP and continued maintenance and service to the facilities, the expected life of the System should exceed 30 years. The Engineer's Report included in APPENDIX B is in the form that was approved by the Authority for inclusion in this Official Statement.

### **GOVERNMENTAL REGULATION**

Water produced by the Board is subject to the requirements of a number of state and federal regulations, including the Federal Safe Drinking Water Act (“SDWA”) and sub-part 5 of the New York Sanitary Code. The SDWA established National Primary Drinking Water Regulations (“NPDWR’s”), which cover contaminants with adverse effects on human health. NPDWR’s are enforceable by the United States Environmental Protection Agency (“USEPA”). The SDWA also developed Secondary Drinking Water Standards (“SDWS’s”) that cover contaminants that adversely affect the aesthetic quality of drinking water, such as taste, odor, and appearance. These are guidelines that are not enforceable by USEPA. Primacy for the enforcement of most Federal Regulations is granted to the New York State Department of Health (“NYSDOH”) which is supported by Local Health Units such as the Erie County Department of Health (“ECDOH”).

The Board draws numerous daily samples for laboratory testing in accordance with regulations, and reports the results on a monthly basis to the City and the ECDOH. These monthly reports indicate that System water consistently complies with the NPDWR’s and the SDWS’s.

The regulations include the Total Coliform Rule (TCR), the Revised Total Coliform Rule (RTCR), Surface Water Treatment Rule (SWTR), Interim Enhanced and Long Term 2 Surface Water Treatment Rule (“IESWTR”), Lead and Copper Rule (LCR), Disinfectant and Disinfection By-Products Rule (“D/DBPR”) and Stage 2 D/DBPR.

Both Federal and State Regulation require that public water systems inform their consumers annually about the constituents of their drinking water. The Board issues an Annual Water Quality Report to achieve compliance with this requirement.

The System is currently meeting the requirements of applicable regulations and based on GHD’s review of available data and Division of Water reports, the System can meet the anticipated new

regulatory requirements for the foreseeable future. For a complete description of System compliance, see “APPENDIX B - ENGINEERING REPORT - 2021 EVALUATION OF THE BUFFALO WATER SYSTEM.”

## **RATES AND BILLING**

The System has approximately 74,750 active water service accounts. The System’s rates, fees and charges are established by the Board. Pursuant to the Act, neither the New York State Public Service Commission, nor any City or other State agency, shall have any jurisdiction over the Board or any power over the regulation of the fees, rates, rents or other charges established, fixed or revised by the Board except as provided by law with respect to the supply of water services to users outside the City.

### **Rates**

There are approximately 65,506 active meter accounts. Metered rates are applicable to all commercial and some residential customers. Some commercial meters are read and billed monthly while all residential meters are read and billed quarterly. Data compiled from meter readings obtained from the meter readers and the Meter Shop are used for billing and leak detection. The Board received approximately 90% of its total water rate cash collections from the sale of water to metered accounts during the year ending June 30, 2021.

Since 1976, the Division of Water has required that all new construction be metered. In May 1998, the Division of Water began a Meter Program to change existing meters and install meters on all services. When complete, all accounts will be metered. As of June 30, 2021, 87% of customer accounts are metered.

The System provides both volume discounts and senior citizen discounts to metered accounts. Since January 1, 2019, on a quarterly basis the first 60,000 cubic feet of usage water is billed at \$22.83 per 1,000 cubic feet and usage greater than 60,000 cubic feet is billed at \$20.55 per 1,000 cubic feet of usage. The Board uses a rate structure that incorporates a capacity charge plus a charge for the actual usage. Since January 1, 2019 the quarterly capacity charge was increased and ranges between \$49.90 for a 5/8 inch meter to \$10,479 for a 10 inch meter. Senior citizens that meet certain income requirements may qualify for a discounted meter rate, which is approximately 60% of regular meter rates. Additionally, effective January 1, 2019 the Board adopted a Residential Consumer Affordable Water Program. The program entitles certain low income and very low-income residential customers to a credit of \$15.00 per quarter or \$22.50 per quarter, respectively, to be applied to capacity and/or other water usage charges. Currently, 1,275 customers have qualified and participated in the Residential Consumer Affordable Water Program.

There are approximately 7,884 active flat rate and 1,360 fire supply line accounts (unmetered accounts). Flat rate charges are imposed for residential customers and are based on characteristics of the user’s property, amenities and connections. Flat rate accounts are billed on a quarterly basis. Fire supply line charges are also billed on a quarterly basis. Billing data is obtained from inspections made by Water Service Inspectors. Senior citizens that meet certain income requirements may qualify for a discounted flat rate, which is approximately 60% of regular flat rates. Similar to metered accounts, qualifying flat rate customers can receive quarterly credits under the Residential Customer Affordable Water Program. The Board received approximately 16% of its total water rate cash collections, from the sale of water to flat rate accounts during the year ending June 30, 2021.

Other than the City of Buffalo, the System does not exempt any institutions or governmental entities from payments of water charges.

After a review of rates charged by other municipalities in the region, it has been determined by the Board that the above rates currently in place are generally comparable to rates charged by such other municipalities.

The following table sets forth the changes in water rates, both metered and flat rate since 2010:

Starting Date of Increase	Approximate % Change
July 1, 2010	6.5%
July 1, 2011	6.5%
July 1, 2012	6.0%
July 1, 2013	No change
July 1, 2014	No change
July 1, 2015	No change
July 1, 2016	No change
July 1, 2017	No change
July 1, 2018	No change
July 1, 2019	No change
July 1, 2020	No change
July 1, 2021	No change

Source: City of Buffalo, Division of Water

However, effective January 1, 2019 the Board restructured its consumption blocks for water usage and increased its meter capacity charges. These changes produced additional cash receipts for the System of approximately \$2.6 million and \$5.2 million for the years ended June 30, 2019 and June 30, 2020, respectively. June 30, 2020 cash receipts have been adversely impacted by the COVID-19 pandemic. Receipts in the fourth quarter of fiscal year 2019/20 lagged behind budget by \$2.8 million. This negative trend continued into fiscal year 2021/22, through March 2021 and has resulted in a \$4.2 million negative variance from budget. Receipts for fiscal year 2021/22, through September 2021 reflect an \$850,000 negative variance from budget. As part of the American Rescue Plan Act, the City of Buffalo was awarded \$330 million in Federal government support, one half of which had been received in June 2021 and the balance expected June, 2022. The Mayor, in collaboration with various stakeholders put forth a spending plan in accordance with American Rescue Plan Act provisions that was unanimously approved by the Common Council on August 26, 2021. The plan includes, among other things, \$13 million to be used to address water affordability by providing financial assistance to certain low-income customers who have experienced financial hardship as a result of the ongoing pandemic and have become delinquent in their water and sewer accounts. This assistance enables the forgiveness of outstanding and delinquent water and sewer accounts. It is anticipated that subsequent annual rate increases at assumed amounts ranging from 2% to 7% along with deemed revenues associated with excess Operations and Maintenance (“O & M”) reserve funds will enable the Board to exceed the minimum rate covenant as required by the Financing Agreement through fiscal year 2027. In addition, the Board amended its Schedule of Rates, Fees and Charges, effective January 1, 2019 to allow for future annual adjustments, at the Board’s discretion, of all of its rates, fees and charges based upon increases, but not decreases, in the Consumer Price Index Northeast Urban-Class Size B/C, not seasonally adjusted.

**Billing and Collection**

Pursuant to the Operation Agreement, the billing office, which is managed by Veolia, is responsible for all data on customer accounts, processing payments and collection of arrears on customer accounts.

The Administration Office includes approximately 12 staff members responsible for activities associated with the accurate release of bills, responding to customer queries via telephone, in writing and in person, adjusting bills where appropriate, receiving and processing meter readings and producing system reports relating to the billing and collection process. Collection activities include the timely release of reminders, the processing and monitoring of payments, and other activities, including but not limited to bankruptcies, foreclosures, disconnections and customer payment plans.

Delinquent water accounts are assessed a 4.5% interest for the first thirty (30) days they are past due and 1.5% for each succeeding month thereafter. If the account remains delinquent after three billing quarters, the collection section incorporates the account into its Turn-Off Program. Effective July 1 through December 31, 2020 the Board implemented a Water Amnesty Program to benefit the City’s most vulnerable citizens. This program waives interest and penalties associated with past due balances, waives the meter fee and forgives any charge related to a burst meter, if applicable. There are no down payments required for past due accounts and turn offs have temporarily ceased. This amnesty program was extended through December 31, 2021 as a residual effect of the ongoing pandemic.

At its upcoming meeting on December 8, 2021, the Board is expected to adopt a resolution approving a new water shut off and termination of services policy that will permit qualified low income residents and other users of the water system (including certain small business) to enter into a deferred payment agreements to avoid water shut offs and termination of services. The Board’s policy conforms with recent guidance provided by the State Department of Public Services and is expected to take effect December 21, 2021 through June 30, 2022.

The Management Agreement calls for Veolia, as the Manager, to collect all accounts including past due accounts.

The following tables show the recent trend of water billings for both flat rate and meter rate accounts, collection of the current billings and total collections (including collection of arrears), all as of June 30 of the Fiscal Year indicated. The difference in collection rates between flat rate accounts and metered accounts is due to the clients served in each group. Metered accounts include all commercial and industrial customers and the majority of residential customers. Flat rate accounts are composed of remaining residential accounts only. In general, commercial and industrial accounts tend to have larger dollar values compared to residential accounts. Collecting one large industrial account has a greater effect on the overall collection rate compared to collecting a smaller residential account. The smaller number of commercial and industrial accounts makes it easier to track and collect overdue payments.

**TABLES OF WATER COLLECTIONS**

**FLAT RATE & FIRE SUPPLY ACCOUNTS**

Year		
Ending	Water	Total
<u>June 30</u>	<u>Billing</u>	<u>Collections</u>
2017	\$4,469,703	\$4,471,016
2018	4,241,242	4,233,059
2019	4,374,842	4,349,053
2020	4,923,436	4,661,840
2021	4,749,700	4,413,955

Source: Veolia Water North America

### METER RATE ACCOUNTS

Year Ending <u>June 30</u>	Water <u>Billing</u>	Total <u>Collections</u>
2017	\$35,467,926	\$35,745,060
2018	35,240,843	35,219,936
2019	39,056,592	38,815,013
2020	42,653,917	41,146,792
2021	41,684,379	39,878,895

Source: Veolia Water North America

### ALL ACCOUNTS

Year Ending <u>June 30</u>	Water <u>Billing</u>	Total <u>Collections</u>	Percent of Total Collections to Total Current <u>Billing</u>
2017	\$39,937,629	\$40,216,076	100.7%
2018	39,482,085	39,452,995	99.9%
2019	43,431,434	43,164,966	100.6%
2020	47,577,353	45,808,362	103.9%
2021	46,434,079	44,292,850	104.8%

Source: Veolia Water, North America

The following table lists the ten largest System customer accounts based on water billings for the annual billing cycle ended June 30, 2021.

### Ten Largest Customer Accounts

<u>Customer</u>	<u>Revenues</u>
Buffalo Municipal Housing Authority	\$1,246,992
Aurubis Buffalo, Inc.	895,107
VA Medical Center	596,495
Sorrento Lactalis, Inc.	544,998
Erie County Medical Center	478,879
Kaleida Health	372,072
Roswell Park Cancer Institute	358,211
Catholic Health System	310,281
General Mills Inc	244,039
Tesla, Inc.	202,807

Source: Veolia Water, North America

Revenues from these customers accounted for approximately 13% of total water rate collections for the period ending June 30, 2021.

Pursuant to the Financing Agreement and the Operating Agreement, the City is not charged for use of the System for governmental purposes in exchange for providing certain services to the Board. (see Appendix E, "GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Operation Agreement").

## FINANCIAL OPERATIONS

The following table entitled “Comparative Schedule of Revenues, Expenses and Transfers presents a summary of water operations for Fiscal Years 2017 through 2021 prepared in accordance with generally accepted accounting principles (“GAAP”). The table has been derived from the books and records of the City, the Board and the Authority.

The table shows the Water Enterprise Fund, which operates on a self-supporting basis. It accounts for the construction, financing, operation and maintenance of the water supply and distribution system under the jurisdiction of the Department of Public Works and its Division of Water. The Division’s expenditures are governed by budgets and ordinances adopted by the Common Council. Principal revenues derive from the sale of water to consumers.

Because the Water Enterprise Fund is accounted for on an accrual basis and, therefore, in accordance with GAAP, the table accounts for cash expenses and all accrued non-cash expenses such as depreciation and other post-employment benefits. As required by the Board’s Rate Consultant, debt service coverage is determined solely on a cash basis as required by the Financing Agreement. The table set forth below entitled “CITY OF BUFFALO WATER BOARD ACTUAL DEBT SERVICE COVERAGE” computes the reported debt service coverage ratio by showing actual cash revenues and disbursements.

### **Management's Discussion of Financial Operations**

The Board completed its fiscal year ending June 30, 2021 with net position of \$51.8 million, which compares to \$51.1 million for the fiscal year ended June 30, 2020. There were no significant changes in the net position. Expenses and revenues have remained relatively consistent as well. As a result, there has been little fluctuation in the debt service coverage ratio.

In lieu of raising rates and issuing bonds, the Board made a determination to spend down excess cash reserves and has done so over the last four and a half years. Effective January 1, 2019, the Board restructured its consumption blocks for water usage and increased its meter capacity charges. The Board’s intention to raise rates commensurate with inflation and issue bonds as needed will enable it to maintain sufficient cash reserves going forward. See discussion on Rates at page 27 regarding annual adjustments based on increases in the Consumer Price Index Northeast Urban-Class Size B/C, not seasonally adjusted.

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**Water System<sup>(1)</sup>**  
**Comparative Schedule of Revenues, Expenses and Transfers**  
**Fiscal Years Ended June 30**  
**(000's Omitted)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating revenues:					
Charges for services	\$ 42,597	\$ 41,543	\$ 46,093	\$ 48,668	\$ 44,948
Other	<u>407</u>	<u>267</u>	<u>501</u>	<u>1,648</u>	<u>338</u>
Total operating revenues	<u>43,004</u>	<u>41,810</u>	<u>46,594</u>	<u>50,316</u>	<u>45,286</u>
Operating expenses:					
Services and supplies	17,085	17,350	19,035	18,314	20,071
Depreciation	5,802	6,162	6,390	6,675	6,992
Fringe benefits	5,002	4,321	2,878	3,016	3,049
Other	<u>1,421</u>	<u>600</u>	<u>1,376</u>	<u>2,522</u>	<u>2,771</u>
Total operating expenses	<u>29,310</u>	<u>28,433</u>	<u>29,679</u>	<u>30,527</u>	<u>32,883</u>
Operating income	<u>13,694</u>	<u>13,377</u>	<u>16,915</u>	<u>19,789</u>	<u>12,403</u>
Non-operating revenues (expenses)					
Interest earnings	202	287	336	239	58
Interest expenses	(5,789)	(5,417)	(4,883)	(5,457)	(4,576)
Loss on Disposal of Assets	-	(18)	(66)	(7)	(4)
Other	<u>667</u>	<u>440</u>	<u>216</u>	<u>426</u>	<u>338</u>
Total non-operating expenses	<u>(4,920)</u>	<u>(4,708)</u>	<u>(4,397)</u>	<u>(4,799)</u>	<u>(4,184)</u>
Income before operating transfers	8,774	8,669	12,518	14,990	8,219
Transfers in	-	-	-	-	-
Transfers out	<u>(6,261)</u>	<u>(6,574)</u>	<u>(6,903)</u>	<u>(7,248)</u>	<u>(7,610)</u>
Change in net assets	2,513	2,095	5,615	7,742	609
Total Net Position - Beginning <sup>(2)</sup>	<u>54,546</u>	<u>35,690</u>	<u>37,785</u>	<u>43,400</u>	<u>51,142</u>
Total Net Position – Ending	<u>\$ 57,059</u>	<u>\$ 37,785</u>	<u>\$ 43,400</u>	<u>\$ 51,142</u>	<u>\$ 51,751</u>

(1) Includes City of Buffalo Division of Water, Buffalo Water Board and Buffalo Municipal Water Finance Authority. The Buffalo Water Board and Buffalo Municipal Water Finance Authority were activated September 24, 1992. Source: City of Buffalo Comprehensive Annual Financial Reports.

(2) Beginning Net Position of 2018 are presented as restated. The balance was restated to comply with GASB No. 75.



The following table presents the financial results for the Division of Water, the Buffalo Water Board and the Buffalo Municipal Water Finance Authority for Fiscal Year June 30, 2021:

**CITY OF BUFFALO  
ENTERPRISE FUND  
COMBINING STATEMENT OF REVENUES AND EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021<sup>(1)</sup>**

	<u>Water Enterprise</u>	<u>Buffalo Water Board</u>	<u>Buffalo Municipal Water Finance Authority</u>	<u>Eliminations</u>	<u>Combined Total</u>
Operating revenues:					
Charges for services	\$ -	\$ 44,948,053	\$ -	\$ -	\$ 44,948,053
Other	-	337,518	-	-	337,518
Total operating revenues	<u>-</u>	<u>45,285,571</u>	<u>-</u>	<u>-</u>	<u>45,285,571</u>
Operating expenses:					
Services and supplies	6,854,794	12,775,588	440,710	-	20,071,092
Depreciation	-	6,991,675	-	-	6,991,675
Fringe benefits	3,048,813	-	-	-	3,048,813
Other	-	4,558,607	-	(1,787,680)	2,770,927
Total operating expenses	<u>9,903,607</u>	<u>24,325,870</u>	<u>440,710</u>	<u>(1,787,680)</u>	<u>32,882,507</u>
Operating income (loss)	<u>(9,903,607)</u>	<u>20,959,701</u>	<u>(440,710)</u>	<u>1,787,680</u>	<u>12,403,064</u>
Nonoperating revenues (expenses):					
Interest earned	-	57,703	-	-	57,703
Interest expenses	-	(4,575,992)	-	-	(4,575,992)
Loss on Disposal of Assets	-	(4,311)	-	-	(4,311)
Other	-	338,659	-	-	338,659
Total nonoperating revenues (expenses)	<u>-</u>	<u>(4,183,941)</u>	<u>-</u>	<u>-</u>	<u>(4,183,941)</u>
Income before operating transfers	(9,903,607)	16,775,760	(440,710)	1,787,680	8,219,123
Operating transfers In	9,903,607	-	440,710	(10,344,317)	-
Operating transfers out	<u>-</u>	<u>(16,167,119)</u>	<u>-</u>	<u>8,556,637</u>	<u>(7,610,482)</u>
Change in net position	-	608,641	-	-	608,641
Total net position – beginning	<u>-</u>	<u>51,141,936</u>	<u>-</u>	<u>-</u>	<u>51,141,936</u>
Total net position – ending	<u>\$ -</u>	<u>\$ 51,750,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,750,577</u>

(1) Source: City of Buffalo Comprehensive Annual Financial Report - June 30, 2021.

**CITY OF BUFFALO  
WATER BOARD  
ACTUAL DEBT SERVICE COVERAGE (Unaudited)  
For the Fiscal Year Ended June 30, 2021<sup>(1)</sup>**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash Receipts:					
Water Usage	\$40,216,077	\$39,452,995	\$43,164,966	\$45,811,502	\$44,292,850
Other Charges	1,748,710	2,391,367	1,868,920	2,135,777	1,641,064
Late Charges	1,260,496	1,121,765	1,149,435	954,699	420,677
Interest	677,180	309,964	416,257	584,980	453,479
Gross Receipts	43,902,463	43,276,091	46,599,578	49,486,958	46,808,070
Transfers to Bond Trustee for Debt Service:					
Series 2002 B Bonds	361,392	-	-	-	-
Series 2003 EFC Bonds	-	-	-	-	-
Series 2006 EFC Bonds	-	-	-	-	-
Series 2007 A Bonds	776,232	773,231	774,831	-	-
Series 2007 B Bonds	4,489,500	4,482,250	4,486,000	-	-
Series 2010 A Bonds	1,899,504	1,890,007	1,881,847	1,872,663	-
Series 2012A Bonds	952,320	953,666	950,566	954,448	951,698
Series 2015 A Bonds	3,859,296	4,006,800	3,617,800	5,053,550	5,098,550
Series 2011 EFC Bonds	276,768	278,240	289,039	288,961	293,363
Series 2012 EFC Bonds	195,436	192,337	193,198	194,107	194,916
Series 2015 EFC	1,118,888	1,121,307	1,123,796	1,123,529	1,121,484
Series 2019 A				1,595,400	1,595,000
Series 2019 B				819,600	821,200
Series 2020 A					170,330
Series 2020 B					1,473,396
Total Debt Service	13,929,336	13,697,838	13,317,077	11,902,258	11,719,937
Operating Expense Disbursements:					
System Operations	19,434,446	18,772,978	21,552,564	20,314,693	20,491,178
Payments to City in lieu of taxes and indirect costs	6,261,162	6,574,220	6,902,931	7,248,078	7,610,482
Payments to City for General Obligation Debt Service	168,133	175,841	-	-	-
Authority and Board Operations	525,992	624,140	632,207	792,796	903,579
Total Operating Disbursements	26,389,733	26,147,179	29,087,702	28,355,567	29,005,239
Increase in Available Cash	\$3,583,394	\$3,431,074	\$4,194,799	\$9,229,133	\$6,082,894
Operations and Maintenance Funds					
Considered Revenue	4,000,000	4,000,000	3,000,000	-	-
Debt Service Coverage Ratio	1.54	1.54	1.54	1.78	1.52

(1) Annual debt service coverage is computed using total cash receipts less operating expense disbursements divided by debt service

## **Forecasted Debt Service Coverage and Projected Rate Increases**

The table below shows the forecasted debt service coverage ratio for the Series 2021 Bonds, as well as expected future debt service on bonds to be issued by the Authority. See “APPENDIX C - RATE CONSULTANT REPORT- FORECASTED CASH FLOWS” for more information relating to the System's forecasted cash flow (hereinafter referred to as “prospective financial information”), including a description of the assumptions upon which forecasted revenues and expenses are based.

The forecasted cash flows factor in the residual impact of the COVID-19 pandemic on cash receipts, including; delays or non-payment by certain customers for economic, health or other reasons and the availability and expected use of American Rescue Plan Act funds help offset some of those impacts. Historical cash receipts have been negatively impacted by the ongoing COVID-19 pandemic. Since March 2020 and through Fiscal Year 2019-2020 and for Fiscal Year 2020-2021, aggregate cash receipts were below budget by \$2.8 million and \$4.2 million, respectively. Receipts for Fiscal Year 2021-2022, through September 2021 reflect an aggregate \$850,000 negative variance from budget. As part of the American Rescue Plan Act, the City of Buffalo was awarded \$330 million in Federal government support. The plan includes, among other things, \$13 million to be used for a Water and Sewer Debt Forgiveness Program. This program will address water affordability by providing financial assistance to certain low-income customers who have experienced financial hardship as a result of the ongoing pandemic and have become delinquent in their water and sewer accounts. This assistance will enable the forgiveness of outstanding and delinquent water and sewer accounts.

It is anticipated that subsequent annual rate increases at assumed amounts ranging from 2% to 7% along with deemed revenues associated with excess O & M reserve funds will enable the Board to exceed the minimum rate covenant as required by the Financing Agreement through Fiscal Year 2027.

The Authority typically does not make public projections as to future sales, earnings, or other results. Solely for purposes of this Official Statement, management of the Authority has prepared the prospective financial information based on information, estimates and judgments it believes to be reasonable. Such information was not prepared with a view toward public disclosure (other than for purposes of this Official Statement) or toward complying with the guidelines established by the American Institute of Certified Public Accountants, and is not a statement of fact. Accordingly, 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 Authority does not generally publish its business plans and strategies or make public projections of its anticipated financial position or results of operations. Accordingly, the Authority does not intend to update or otherwise revise the prospective financial information, regardless of whether in the future the underlying assumptions are shown to be in error or changes to economic or industry conditions occur.

The following assumptions, forecasts and projections are “forward looking statements” and not necessarily indicative of future performance. No assurance can be given that the projections presented herein will be achieved, and actual results may differ materially from these projections.

See “INTRODUCTORY STATEMENT – Impact of the Novel Coronavirus Outbreak” for additional information regarding potential effects of the novel coronavirus outbreak on the System. For additional information relating to the principal assumptions used in preparing the projections, see “APPENDIX C - RATE CONSULTANT REPORT-FORECASTED CASH FLOWS.”

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**Forecasted Cash Flows**

(000's omitted)

The following table sets forth the forecasted cash flows of the Buffalo Water System.

	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY 27</b>
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
<b>Projected Gross Water Billings/Charges</b>	<b>47,296</b>	<b>48,242</b>	<b>50,172</b>	<b>53,433</b>	<b>57,173</b>	<b>60,603</b>
Projected Adjustments to Water Billings/Charges	(1,100)	(1,119)	(1,160)	(1,232)	(1,317)	(1,398)
Projected Collections from Water Billings/Charges	46,196	47,123	49,012	52,201	55,856	59,206
Miscellaneous Fees	1,716	1,750	1,785	1,821	1,857	1,895
Water Rates Interest	545	942	980	1,044	1,117	1,184
Interest	17	218	246	265	245	233
ARPA-ROLL	0	2,500	2,500	0	0	0
ARPA-Debt Forgiveness	2,500	2,000	2,000	0	0	0
<b>Total Projected Cash Receipts</b>	<b>50,975</b>	<b>54,534</b>	<b>56,524</b>	<b>55,331</b>	<b>59,075</b>	<b>62,517</b>
<b>Transfer to Bond Trustee for Debt Service</b>						
Series 2011 EFC	300	0	0	0	0	0
Series 2012 EFC	268	264	259	263	257	250
Series 2015 EFC	1,342	1,330	1,316	1,295	1,281	1,261
Series 2015	4,464	4,460	4,538	4,515	4,565	5,384
Series 2019	2,914	2,909	2,907	2,917	2,907	2,284
Series 2020	1,409	1,407	1,413	1,406	1,409	1,409
Projected 2021 Bonds	1,108	1,616	1,611	1,610	1,613	1,620
Anticipated 2022 Bonds	0	1,197	2,394	2,394	2,394	2,394
Anticipated 2023 Bonds	0	0	868	1,736	1,736	1,736
Anticipated 2024 Bonds	0	0	0	955	1,910	1,910
Anticipated 2025 Bonds	0	0	0	0	960	1,920
Anticipated 2026 Bonds	0	0	0	0	0	750
<b>Total Debt Service</b>	<b>11,806</b>	<b>13,184</b>	<b>15,305</b>	<b>17,090</b>	<b>19,031</b>	<b>20,919</b>
<b>Operating Expense Disbursements:</b>						
System Operations						
Operator Management Fee	6,895	6,984	7,075	7,167	7,260	7,355
System O&M	5,470	5,541	5,613	5,686	5,760	5,834
Utilities	1,865	1,889	1,914	1,939	1,964	1,989
Labor and Fringes	11,869	12,136	12,409	12,689	12,976	13,271
Payments to the City in Lieu of Taxes	7,991	8,391	8,810	9,251	9,713	10,199
Authority and Board Operations	1,524	1,532	1,540	1,547	1,555	1,563
<b>Total Operating Expense Disbursements</b>	<b>35,614</b>	<b>36,473</b>	<b>37,360</b>	<b>38,279</b>	<b>39,228</b>	<b>40,211</b>
Annual Cash Surplus/Deficit	3,555	4,878	3,858	(38)	816	1,388
Pay As You Go - Capital	0	2,000	2,000	2,000	2,000	2,000
Total O&M Reserve Fund- Year Ending	21,769	24,646	26,504	24,467	23,282	22,670
Available O&M Reserve Funds (3)	16,803	19,380	20,967	18,641	17,169	16,557
O&M Reserve Funds Considered Revenue (1)	2,500	2,500	4,500	8,000	8,000	8,000
<b>Projected Debt Service Coverage (2)</b>	<b>1.51</b>	<b>1.56</b>	<b>1.55</b>	<b>1.47</b>	<b>1.46</b>	<b>1.45</b>
<b>Available O&amp;M Debt Service Coverage</b>	<b>2.72</b>	<b>2.84</b>	<b>2.62</b>	<b>2.09</b>	<b>1.95</b>	<b>1.86</b>
<b>Required Net Rate Increase</b>	<b>0.00%</b>	<b>2.00%</b>	<b>4.00%</b>	<b>6.50%</b>	<b>7.00%</b>	<b>6.00%</b>
Required Debt Service Coverage	1.15	1.15	1.15	1.15	1.15%	1.15

(1) Operations and Maintenance reserve funds considered revenue represent a portion of total reserve funds in excess of 10% of the Board's next year's budget that can be used to offset rate increases.

(2) Debt service coverage is computed using total projected cash receipts plus O&M reserve funds considered revenue less operating expense disbursements divided by debt service.

(3) Available Operations and Maintenance reserve funds represent the total of those reserve funds in excess of 10% of the Board's next year's budget that can be used for System Operations or capital improvements to the System and are not required to be considered revenue in O&M Reserve Funds Considered Revenue .

Estimated increases in water rates are shown in the table below. These rates are projected assuming a slight projected decline in the user base and in water consumption for each year included in the table below.

FISCAL YEAR ENDING <u>JUNE 30</u>	NET PROJECTED <u>RATE INCREASE*</u>
2022	0.00%
2023	2.00%
2024	4.00%
2025	6.50%
2026	7.00%
2027	6.00%

\* Source: Lisa Foti, CPA, Rate Consultant

### **Expenditures**

The Board will pay the costs of operating the System. The Board will provide funds to pay Aggregate Debt Service on all Bonds, Operating Expenses of the System, Authority Expenses and Required Deposits. Operating Expenses of the Board will include debt service requirements on the City’s outstanding general obligation bonds issued for water purposes and a payment to the City in lieu of taxes and indirect costs. The Board is expected to pay the City an amount equal to \$8 million for the 2021-22 Fiscal Year (see Appendix E, “GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS - Summary of the Operation Agreement - Payment of Costs by the Board”).

### **Payments to the City for General Obligation Water Bonds**

The Board has paid all amounts outstanding on its General Obligation Water Bonds as of June 30, 2021.

### **LABOR RELATIONS**

Pursuant to the Financing Agreement, neither the Authority nor the Board may employ any paid officers or employees. As of July 1, 2020, the Board has retained the services of Veolia Water North America-Northeast, LLC to manage the day-to-day operations of the Water Division. All present and future City employees working for the City’s Division of Water continue to be City employees with no change in terms and conditions of their employment as provided in current or any future bargaining agreements.

All Division of Water employees are union members, with a total of 138 employees in the 2020-2021 budget. The following chart list the unions that represent Division of Water employees and when agreements expire.

<u>Unions</u>	<u>Agreements Expire</u>
AFSCME Local 264	6/30/2019 <sup>(1)</sup>
Operating Engineers Local 17	6/30/2020 <sup>(1)</sup>
Teamster Local 264	6/30/2022
AFSCME Local 650	6/30/2022

(1) In negotiations

## COVENANT OF THE STATE

Section 1048-t of the Act constitutes a pledge of the State to the Bondholders not to limit or alter the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

## LITIGATION

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Authority, threatened against or affecting the Authority to restrain or enjoin the issuance, sale or delivery of the Series 2021 Bonds, or in any way contesting or affecting the validity of the Series 2021 Bonds or any proceedings of the Authority, the Board or the City taken with respect to the issuance or sale of the Series 2021 Bonds or with respect to the Resolution, the pledge or application of any money or security provided for the payment of the Series 2021 Bonds, or the existence or powers of the Authority or the Board.

Pursuant to the Operation Agreement and the Financing Agreement, the City has agreed, subject to certain conditions, to indemnify the Authority and the Board against any and all liability, loss or damage from or in connection with any act done or omitted in the exercise of their powers that is taken or omitted in good faith in pursuance of the purposes under the Act. The City, however, is entitled to reimbursement by the Board for the amount of any judgment or settlement paid by the City (and not otherwise reimbursed from any other source) arising out of a tort claim to the extent that the City's liability therefor is related to the construction of a Project or the operation and maintenance of the System or arising out of a contract claim to the extent that the City's liability therefor is related to the construction, operation or maintenance of the Project.

Other than certain insurance coverage provided by Veolia, neither the Authority, the Board nor the City are generally insured for tort liability, automobile liability, Workers' Compensation claims or loss or damage to the System. The City funds a reserve fund on an annual basis to fund the payment of tort settlements and judgments. In addition to the foregoing, Contractors providing construction or professional services, equipment, materials and other goods and services are as a matter of course required to provide indemnification and insurance in forms and amounts acceptable to legal counsel to the Board and the City. Contractors' insurance names the Board, City and Authority as additional insureds. There are a limited number of tort claims pending against the Authority and/or the Board. In the opinion of the City Corporation Counsel's Office, none of the claims are of a substantial or catastrophic nature. In the further opinion of the City Corporation Counsel's Office, uninsured tort claim payments made in any given year or time frame will not have a material adverse impact upon the Authority's and/or the Board's finances.

Veolia is obligated to indemnify, defend, and hold harmless the Authority, the Board, and the City, to the extent of Veolia's insurance coverage, against any and all liabilities, suits, actions, demands, judgments, losses, expenses, damages, claims and costs, including reasonable attorneys' fees and court costs, for injury (including death), to any person or property caused by Veolia's negligence, omission, or other tortious conduct in the operation, maintenance, or repair of the System. This indemnification shall not cover damages, claims, or liabilities arising from the gross negligence of the City, the Board, or the Authority. Regardless of its insurance, Veolia shall indemnify, defend, and hold harmless the Authority, the Board, and the City for damages arising from grievance awards to union employees and/or damages from Veolia's failure to abide by the terms of collective bargaining agreements covering union employees and for suits, actions, demands, judgments, losses, expenses, damages, liabilities and costs, including reasonable attorneys' fees and court costs, arising from the transportation, storage, disposal,

or release of hazardous substances due to Veolia's failure to comply with applicable laws, Veolia's negligence, or Veolia's tortious conduct, except to the extent that such any suits, actions, demands, judgments, losses, expenses, damages, liabilities and/or costs are caused by the Board or the City. Veolia's indemnifications survive the expiration or termination of the Management Agreement, subject to any applicable statute of limitations. The maximum amount of Veolia's liability for indemnification is \$50,000,000, excluding amounts paid by the Board or a third-party (excluding Veolia's Parent Company), amounts covered by insurance or bonds, amounts in connection with fraud or intentional torts, amounts arising from the gross negligence or willful misconduct of Veolia or its employees or agents, amounts paid for unrelated third-party claims, governmental fines, amounts paid for claims made directly by third-parties against Veolia, and operating losses. Veolia is not liable for claims, judgments or settlements arising from occurrences, conditions of the System or permit violations (or conditions giving rise to permit violations), that occurred prior to the commencement or that occur after the termination of the Management Agreement.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority, the Board and others in connection with the Series 2021 Bonds, and Bond Counsel has assumed compliance by the Authority and the Board with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2021 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).

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Series 2021 Bonds, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

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

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2021 Bonds in order that interest on the Series 2021 Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2021 Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Series 2021 Bonds to become included in gross income for federal



income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority and the Board have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2021 Bonds from gross income under Section 103 of the Code.

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

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2021 Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2021 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2021 Bonds.

Prospective owners of the Series 2021 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Series 2021 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2021 Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Series 2021 Bonds. In general, the issue price for each maturity of Series 2021 Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2021 Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Series 2021 Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Series 2021 Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

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

## **Bond Premium**

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2021 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2021 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2021 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Series 2021 Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2021 Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2021 Bonds.

Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the foregoing matters.

## **APPROVAL OF LEGAL PROCEEDINGS**

The issuance of the Series 2021 Bonds is subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority, the Board, and the City by the City's Corporation Counsel, and for the Underwriter by its counsel, Harris Beach PLLC, Buffalo, New York.

## **LEGALITY FOR INVESTMENT AND DEPOSIT**

Under the Act, the Series 2021 Bonds are made securities in which all public officials and bodies of the State and all municipalities, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, investment companies and other persons carrying on a banking business, and administrators, guardians, executors, trustees and other fiduciaries and all other persons whatsoever, who are now or may hereafter be authorized to invest in the Series 2021 Bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them in such Series 2021 Bonds. The Act further provides that the Series 2021 Bonds are securities that may be deposited with and may be received by all public officers and bodies of the State and all municipalities for any purposes for which the deposit of bonds or other obligations of the State is or may hereafter be authorized.

## **AUDITORS AND CONSULTANTS**

### **Independent Auditors**

Drescher & Malecki, LLP, Certified Public Accountants, served as independent auditors to the Board. Please see "APPENDIX A - BUFFALO MUNICIPAL WATER FINANCE AUTHORITY AND BUFFALO WATER BOARD AUDITED BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, SUPPLEMENTARY INFORMATION AND OTHER INFORMATION FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020, AND INDEPENDENT AUDITORS' REPORTS" for certain financial information regarding the Authority and the Board.

### **Consulting Engineer**

GHD Consulting Services, Inc., Buffalo, New York, ("GHD") served as a consulting engineer to the Board with respect to the issuance and the sale of the Series 2021 Bonds. Please see "APPENDIX B - ENGINEERING REPORT - 2021 EVALUATION OF THE BUFFALO WATER SYSTEM", which includes the Consulting Engineer's feasibility report.

### **Rate Consultant**

Lisa A. Foti, CPA, Buffalo, New York, served as a rate consultant to the Board with respect to the issuance and the sale of the Series 2021 Bonds. Please see "APPENDIX C - RATE CONSULTANT REPORT", which includes her examination of the financial forecast and a letter of concurrence of GHD.

## **RATING**

S&P Global ("S&P") has assigned a rating of "A+" with a stable outlook to the Series 2021 Bonds and outstanding parity bonds. Such rating reflects only the views of S&P and explanation of the significance of such rating may only be obtained from S&P. Generally, a rating agency bases its rating on the information and material furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will remain in effect for any given period of time or that they may not be lowered, suspended or withdrawn entirely by such rating agency if, in its judgment,

circumstances so warrant. Any such downward change in or suspension or withdrawal of such ratings may have an adverse effect on the market price of the Series 2021 Bonds.

### **BOND INSURANCE**

The Authority has applied for a municipal bond insurance policy for the Series 2021 Bonds to guarantee all or a portion of the scheduled payment of the principal of and interest on the Series 2021 Bonds and, if a commitment is issued to insure the Series 2021 Bonds, the City will determine prior to the sale of the Series 2021 Bonds whether to obtain such policy.

### **UNDERWRITING**

D.A. Davidson & Co., as underwriter (the “Underwriter”) under a Contract of Purchase for the Series 2021 Bonds, between the Authority and the Underwriter, has agreed to purchase the Series 2021 Bonds at an aggregate purchase price of \$\_\_\_\_\_, being the par amount of the Series 2021 Bonds, plus an original issue premium of \$\_\_\_\_\_, less the Underwriter’s discount of \$\_\_\_\_\_. The Underwriter will initially offer the Series 2021 Bonds to the public at the public offering yields set forth on the inside cover of this Official Statement. The Contract of Purchase provides that the Underwriters will purchase all of the Series 2021 Bonds if any Series 2021 Bonds are purchased.

The Underwriter may offer and sell the Series 2021 Bonds to certain dealers and others at prices other than the initial offering prices. The offering prices may be changed from time to time by the Underwriter.

### **FINANCIAL ADVISOR**

Capital Markets Advisors, LLC, Orchard Park, New York, serves as Financial Advisor to the Authority on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Series 2021 Bonds and has reviewed and commented on certain legal documentation, including this Official Statement. The advice on the plan of financing and the structuring of the Series 2021 Bonds was based on materials provided by the Authority and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated or otherwise verified the information provided by the Authority or the information set forth in this Official Statement or any other information available to the Authority with respect to the appropriateness, accuracy or completeness of disclosure of such information or other information and no guarantee, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other material related to such information and this Official Statement.

### **CYBER SECURITY**

The Water Board and Authority do not have staff of their own and use the services of City employees and City technology and computer systems to carry out their functions. Pursuant to the Management Agreement, the services of City employees are used in the management of the System. The City, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the City faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the City invests in various forms of cyber security, technical, and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any

such attack could impact business operations and/or damage City digital networks and systems and the costs of remedying any such damage could be substantial.

In addition, Veolia has agreed as part of the Management Agreement to implement cyber security protection and other requirements applicable to public water utilities to further protect the Authority, the Water Board and the City from cyber events. Veolia has also agreed to provide the Board, the Authority and the City with an indemnity, upon commercially reasonable terms, from any data or security incident(s) caused by Veolia's negligence, omission or other tortious conduct in the performance of the Management Agreement.

### **VERIFICATION OF MATHEMATICAL ACCURACY**

Causey Demgen and Moore PC will deliver its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Underwriters. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal amounts and the interest on the government obligations deposited with the Trustee for the refunding of the Refunded Bonds and paying of the interest and redemption price coming due on the Refunded Bonds on or prior to their respective redemption dates as described in the Authority's Refunding Financial Plan and "SOURCES AND USES OF FUNDS" and (b) the computations supporting the conclusion of Bond Counsel that the Series 2021-B Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

### **CONTINUING DISCLOSURE OBLIGATIONS**

In order to assist the Underwriters in complying with the provisions of paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the Authority and the Board will undertake, in a written agreement for the benefit of the holders and beneficial owners of the Series 2021 Bonds (the "Continuing Disclosure Agreement") to provide to the Municipal Securities Rulemaking Board ("MSRB") as the sole nationally recognized securities repository through the MSRB's Electronic Municipal Market Access system ("EMMA") on an annual basis no later than approximately 210 business days after the end of each respective Fiscal Year of the Authority, commencing with the Fiscal Year ending June 30, 2021, certain financial and operating data concerning the Authority and the Board of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the Authority and the Board will undertake, for the benefit of the holders and beneficial owners of the Series 2021 Bonds, to provide notice to the MSRB through EMMA of certain events enumerated in the Rule, in a timely manner, but not more than 10 business days after the occurrence of such event. Any filing to be made under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB through EMMA as provided at <http://emma.msrb.org>. See "APPENDIX G - FORM OF CONTINUING DISCLOSURE AGREEMENT" for additional information regarding secondary market disclosure.

### **Compliance History**

The Authority and the Board represent that they have not failed in the previous 5 years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of listed events, except as follows. With respect to the Authority's Series 2002-B Bonds, the Board filed its annual report for the fiscal year ended June 30, 2014 on February 25, 2015, which date was approximately 75 days after the required filing date. For the fiscal year ended June 30, 2012, (i) the Board did not file its annual report and (ii) did not make a separate filing of its revised CIP, although the CIP was included in the Authority's 2012 Official Statement. To remedy both matters, the Board posted its 2012 annual report and its 2012 CIP on EMMA on April 23, 2015 and April 24, 2015, respectively. With respect to such failures to timely file, the Board filed notices with EMMA on April 12, 2019.

## **FURTHER INFORMATION**

The references herein to and summaries of Federal, State and local laws, including, but not limited to, the Code, the Constitution and laws of the State, the Act and documents, instruments and agreements, including, but not limited to, the Financing Agreement, Acquisition Agreement, Operation Agreement, and the Resolution, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or instruments. Copies of the Financing Agreement, Acquisition Agreement, Operation Agreement and the Resolution are available for inspection during normal business hours at the office of the Authority.

Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchaser or any Holders of the Series 2021 Bonds.

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This Official Statement has been duly executed and delivered by the authorized representative of the Authority and the Authority has authorized its distribution to prospective purchasers of the Series 2021 Bonds.

BUFFALO MUNICIPAL WATER FINANCE AUTHORITY

By: \_\_\_\_\_  
Donna J. Estrich, Chair

December \_\_, 2021

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**APPENDIX A**

**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY AND BUFFALO WATER  
BOARD AUDITED BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY  
INFORMATION, SUPPLEMENTARY INFORMATION AND OTHER INFORMATION FOR  
THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020, AND INDEPENDENT AUDITORS'  
REPORTS**

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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER**  
**FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE**  
**CITY OF BUFFALO, NEW YORK**  
*Basic Financial Statements, Required Supplementary*  
*Information and Other Information*  
*for the Years Ended June 30, 2021 and 2020*  
*and Independent Auditors' Report*



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Table of Contents**  
**Years Ended June 30, 2021 and 2020**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Buffalo Municipal Water Finance Authority  
Buffalo, New York:

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

We have audited the accompanying financial statements of the Buffalo Municipal Water Finance Authority (the "Authority"), a component unit of the City of Buffalo, New York (the "City"), as of and for the years ended June 30, 2021 and 2020, 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinions.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

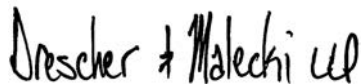
*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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 audits of the basic financial 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Other Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Other Information, as listed in the table of contents, has 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 it.



October 29, 2021



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2021 and 2020**

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As management of the City of Buffalo, New York's (the "City") Buffalo Municipal Water Finance Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial activities for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the City's financial statements, which follow this narrative.

**Financial Highlights**

- The Authority's total assets and deferred outflows of resources decreased \$2,396,632 from June 30, 2020 to June 30, 2021 primarily due to the use of restricted cash and cash equivalents to make scheduled principal payments of \$6,230,000 on water system revenue bonds. Total liabilities decreased by the same amount, \$2,396,632.
- The Authority's restricted cash and cash equivalents decreased \$9,174,535 from June 30, 2020 to June 30, 2021.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise of two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City uses an enterprise fund to account for the activities of the Authority, which reports information about the general operations of the Authority. The Authority was established to issue debt for the City of Buffalo Water Board (the "Water Board").

**Basic financial statements**—The basic financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* present all of the Authority's assets, deferred outflows of resources, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Authority.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed during the most recent fiscal years. 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 fiscal periods.

The *statements of cash flows* provide information related to the sources of cash, the uses of cash, and the change in the cash balances during the reporting period. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, non-capital financing and financing activities.

These financial statements can be found on pages 8-10 of this report.

**Notes to the financial statements**—The notes provide 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 on pages 11-16 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *Other Information*, which includes the Authority’s budget and actual comparison for the years ended June 30, 2021 and 2020 and the Schedule of Authority Investments, as required to be reported under New York State Public Authority Law. Other Information can be found on pages 17-19 of this report.

### Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the Authority’s activities. These two statements report the net position of the Authority and changes thereof. Net position, the difference between the sum of assets and deferred outflows of resources and liabilities, is one way to measure financial health or financial position. In accordance with a financing agreement, the Water Board is required to transfer funds to the Authority to cover the expenses of the Authority, and any fund transfers to the Authority that are not needed for current year operations are returned to the Water Board. Therefore, the Authority does not accumulate any net position.

Table 1, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 1—Condensed Statements of Net Position for the fiscal years ended June 30, 2021 and June 30, 2020**

	June 30,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 900,461	\$ 416,833	\$ 483,628	116.0
Restricted cash and cash equivalents	31,647,223	40,821,758	(9,174,535)	(22.5)
Due from Water Board	<u>6,991,545</u>	<u>6,702,943</u>	<u>288,602</u>	4.3
Total current assets	<u>39,539,229</u>	<u>47,941,534</u>	<u>(8,402,305)</u>	(17.5)
Noncurrent assets:				
Due from Water Board	<u>88,667,806</u>	<u>82,782,557</u>	<u>5,885,249</u>	7.1
Total noncurrent assets	<u>88,667,806</u>	<u>82,782,557</u>	<u>5,885,249</u>	7.1
Total assets	<u>128,207,035</u>	<u>130,724,091</u>	<u>(2,517,056)</u>	(1.9)
Deferred outflows of resources	<u>2,578,220</u>	<u>2,457,796</u>	<u>120,424</u>	4.9
Liabilities:				
Current liabilities	9,625,722	9,568,220	57,502	0.6
Noncurrent liabilities	<u>121,159,533</u>	<u>123,613,667</u>	<u>(2,454,134)</u>	(2.0)
Total liabilities	<u>130,785,255</u>	<u>133,181,887</u>	<u>(2,396,632)</u>	(1.8)
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

Table 2, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 2—Condensed Statements of Net Position for the fiscal years ended June 30, 2020 and June 30, 2019**

	June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 416,833	\$ 384,445	\$ 32,388	8.4
Restricted cash and cash equivalents	40,821,758	42,589,097	(1,767,339)	(4.1)
Due from Water Board	<u>6,702,943</u>	<u>4,725,997</u>	<u>1,976,946</u>	41.8
Total current assets	<u>47,941,534</u>	<u>47,699,539</u>	<u>241,995</u>	0.5
Noncurrent assets:				
Due from Water Board	<u>82,782,557</u>	<u>86,938,936</u>	<u>(4,156,379)</u>	(4.8)
Total noncurrent assets	<u>82,782,557</u>	<u>86,938,936</u>	<u>(4,156,379)</u>	(4.8)
Total assets	<u>130,724,091</u>	<u>134,638,475</u>	<u>(3,914,384)</u>	(2.9)
Deferred outflows of resources	<u>2,457,796</u>	<u>2,817,996</u>	<u>(360,200)</u>	(12.8)
Liabilities:				
Current liabilities	9,568,220	7,046,223	2,521,997	35.8
Noncurrent liabilities	<u>123,613,667</u>	<u>130,410,248</u>	<u>(6,796,581)</u>	(5.2)
Total liabilities	<u>133,181,887</u>	<u>137,456,471</u>	<u>(4,274,584)</u>	(3.1)
Total net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

As illustrated in Table 1, the sum of assets and deferred outflows of resources as well as the total liabilities decreased \$2,396,632 from June 30, 2020 to June 30, 2021, while in Table 2, the sum of assets and deferred outflows of resources as well as the total liabilities decreased \$4,274,584 from June 30, 2019 to June 30, 2020.

There was no change in net position for the fiscal years ended June 30, 2021 and 2020 since transfers in from the Buffalo Water Board covered all operating expenses.

Significant changes from 2020 to 2021 in the Statement of Net Position and the reasons for the changes are:

- Total assets decreased \$2,517,056, which was primarily the result of a decrease in restricted cash and cash equivalents related to the use of cash from debt previously restricted, which was partially offset by an increase in the due from Buffalo Water Board of \$5,885,249 related to increased expenses incurred and paid for with bond proceeds managed by the Authority on behalf of the Water Board.
- Deferred outflows of resources increased \$120,424 due to a new deferred charge on refunding from the issuance of current year water system revenue refunding bonds, which was partially offset by current year amortization of the outstanding deferred charge on refunding.
- Total liabilities decreased by \$2,396,632, resulting primarily from scheduled principal payments.

Significant changes from 2019 to 2020 in the Statement of Net Position and the reasons for the changes are:

- Total assets decreased \$3,914,384, which was primarily the result of a decrease in restricted cash and cash equivalents related to the expense of cash from debt previously restricted.
- Deferred outflows of resources decreased \$360,200 due to current year amortization of a deferred loss on refunding.
- Total liabilities decreased by \$4,274,584, resulting primarily from scheduled principal payments.

Table 3, as presented below, shows the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2021 and June 30, 2020**

	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Operating expenses	\$ 440,710	\$ 82,958	\$ 357,752	431.2
Transfers in	440,710	82,958	357,752	431.2
Change in net position	-	-	-	
Net position—beginning	-	-	-	
Net position—ending	\$ -	\$ -	\$ -	

While the Statements of Net Position display the change in the Authority’s financial position, the Statements of Revenues, Expenses, and Changes in Net Position provide information on the nature and source of these changes. As illustrated in Table 3, there was no change in net position for the years ended June 30, 2021 and 2020. The increase in operating expenses during the year ended June 30, 2021 was the result of fiscal charges related to current year bond issuances.

Table 4, as presented below, shows the changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 4—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2020 and June 30, 2019**

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Operating expenses	\$ 82,958	\$ 531,797	\$ (448,839)	(84.4)
Transfers in	82,958	531,797	(448,839)	(84.4)
Change in net position	-	-	-	
Net position—beginning	-	-	-	
Net position—ending	\$ -	\$ -	\$ -	

As illustrated in Table 4, there was no change in net position for the years ended June 30, 2021 and 2020. The decrease in operating expenses during the year ended June 30, 2020 was the result of fiscal charges related to prior year bond issuances.

**Long-Term Debt**

The Authority had \$117,455,000 and \$121,060,000 of outstanding revenue bonds at June 30, 2021 and June 30, 2020, respectively. These bonds are scheduled to be paid in full by 2050. During the year ended June 30, 2021, the Authority issued water system revenue bonds of \$4,580,000, and issued water system revenue refunding bonds of \$16,850,000, which along with premiums and cash contributions, refunded \$18,805,000 of previously outstanding water system revenue bonds. The Authority also made scheduled principal payments of \$6,230,000.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York, 14202.

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# BASIC FINANCIAL STATEMENTS





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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Net Position**  
**June 30, 2021 and 2020**

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 900,461	\$ 416,833
Restricted cash and cash equivalents	31,647,223	40,821,758
Due from Buffalo Water Board	6,991,545	6,702,943
Total current assets	39,539,229	47,941,534
Noncurrent assets:		
Due from Buffalo Water Board	88,667,806	82,782,557
Total noncurrent assets	88,667,806	82,782,557
Total assets	128,207,035	130,724,091
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	2,578,220	2,457,796
Total deferred outflows of resources	2,578,220	2,457,796
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	11,508	14,325
Accrued interest	2,622,669	2,850,952
Bonds payable due within one year	6,991,545	6,702,943
Total current liabilities	9,625,722	9,568,220
Noncurrent liabilities:		
Bonds payable due in more than one year	121,159,533	123,613,667
Total noncurrent liabilities	121,159,533	123,613,667
Total liabilities	130,785,255	133,181,887
<b>NET POSITION</b>		
Unrestricted	-	-
Total net position	\$ -	\$ -

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2021 and 2020**

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	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Operating expenses:		
Professional services	\$ 42,600	\$ 46,875
Fiscal agent fees and other expenses	398,110	36,083
Total operating expenses	440,710	82,958
Operating loss	(440,710)	(82,958)
Transfers from Buffalo Water Board	440,710	82,958
Change in net position	-	-
Total net position—beginning	-	-
Total net position—ending	\$ -	\$ -

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net change from services provided	\$ (671,810)	\$ 462,093
Net cash provided by (used for) operating activities	(671,810)	462,093
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from Buffalo Water Board	440,710	82,958
Advances (to) from City of Buffalo Water Board	(6,173,851)	2,179,433
Net cash provided by (used for) noncapital financing activities	(5,733,141)	2,262,391
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds	(6,230,000)	(4,210,000)
Payment to refunded bond escrow agent	(19,297,822)	-
Proceeds from issuance of debt and premium	23,373,409	-
Interest and other fiscal charges	(131,543)	(249,435)
Net cash (used for) capital and related financing activities	(2,285,956)	(4,459,435)
Net (decrease) in cash and cash equivalents	(8,690,907)	(1,734,951)
Cash and cash equivalents (including restricted cash and cash equivalents)—beginning	41,238,591	42,973,542
Cash and cash equivalents (including restricted cash and cash equivalents)—ending	\$ 32,547,684	\$ 41,238,591
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities:</b>		
Operating loss	\$ (440,710)	\$ (82,958)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in accounts payable	(2,817)	14,325
(Increase) decrease in accrued liabilities	(228,283)	530,726
Net cash provided by (used for) operating activities	\$ (671,810)	\$ 462,093

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2021 and 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Buffalo Municipal Water Finance Authority (the “Authority”), a component unit of the City of Buffalo, New York (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

***Reporting Entity***

The Buffalo Municipal Water Finance Authority (the “Authority”) is a public benefit corporation created pursuant to Section 1048A-BB of Title 2B of Article V of the New York State Public Authorities Law (the “Act”). According to the Act, the Authority may borrow money and issue negotiable or non-negotiable notes, bonds, or other obligations. The Authority is the entity created to finance the capital needs of the Buffalo Water System (the “System”), which is owned by the Buffalo Water Board (the “Board”), a public benefit corporation created by the Act. The Authority is a blended component unit of the City and, as such, is included in the City’s basic financial statements.

The Authority, Board, and City have entered into a financing agreement originally dated September 24, 1992, to ensure sufficient water rates are collected to fund the costs of operating, managing, and maintaining the System. The Board is responsible for establishing rates and charges for water services; collection of user charges and fees; and operations, repairs, and maintenance of the System. By an amendment dated August 1, 1997, the Authority amended its previous financing agreement with the Board and the City to allow the Board to engage a private contractor to manage the operation and maintenance of the System, which was previously performed by the City.

The Authority continues to hold construction funds for the Board and disburses funds as capital project expenditures are incurred. The Board pays funds to the Authority to meet Authority debt service obligations. The operations of the Authority are limited to facilitating the financing of the System’s acquisition and construction improvements. As a result of the financing agreement between the Authority, Board, and City, the bond issuance and interest costs are, from an economic standpoint, borne by the Board and, therefore, accounted for by the Board. Transfers from the Board fund the operating and administrative costs of the Authority.

***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up

essentially equal values. Operating expenses include the cost of services and supplies and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

***Cash, Cash Equivalents and Investments***—The Authority’s cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United State Agencies, repurchase agreements, obligations of New York State or its localities and certificates of deposit. The Authority had no investments at June 30, 2021 and 2020, however, when the Authority does have investments they are stated at fair value in accordance with GASB.

***Restricted Cash and Cash Equivalents***—Unspent proceeds from debt are reported as restricted cash and cash equivalents.

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. At June 30, 2021 and 2020, the Authority reports a deferred loss on refunding within deferred outflows of resources for \$2,578,220 and \$2,457,796, respectively.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2021 and 2020, the Authority does not have any items that qualify for reporting in this category.

***Other***

***Annual Budgets***—Annual budgets are used as a management tool. The Authority may amend the budget, but only in accordance with, and after receipt of, amended budget documents.

***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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2021, the Authority implemented GASB Statement No. 84, *Fiduciary Activities*; No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units,

mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report (“CAFR”). The implementation of GASB Statements No. 84, 92, 93, 97 and 98 did not have a material impact on the Authority’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—The Authority has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*; and No. 89, *Interest Capitalization*, effective for the year ending June 30, 2022; No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The Authority is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 94, and 96 will have on its financial position and results of operations when such statements are adopted.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority’s available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the Authority’s investment policies. The Authority, through the City, has its own written investment guidelines, which have been established by the Comptroller’s Office pursuant to Section 114A of the City Charter. The Authority is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, New York State. The Authority’s investment policy governs the investment of excess funds. Permissible investments include time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State and its localities. Cash in banks was fully collateralized at June 30, 2021, of which the bank balance at June 30, 2021, was \$31,734,314.

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2020 and 2019 as follows:

	June 30, 2021		June 30, 2020	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
Uninsured:				
Collateral held by pledging bank's agent in Authority's name	<u>30,984,314</u>	<u>31,797,684</u>	<u>39,703,315</u>	<u>40,488,591</u>
Total	<u>\$ 31,734,314</u>	<u>\$ 32,547,684</u>	<u>\$ 40,453,315</u>	<u>\$ 41,238,591</u>

**Custodial Credit Risk**—Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of June 30, 2021 and 2020, the Authority’s deposits were FDIC insured or collateralized with securities held by the pledging bank’s agent in the Authority’s name.

**Restricted Cash and Cash Equivalents**—The Authority reports restricted cash, totaling \$31,647,223 and \$40,821,758 at June 30, 2020 and 2019, respectively. These funds represent unspent debt proceeds and are set aside for construction purposes and future payments on the Authority’s long-term debt.

Restricted cash and cash equivalents consists of the following:

	June 30, 2021		June 30, 2020	
	Bank Balance	Carrying Balance	Bank Balance	Carrying Balance
U.S. Treasury	\$ 540,067	\$ 540,067	\$ 720,953	\$ 720,953
Money market fund	31,107,156	31,107,156	40,100,805	40,100,805
Total	\$ 31,647,223	\$ 31,647,223	\$ 40,821,758	\$ 40,821,758

The Authority's investment policies are included within the Schedule of Authority Investments on page 19 of this report. There were no investments recorded by the Authority for the years ending June 30, 2021 and 2020.

### 3. DUE FROM WATER BOARD

Due from the Water Board represents the net receivables and payables between the Authority and the Board. The Authority issues all debt on behalf of the Board. As of June 30, 2021, the Board owed the Authority \$111,533,909 for expenses incurred and paid for with bond proceeds, less any principal payments made on the outstanding bonds by the Board. Additionally, the Authority owed the Board \$15,874,558 as of June 30, 2021, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Board to the Authority totals \$95,659,351, of which \$6,991,545 is recorded as a current asset and \$88,667,806 as a noncurrent asset. As of June 30, 2020, the Board owed the Authority \$104,167,406 for expenses incurred and paid for with bond proceeds, less any principal payments made on the outstanding bonds by the Board. Additionally, the Authority owed the Board \$14,681,906 as of June 30, 2020, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Board to the Authority totals \$89,485,500, of which \$6,702,943 is recorded as a current asset and \$82,782,557 as a noncurrent asset.

### 4. LONG-TERM LIABILITIES

All long-term bonded debt instruments are revenue bonds, which are backed by the full faith and credit of the Authority. Interest is paid semi-annually. Principal is paid annually.

**Serial Bonds**—On October 7, 2020, the Authority issued \$4,580,000 in Series 2020A Water System Revenue Bonds. The serial bonds were issued at a premium of \$514,094. The bonds carry an interest rate of 2.0% - 5.0% and principal payments begin July 1, 2022 and mature on July 1, 2049.

**Current Year Refunding**—On October 7, 2020, the Authority issued \$16,850,000 in Water System Revenue Refunding Bonds, together with bond premiums received of \$1,429,312 and the debt reserve, to refund \$18,805,000 of outstanding principal of the previously issued 2010 Serial Bonds originally issued for various purposes, which were called on November 23, 2020. The 2020 Refunding Bonds carry an interest rate of 2.0% - 5.0% and mature on July 1, 2040. The refund resulted in a net present value benefit savings of \$4,081,090 to the Authority and a deferred loss on refunding of \$461,825.

A summary of additions and reductions of bonds payable for the years ending June 30, 2021 and 2020 is presented on the following page.



Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 8,705,000	\$ -	\$ 970,000	\$ 7,735,000	\$ 1,000,000
2010	23,975,000	2.0-6.9	2041	19,395,000	-	19,395,000	-	-
2011	2,720,000	0.6-3.5	2022	570,000	-	280,000	290,000	290,000
2012	17,150,000	2.0-4.0	2043	14,495,000	-	425,000	14,070,000	435,000
2012	2,575,000	5.6-6.3	2031	2,040,000	-	145,000	1,895,000	155,000
2015	46,655,000	2.0-5.0	2036	39,880,000	-	3,100,000	36,780,000	3,300,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	385,000	23,900,000	400,000
2019	11,985,000	3.0-5.0	2038	11,690,000	-	335,000	11,355,000	350,000
2021	4,580,000	2.0-5.0	2050	-	4,580,000	-	4,580,000	50,000
2021	16,850,000	2.0-5.0	2041	-	16,850,000	-	16,850,000	450,000
Total				121,060,000	21,430,000	25,035,000	117,455,000	6,430,000
Unamortized bond premium				9,441,158	1,943,406	513,755	10,870,809	571,358
Unamortized bond discount				(184,548)	-	(9,817)	(174,731)	(9,813)
Net bonded debt				<u>\$ 130,316,610</u>	<u>\$ 23,373,406</u>	<u>\$ 25,538,938</u>	<u>\$ 128,151,078</u>	<u>\$ 6,991,545</u>

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 9,645,000	\$ -	\$ 940,000	\$ 8,705,000	\$ 970,000
2010	23,975,000	2.0-6.9	2041	19,965,000	-	570,000	19,395,000	590,000
2011	2,720,000	0.6-3.5	2022	840,000	-	270,000	570,000	280,000
2012	17,150,000	2.0-4.0	2043	14,905,000	-	410,000	14,495,000	425,000
2012	2,575,000	5.6-6.3	2031	2,180,000	-	140,000	2,040,000	145,000
2015	46,655,000	2.0-5.0	2036	41,465,000	-	1,585,000	39,880,000	3,100,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	-	24,285,000	385,000
2019	11,985,000	3.0-5.0	2038	11,985,000	-	295,000	11,690,000	335,000
Total				125,270,000	-	4,210,000	121,060,000	6,230,000
Unamortized bond premium				10,060,602	-	619,444	9,441,158	482,756
Unamortized bond discount				(194,357)	-	(9,809)	(184,548)	(9,813)
Net bonded debt				<u>\$ 135,136,245</u>	<u>\$ -</u>	<u>\$ 4,819,635</u>	<u>\$ 130,316,610</u>	<u>\$ 6,702,943</u>

**Amortization of Bond Premiums and Discounts**—The total remaining unamortized premiums on Water Revenue bonds payable at June 30, 2021 is \$10,870,809. Additionally, unamortized discount on bonds of \$174,731 is reported at June 30, 2021.

Future payments on long-term debt at June 30, 2021, are presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 6,430,000	\$ 5,230,348
2023	6,435,000	4,788,552
2024	6,690,000	4,486,525
2025	7,075,000	4,153,749
2026	7,380,000	3,803,335
2027-2031	35,015,000	13,465,746
2032-2036	18,065,000	7,910,685
2037-2041	16,110,000	4,765,375
2042-2046	8,880,000	2,219,039
2047 and thereafter	<u>5,375,000</u>	<u>412,075</u>
Total	<u>\$ 117,455,000</u>	<u>\$ 51,235,429</u>

## 5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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## OTHER INFORMATION



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses, and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Operating expenses:				
Professional services	\$ 60,500	\$ 60,500	\$ 42,600	\$ 17,900
Fiscal agent fees and other expenses	<u>489,500</u>	<u>489,500</u>	<u>398,110</u>	<u>91,390</u>
Total operating expenses	<u>550,000</u>	<u>550,000</u>	<u>440,710</u>	<u>109,290</u>
Operating loss	<u>(550,000)</u>	<u>(550,000)</u>	<u>(440,710)</u>	<u>109,290</u>
Other financing sources:				
Transfers from Buffalo Water Board	<u>550,000</u>	<u>550,000</u>	<u>440,710</u>	<u>(109,290)</u>
Total other financing sources	<u>550,000</u>	<u>550,000</u>	<u>440,710</u>	<u>(109,290)</u>
Change in net position	-	-	-	-
Total net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses, and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual</u>	<u>Variance with Final Budget</u>
	<u>Adopted</u>	<u>Final</u>		
Operating expenses:				
Professional services	\$ 60,500	\$ 62,125	\$ 46,875	\$ 15,250
Fiscal agent fees and other expenses	40,000	50,609	36,083	14,526
Total operating expenses	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>29,776</u>
Operating loss	<u>(100,500)</u>	<u>(112,734)</u>	<u>(82,958)</u>	<u>29,776</u>
Other financing sources:				
Transfers from Buffalo Water Board	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>(29,776)</u>
Total other financing sources	<u>100,500</u>	<u>112,734</u>	<u>82,958</u>	<u>(29,776)</u>
Change in net position	-	-	-	-
Total net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO MUNICIPAL WATER FINANCE AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Schedule of Authority Investments**  
**Year Ended June 30, 2021**

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**Annual Investment Report** - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Authority, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Authority since the last investment report.

- a. Investment guidelines – the Authority’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none.
- c. Explanation of guidelines and investments – the Authority has not made any amendments to its investment policy. These guidelines restrict investment of Authority funds to:
  - Certificates of Deposit (“CD”) issued by a bank or trust company authorized to do business in New York State;
  - Time Deposit (“TD”) accounts and Negotiable Order of Withdrawal (“NOW”) accounts in a bank or trust company authorized to do business in New York State;
  - Obligations of New York State;
  - Repurchase agreements involving the purchase and sale of direct obligations of the United States;
  - Obligations of agencies of the federal government, if principal and interest is guaranteed by the United States; and
  - With the approval of the New York State Comptroller, in Revenue Anticipation Notes or Tax Anticipation Notes of other local governments.
- d. Results of the annual independent audit – the independent auditors have issued an unmodified opinion on the Authority’s financial statements for the fiscal year ended June 30, 2021.
- e. Investment income record – The Authority had no investment income for the fiscal year ended June 30, 2021.
- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Authority since the last investment report – no such fees or commissions were paid during the fiscal year ended June 30, 2021.

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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE**  
**CITY OF BUFFALO, NEW YORK**  
*Basic Financial Statements, Required Supplementary*  
*Information and Other Information*  
*for the Years Ended June 30, 2021 and 2020*  
*and Independent Auditors' Reports*



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Table of Contents**  
**Years Ended June 30, 2021 and 2020**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Buffalo Water Board  
City of Buffalo, New York:

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

We have audited the accompanying financial statements of the Buffalo Water Board (the "Water Board"), a component unit of the City of Buffalo, New York (the "City"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Water Board's basic financial statements as listed in the table of contents.

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

The Water Board'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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinions.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water Board as of June 30, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***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 a 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 audits of the basic financial 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 an opinion on the financial statements that collectively comprise the Water Board's basic financial statements. Other Information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Other Information, as listed in the table of contents, has 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 it.

*Drescher & Malecki LLP*

October 29, 2021



**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2021 and 2020**

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As management of the City of Buffalo, New York's (the "City") Buffalo Water Board (the "Water Board"), we offer readers of the Water Board's financial statements this narrative overview and analysis of the financial activities of the Water Board for the fiscal years ended June 30, 2021 and 2020. This document should be read in conjunction with additional information that we have furnished in the Water Board's financial statements, which follow this narrative.

**Financial Highlights**

- The assets and deferred outflows of resources of the Water Board exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2021 by \$51,750,577 (*net position*). This consisted of \$32,399,657 net investment in capital assets and unrestricted net position of \$19,350,920. The assets and deferred outflows of resources of the Water Board exceeded its liabilities at the close of the fiscal year ended June 30, 2020 by \$51,141,936 (*net position*). This consisted of \$22,185,282 net investment in capital assets and unrestricted net position of \$28,956,654.
- The Water Board's total net position increased by \$608,641 during the fiscal year ended June 30, 2021, and net position increased \$7,742,022 for the fiscal year ended June 30, 2020.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the Water Board's basic financial statements. The Water Board's basic financial statements comprise of two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The City uses an enterprise fund to account for the activities of the Water Board, which reports information about the general operations of the Water Board.

**Basic financial statements**—The basic financial statements are prepared using the accrual basis of accounting. The financial statements include:

The *statements of net position* presents all of the Water Board's assets, liabilities, and deferred outflows/inflows of resources, and provide information about the nature and amounts of investments in resources (assets) and the obligations to Water Board creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Water Board.

The *statements of revenues, expenses, and changes in net position* present information showing how the Water Board's net position changed during the most recent fiscal years. All changes in net position are reported as soon as the underlying event giving rise 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 fiscal periods.

The *statements of cash flows* provide information related to the sources of cash, the uses of cash, and the change in cash balances during the reporting period. The statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, noncapital financing, capital financing activities, and investing activities.

These financial statements can be found on pages 10-12 of this report.

**Notes to the financial statements**—The notes provide 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 on pages 13-29 of this report.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* concerning the Water Board’s other postemployment benefits liability, the Water Board’s net pension liability and its recent contributions. Required Supplementary Information and the related note to the required supplementary information can be found on pages 30-33 of this report.

*Other Information* is presented immediately following the Required Supplementary Information and can be found on pages 34-41 of this report.

### Financial Analysis

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report the net position of the Water Board and changes thereof. Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is a way to measure financial health or financial position. Over time, increases or decreases in the Water Board’s net position is one indicator of whether its financial health is improving or deteriorating.

Table 1, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 1—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2021 and June 30, 2020**

	June 30,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 12,937,600	\$ 14,159,336	\$ (1,221,736)	(8.6)
Investments	5,275,598	5,263,404	12,194	0.2
Receivables, net	7,733,229	8,980,895	(1,247,666)	(13.9)
Total current assets	<u>25,946,427</u>	<u>28,403,635</u>	<u>(2,457,208)</u>	(8.7)
Noncurrent assets:				
Capital assets not being depreciated	3,072,946	2,545,973	526,973	20.7
Capital assets being depreciated	154,899,569	147,498,123	7,401,446	5.0
Total noncurrent assets	<u>157,972,515</u>	<u>150,044,096</u>	<u>7,928,419</u>	5.3
Total assets	<u>183,918,942</u>	<u>178,447,731</u>	<u>5,471,211</u>	3.1
Deferred outflows of resources	<u>8,764,243</u>	<u>5,180,894</u>	<u>3,583,349</u>	69.2
Liabilities:				
Current liabilities	9,199,574	9,493,852	(294,278)	(3.1)
Noncurrent liabilities	<u>120,014,694</u>	<u>114,756,466</u>	<u>5,258,228</u>	4.6
Total liabilities	<u>129,214,268</u>	<u>124,250,318</u>	<u>4,963,950</u>	4.0
Deferred inflows of resources	<u>11,718,340</u>	<u>8,236,371</u>	<u>3,481,969</u>	42.3
Net position:				
Net investment in capital assets	32,399,657	22,185,282	10,214,375	46.0
Unrestricted	<u>19,350,920</u>	<u>28,956,654</u>	<u>(9,605,734)</u>	(33.2)
Total net position	<u>\$ 51,750,577</u>	<u>\$ 51,141,936</u>	<u>\$ 608,641</u>	1.2

The condensed Statements of Net Position shows an increase of \$608,641 in net position during the year ended June 30, 2021, from \$51,141,936 at June 30, 2020. The increase is the result of current year operations as displayed in Table 3. Significant changes from 2020 to 2021 in the condensed Statements of Net Position include:

- Total assets increased \$5,471,211, which was primarily caused by increases in capital assets of \$7,928,419. These changes are mainly due to newly completed and ongoing water infrastructure capital outlay projects.
- Total deferred outflows of resources increased \$3,583,349, while deferred inflows of resources also increased \$3,481,969. This was primarily due to the effects of the actuarially determined amounts related to the net pension liability and the OPEB obligation.
- Total liabilities increased \$4,963,950, resulting primarily from an increase in the OPEB obligation of \$4,719,166.

Table 2, shown below, presents a condensed statement of net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 2—Condensed Statements of Net Position for the Fiscal Years Ended June 30, 2020 and June 30, 2019**

	June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Current assets:				
Cash and cash equivalents	\$ 14,159,336	\$ 14,376,892	\$ (217,556)	(1.5)
Investments	5,263,404	5,186,302	77,102	1.5
Receivables, net	8,980,895	7,162,546	1,818,349	25.4
Total current assets	<u>28,403,635</u>	<u>26,725,740</u>	<u>1,677,895</u>	6.3
Noncurrent assets:				
Capital assets not being depreciated	2,545,973	1,240,180	1,305,793	105.3
Capital assets being depreciated	<u>147,498,123</u>	<u>144,866,068</u>	<u>2,632,055</u>	1.8
Total noncurrent assets	<u>150,044,096</u>	<u>146,106,248</u>	<u>3,937,848</u>	2.7
Total assets	<u>178,447,731</u>	<u>172,831,988</u>	<u>5,615,743</u>	3.2
Deferred outflows of resources	<u>5,180,894</u>	<u>1,872,632</u>	<u>3,308,262</u>	176.7
Liabilities:				
Current liabilities	9,493,852	6,810,033	2,683,819	39.4
Noncurrent liabilities	<u>114,756,466</u>	<u>112,965,615</u>	<u>1,790,851</u>	1.6
Total liabilities	<u>124,250,318</u>	<u>119,775,648</u>	<u>4,474,670</u>	3.7
Deferred inflows of resources	<u>8,236,371</u>	<u>11,529,058</u>	<u>(3,292,687)</u>	(28.6)
Net position:				
Net investment in capital assets	22,185,282	13,787,999	8,397,283	60.9
Unrestricted	<u>28,956,654</u>	<u>29,611,915</u>	<u>(655,261)</u>	(2.2)
Total net position	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>	<u>\$ 7,742,022</u>	17.8

The condensed Statements of Net Position shows an increase of \$7,742,022 in net position during the year ended June 30, 2020, from \$43,399,914 at June 30, 2019. The increase is the result of current year operations as displayed in Table 4. Significant changes from 2019 to 2020 in the condensed Statements of Net Position include:

- Total assets increased \$5,615,743, which was primarily caused by increases in capital assets of \$3,937,848 and receivables of \$1,818,349. These changes are mainly due to newly completed and ongoing water infrastructure capital outlay projects and an increased receivable from the Water Enterprise Fund's net pension liability and related deferred outflows and inflows of resources.
- Total deferred outflows of resources increased \$3,308,262, while deferred inflows of resources decreased \$3,292,687. This was primarily due to the effects of the actuarially determined amounts related to the net pension liability and the OPEB obligation.
- Total liabilities increased \$4,474,670, resulting primarily from increases in amounts owed to the Water Authority for the amount of revenue bonded debt proceeds advanced, which were expended net of principal payments made.

Table 3, as presented below, shows changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 3—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Fiscal Years Ended June 30, 2021 and June 30, 2020**

	Year Ended June 30,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Revenues:				
Operating	\$ 45,285,571	\$ 50,316,561	\$ (5,030,990)	(10.0)
Nonoperating	396,362	665,195	(268,833)	(40.4)
Total revenues	<u>45,681,933</u>	<u>50,981,756</u>	<u>(5,299,823)</u>	(10.4)
Expenses:				
Services and supplies	10,668,972	10,127,983	540,989	5.3
Water meter repairs and other expenses	6,665,223	5,598,779	1,066,444	19.0
Depreciation	6,991,675	6,674,829	316,846	4.7
Operating transfers	8,556,637	8,125,756	430,881	5.3
Interest	4,575,992	5,456,934	(880,942)	(16.1)
Loss on disposal of capital assets	4,311	7,375	(3,064)	(41.5)
Total expenses	<u>37,462,810</u>	<u>35,991,656</u>	<u>1,471,154</u>	4.1
Income before transfers to the City's General Fund	8,219,123	14,990,100	(6,770,977)	(45.2)
Transfers to the City's General Fund	<u>(7,610,482)</u>	<u>(7,248,078)</u>	<u>(362,404)</u>	5.0
Change in net position	608,641	7,742,022	(7,133,381)	(92.1)
Net position - beginning	<u>51,141,936</u>	<u>43,399,914</u>	<u>7,742,022</u>	17.8
Net position - ending	<u>\$ 51,750,577</u>	<u>\$ 51,141,936</u>	<u>\$ 608,641</u>	1.2

While the condensed Statements of Net Position display the changes in the Water Board's financial position, the condensed Statements of Revenues, Expenses, and Changes in Net Position provide insight as to the nature and source of these changes.

Significant changes from the year ended June 30, 2020 to the year ended June 30, 2021 in revenues and expenses for the Water Board include the following:

- Operating revenues decreased \$5,030,990, or 10.0 percent from the prior year, primarily due to decrease in water consumption, a decrease in miscellaneous revenues due to a one-time asset transfer from the vendor to the City in the prior year, along with an increase in bad debt, which is offset against operating charges for services.
- Water meter repairs and other expenses increased \$1,066,444 or 19.0 percent from the prior year, primarily due to City’s continued structural improvements of water meters and related equipment.

Table 4, as presented below, shows changes in net position for the fiscal years ended June 30, 2020 and June 30, 2019.

**Table 4—Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Fiscal Years Ended June 30, 2020 and June 30, 2019**

	Year Ended June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Revenues:				
Operating	\$ 50,316,561	\$ 46,593,448	\$ 3,723,113	8.0
Nonoperating	665,195	552,096	113,099	20.5
Total revenues	<u>50,981,756</u>	<u>47,145,544</u>	<u>3,836,212</u>	8.1
Expenses:				
Services and supplies	10,127,983	11,376,286	(1,248,303)	(11.0)
Water meter repairs and other expenses	5,598,779	2,346,049	3,252,730	138.6
Depreciation	6,674,829	6,390,078	284,751	4.5
Operating transfers	8,125,756	9,566,400	(1,440,644)	(15.1)
Interest	5,456,934	4,883,366	573,568	11.7
Loss on disposal of capital assets	7,375	65,422	(58,047)	(88.7)
Total expenses	<u>35,991,656</u>	<u>34,627,601</u>	<u>1,364,055</u>	3.9
Income before transfers to the City's General Fund	14,990,100	12,517,943	2,472,157	19.7
Transfers to the City's General Fund	<u>(7,248,078)</u>	<u>(6,902,931)</u>	<u>(345,147)</u>	5.0
Change in net position	7,742,022	5,615,012	2,127,010	37.9
Net position - beginning	<u>43,399,914</u>	<u>37,784,902</u>	<u>5,615,012</u>	14.9
Net position - ending	<u>\$ 51,141,936</u>	<u>\$ 43,399,914</u>	<u>\$ 7,742,022</u>	17.8

While the condensed Statements of Net Position display the changes in the Water Board’s financial position, the condensed Statements of Revenues, Expenses, and Changes in Net Position provide insight as to the nature and source of these changes.

Significant changes from the year ended June 30, 2019 to the year ended June 30, 2020 in revenues and expenses for the Water Board include the following:

- Operating revenues increased \$3,723,113, or 8.0 percent from the prior year, primarily due to an increase in chargeable water consumption as meter rate billings increased during the year following the rate structure change that occurred on January 1, 2019.
- Water meter repairs and other expenses increased \$3,252,730 or 138.6 percent from the prior year, primarily due to pension expense related to an increase in the net pension liability and a reclassification of repairs previously classified as services and supplies.
- Total transfers decreased \$1,785,791, or 10.8 percent from the prior year, due to a decrease in debt payment made by the Buffalo Municipal Water Finance Authority (the “Water Finance Authority”) and the City of Buffalo Division of Water.

### Capital Assets and Debt Administration

**Capital assets**—At June 30, 2021 and 2020, the Water Board had \$157,972,515 and \$150,044,096, respectively, invested in capital assets, as reflected in Table 5 below. At June 30, 2021, the change represents a net increase of \$7,928,419, or 5.3 percent, from June 30, 2020, resulting from net additions exceeding depreciation expense. At June 30, 2020, the net increase of \$3,937,848, or 2.7 percent, from June 30, 2019 results from net additions exceeding depreciation expense.

Table 5, as presented below, shows changes in capital assets for the fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019.

**Table 5—Summary of Capital Assets**

	June 30,		Increase/(Decrease)	
	2021	2020	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	2,927,830	2,400,857	526,973	21.9
Buildings and improvements	124,692,170	119,673,350	5,018,820	4.2
Machinery and equipment	1,933,345	1,873,246	60,099	3.2
Infrastructure	139,270,184	129,998,539	9,271,645	7.1
Total capital assets	268,968,645	254,091,108	14,877,537	5.9
Accumulated depreciation	(110,996,130)	(104,047,012)	(6,949,118)	6.7
Net capital assets	<u>\$ 157,972,515</u>	<u>\$ 150,044,096</u>	<u>\$ 7,928,419</u>	5.3
	June 30,		Increase/(Decrease)	
	2020	2019	Dollars	Percent (%)
Land	\$ 145,116	\$ 145,116	\$ -	0.0
Construction in progress	2,400,857	1,095,064	1,305,793	119.2
Buildings and improvements	119,673,350	116,441,096	3,232,254	2.8
Machinery and equipment	1,873,246	1,436,636	436,610	30.4
Infrastructure	129,998,539	124,567,239	5,431,300	4.4
Total capital assets	254,091,108	243,685,151	10,405,957	4.3
Accumulated depreciation	(104,047,012)	(97,578,903)	(6,468,109)	6.6
Net capital assets	<u>\$ 150,044,096</u>	<u>\$ 146,106,248</u>	<u>\$ 3,937,848</u>	2.7

**Debt financing**—All debt issued to finance the acquisition of capital assets for the Water Board was issued by the Water Authority. The Water Authority has \$117,445,000 and \$121,060,000 of Revenue Bonds outstanding at June 30, 2021 and 2020, respectively, which are scheduled to be fully paid by 2050. The Water Board reports the liability for these bonds as Due to the Buffalo Municipal Water Finance Authority. The Water Board only reports the amount actually used (i.e., spent) for projects and the acquisition of capital assets, since unspent proceeds are maintained by the Water Authority. Amounts to pay the annual debt service costs are transferred from the Water Board to the appropriate entity. As the debt is paid, the outstanding liabilities to the other funds are reduced.

Additional information on the Water Board's long-term debt can be found in Note 8 to the financial statements.

### **Next Year's Budget**

The Water Board's management considered many factors when setting the fiscal year 2022 budget for the Water Board. These factors include the expected growth in revenues and related costs as the result of both the contract with the private operator and personnel needs, as well as the long-term improvements to the water system.

### **Request for Information**

This financial report is designed to provide a general overview of the Water Board's finances for all those with an interest in the Water Board's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Buffalo, Office of the Comptroller, 1225 City Hall, Buffalo, New York.

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# BASIC FINANCIAL STATEMENTS



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Net Position**  
**June 30, 2021 and 2020**

	June 30,	
	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,937,600	\$ 14,159,336
Investments	5,275,598	5,263,404
Receivables—water (less allowance for doubtful accounts of \$21,471,691 and \$18,439,923 at June 30, 2021 and 2020, respectively)	4,337,836	5,083,052
Other receivables	1,479,684	1,663,066
Due from other agencies	128,029	128,163
Due from other funds	1,787,680	2,106,614
Total current assets	<u>25,946,427</u>	<u>28,403,635</u>
Noncurrent assets:		
Capital assets not being depreciated:		
Land	145,116	145,116
Construction in progress	2,927,830	2,400,857
Capital assets being depreciated:		
Buildings and improvements	124,692,170	119,673,350
Machinery and equipment	1,933,345	1,873,246
Infrastructure	139,270,184	129,998,539
Accumulated depreciation	(110,996,130)	(104,047,012)
Total capital assets being depreciated	<u>154,899,569</u>	<u>147,498,123</u>
Total noncurrent assets	<u>157,972,515</u>	<u>150,044,096</u>
Total assets	<u>183,918,942</u>	<u>178,447,731</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows—relating to pensions	4,741,886	3,874,545
Deferred outflows—relating to OPEB	4,022,357	1,306,349
Total deferred outflows of resources	<u>8,764,243</u>	<u>5,180,894</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	1,615,839	2,270,847
Due to Buffalo Municipal Water Finance Authority	6,991,545	6,702,943
Due to City of Buffalo Division of Water	592,190	520,062
Total current liabilities	<u>9,199,574</u>	<u>9,493,852</u>
Noncurrent liabilities:		
Due to Buffalo Municipal Water Finance Authority	88,667,806	82,782,557
Due to City of Buffalo Division of Water	31,346,888	31,973,909
Total noncurrent liabilities	<u>120,014,694</u>	<u>114,756,466</u>
Total liabilities	<u>129,214,268</u>	<u>124,250,318</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows—relating to pensions	6,507,439	161,965
Deferred inflows—relating to OPEB	5,210,901	8,074,406
Total deferred inflows of resources	<u>11,718,340</u>	<u>8,236,371</u>
<b>NET POSITION</b>		
Net investment in capital assets	32,399,657	22,185,282
Unrestricted	19,350,920	28,956,654
Total net position	<u>\$ 51,750,577</u>	<u>\$ 51,141,936</u>

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended June 30, 2021 and 2020**

	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Operating revenues:		
Charges for services	\$ 44,948,053	\$ 48,668,413
Other	337,518	1,648,148
Total operating revenues	<u>45,285,571</u>	<u>50,316,561</u>
Operating expenses:		
Services and supplies	10,668,972	10,127,983
Water meter repairs and other expenses	6,665,223	5,598,779
Depreciation	6,991,675	6,674,829
Net operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	<u>8,556,637</u>	<u>8,125,756</u>
Total operating expenses	<u>32,882,507</u>	<u>30,527,347</u>
Operating income	<u>12,403,064</u>	<u>19,789,214</u>
Nonoperating revenues (expenses):		
Interest income	57,703	238,633
Interest expense	(4,575,992)	(5,456,934)
Loss on disposal of capital assets	(4,311)	(7,375)
Other	<u>338,659</u>	<u>426,562</u>
Total nonoperating revenues (expenses)	<u>(4,183,941)</u>	<u>(4,799,114)</u>
Income before transfers to the City's General Fund	8,219,123	14,990,100
Transfers to the City's General Fund	<u>(7,610,482)</u>	<u>(7,248,078)</u>
Change in net position	608,641	7,742,022
Total net position—beginning	<u>51,141,936</u>	<u>43,399,914</u>
Total net position—ending	<u>\$ 51,750,577</u>	<u>\$ 51,141,936</u>

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 46,214,303	\$ 49,635,011
Operating transfers to the Buffalo Municipal Water Finance Authority and the City of Buffalo Division of Water	(8,556,637)	(8,125,756)
Payments to suppliers and employees for goods and services	(12,511,070)	(18,006,336)
Net cash provided by operating activities	25,146,596	23,502,919
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to the City's General Fund	(7,610,482)	(7,248,078)
Advances to/(from) City of Buffalo and Water Authority	358,379	(983,504)
Net cash used for noncapital financing activities	(7,252,103)	(8,231,582)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition/construction of capital assets	(14,924,405)	(10,620,052)
Interest subsidy on bond proceeds	338,659	426,562
Interest payments	(4,575,992)	(5,456,934)
Net cash used for capital and related financing activities	(19,161,738)	(15,650,424)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Changes in fair value of investments	12,194	77,102
Interest received on short-term investments	45,509	161,531
Net cash provided by investing activities	57,703	238,633
Net decrease in cash and cash equivalents	(1,209,542)	(140,454)
Cash, cash equivalents and investments—beginning	19,422,740	19,563,194
Cash, cash equivalents and investments—ending	\$ 18,213,198	\$ 19,422,740
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 12,403,064	\$ 19,789,214
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,991,675	6,674,829
Changes in assets and liabilities:		
Decrease (increase) in receivables	928,732	(681,550)
(Increase) in deferred outflows—relating to pensions	(867,341)	(2,682,122)
(Decrease) increase in accounts payable	(655,008)	831,730
Increase (decrease) in deferred inflows—relating to pensions	6,345,474	(429,182)
Net cash provided by operating activities	\$ 25,146,596	\$ 23,502,919

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

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2021 and 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Buffalo Water Board (the “Water Board”), a component unit of the City of Buffalo, New York (the “City”), have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (the "GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Water Board’s accounting policies are described below.

***Reporting Entity***

The Buffalo Water Board (the “Water Board”) is a public benefit corporation created pursuant to Section 1049 of Title 2-B of Article V of the New York State Public Authorities Law (the “Act”). According to the Act, the Water Board may establish rates and charges for water and related services to fund the costs of the operation, management, maintenance and repairs for the Buffalo Water System (the “Water System”). The Water Board is a blended component unit of the City of Buffalo, New York (the “City”), and as such, is included in the City’s basic financial statements.

The Water Board acquired title to the Water System from the City for \$26,536,880 plus assumed liabilities of approximately \$31,000,000 in 1992. The transfer was recorded at its net book value. The Water Board also entered into an Operation Agreement with the City, contracting with the City of Buffalo Division of Water (the “Division of Water”) to operate, manage and maintain the Water System. By an amendment dated August 1, 1997, the management of the operation and maintenance of the Water System is performed by a private contractor under contract to the Water Board (the “Private Operator”). The Water Board is responsible for generating sufficient revenues to meet the debt service requirements of the City related to the Water System.

The City and the Water Board entered into a Financing Agreement with the Buffalo Municipal Water Finance Authority (the “Water Authority”) to ensure sufficient water rates are collected to fund the costs of operating and financing the Water System. The Water Authority issues bonds for the Water System and disburses funds to the Water Board as capital project expenditures are incurred. The Water Board transfers funds to the Water Authority to meet Water Authority debt service obligations. The operations of the Water Authority are solely of an administrative nature, facilitating the financing of the Water System’s acquisition and construction improvements. As a result of the financing agreement between the City, the Water Authority and the Water Board, the bond issuance and interest costs are, from an economic standpoint, borne by the Water Board and, therefore, accounted for by the Water Board. Transfers from the Water Board fund the operating and administrative costs of the Water Authority. By an amendment dated August 1, 1997, the Water Authority amended the Financing Agreement with the Water Board and the City to allow the Water Board to engage a private contractor to manage the operation and maintenance of the Water System.

Amounts transferred to the Division of Water for Water System operations and to the Water Authority for its administrative costs are shown as direct operating expenses in the statement of revenues, expenses, and changes in net position.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of services and supplies, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenues, such as interest earnings, result from non-exchange transactions or ancillary activities.

### ***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position***

***Cash, Cash Equivalents and Investments***—The Water Board’s cash and cash equivalents include cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, obligations of New York State or its localities, certificates of deposit and revenue anticipation notes. Investments are stated at fair value. The Water Board reported investments of \$5,275,598 and \$5,263,404 at June 30, 2021 and 2020, respectively.

***Capital Assets***—Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the financial statements. Capital assets are defined by the Water Board as assets with an initial, individual cost of more than \$10,000, and an estimated useful life in excess of five years, and all vehicles. Water meters are not capitalized unless they are purchased in bulk (i.e., repairs and minor replacements are expensed). Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation. Land and construction in progress are not depreciated. The other capital assets of the Water Board are depreciated using the straight-line method over the following estimated useful lives:

	Estimated Useful Life (Years)
Buildings	50
Building improvements	20
Machinery and equipment	5
Infrastructure	40

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. At June 30, 2021 and 2020, the Water Board has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Water Board’s proportion of the collective net pension liability, and the difference during the measurement period between the Water Board’s contributions, its proportionate share of total contribution to the pension system not included in pension expense, and any contributions to the pension system subsequent to the measurement date.



The second item represents the effects of the change in the Water Board's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability, and is reported on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2021 and 2020, the Water Board has two items that qualify for reporting in this category. The first item represents the effect of the net change in the Water Board's proportion of the collective net pension liability and the difference during the measurement periods between the Water Board's contributions and its proportionate share of total contributions to the pension systems not included in pension. The second item represents the effects of the change in the Water Board's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability, and is reported on the Statement of Net Position.

### ***Other***

***Allocated Costs***—Certain services associated with operating the Water Board are performed by the City. During the years ended June 30, 2021 and 2020, the Water Board transferred \$7,610,482 and \$7,248,078, respectively, to the City related to these services.

***Annual Budgets***—Annual budgets are used as a management tool. The Water Board may amend the budget, but only in accordance with, and after receipt of, amended budget documents.

***Estimates***—The preparation of 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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Pensions***—The Water System is mandated by New York State law to participate in the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 5.

***Other Postemployment Benefits***—In addition to providing benefits, the Water System provides health insurance coverage and/or payments for fractional values of unused sick leave for certain retired employees at the time of retirement as discussed in Note 6.

***Adoption of New Accounting Pronouncements***—During the year ended June 30, 2021, the Water Board implemented GASB Statement No. 84, *Fiduciary Activities*; No. 92, *Omnibus 2020*; No. 93, *Replacement of Interbank Offered Rates*; No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 84 improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 92 enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by

addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (“IBOR”). GASB Statement No. 97 increases consistency and comparability related to the reporting of fiduciary component units, mitigates costs associated with the reporting of certain defined contribution plans and enhances the relevance, consistency and comparability of the accounting and reporting for internal Revenue Code Section 457 deferred compensation plans. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report (“CAFR”). The implementation of GASB Statements No. 84, 92, 93, 97 and 98 did not have a material impact on the Water Board’s financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—The Water Board has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 87, *Leases*; and No. 89, *Interest Capitalization*, effective for the year ending June 30, 2022; No. 91, *Conduit Debt Obligations*; No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; and No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. The Water Board is, therefore, unable to disclose the impact that adopting GASB Statements No. 87, 89, 91, 94, and 96 will have on its financial position and results of operations when such statements are adopted.

## 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Water Board’s available cash is deposited and invested in accordance with the State General Municipal Law (Article 2, Section 11), which governs the Water Board’s investment policies. The Water Board operates under the City’s written investment guidelines, which have been established by the Comptroller’s Office pursuant to Section 114A of the City Charter. The Water Board is authorized to deposit or invest funds in banks or trust companies located in, and authorized to do business in, the State. The City’s investment policy governs the investment of excess funds. Permissible investments include time deposits, certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State and its localities.

**Deposits**—All deposits are carried at fair value and are classified by custodial credit risk at June 30, 2021 and 2020 as follows:

	June 30, 2021		June 30, 2020	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
FDIC insured	\$ 745,073	\$ 745,073	\$ 744,562	\$ 744,562
Uninsured:				
Collateral held by pledging bank's agent in the City's name	11,608,971	12,192,527	12,479,230	13,414,774
Total	\$ 12,354,044	\$ 12,937,600	\$ 13,223,792	\$ 14,159,336

**Custodial Credit Risk—Deposits and Cash Equivalents**—This is the risk that, in the event of a bank failure, the Water Board’s deposits may not be returned to it. Collateral is required for demand deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Banks can satisfy collateral requirements by furnishing a letter of credit, a surety bond, or by pledging eligible securities as specified in Section 10 of the State General Municipal Law. Securities that may be pledged as collateral are limited to obligations of the United States or any obligation fully insured as to interest and principal by the United States acting through an agency, and obligations of the State or obligations of any municipal corporation, school district, or district corporation of the State.

**Investments and Fair Value Measurements**—The Water Board acquires investments through trust departments of commercial banks and requires that the investments be held in the Water Board’s name and be collateralized. At June 30, 2021 and 2020, total investments of \$5,275,598 and \$5,263,404, respectively, consisted of certificate of deposits issued with thirteen week maturities held by the Water Board. Accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.   |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• quoted prices for similar assets or liabilities in active markets;</li><li>• quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>• inputs other than quoted prices that are observable for the asset or liability;</li><li>• inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.   |

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The investments reported by the Water Board at June 30, 2021 and 2020 are measured using level 1 inputs.

**Custodial Credit Risk—Investments**—This is the risk that, in the event of the failure of the counterparty, the Water Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. A margin of 2% or higher of the market value of purchased securities in repurchase transactions must be maintained and the securities must be held by a third party in the Water Board’s name.

**Credit Risk**—In compliance with the State law, Water Board investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and certain joint or cooperative investment programs.

**Concentration of Credit Risk**—To promote competition in rates and service cost, and to limit the risk of institutional failure, Water Board deposits and investments are placed with multiple institutions. The general rule is not to place more than \$100 million or 50% of the Water Board’s total investment portfolio, whichever is less, in overnight investments with any one institution.

**Interest Rate Risk**—The Water Board has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are limited to a maximum of two years, however the Water Board generally limits its investments to 180 days or less.

### 3. RECEIVABLES

Water receivables represent amounts due from customers for current and past due water services provided, including penalties, unpaid bill charges and collection fees. Certain customers are billed on a quarterly basis, while other customers are billed monthly and the amounts are based on usage per the current or estimated meter readings. For those customers without meters, a flat fee is charged based on previous assessments of the size of the building that may have been indicative of water usage. Customers are provided a thirty day (30) payment period from the billing date to pay their current water charges. A late penalty of 4.5% is assessed on any unpaid balance for the first 30 days following the due date. An additional 1.5% penalty is assessed for each 30 day period thereafter. Receivables as of year-end for the Water Board, and related allowance for uncollectible accounts, as of June 30, 2021 and 2020, are presented as follows:

	June 30, 2021		
	Receivable	Allowance	Net
Receivables—water	\$ 25,809,527	\$ (21,471,691)	\$ 4,337,836
Other receivables	1,479,684	-	1,479,684
Due from other agencies	128,029	-	128,163
Due from other funds	1,787,680	-	1,787,680
Total	<u>\$ 29,204,920</u>	<u>\$ (21,471,691)</u>	<u>\$ 7,733,363</u>
	June 30, 2020		
	Receivable	Allowance	Net
Receivables—water	\$ 23,522,975	\$ (18,439,923)	\$ 5,083,052
Other receivables	1,663,066	-	1,663,066
Due from other agencies	128,163	-	128,163
Due from other funds	2,106,614	-	2,106,614
Total	<u>\$ 27,420,818</u>	<u>\$ (18,439,923)</u>	<u>\$ 8,980,895</u>

### 4. CAPITAL ASSETS

A summary of capital asset activity for the fiscal years ended June 30, 2021 and 2020 is as follows:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	2,400,857	13,065,652	12,538,679	2,927,830
Total capital assets, not being depreciated	<u>2,545,973</u>	<u>13,065,652</u>	<u>12,538,679</u>	<u>3,072,946</u>
Capital assets, being depreciated:				
Buildings and improvements	119,673,350	5,018,821	-	124,692,171
Machinery and equipment	1,873,246	102,655	42,557	1,933,344
Infrastructure	129,998,539	9,271,645	-	139,270,184
Total capital assets, being depreciated	<u>251,545,135</u>	<u>14,393,121</u>	<u>42,557</u>	<u>265,895,699</u>
Less accumulated depreciation for:				
Buildings and improvements	41,090,551	3,560,707	-	44,651,258
Machinery and equipment	566,676	296,171	42,557	820,290
Infrastructure	62,389,785	3,134,797	-	65,524,582
Total accumulated depreciation	<u>104,047,012</u>	<u>6,991,675</u>	<u>42,557</u>	<u>110,996,130</u>
Total capital assets being depreciated, net	<u>147,498,123</u>	<u>7,401,446</u>	<u>-</u>	<u>154,899,569</u>
Capital assets, net	<u>\$ 150,044,096</u>	<u>\$ 20,467,098</u>	<u>\$ 12,538,679</u>	<u>\$ 157,972,515</u>

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 145,116	\$ -	\$ -	\$ 145,116
Construction in progress	1,095,064	5,318,456	4,012,663	2,400,857
Total capital assets, not being depreciated	<u>1,240,180</u>	<u>5,318,456</u>	<u>4,012,663</u>	<u>2,545,973</u>
Capital assets, being depreciated:				
Buildings and improvements	116,441,096	3,232,254	-	119,673,350
Machinery and equipment	1,436,636	650,706	214,096	1,873,246
Infrastructure	124,567,239	5,431,300	-	129,998,539
Total capital assets, being depreciated	<u>242,444,971</u>	<u>9,314,260</u>	<u>214,096</u>	<u>251,545,135</u>
Less accumulated depreciation for:				
Buildings and improvements	37,644,782	3,445,769	-	41,090,551
Machinery and equipment	536,924	236,473	206,721	566,676
Infrastructure	59,397,197	2,992,588	-	62,389,785
Total accumulated depreciation	<u>97,578,903</u>	<u>6,674,830</u>	<u>206,721</u>	<u>104,047,012</u>
Total capital assets being depreciated, net	<u>144,866,068</u>	<u>2,639,430</u>	<u>7,375</u>	<u>147,498,123</u>
Capital assets, net	<u>\$ 146,106,248</u>	<u>\$ 7,957,886</u>	<u>\$ 4,020,038</u>	<u>\$ 150,044,096</u>

## 5. PENSION OBLIGATIONS

The City's Division of Water makes Employees' Retirement System payments on behalf of the Water Board, accordingly, the net pension liability and pension expense related to the Water System are recorded within the City's Division of Water. The Water Board records a liability related to the net pension liability, which is included in the amount Due to the City of Buffalo Division of Water.

### *Plan Description and Benefits Provided*

**Employees' Retirement System ("ERS")**—The Water Board participates in the New York State and Local Employees' Retirement System ("ERS"). This cost-sharing multiple-employer public employee retirement system computes contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL"). ERS provides retirement benefits as well as death and disability benefits. The net position of ERS 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 ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provision of the NYSRSSL. Once a public employer elects to participate in ERS, 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 Water Board also participates in the Public Employees' Group Life Insurance ("GLIP"), which provides death benefits in the form of life insurance. ERS 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, NY 12244.

ERS is noncontributory, except for employees who joined after July 27, 1976, who contribute three percent (3%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute three percent (3%) to three and one half percent (3.5%) of their salary for their entire length of service. In addition, employee contribution rates under

ERS tier VI vary based on a sliding salary scale. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Inflows of Resources Related to Pensions***—At June 30, 2021 and 2020, the Water Board reported the following liability to the City of Buffalo Division of Water for the Water System's proportionate share of the net pension liability for ERS. The net pension liability was measured as of March 31 of each year, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water System's proportion of the net pension liability was based on a projection of the Water System's long-term share of contributions to ERS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS in reports provided to the City.

Measurement date	ERS	
	March 31, 2021	March 31, 2020
Net pension liability	\$ 22,125	\$ 5,819,194
Water System 's portion of the Plan's total net pension liability	0.0222200%	0.0219751%

As of the March 31, 2021 measurement date, the Water System's portion of the Plan's total net pension liability for ERS increased 0.0002449% from their portion of the Plan's total net pension liability of 0.0219751% on the March 31, 2020 measurement date. For the years ended June 30, 2021 and June 30, 2020, the Water System recognized pension expense of \$582,056 and \$2,060,315, respectively. As of June 30, 2021, the Water System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred	Deferred
	Outflows of Resources	Inflows of Resources
	ERS	
Differences between expected and actual experiences	\$ 270,211	\$ -
Changes of assumptions	4,068,153	76,727
Net difference between projected and actual earnings on pension plan investments	-	6,355,726
Changes in proportion and differences between the Water System's contributions and proportionate share of contributions	121,311	74,986
Water System contributions subsequent to the measurement date	282,211	-
Total	<u>\$ 4,741,886</u>	<u>\$ 6,507,439</u>

As of June 30, 2020, the Water System reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources presented on the following page.



	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>ERS</u>	
Differences between expected and actual experiences	\$ 342,483	\$ -
Changes of assumptions	117,171	101,175
Net difference between projected and actual earnings on pension plan investments	2,983,202	-
Changes in proportion and differences between the Water System's contributions and proportionate share of contributions	187,005	60,790
Water System contributions subsequent to the measurement date	<u>244,684</u>	<u>-</u>
Total	<u>\$ 3,874,545</u>	<u>\$ 161,965</u>

The Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as presented below:

<u>Year Ending June 30,</u>	<u>ERS</u>
2022	\$ (338,440)
2023	(139,992)
2024	(339,682)
2025	(1,229,605)

**Actuarial Assumptions**—The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions:

	<u>ERS</u>
Measurement date	March 31, 2021
Actuarial valuation date	April 1, 2020
Interest rate	5.90%
Salary scale	4.40%
Decrement tables	April 1, 2015 - March 31, 2020
Inflation rate	2.7%
Cost-of-living adjustments	1.4%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement date	Long-Term Expected	
	Target Allocation	Real Rate of Return
	ERS	
	March 31, 2021	
Asset class:		
Domestic equities	32.0 %	4.1 %
International equities	15.0	6.3
Private equity	10.0	6.8
Real estate	9.0	5.0
Absolute return strategies	4.0	3.6
Opportunistic portfolio	3.0	4.5
Real assets	3.0	6.0
Bonds and mortgages	23.0	0.1
Cash	1.0	0.5
Total	100.0 %	

**Discount Rate**—The discount rate used to calculate the total pension liability at June 30, 2021 and 2020 was 5.9% and 6.8%, respectively. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS' 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 charts below present the Water System's proportionate share of the net pension liability calculated using the discount rates of 5.9% and 6.8% for the years ending June 30, 2021 and 2020, respectively, as well as what the Water System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current assumption.

ERS	Employer's proportionate share of the net pension liability/(asset)		
	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
As of June 30, 2021	\$ 6,141,033	\$ 22,125	\$ (5,620,941)
ERS	(5.8%)	(6.8%)	(7.8%)
As of June 30, 2020	\$ 10,679,864	\$ 5,819,194	\$ 1,342,496



**Pension Plan Fiduciary Net Position**—The components of the net pension liability of the employers as of the valuation date, were as follows:

	(Dollars in Thousands)	
	ERS	
Valuation date	April 1, 2020	April 1, 2019
Employers' total pension liability	\$ 220,680,157	\$ 194,596,261
Plan fiduciary net position	<u>220,580,583</u>	<u>168,115,682</u>
Employers' net pension liability	<u>\$ 99,574</u>	<u>\$ 26,480,579</u>
System fiduciary net position as a percentage of total pension liability	100.0%	86.4%

**Payables to the Pension Plan**—Employer contributions are paid annually based on ERS' fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 and 2020 amounted to \$282,211 and \$244,684, respectively.

## 6. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

The liability for other postemployment benefits of the current and retired employees of the Water Board is included in the amount Due to the City of Buffalo Division of Water.

**Plan Description**—The City maintains a single-employer benefits plan which provides continuation of medical insurance coverage to employees that retire under the New York State Retirement Systems at the same time such service is ended, if such employees have been continuously employed by the City for the equivalent of at least 10 years at the date of retirement. Based on collective bargaining agreements, the retiree and/or his beneficiaries receive health care coverage for the life of the retiree. The retiree's share of premium costs depends on the employee group and length of service. Health care benefits for nonunion employees are similar to those of union employees pursuant to City Charter. There is no separate audited GAAP-basis postemployment benefit plan report available.

**Employees Covered by Benefit Terms**—There have been no significant changes in the number of employees covered. The number of participants covered by the Water System as of July 1, 2020, the effective valuation date of the OPEB valuation, is as follows:

Active employees	108
Retired employees	101
Spouses of retirees	62
Dependents	<u>14</u>
Total	<u>285</u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“UAAL”) under GASB Statement No. 45.

### **Total OPEB Liability**

The Water System's total OPEB liability of \$27,222,907 was measured as of June 30, 2021, and was determined by an actuarial valuation as of October 8, 2021.

**Actuarial Methods and Assumptions**—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 employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the October 8, 2021 actuarial valuation, the Entry Age Normal actuarial cost method was used. The actuarial assumptions included a measurement date of June 30, 2021. The discount rate was 2.21% as of June 30, 2021, as compared to 3.50% as of June 30, 2020. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2019. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.8%.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2020 through June 30, 2021.

**Changes in the Total OPEB Liability**—The following tables presents the changes to the total OPEB liability during the most recent two fiscal years, by source:

	<u>Total OPEB Liability</u>	
	<u>Year Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Beginning balance	<u>\$ 22,503,741</u>	<u>\$ 20,669,730</u>
Changes for the year:		
Service cost	920,481	828,428
Interest	914,090	937,561
Effect of plan change	-	-
Effect of liability gains or losses	728,185	-
Changes of assumptions	3,469,116	1,309,942
Benefit payments	<u>(1,312,706)</u>	<u>(1,241,920)</u>
Net changes	<u>4,719,166</u>	<u>1,834,011</u>
Ending balance	<u>\$ 27,222,907</u>	<u>\$ 22,503,741</u>

**Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate**—The discount rate assumption can have an impact on the net OPEB liability. The following table presents the effect of a 1% change in the discount rate assumption would have on the net OPEB liability:

	<u>Water System Net OPEB Liability</u>		
	1%	Current	1%
	Decrease (2.5%)	Discount Rate (2.21%)	Increase (3.21%)
June 30, 2021	<u>\$ 31,381,467</u>	<u>\$ 27,222,907</u>	<u>\$ 23,882,067</u>
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
June 30, 2020	<u>\$ 25,761,779</u>	<u>\$ 22,503,741</u>	<u>\$ 19,863,216</u>

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (5.4% and 5.3%, respectively) and ultimate (4.0%) healthcare cost trend rates.

	Water System Net OPEB Liability		
	Healthcare		
	1% Decrease (4.2% / 2.8%)	Cost Trend Rates (5.2% / 3.8%)	1% Increase (6.2% / 4.8%)
June 30, 2021	\$ 23,607,916	\$ 27,222,907	\$ 31,850,181
June 30, 2020	\$ 19,491,926	\$ 22,503,741	\$ 26,320,828

**Funding Policy**—Contributions by the primary government may vary according to length of service. The cost of providing post-employment health care benefits is shared between the City and the retired employee. Substantially all employees may become eligible for those benefits if they reach normal retirement age and length of service requirement while working for these entities. The cost of retiree health care benefits is recognized as an expenditure as premiums are paid within the governmental funds. For the year ended June 30, 2021, the Water Board recognized OPEB expense of \$15,092.

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**—The Water System reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective net OPEB liability. At June 30, 2021, the Water System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the sources presented below:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,794,559	\$ -	\$ 622,547	\$ -
Changes of assumptions	2,227,798	5,210,901	683,802	8,074,406
Total	<u>\$ 4,022,357</u>	<u>\$ 5,210,901</u>	<u>\$ 1,306,349</u>	<u>\$ 8,074,406</u>

The amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Water System
2022	(496,725)
2023	293,610
2024	293,610
2025	356,299
2026	369,236
Thereafter	372,514

## 7. RISK MANAGEMENT

The City is self-insured for workers’ compensation and has accrued its best estimate of both asserted and unasserted workers’ compensation losses, primarily based on actuarially determined amounts. The estimated liability for the Water Board is recorded as a liability in the Division of Water. This liability (including incurred but not reported) is recorded at an estimated present value using a discount rate of 5% and totaled \$1,089,745 and \$1,090,911 at June 30, 2021 and 2020, respectively.

**8. DUE TO THE BUFFALO MUNICIPAL WATER FINANCE AUTHORITY AND CITY OF BUFFALO DIVISION OF WATER**

Shown below and on the following page are the amounts due to the Water Authority and the City of Buffalo Division of Water (the “City” related to the water system) as of June 30, 2021 and 2020. Amounts due to the Water Authority represent the future debt service requirements of the long-term bonded debt of the Water Authority which will be funded through operating transfers by the Water Board. Amounts due to the City Division of Water includes accrued retirement incentive costs, accrued compensated absences costs, accrued workers’ compensation costs, accrued other postemployment benefits, net pension liability and other payables. The long-term bonded debt instruments are revenue bonds of the Water Authority. Interest is paid semi-annually. Principal is paid annually.

**Revenue Bonded Debt**—The total revenue bonded debt as financed through the Water Authority at June 30, 2021 and June 30, 2020, as follows:

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 8,705,000	\$ -	\$ 970,000	\$ 7,735,000	\$ 1,000,000
2010	23,975,000	2.0-6.9	2041	19,395,000	-	19,395,000	-	-
2011	2,720,000	0.6-3.5	2022	570,000	-	280,000	290,000	290,000
2012	17,150,000	2.0-4.0	2043	14,495,000	-	425,000	14,070,000	435,000
2012	2,575,000	5.6-6.3	2031	2,040,000	-	145,000	1,895,000	155,000
2015	46,655,000	2.0-5.0	2036	39,880,000	-	3,100,000	36,780,000	3,300,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	385,000	23,900,000	400,000
2019	11,985,000	3.0-5.0	2038	11,690,000	-	335,000	11,355,000	350,000
2021	4,580,000	2.0-5.0	2050	-	4,580,000	-	4,580,000	50,000
2021	16,850,000	2.0-5.0	2041	-	16,850,000	-	16,850,000	450,000
Total				121,060,000	21,430,000	25,035,000	117,455,000	6,430,000
Unamortized bond premium				9,441,158	1,943,406	513,755	10,870,809	571,358
Unamortized bond discount				(184,548)	-	(9,817)	(174,731)	(9,813)
Net bonded debt				\$ 130,316,610	\$ 23,373,406	\$ 25,538,938	\$ 128,151,078	\$ 6,991,545

Year of Issuance	Original Issue	Interest Rate (%)	Year of Maturity	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
2006	\$ 19,917,236	3.6-4.8	2028	\$ 9,645,000	\$ -	\$ 940,000	\$ 8,705,000	\$ 970,000
2010	23,975,000	2.0-6.9	2041	19,965,000	-	570,000	19,395,000	590,000
2011	2,720,000	0.6-3.5	2022	840,000	-	270,000	570,000	280,000
2012	17,150,000	2.0-4.0	2043	14,905,000	-	410,000	14,495,000	425,000
2012	2,575,000	5.6-6.3	2031	2,180,000	-	140,000	2,040,000	145,000
2015	46,655,000	2.0-5.0	2036	41,465,000	-	1,585,000	39,880,000	3,100,000
2019	24,285,000	4.0-5.0	2049	24,285,000	-	-	24,285,000	385,000
2019	11,985,000	3.0-5.0	2038	11,985,000	-	295,000	11,690,000	335,000
Total				125,270,000	-	4,210,000	121,060,000	6,230,000
Unamortized bond premium				10,060,602	-	619,444	9,441,158	482,756
Unamortized bond discount				(194,357)	-	(9,809)	(184,548)	(9,813)
Net bonded debt				\$ 135,136,245	\$ -	\$ 4,819,635	\$ 130,316,610	\$ 6,702,943

The Authority advances the proceeds of the revenue bonded debt to the Water Board as the related expense is incurred by the Water Board. Accordingly, the amount due from the Water Board will generally differ from the outstanding obligations at year-end. The amount of proceeds expended net of principal payments made as of June 30, 2021 was \$111,533,909 (which represents the outstanding proceeds of \$128,151,078, net of the unexpended funds of \$16,617,169 still held by the Authority). Additionally, the Water Authority owes the Water Board \$15,874,558 as of June 30, 2021, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Water Board to the Authority totals \$95,659,351, of which \$6,991,545 is recorded as a current liability and \$88,667,806 as a noncurrent liability.

The amount of proceeds expended net of principal payments made as of June 30, 2020 was \$104,167,406 (which represents the outstanding proceeds of \$130,316,610, net of the unexpended funds of \$26,149,204 still held by the Authority). Additionally, the Water Authority owes the Water Board \$14,681,906 as of June 30, 2020, for interest earned on funds held by the trustee and excess debt service reserve funds. The net amount owed by the Water Board to the Authority totals \$89,485,500, of which \$6,702,943 is recorded as a current liability and \$82,782,557 as a noncurrent liability.

Remaining annual maturities on long-term obligations of the Buffalo Municipal Water Finance Authority at June 30, 2021 are presented below:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 6,430,000	\$ 5,230,348
2023	6,435,000	4,788,552
2024	6,690,000	4,486,525
2025	7,075,000	4,153,749
2026	7,380,000	3,803,335
2027-2031	35,015,000	13,465,746
2032-2036	18,065,000	7,910,685
2037-2041	16,110,000	4,765,375
2042-2046	8,880,000	2,219,039
2047 and thereafter	5,375,000	412,075
Total	<u>\$ 117,455,000</u>	<u>\$ 51,235,429</u>

Total amounts due to the City of Buffalo Division of Water at June 30, 2021 and June 30, 2020 is presented below:

Fiscal Year	Due to	Compensated	Workers'	OPEB	Net	Other	Total
Ending	Retirement	Absences*	Compensation*	Obligation*	Pension	Payables	Total
June 30,	System	Absences*	Compensation*	Obligation*	Liability*	Payables	Total
2022	\$ 282,211	\$ 57,183	\$ 252,796	\$ -	\$ -	\$ -	\$ 592,190
Thereafter	-	773,678	836,949	27,222,907	22,125	2,491,229	31,346,888
Total	<u>\$ 282,211</u>	<u>\$ 830,861</u>	<u>\$ 1,089,745</u>	<u>\$ 27,222,907</u>	<u>\$ 22,125</u>	<u>\$ 2,491,229</u>	<u>\$ 31,939,078</u>

Fiscal Year	Due to	Compensated	Workers'	OPEB	Net	Other	Total
Ending	Retirement	Absences*	Compensation*	Obligation*	Pension	Payables	Total
June 30,	System	Absences*	Compensation*	Obligation*	Liability*	Payables	Total
2021	\$ 244,684	\$ 59,688	\$ 215,690	\$ -	\$ -	\$ -	\$ 520,062
Thereafter	-	714,255	875,221	22,503,741	5,819,194	2,061,498	31,973,909
Total	<u>\$ 244,684</u>	<u>\$ 773,943</u>	<u>\$ 1,090,911</u>	<u>\$ 22,503,741</u>	<u>\$ 5,819,194</u>	<u>\$ 2,061,498</u>	<u>\$ 32,493,971</u>

\* Payment of the long-term portion of compensated absences, workers' compensation, other postemployment benefits, and net pension liability are dependent upon many factors, therefore, timing of future payments is not readily determinable.

**Due to Retirement System**—Represents amounts due to the New York State and Local Employees Retirement System (“ERS”) for retirement contributions for wages paid through June 30, 2021. Due to retirement systems was \$282,211 and \$244,684 at June 30, 2021 and 2020, respectively.

**Compensated Absences**—Compensated absences represent amounts relating to sick and personal leave for Division of Water employees. Payments of these liabilities are dependent upon many factors (including retirement, termination, or employees leaving service) and; therefore, payment of such is not readily determinable. Accrued compensated absences amounted to \$830,861 and \$773,943 at June 30, 2021 and 2020, respectively.

**OPEB Obligation**—As explained in Note 6, the City provides health insurance coverage for certain retirees. The Water Board’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB liability is estimated to be \$27,222,907 and \$22,503,741 at June 30, 2021 and 2020, respectively.

**Net Pension Liability**—The Water System reported a liability of \$22,125 and \$5,819,194 at June 30, 2021 and June 30, 2020, respectively, for its proportionate share of the net pension liability for the Employees’ Retirement System. Refer to Note 5 for additional information related to the Water System’s net pension liability.

**Other Payables**—Represents allocated costs payable to the City for their services in the operation of the Water Board. The Water Board recorded other payables of \$2,491,229 and \$2,061,498 at June 30, 2021 and 2020, respectively.

**Summary of Changes of Amounts Due to the Buffalo Municipal Water Finance Authority and City of Buffalo Division of Water**—The following is a summary of changes in amounts due to Buffalo Municipal Water Finance Authority and City of Buffalo Division of Water for the years ended June 30, 2021 and 2020:

	Balance 7/1/2020	Increases	Decreases	Balance 6/30/2021	Due Within One Year
Due to Buffalo Municipal Water Finance Authority	\$ 89,485,900	\$ 12,876,394	\$ 6,702,943	\$ 95,659,351	\$ 6,991,545
Due to City of Buffalo Division of Water	<u>32,493,671</u>	<u>5,243,342</u>	<u>5,797,935</u>	<u>31,939,078</u>	<u>592,190</u>
Total	<u>\$ 121,979,571</u>	<u>\$ 18,119,736</u>	<u>\$ 12,500,878</u>	<u>\$ 127,598,429</u>	<u>\$ 7,583,735</u>
	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020	Due Within One Year
Due to Buffalo Municipal Water Finance Authority	\$ 91,664,933	\$ 2,640,602	\$ 4,819,635	\$ 89,485,900	\$ 6,702,943
Due to City of Buffalo Division of Water	<u>26,671,598</u>	<u>6,082,114</u>	<u>260,041</u>	<u>32,493,671</u>	<u>520,062</u>
Total	<u>\$ 118,336,531</u>	<u>\$ 8,722,716</u>	<u>\$ 5,079,676</u>	<u>\$ 121,979,571</u>	<u>\$ 7,223,005</u>

## 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY  
INFORMATION



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of the Water Board's Proportionate Share of the**  
**Net Pension Liability—Employees' Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
Water Board's proportion of the net pension liability	0.0222200%	0.0219751%	0.0221739%	0.0214136%	0.0199620%	0.0249580%	0.0166051%	0.0166051%
Water Board's proportionate share of the net pension liability	<u>\$ 22,125</u>	<u>\$ 5,819,194</u>	<u>\$ 1,571,091</u>	<u>\$ 691,114</u>	<u>\$ 1,875,678</u>	<u>\$ 4,005,828</u>	<u>\$ 560,961</u>	<u>\$ 750,361</u>
Water Board's covered payroll	\$ 6,805,859	\$ 6,689,461	\$ 6,800,181	\$ 5,786,452	\$ 6,422,371	\$ 7,581,038	\$ 4,614,479	\$ 4,405,324
Water Board's proportionate share of the net pension liability as a percentage of its covered payroll	0.3%	87.0%	23.1%	11.9%	29.2%	52.8%	12.2%	17.0%
Plan fiduciary net position as a percentage of the total pension liability	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

\*Information prior to the year ended June 30, 2014 is not available.

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of the Water Board's Contributions—**  
**Employees' Retirement System**  
**Last Eight Fiscal Years\***

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 959,858	\$ 907,030	\$ 911,763	\$ 913,182	\$ 881,709	\$ 1,165,859	\$ 923,512	\$ 880,845
Contributions in relation to the contractually required contribution	<u>(959,858)</u>	<u>(907,030)</u>	<u>(911,763)</u>	<u>(913,182)</u>	<u>(881,709)</u>	<u>(1,165,859)</u>	<u>(923,512)</u>	<u>(880,845)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water Board's covered payroll	\$ 6,839,129	\$ 6,688,635	\$ 6,810,148	\$ 5,904,064	\$ 6,619,336	\$ 7,230,108	\$ 4,896,557	\$ 4,572,799
Contributions as a percentage of covered payroll	14.0%	13.6%	13.4%	15.5%	13.3%	16.1%	18.9%	19.3%

\*Information prior to the year ended June 30, 2014 is not available.

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedules of Changes in the Total OPEB Liability and Related Ratios**  
**Last Four Fiscal Years\***

	Year Ended June 30,			
	2021	2020	2019	2018
<b>Buffalo Water Board</b>				
<b>Total OPEB liability</b>				
Service cost	\$ 920,481	\$ 828,428	\$ 1,144,501	\$ 1,100,255
Interest	914,090	937,561	1,157,597	963,105
Effect of plan change	-	-	(90,307)	-
Effect of liability gains or losses	728,185	-	810,019	-
Changes of assumptions	3,469,116	1,309,942	(9,419,251)	(5,603,419)
Benefit payments	<u>(1,312,706)</u>	<u>(1,241,920)</u>	<u>(1,546,648)</u>	<u>(1,103,311)</u>
Net changes in total OPEB liability	\$ 4,719,166	\$ 1,834,011	\$ (7,944,089)	\$ (4,643,370)
Total OPEB liability—beginning, as restated	<u>22,503,741</u>	<u>20,669,730</u>	<u>28,613,819</u>	<u>33,257,189</u>
Total OPEB liability—ending	<u>\$ 27,222,907</u>	<u>\$ 22,503,741</u>	<u>\$ 20,669,730</u>	<u>\$ 28,613,819</u>
<b>Plan fiduciary net position</b>				
Contributions—employer	\$ 1,312,706	\$ 1,241,920	\$ 1,546,648	\$ 1,103,311
Benefit payments	<u>(1,312,706)</u>	<u>(1,241,920)</u>	<u>(1,546,648)</u>	<u>(1,103,311)</u>
Net change in plan fiduciary net position	-	-	-	\$ -
Plan fiduciary net position—beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Water Board's net OPEB liability—ending</b>	<u>\$ 27,222,907</u>	<u>\$ 22,503,741</u>	<u>\$ 20,669,730</u>	<u>\$ 28,613,819</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered-employee payroll	\$ 6,495,151	\$ 6,305,972	\$ 6,122,303	\$ 6,269,907
Water Board's net OPEB liability as a percentage of covered-employee payroll	419%	357%	338%	456%

\*Information prior to the year ended June 30, 2018 is not available.

The note to the Required Supplementary Information is an integral part of this schedule.

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
Note to the Required Supplementary Information  
Year Ended June 30, 2021

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**1. OPEB LIABILITY**

*Changes of Assumptions*—Changes of assumptions reflect the effects of changes in the discount rate and the medical healthcare cost trend rate. The discount rate was 2.21% as of June 30, 2021, as compared to 3.50% as of June 30, 2020. Mortality rates are based on the Sex-distinct Pub-2010 Tables with full generational projection using Scale MP-2019. The New York State Employees Retirement System rates were used for turnover and retirement rates. In order to estimate the change in the cost of healthcare, the actuaries determined the initial healthcare cost trend rate used is 5.2%, while the ultimate healthcare cost trend rate is 3.8%.

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## OTHER INFORMATION



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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2021**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual*</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services:				
Meter rates	\$ 43,850,000	\$ 43,850,000	\$ 38,703,687	\$ (5,146,313)
Flat rates	4,600,000	4,600,000	4,664,361	64,361
Charges for collection services	15,000	15,000	2,080	(12,920)
Buffalo Sewer Authority	509,700	509,700	509,919	219
General labor and supplies	763,000	763,000	504,021	(258,979)
Interest on meter rates receivable	1,150,000	1,150,000	518,445	(631,555)
Interest on flat rates receivable	330,000	330,000	45,540	(284,460)
Total charges for services	<u>51,217,700</u>	<u>51,217,700</u>	<u>44,948,053</u>	<u>(6,269,647)</u>
Other:				
Miscellaneous	40,000	40,000	337,518	297,518
Total other	<u>40,000</u>	<u>40,000</u>	<u>337,518</u>	<u>297,518</u>
Total operating revenues	<u>51,257,700</u>	<u>51,257,700</u>	<u>45,285,571</u>	<u>(5,972,129)</u>
Operating expenses:				
Service and supplies:				
Services	11,650,300	11,771,550	12,605,569	(834,019)
Water meter repairs and other expenses	3,454,999	4,295,000	6,665,223	(2,370,223)
Depreciation	6,600,000	6,600,000	6,991,675	(391,675)
Operating transfers to:				
City of Buffalo Division of Water	15,556,544	15,556,544	8,115,927	7,440,617
Water Authority	2,418,007	2,418,007	440,710	1,977,297
Total operating expenses	<u>39,679,850</u>	<u>40,641,101</u>	<u>34,819,104</u>	<u>5,821,997</u>
Operating income	<u>11,577,850</u>	<u>10,616,599</u>	<u>10,466,467</u>	<u>(150,132)</u>

(continued)

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2021**

(concluded)

	<u>Budgeted Amounts</u>		<b>Budgetary Actual*</b>	<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>		
Nonoperating revenues (expenses):				
Interest income	235,000	235,000	57,703	(177,297)
Interest expense	(6,190,823)	(6,190,823)	(4,575,992)	1,614,831
Loss on disposal of capital assets	-	-	(4,311)	(4,311)
Bond interest subsidy	400,000	400,000	338,659	(61,341)
Total nonoperating revenues (expenses)	<u>(5,555,823)</u>	<u>(5,555,823)</u>	<u>(4,183,941)</u>	<u>1,371,882</u>
Excess of revenues over expenses	<u>6,022,027</u>	<u>5,060,776</u>	<u>6,282,526</u>	<u>1,221,750</u>
Other financing sources (uses):				
Transfers in	1,433,456	4,721,561	-	(4,721,561)
Transfers out:				
City of Buffalo's General Fund	(7,610,482)	(7,610,482)	(7,610,482)	-
Capital purchases	-	(4,623,876)	-	4,623,876
Total other financing sources (uses)	<u>(6,177,026)</u>	<u>(7,512,797)</u>	<u>(7,610,482)</u>	<u>(97,685)</u>
Change in net position	(154,999)	(2,452,021)	(1,327,956)	1,124,065
Net position—beginning	<u>51,141,936</u>	<u>51,141,936</u>	<u>51,141,936</u>	<u>-</u>
Net position—ending	<u>\$ 50,986,937</u>	<u>\$ 48,689,915</u>	<u>\$ 49,813,980</u>	<u>\$ 1,124,065</u>

\*Budgetary actual expenses include actual operating expenses of \$32,882,507 and encumbrances of \$1,936,597.

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Budgetary Actual*</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services:				
Meter rates	\$ 42,220,004	\$ 42,220,004	\$ 41,293,246	\$ (926,758)
Flat rates	4,562,020	4,562,020	4,856,954	294,934
Charges for collection services	36,000	36,000	10,123	(25,877)
Buffalo Sewer Authority	510,204	510,204	509,700	(504)
General labor and supplies	720,000	720,000	583,975	(136,025)
Utility turn-on fees	360,000	360,000	66,296	(293,704)
Installation and repair of meters	72,000	72,000	79,245	7,245
Interest on meter rates receivable	876,210	876,210	973,852	97,642
Interest on flat rates receivable	291,913	291,913	295,022	3,109
Total charges for services	<u>49,648,351</u>	<u>49,648,351</u>	<u>48,668,413</u>	<u>(979,938)</u>
Other revenues:				
Miscellaneous	<u>227,877</u>	<u>795,368</u>	<u>1,648,148</u>	<u>852,780</u>
Total other revenues	<u>227,877</u>	<u>795,368</u>	<u>1,648,148</u>	<u>852,780</u>
Total operating revenues	<u>49,876,228</u>	<u>50,443,719</u>	<u>50,316,561</u>	<u>(127,158)</u>
Operating expenses:				
Service and supplies:				
Services	10,037,299	10,812,756	12,326,913	(1,514,157)
Water meter repairs and other expenses	4,284,249	4,129,250	5,853,557	(1,724,307)
Depreciation	6,355,000	6,355,000	6,674,829	(319,829)
Operating transfers to:				
City of Buffalo Division of Water	14,533,566	14,533,566	8,042,798	6,490,768
Water Authority	<u>1,931,440</u>	<u>1,931,440</u>	<u>82,958</u>	<u>1,848,482</u>
Total operating expenses	<u>37,141,554</u>	<u>37,762,012</u>	<u>32,981,055</u>	<u>4,780,957</u>
Operating income	<u>12,734,674</u>	<u>12,681,707</u>	<u>17,335,506</u>	<u>4,653,799</u>

(continued)

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK  
**Schedule of Revenues, Expenses and Changes in Net Position—Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Budgetary</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				(concluded)
Nonoperating revenues (expenses):				
Interest income	382,788	382,788	238,633	(144,155)
Interest expense	(6,290,482)	(6,290,482)	(5,456,934)	833,548
Loss on disposal of capital assets	-	-	(7,375)	(7,375)
Bond interest subsidy	421,098	421,098	426,562	5,464
Total nonoperating revenues (expenses)	<u>(5,486,596)</u>	<u>(5,486,596)</u>	<u>(4,799,114)</u>	<u>687,482</u>
Excess (deficiency) of revenues over expenses	<u>7,248,078</u>	<u>7,195,111</u>	<u>12,536,392</u>	<u>5,341,281</u>
Other financing uses:				
Transfers out:				
City of Buffalo's General Fund	(7,248,078)	(7,248,078)	(7,248,078)	-
Capital purchases	-	(6,498,740)	-	6,498,740
Total other financing uses	<u>(7,248,078)</u>	<u>(13,746,818)</u>	<u>(7,248,078)</u>	<u>6,498,740</u>
Change in net position	-	(6,551,707)	5,288,314	11,840,021
Net position—beginning	<u>43,399,914</u>	<u>43,399,914</u>	<u>43,399,914</u>	-
Net position—ending	<u>\$ 43,399,914</u>	<u>\$ 36,848,207</u>	<u>\$ 48,688,228</u>	<u>\$ 11,840,021</u>

\*Budgetary actual expenses include actual operating expenses of \$30,527,347 and encumbrances of \$2,453,708.

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**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Summary of Water Rate Changes**  
**Last Five Fiscal Years**

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<b>Effective Date</b>	<b>Metered Rate Bills</b>	
	<b>Regular (\$)</b>	<b>Percent Change (%)</b>
July 1, 2017	22.83 per 1,000 cubic feet	-
July 1, 2018	22.83 per 1,000 cubic feet	-
July 1, 2019	22.83 per 1,000 cubic feet	-
July 1, 2020	22.83 per 1,000 cubic feet	-
July 1, 2021	22.83 per 1,000 cubic feet	-

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Summary of Water Billings and Collections**  
**Last Five Fiscal Years**

**FLAT RATE ACCOUNTS**

<b>Years Ended June 30,</b>	<b>Water Billing</b>	<b>Total Collections<sup>1</sup></b>
2017	\$ 4,469,703	\$ 4,471,016
2018	4,241,242	4,233,059
2019	4,374,842	4,349,053
2020	4,923,436	4,661,840
2021	4,749,700	4,413,955

**METER RATE ACCOUNTS**

<b>Years Ended June 30,</b>	<b>Water Billing</b>	<b>Total Collections<sup>1</sup></b>
2017	\$ 35,467,926	\$ 35,745,060
2018	35,240,843	35,219,936
2019	39,056,592	38,815,913
2020	42,653,917	41,146,792
2021	41,684,379	39,878,895

**ALL ACCOUNTS**

<b>Years Ended June 30,</b>	<b>Water Billing</b>	<b>Total Collections<sup>1</sup></b>
2017	\$ 39,937,629	\$ 40,216,076
2018	39,482,085	39,452,995
2019	43,431,434	43,164,966
2020	47,577,353	45,808,632
2021	46,434,079	44,292,850

<sup>1</sup>Amounts collected may exceed water billings as total collections in each fiscal year represents amounts actually collected and reflect the payments of current year bills as well as prior years' past due billings.

Source: City of Buffalo Division of Water

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Top Ten Accounts By Usage**  
**Current Fiscal Year**

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<u>Accounts</u>	<u>Usage (per Cubic Foot)</u>	<u>Charges</u>
Buffalo Municipal Housing Authority	42,714,782	\$ 1,246,992
Aurubis Buffalo Inc.	39,291,590	895,107
VA Medical Center	27,923,301	596,495
Sorrento Lactalis, Inc.	25,367,245	544,998
Erie County Medical Center	19,889,540	478,879
Kaleida Health	15,131,833	372,072
Catholic Health System	12,547,393	310,281
Roswell Park	11,030,206	358,211
General Mills Inc.	10,554,753	244,039
Tesla, inc.	7,802,610	202,807

Source: Veolia Water Service

**CITY OF BUFFALO, NEW YORK**  
**BUFFALO WATER BOARD**  
**A COMPONENT UNIT OF THE CITY OF BUFFALO, NEW YORK**  
**Schedule of Water Board Investments**  
**Year Ended June 30, 2021**

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**Annual Investment Report** - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the Authority, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Authority since the last investment report.

- a. Investment guidelines – the Board’s investment policy was adopted by the Board of Directors.
- b. Amendments to guidelines – none.
- c. Explanation of guidelines and investments – the Board has not made any amendments to its investment policy. These guidelines restrict investment of Board funds to:
  - Certificates of Deposit (“CD”) issued by a bank or trust company authorized to do business in New York State;
  - Time Deposit (“TD”) accounts and Negotiable Order of Withdrawal (“NOW”) accounts in a bank or trust company authorized to do business in New York State;
  - Obligations of New York State;
  - Repurchase agreements involving the purchase and sale of direct obligations of the United States;
  - Obligations of agencies of the federal government, if principal and interest is guaranteed by the United States; and
  - With the approval of the New York State Comptroller, in Revenue Anticipation Notes or Tax Anticipation Notes of other local governments.
- d. Results of the annual independent audit – the independent auditors have issued an unmodified opinion on the Board’s financial statements for the fiscal year ended June 30, 2021.
- e. Investment income record – The Board had investment income of \$57,703 for the fiscal year ended June 30, 2021.
- f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Board since the last investment report – no such fees or commissions were paid during the fiscal year ended June 30, 2021.

**APPENDIX B**

**ENGINEERING REPORT - 2021 EVALUATION OF THE BUFFALO WATER SYSTEM**

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# **Engineering Report**

## **2021 Evaluation of the Buffalo Water System**

Buffalo Municipal Water Finance Authority

December 03, 2021

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# 1. Introduction

## 1.1 Purpose

GHD Consulting Services Inc. (GHD) has prepared this report in connection with the proposed financing of capital projects by the Buffalo Municipal Water Finance Authority (Water Authority). The purpose of this report is to summarize the condition of facilities and present an engineering opinion regarding the ability of the City of Buffalo Water System (Water System) to provide an ongoing safe and adequate water supply to customers of the City of Buffalo (City). The assessment includes findings based on the physical inspection of facilities, discussions with key personnel, compliance with regulatory requirements, and review of the Capital Improvement Plan of the Buffalo Water Board (Water Board). This report satisfies certain requirements set forth in the Water Authority's Water System General Revenue Bond Resolution and fulfills the requirements for submission of an Engineering Report in support of the proposed issuance of Water Revenue and Refunding Bonds, Series 2021.

## 1.2 Methodology

GHD personnel have performed site visits, desktop evaluations, operational reviews, and have conducted interviews with System managers. GHD observed and/or has examined certain System facilities and various operation and maintenance (O&M) practices to confirm the Water Board's ability to meet future demands. Although the System Evaluation in this report includes data from City staff and Veolia Water North America-Northeast LLC (Veolia Water), the conclusions of this report are solely those of GHD. As part of its evaluation, GHD has rated the System and its major components based on three possible categories as identified in Table 1.1.

Table 1.1 Rating Categories

Rating	Definition
Sufficient	The current system can meet current and future water demands. The owner can maintain operations at current levels using typical maintenance practices and capital improvements consistent with age and type of facilities.
Limited	The current system is functional; however, it requires enhanced maintenance and/or capital improvements to maintain current service levels and satisfy future demands.
Insufficient	The current system is functionally deficient at meeting current demands. Major renovation of the system is required to restore the system to an acceptable operating level.

## 1.3 Consulting Engineer

GHD is global consulting firm with more than 10,000 employees operating across approximately 200 offices in the Americas, Asia, Australia, the Middle East, and Europe. GHD, established in 1928 and privately owned by its employees, is one of the world's leading professional service companies operating in the global markets of water, energy and resources, environment, property and buildings, and transportation. GHD employs more than 280 professionals in New York State including civil, sanitary, environmental, structural, mechanical engineers and technicians; municipal management and financial planners; estimators; survey technicians; construction administration and inspection specialists.

GHD has provided study, design, and construction services for thousands of clients nationally and internationally. It has completed water treatment and supply projects for hundreds of clients. Clients in the Western New York region have included, but are not limited to, the Erie County Water Authority; the Niagara County Water District; the City and Town of Tonawanda; the City of Lockport; and the Towns of Aurora, Hamburg, Lewiston, Niagara, Pendleton, and Porter, and the Villages of Hamburg, North Collins, and Youngstown. GHD's services include water system audits, metering studies, computer modeling, water quality studies, business efficiency reviews, design of new and renovated water treatment systems, pumping stations, storage facilities, transmission mains, and distribution system network upgrades. The firm has provided technical assistance and capital planning for water system improvements valued at hundreds of millions of dollars.

GHD has also completed numerous projects for the Water Board and Water Authority including, but not limited to, improvements to the Filtration Plant (Plant); waterline replacement; raw water intake upgrades; chlorination and zebra mussel system improvements; filtered water conduit repairs; hydraulic analyses; storage tank rehabilitation; and pumping station upgrades.

## **2. Organization and Management**

The following describes the roles and function of the several separate entities responsible for the management, operation, and financing of the Water System.

### **2.1 City of Buffalo**

In 1992, pursuant to the authority granted by the Buffalo Municipal Water Finance Authority Act (Water Act), codified as part of the New York State Public Authorities Law section 1048-a, the City sold the Water System and transferred all title and interest in the System to the Water Board under an Acquisition Agreement dated September 24, 1992. In accordance with the Water Act and the Financing Agreement, the Mayor of the City appoints all of the directors or members of the Water Board and two public members of the Water Authority.

The City Common Council confirms the Mayoral appointees to the Water Board and the Water Authority. The Water Board does not have any employees of its own, but pursuant to the Water Act and the Financing Agreement, the Water Board has the authority to use the services of City officers and employees to operate and maintain the Water System. The Water Board has engaged Veolia Water to assist the Water Board in managing the Water System, including the City Division of Water employees involved in the day-to-day operations, maintenance, and repair of the Water System.

### **2.2 Buffalo Municipal Water Finance Authority**

The Water Authority is a public benefit corporation of the state of New York established pursuant to the Water Act. Among its powers under the Water Act, and in accordance with the Financing Agreement, the Water Authority may borrow money and issue negotiable or non-negotiable notes, bonds, or other obligations to finance water projects and capital improvements for the Water System. Additionally, the Water Authority has oversight of the operation and maintenance of the Water System and the Water Board's management of the Water System. Currently, there are four active members on the Water Authority. The current members include:

- Donna Estrich, Chair (Commissioner, City of Buffalo Department of Administration, Finance, Policy & Urban Affairs)
- Michael J. Finn, P.E., Vice-Chair (Commissioner, City of Buffalo Department of Public Works, Parks & Streets)
- Maureen A. Brady (Regional Attorney, Region 9: New York State Department of Environmental Conservation)
- Hon. Rasheed N.C. Wyatt (University District Councilmember, and Chair, City of Buffalo Common Council Finance Committee)

## 2.3 Buffalo Water Board

The Water Board is a public benefit corporation of the state of New York and established pursuant to the Water Act Section 1049. In addition to the Financing Agreement, the Water Board entered into an Operation Agreement with the City dated September 24, 1992, as amended (Operation Agreement). Under the terms of the Financing Agreement, the Operation Agreement, and the Water Act, the Water Board is responsible for the management, operation, maintenance, and repair of the Water System. It is required to establish, charge, and collect rents, rates, fees, and charges in an amount necessary to pay the costs of operating and financing the Water System on a self-sustaining basis. The Water Board has the authority to enforce collection of all Water System charges through various remedies including, but not limited to, lien foreclosure, civil lawsuits, and termination of service. It also has the authority to engage independent contractors to fulfill the Water Board's duties to manage, operate, maintain, and repair the Water System. The Water Act provides that the Water Board shall be governed by seven members, all of whom are appointed by the Mayor, and such appointments are subject to confirmation by the City Common Council. Currently, there are four active members of the Board. The current members include:

- Oluwole A. McFoy, P.E., Chair (General Manager, Buffalo Sewer Authority)
- William K. Sunderlin, Vice Chair (Director of Purchasing, City of Buffalo)
- Gerald E. Kelly (Private Citizen)
- Jessica R. Brown (Director of Administration and Finance, City of Buffalo)

## 2.4 Veolia Water

Veolia Water is a private water company that provides water management services to municipalities worldwide. In July 2020, the Water Board and Veolia Water entered into a Management Agreement pursuant to which Veolia Water agreed, among other things, to provide professional management services for the operation, maintenance, and repair of the Water System. The Management Agreement is for a period of 10 years and replaces a previous 10-year Management Agreement with Veolia Water, which expired on June 30, 2020. The Water System was previously managed by American Water Services, Inc. between September 1, 1997 and June 30, 2010, pursuant to a prior Management Agreement.

Veolia Water is responsible for the day-to-day management of City Division of Water employees to manage the operation, maintenance, repair, billings, and collections of the Water System. The Division of Water Engineering Department, under the direction of the Water Board and the Commissioner of Public Works, Parks and Streets (Commissioner), manages the construction of required capital improvements and monitors the daily operations of Veolia Water.

Veolia Water's responsibilities include, but are not limited to, the management of the following:

- Water treatment, transmission, distribution, and storage
- Water System operations and maintenance
- Vehicle fleet maintenance
- Commercial and residential customer services including, but not limited to, customer information system management, meter reading, meter maintenance, billing, and collection activities
- Operational and safety training
- Water Board facilities security

Members of Veolia Water's local management team are:

- David Hill – Project Manager
- Douglas Fultz, P.E. – Operations Manager
- Michael R. Carson – Technical Manager
- Adam Weldy – Technical Manager

- Ryan Hoople – Asset Manager
- Damond Rand – Customer Service Manager
- Damon Sykes – Finance Manager
- Kelly Leeb – Office Manager

## 2.5 City Division of Water

The Division of Water is situated in the Department of Public Works, Parks & Streets (Public Works). The Division of Water handles all water engineering, daily operations, water-related customer service and maintenance on the Water System. All staff in the Division of Water are unionized employees and are organized under four separate labor unions. Pursuant to the Management Agreement, Veolia Water works closely with the Commissioner of Public Works to manage Division of Water Staff that perform normal operations within the Water System. As reported by Veolia Water, there are currently approximately 106 active employees. Key supervisory members of the Division of Water who work with Veolia Water’s management team include:

- William Appenheimer – Acting Pumping Plant Superintendent
- Michael Wolasz, Jr. – Water Distribution Superintendent
- Elizabeth Scheeler – Water Treatment Supervisor
- John Gurbacki – Filtration Plant Maintenance Supervisor

In addition, the Commissioner directly manages five employees in the Division of Water Engineering Department. All employees are union members and are managed pursuant to existing collective bargaining agreements. Table 2.1 shows the approximate number of employees in each union by management group.

**Table 2.1** *Approximate Number of Union Employees by Management Group*

Collective Bargaining Unit	Under City of Buffalo Management	Under Veolia Management (as of 10/2021)	Total
AFSCME Local 264 (Blue Collar)	0	35	35
AFSCME Local 650 (White Collar)	5	26	31
Teamster Local 264 (Pipe Caulkers)	0	32	32
AFL CIO Operating Engineers Local 17	0	13	13
<b>Total:</b>	<b>5</b>	<b>106</b>	<b>111</b>

As with any large municipal utility, employee retirement, retention, and recruitment are a challenge. Although staffing levels are currently higher than they have been in several years, continued efforts are recommended to recruit and train qualified personnel to the budgeted positions in the Division of Water.

## 2.6 Other City Departments

In addition, the Water Board receives other general overhead and support services from certain City divisions and departments. This includes services of the City’s officers and employees for personnel, collection, auditing, legal, and other administrative matters, as well as the use of the City’s facilities for meetings and other administrative functions. In accordance with the Operations Agreement, the Water Board makes an annual payment to the City for these services, which is currently budgeted at \$7,991,006 for the 2021-22 Fiscal Year.

## 3. Water System Overview

The Water System supplies water to the City, which according to the United States Census Bureau, has an estimated population of 278,349 as of 2020. Water service is provided to approximately 74,750 active customer accounts including fire supply customers. In addition to supplying water to residents and businesses located in the City, the Water System also supplies treated water to a small number of businesses bordering the City limits and several residential accounts in Cheektowaga, West Seneca, and Lackawanna. The distribution system is interconnected with both the Erie County Water Authority and Town of Tonawanda water distribution systems. Most of these interconnections are currently closed and are inactive. Some interconnections have the potential to provide a limited reciprocal emergency supply. Currently, there is one active supply interconnection to the Erie County Water Authority that is regularly active and generates wholesale revenues for the Water Board. The following describes the Water System, which includes the water supply system, water filtration plant, pumping facilities, storage and pressure control facilities, distribution and transmission system and meters.

### 3.1 Water Supply System

Lake Erie, the southernmost of the Great Lakes, is the source of water supply for the City. Lake Erie is approximately 241 miles long and has a maximum width of 57 miles and an average depth of 62 feet (210 feet at maximum depth). Lake Erie has a surface area of approximately 9,940 square miles and an estimated watershed area of approximately 30,140 square miles. It has the shortest detention time of the Great Lakes with water remaining in the lake for approximately 2.6 years before moving into the Niagara River. The water supply system includes two water intake facilities situated at the eastern end of the Lake near the mouth of the Niagara River.

#### 3.1.1 Emerald Channel Intake

The Emerald Channel Intake is located on Lake Erie approximately 6,600 feet offshore from the treatment facilities. The structure is approximately 110 feet in diameter and contains a dozen 6-foot square sluice gates spaced evenly around its base. A 12-foot diameter inlet port allows water to enter a steel riser and move downward to a 12-foot square raw water tunnel that runs beneath the lakebed and directs raw water from the Intake to the Water Filtration Plant on shore.

#### 3.1.2 Bird Island Intake

The Bird Island Intake was constructed in 1876 and is located approximately 3 miles downstream from the Emerald Channel Intake near the mouth of the Niagara River. This intake facility has not been used since 1963 due to ice wear and damage. Due to its poor condition, the Bird Island Intake is currently out of service.

### 3.2 Water Filtration Plant

The Water Filtration Plant (Water Plant) was constructed in 1927 and is located at the foot of Porter Avenue adjacent to Lake Erie. The Water Plant currently has a rated capacity of 160 million gallons per day (mgd). Raw water from the intake tunnel passes through a screen house via a 90-inch diameter conduit and enters the Water Plant by low-lift pumps. The raw water is then treated using rapid mixing, coagulation/flocculation, sedimentation, and filtration processes. Pre-filtration chemicals, including chlorine for zebra mussel control and disinfection and poly-aluminum chloride for coagulation, are added to the raw water.

The low-lift pump room contains six pumps, collectively rated at 315 mgd, that transport water to two 10-million-gallon flocculation and sedimentation basins. There are 40 rapid sand filters used for final clarification of treated water, with a total filtration capacity of 160 mgd. Post-filtration chemicals, including poly-orthophosphate for corrosion control, and chlorine for disinfection, are added in the finished water conduit. Finished water passes into a clearwell with a storage capacity of approximately 30 million gallons. For filter backwash purposes, two centrifugal pumps draw water from the

clearwell and pump to two elevated cylindrical holding tanks having a combined capacity of approximately 235,000 gallons. Filters are backwashed by gravity from these tanks and water drains to a cylindrical backwash station tank and an interconnected 190,000-gallon rectangular equalization tank. Three vertical centrifugal pumps draw backwash water from the interconnected tanks and convey the water into two cylindrical 750,000-gallon thickener basins at a maximum rate of 2,000 gallons per minute (gpm) each. Backwash sludge is discharged from the thickeners into an on-site lagoon, while coagulation/sedimentation basin sludge is periodically pumped via a semi-manual process directly to the lagoon. The lagoon is cleaned seasonally during the warmer months via a centrifuge process. Final dewatered waste residuals are transported to a landfill for disposal. Decant water from the thickeners is dechlorinated to remove any chlorine residue, tested, and then discharged to the Lake. Dechlorinated decant water that does not meet the minimum testing criteria is directed back to the head of the Plant for further treatment.

Based on annual water quality reports, the average daily water production for the last 3 years has been approximately 67.8 mgd. In 2020, the average daily production was 65.0 mgd. Table 3.1 shows the last 10 years of annual finished water production supplied to the Water System.

**Table 3.1** *Finished Water Production*

Calendar Year	Total Annual (billion gallons)	Daily Average (mgd)
2011	25.0	68.0
2012	21.7	59.0
2013	23.1	63.0
2014	25.9	71.0
2015	27.0	74.0
2016	26.3	72.0
2017	25.1	68.1
2018	25.7	70.4
2019	24.8	68.0
2020	23.6	65.0

### 3.3 Pumping Facilities

The Water System has two primary pumping stations. The Colonel F. G. Ward Pumping Station was put into service in 1915. It has three 50 mgd centrifugal pumps that were installed in 1938, two 20 mgd pumps that were installed in 2014, and a third 20 mgd pump that was installed in 2018. The Massachusetts Avenue Pumping Station has one 18 mgd, two 50 mgd, and one 30 mgd pump. The Colonel Ward and Massachusetts Avenue Pumping Stations are each capable of meeting the System’s current average daily demand. This redundancy provides significant operational reliability and flexibility for the Water Board’s customers.

### 3.4 Storage and Pressure Control Facilities

The Water System has six storage facilities with a combined storage capacity of more than 40 million gallons. A description of each storage facility is provided in the following sections.

#### 3.4.1 Finished Water Clearwell

The Finished Water Clearwell (Clearwell) is a 30-million-gallon underground storage facility located at the Water Filtration Plant at the foot of Porter Avenue. The Clearwell is used to temporarily store treated water before distribution to customers and to equalize the filtration process with System demands.

### 3.4.2 Manhattan Tank and Pump Station

The Manhattan Tank and Pump Station was constructed in 1968 and consists of a 5-million-gallon, ground-level storage tank and three booster pumps. The Tank is located in the northeast section of the City and is used to supplement supply and pressure to that area.

### 3.4.3 Grover Cleveland Tank and Pump Station

The Grover Cleveland Tank and Pump Station was constructed in 1912 and consists of a 250,000-gallon steel standpipe and four booster pumps. The tank is located in the northeast section of the City and is used to manage pressure in that area.

### 3.4.4 Kensington Tank

The Kensington Tank was constructed in 1909 and is a 789,500-gallon steel standpipe tank enclosed in a brick building. It is situated in the northeast section of the City and has not been used since 2014 due to its deteriorated condition. The tank was taken offline after consultation and concurrence with the Erie County Department of Health (ECDOH). A comprehensive analysis and field evaluation were completed that demonstrated minimal impact to the system resulting from the operational change. An ongoing hydraulic evaluation is currently evaluating the need for additional storage in the Water System.

### 3.4.5 Ferry Tank

The Ferry Tank was constructed in 1938 and is a 2-million-gallon elevated tank. It is located in the east section of the City and supports distribution system pressure in the central part of the City.

### 3.4.6 Hancock Tank

The Hancock Tank was constructed in 1938 and is a 2-million-gallon elevated tank. It is located in the south section of the City and supports distribution pressure in the surrounding area.

## 3.5 Water Transmission and Distribution System

The transmission and distribution system is designed to deliver treated water, under pressure, to all properties within the City so that individual service taps can be made directly along these pipelines. These mains have fire hydrants installed at intervals and constitute the sole source of water to fight fires. The transmission and distribution system consists of approximately 812 miles of pipe, 19,813 valves, and 7,998 fire hydrants. The primary transmission system consists of 36-inch, 48-inch, and 60-inch feeder mains, which are constructed to form major supply loops around the city and directly supply water to storage facilities. The secondary transmission system consisting of 16-inch, 20-inch, and 24-inch mains form an intermediate network of supply within and around the major transmission system. The distribution system consists of all remaining watermains that range in size from 4 to 14 inches in diameter.

## 3.6 Meters

Water service is provided to approximately 74,750 active customer accounts including 1,360 fire supply customers. The customer base consists of residential, commercial, and industrial customers. There are approximately 65,506 metered customer accounts and approximately 7,884 customers that are billed at a flat rate. All flat-rate customers are residential customers that have not been converted to metered billing. Table 3.2 shows the top 10 largest customers, as reported by the City, based on the most recent annual billing cycle ending June 30, 2021.



Table 3.2 Buffalo Water Board Top 10 Customers

Customer	Charges
Buffalo Municipal Housing Authority	\$1,246,992
Aurubis Buffalo, Inc.	\$895,107
VA Medical Center	\$596,495
Sorrento Lactalis, Inc.	\$544,998
Erie County Medical Center	\$478,879
Kaleida Health	\$372,072
Roswell Park Cancer Institute	\$358,211
Catholic Health System	\$310,281
General Mills, Inc.	\$244,039
Tesla, Inc.	\$202,807
<b>Total:</b>	<b>\$5,249,881</b>
Data Source: Veolia Water	
Note: Billings from these customers accounted for approximately 13 percent of total cash collections for the annual period ending June 30, 2021	

### 3.7 Operational Impact of Novel Coronavirus Outbreak

Drinking water quality, water supply and wastewater treatment capacities have not been affected by the outbreak of novel coronavirus. Buffalo Water complied with stay-at-home orders in March 2020 by closing the Customer Service Center and suspending meter reading and meter repair activities. Billing activities continued, and bills were issued daily with usage based on an estimate of a customers’ last three actual reads. Customers were able to contact Buffalo Water by phone or email and were able to make payments utilizing the United States Postal Service or by correspondence directly to the main office. Capital construction projects, equipment repairs, and maintenance activities were considered essential services and exempt from stay-at-home and stop-work orders.

Buffalo Water prepared a COVID-19 reopening safety plan in accordance with New York State guidelines and resumed normal operations on July 6, 2020. All critical functions of the Water System were restored to normal operations with appropriate controls, protocols, and policies to prevent the spread of novel coronavirus. Certain non-emergency repairs and some capital projects may take longer than originally expected due to issues relating to the availability of staff, materials, and contract services. However, such postponements and delays are not expected to have a substantial impact on the operation of the Water System. The Water Board has amended its billing policies to be consistent with policies set forth by the Mayor and New York State Public Service Law to provide relief to customers during the COVID-19 State of Emergency.

### 3.8 Organizational Analysis

The overall organization of the Buffalo Water System is rated as Sufficient. The members of the Water Authority have the appropriate backgrounds and experience to provide sound judgement in the performance of their duties. Members of the Water Board also have sufficient qualifications to satisfactorily execute their duties. Veolia Water personnel and City of Buffalo employees in key positions have the qualifications to adequately operate and maintain the Water System. The Management Agreement provides a sufficient structure for the operations and maintenance of the Water System.

## 4. Maintenance and Condition Evaluation

The properties of the Water System are generally in fair to good condition. Some components are in poor condition while others are in very good condition. Overall, the Water System condition is sufficient and can meet current and future demands provided continued ongoing maintenance and the implementation of the Water Board's CIP. Below is a summary of the major Water System components and the relative condition of each.

### 4.1 Supply

The Water System's source of supply is Lake Erie and is excellent in terms of its availability, quality, and sustainability. The intake facility underwent a complete rehabilitation in 2002 and currently appears to be in satisfactory condition. Veolia Water reports that physical inspection of the intake facility is performed on a periodic basis along with general maintenance and exercising of the sluice gates. In addition, visual inspections are performed remotely using a drone on a quarterly basis and after significant weather events to monitor ongoing conditions and maintenance needs. Based on their general observations, Veolia Water has indicated that the overall structure appears to be in good working condition. However, due to the age of the intake facility, as with all Water Board facilities, periodic engineering assessments are recommended. A summary of the maintenance, repair and improvements completed to the Water Supply System are provided below.

- 2009 and 2011 – A partial underwater video inspection of the intake conduit showed no apparent deterioration of change in condition from that which was observed during a full-length underwater video inspection completed in the early 1990s.
- 2011 – A comprehensive cleaning of the main intake shaft was completed, as well as the first 200 feet of the supply tunnel, which had shown an accumulation of zebra and quagga mussel debris. An improved operation and maintenance plan was implemented at that time by adding chlorine solution at colder temperatures. This continues to limit the mussels' propagation.
- 2018 – Completed a security improvement project at the Emerald Island Intake to repair doors and install remotely monitored security cameras.
- 2019 – Assessed all underground conveyance conduits in the Water System using a Remotely Operated Vehicle (ROV) including the raw water conduit. The results of the assessment indicated that all conduits inspected appear to be in satisfactory condition.
- 2019 – A temporary increase in finished water turbidity was observed during several significant storm events. Subsequent investigations identified a small pipe chase between the raw water and finished water conduits allowing possible raw water infiltration to the finished water conduit under unusually high lake levels during storm events. ECDOH was consulted, and the pipe chase was permanently closed. The increased finished water turbidity was temporary, lasting only a brief period, and did not impact chlorine levels nor exceed any water quality limits.
- 2020 – Completed a major upgrade to the raw water screening facility. The project included the installation of new traveling screens and upgrades to various electrical, HVAC, and building systems throughout the facility.

Overall, with these capital improvements, continued implementation of the CIP and the ongoing preventative maintenance program, the Water System supply appears sufficient and will continue to be in good and serviceable condition.

### 4.2 Treatment

The Water System treatment facilities are in fair to good condition. Ongoing preventative maintenance and consistent capital investment has significantly enhanced the filtration process, which allows the Water Board to continue to produce high quality drinking water. Veolia Water reports that the physical inspection of all major treatment assets is completed on daily, weekly, or monthly basis in accordance with manufacturers' recommendations and general best

management practices. Work orders are generated for any preventative maintenance required or repairs that are identified. Subsequent maintenance and repairs are completed by Division of Water staff or by a third-party contractor, as needed, in the event that staff are not available or do not have the required expertise. A summary of the major maintenance, repair and improvements completed at the Water Filtration Plant are provided below:

- 2009 – Completed a major upgrade to the treatment facilities that included asbestos removal, concrete structural repair and restoration, and piping improvements. The project also included the installation of new control valves, actuators, turbidity meters, controls, SCADA, and filter isolation barriers for environmental controls.
- 2013 – Completed additional repairs to the north and south sedimentation basins including new sludge gates, new curtains, stems, and baffles.
- 2016 – Completed a capital improvement project to replace the existing chlorine scrubber system with a new dry, carbon-based system.
- 2017 – Completed a capital improvement project, completely replacing the existing fluoride feed system. The Water Board has been working with the University of Buffalo to examine water quality impacts prior to commissioning the new fluoride system. In addition, the Water Board completed an engineering study of chemical flow and mixing through its conduits and is currently evaluating the same in the Clearwell. Several recommended improvements have been recently identified, which will be implemented prior to commissioning the new fluoride feed system.
- 2017 – Completed a capital improvement project with the addition of a new dechlorination system. This fully functional system eliminates recycled decant water from traveling back to the head of the Plant, which improves the efficiency of the raw water treatment process.
- 2018 – Completed a capital improvement project involving asbestos abatement and facility renovations. Renovations included improvements at the filtration plant to the steam heating system, natural gas HVAC equipment, general remodeling and upgrades to offices, locker rooms, bathrooms, meeting rooms, the kitchen, and a complete rehabilitation of the facility's on-site testing laboratory.
- 2019 – Completed a capital improvement project at the screenings facility that included new raw water traveling screens, controls, and pumps. The raw water conduit gates were rehabilitated and new gate operators were installed. The HVAC system was replaced with a new upgraded system in addition to the replacement of the roof and windows.
- 2021 – Completed a capital improvement project involving the installation of new poly aluminum chloride (PAC) tanks and pumps that improves the flocculation process and aids the Water Board's ability to treat raw water at the highest levels.
- Ongoing – Currently, a capital improvement project is underway that involves piping upgrades, concrete repairs, and the installation of a new filter wash/sweep system on each filter. These improvements are approximately 95% complete, and the work is anticipated to be completed in 2021.

GHD, in conjunction with the Division of Water, have identified certain additional improvements that are needed and have been incorporated into the approved CIP. These improvements will enhance process efficiency, reduce operating costs, and promote a stable and continuous operation. Furthermore, while the water supply has not been impacted by harmful algal blooms, Veolia Water is proactively exploring various treatment options to determine appropriate improvements that may be necessary in the future. Based on current conditions with the anticipated capital improvements and ongoing maintenance, the treatment facilities appear to be sufficient to provide continuous satisfactory service to the Water System.

### **4.3 Pumping Facilities**

The pumping facilities are in fair-to-good condition. Ongoing preventative maintenance and consistent capital investment has increased pumping efficiencies and has allowed the Water Board to mitigate pressure spikes and improve distribution reliability. Veolia Water reports that the physical inspection of all major pumping assets is completed on daily, weekly, or monthly basis, in accordance with manufacturers' recommendations and general best management practices. Work orders are generated for any preventative maintenance required or repairs that are

identified. Subsequent maintenance and repairs are completed by Division of Water staff or by a third-party contractor, as needed, in the event that staff are not available or do not have the required expertise. A summary of the major maintenance, repair and improvements completed at the Water Filtration Plant are provided below:

- 2016 – Completed repairs to cracks and joints in the finished water conduit in response to a dive inspection that showed minor concrete cracking in the conduit between the gate house at the Water Plant and south end of the high service pump well.
- 2016 – the Water Board replaced the battery bank system at the Massachusetts Avenue Pumping Station, which provides 125-volt DC auxiliary control power to the station’s critical electrical loads. Other improvements included major maintenance of the transformers, the rebuilding of a 50-mgd high service pump motor, and installation of new electro-hydraulic actuators to each of the pump cone valves. However, despite these improvements, there have been several recent electrical problems at Massachusetts Avenue, and due to age and obsolescence, a total electrical system upgrade is included in the approved CIP.
- 2017 – Installed new 125 Volt DC station battery system for switchgear safety protection.
- 2018 – Installed new soft starts and incorporated pumping into the SCADA system to help mitigate pressure spikes and improve distribution reliability.
- 2018 and 2019 – Completed testing of the two 2.25-mw backup generators using a load bank to ensure sufficient energy could be provided to power the entire Water Plant in the event of an emergency situation. In addition, a new feeder cable and conduit was installed to allow the backup generator system to provide emergency power to the entire pumping system.
- 2018 – Completed major improvements at the Massachusetts Avenue Pumping Station. Of the four high-service pumps, one 50-mgd and two 30-mgd pumps were completely rebuilt and rehabilitated. The second 50-mgd pump was removed and replaced with an 18-mgd pump to allow operators to monitor output more closely and match pumping to System demands. These improvements have permitted more efficient pumping operations. Additional improvements include improved controls, new venturi meters, and integration with the SCADA system, which will allow remote operation of the pumping station.
- 2018 – Completed major capital improvements at the Manhattan Pump Station. These improvements included the installation of new pumps and motors, electrical switchgear, valve controls, SCADA controls, building envelope items, and updated electrical components.

Veolia Water uses maintenance service contracts to conduct preventative maintenance and repairs as needed. The mechanical and electrical systems appear to be functioning as intended, and there are no known issues associated with the pumping station.

The pumping facilities continue to operate satisfactorily but require additional improvements to enhance reliability and preserve facilities. Various improvement needs include the rehabilitation of valves and valve houses, structural improvements, and electrical upgrades, all of which are addressed in the approved CIP. Based on the current condition of the pumping stations, ongoing maintenance and anticipated capital improvements, the pumping facilities appear to be sufficient to provide continuous satisfactory service with sufficient redundancy and reliability for Water System customers.

## 4.4 Storage

The Water System storage facilities are generally in fair-to-good condition. Veolia Water reports that the physical inspection of each storage facility is completed weekly along with general site maintenance. A monthly inspection using a drone is completed to capture general observations and monitor the condition of each storage tank. In addition, an internal inspection of each storage facility is completed every 3 years. A summary of the major maintenance, repair and improvements completed at the Water Filtration Plant is provided below:

- 2014 – Due to its condition, the Kensington Tower was taken offline after consultation and concurrence with the ECHD. The Division of Water performed a comprehensive hydraulic analysis and field evaluation that demonstrated minimal impact from this operational change.

- 2017 – Completed repairs to minor cracking in the Clearwell based on the results of a 2015 ROV inspection.
- 2018 – Interior inspection of Manhattan Tank found facility to be in fair to good condition.
- 2018 – An internal inspection on Ferry and Hancock Tanks was completed using an ROV, and results indicated that the condition of the coatings were adequate.
- 2019 – Completed a study and design for the addition of tank mixers and system disinfection booster stations at Ferry and Hancock Tanks. The tank mixers were installed in 2019 and booster stations are included in the approved CIP.
- 2019 – Completed an ROV inspection of the Clearwell. The results of the inspection are currently being used in an ongoing engineering study that is developing a computational fluid dynamics model of the Clearwell, which will be used to identify potential water quality-based improvements to the Clearwell, baffles, gates, and chemical mixing systems.
- 2021 – Completed a second ROV inspection of the Clearwell as part of the ongoing engineering study to identify water quality-based improvements. The results of the inspection will be used to develop a new capital improvement project to improve flow characteristics in the Clearwell and associated major conduits.

The Grover Cleveland Tank is in fair condition and operating in a satisfactory manner. The tank shows signs of deterioration including spalled concrete, deteriorated protective paint systems, leaking valves, and other items. The tank is scheduled for rehabilitation as part of the approved CIP.

Overall, with the anticipated capital improvements and ongoing maintenance, the Storage facilities appear sufficient to continue to provide continuous satisfactory service to the Water System.

## 4.5 Transmission and Distribution

The Transmission and Distribution facilities are generally in fair-to-good condition, with some specific limited components in poor condition. The Water System experiences many watermain breaks each year, the number of which can vary widely depending on weather, water temperature, and other conditions. There has been on average approximately 340 watermain breaks each year over the last 3 years. Some of the buried pipelines are approaching or beyond 100 years old and have deteriorated due to normal wear and tear, environmental conditions, and hydraulic events. However, system looping and interconnections provide sufficient redundancy and allows the Water Board to provide a continuous water supply, including fire protection, to its customers even during watermain breaks.

A comprehensive and wholesale pipe replacement program is not cost effective. Consequently, the specific watermain improvement projects completed each year focus on critical watermains and areas of known difficulties and high break frequency, as opposed to universal replacement. Priority is given to major transmission lines that are vital to the distribution system. Furthermore, the program is coordinated with the Department of Public Works and its streets rehabilitation program. This approach has proved effective in recent years, with strategic replacement of several miles of watermains each year. Recently, the Water Board began the development of a machine learning model to examine the frequency of watermain breaks and the density of lead service lines. The Water Board anticipates using this analysis in the future to optimize its Transmission and Distribution capital planning.

In 2018, Veolia Water performed a water audit to estimate the amount of water produced, sold, and unaccounted for in the Water System on an annual basis. As reported by Veolia Water, the audit estimated approximately 42.7 percent of finished water production is unaccounted for or lost. While this appears to be a high percentage of unaccounted for water, it is comparable with other public utilities of similar age and size in Northeast United States. The audit concluded that the most significant reasons for water loss include leakage due to age and condition of the distribution system and from loss on privately-owned customer service lines. Corrective actions may include leak detection, improved metering, customer service line replacement, and waterline replacement.

In 2020, Veolia Water implemented a leak detection program to identify and proactively repair leaks in the distribution and transmission system. The program is scheduled to survey 20 percent of the system each year so that the entire system will be surveyed at least once every 5 years. Leaks are identified and located on service lines, distribution pipe, and transmission mains. Work orders are generated, and leaks are repaired on City-owned assets. Property

owners are notified if leaks are identified on customer-owned portion of the service line. The proactive repair of leaks improves system reliability and financial risk by reducing water loss, claims and the risk of significant watermain breaks. Since its inception, Veolia Water reports that approximately 120 leaks have been repaired.

Based on the above leak detection program, ongoing maintenance, and continued implementation of the approved CIP, the Transmission and Distribution facilities appear to be sufficient to provide continuous satisfactory service to Water System customers.

## **5. Regulatory Compliance**

The Water System is subject to regulatory requirements under the Safe Drinking Water Act (SDWA). The SDWA was enacted by Congress in 1974 and put into effect national regulations to protect public health and regulate drinking water supplies. The SDWA established National Primary Drinking Water Regulations (NPDWR) and National Secondary Drinking Water Regulations (NSDWR). NPDWRs are mandatory standards that limit the level of contaminants in drinking water and are enforceable by the United States Environmental Protection Agency (USEPA). NSDWRs are non-mandatory standards that cover contaminants, which adversely affect the aesthetic quality of drinking water and are not enforceable by the USEPA. The Water Board conducts a variety of samples for laboratory testing in accordance with regulations and reports the results on a monthly basis to the City and ECDOH. These reports indicate the system is in full compliance with NPDWRs and NSDWRs. The Water Board also prepares an annual Water Quality Report, which indicates compliance with all regulations and is the basis of GHD's review.

The New York State Department of Health (NYSDOH) is authorized to administer the SWDA under sub-part 5 of the New York State Sanitary Code. The NYSDOH has primacy for the enforcement of most national regulations through the State Drinking Water Protection Program and is supported locally by the ECDOH. The Water Board conducts a variety of samples for laboratory testing in accordance with regulations and reports the results monthly to the City and ECDOH. These reports indicate that Water System drinking water complies with NPDWRs and NSDWRs. Below is a summary of the Water Board's compliance with major components of current drinking water regulations:

### **5.1 Surface Water Treatment Rules**

The Surface Water Treatment Rules (SWTRs) are a combination of rules intended to reduce illnesses in drinking water and require the Water Board to filter and disinfect the water supply to provide protection from pathogens while also minimizing adverse health risks from disinfection by-products.

The Surface Water Treatment Rule (SWTR) took effect in 1989 and established requirements regarding turbidity and chlorine contact time. The Water Board constructed a chlorine treatment system in 1993 to satisfy the chlorine contact time requirement and maintains the system in satisfactory condition today. In order to meet the turbidity requirements, the Water Board maintains its flocculation and filtration processes, which have demonstrated consistent compliance with the rules. Veolia Water and treatment plant staff monitor turbidities carefully and adjust processes from time to time to achieve or improve removal efficiencies. The Water Plant has proven capable of achieving compliance throughout the year despite higher raw water turbidities that can occur in the late fall and early winter months, resulting from severe storms/winds or lake inversion, which can stir up sediment.

The Interim Enhanced Surface Water Treatment Rule (IESWTR) and Stage 1 Disinfectant and Disinfection By-Products Rule (Stage 1 DBPR) became effective in 1999. The purpose of the IESWTR is to improve the control of microbial pathogens in drinking water and guard against any significant pathogens resulting from the implementation of the DBPR. The IESWTR sets forth filtering standards through turbidity monitoring and establishes a maximum contaminant level goal (MCLG) for the parasite cryptosporidium. The Stage 1 DBPR establishes a maximum contaminant level for carcinogenic trihalomethanes, halo acetic acids, and disinfectants such as chlorine.

Subsequently, the USEPA implemented the Long Term 2 Enhanced Surface Water Treatment Rule (LT2ESWTR) and Stage 2 Disinfection By-Products Rule (Stage 2 DBPR) in 2006. The Water Board is in full compliance with these regulations and has made various modifications to accommodate additional sampling points in the Water System to monitor for contaminants under these regulations. Based on the analytical results from testing, the Water Board is eligible to reduce the number testing sites but has chosen to maintain the current number of sampling points.

## **5.2 Total Coliform Rule and Revised Total Coliform Rule**

The Total Coliform Rule (TCR) took effect in 1990 and set a Maximum Contaminant Level Goal (MCLG) and Maximum Contaminant Level (MCL) for coliform bacteria in drinking water including Total, Fecal, and E. coli. The TCR requires the Water Board to monitor for the presence of total coliforms in the distribution system and established minimum testing criteria and public notification requirements if MCLs are exceeded. The USEPA issued the Revised Total Coliform Rule (RTCR) in 2016, which included modifications to sampling requirements, public notification and required treatment techniques for MCL violations. Past and current analytical data indicate the Water Board continues to satisfactorily meet the water quality, testing and reporting requirements for the TCR and RTCR.

## **5.3 Lead and Copper Rule**

The Lead and Copper Rule (LCR) took effect in 1991 to protect public health and reduce exposure to lead in drinking water. The LCR requires community water systems to monitor drinking water at the customer tap and take specific actions if lead concentrations exceed an action level of 15 parts per billion (ppb) or copper concentrations exceed an action level of 1.3 parts per million (ppm) in more than 10 percent of customer taps sampled. If the action level is exceeded, the public must be informed about steps they should take to protect their health and may have to replace lead service lines under their control.

All known lead piping in the Water System consists of privately owned services or plumbing, and there are no publicly owned lead watermains. However, recent events in Flint, Michigan, and other municipalities have heightened awareness of the potential for lead in drinking water. The City's water supply is treated with an orthophosphate corrosion inhibitor, which reduces the possibility of lead contamination in the drinking water. In addition, the Water Board has constructed a pipe loop system to further evaluate the long-term effectiveness of the corrosion control system on lead piping. As a result, the City has been in full compliance with current USEPA standards, and results have indicated that current corrosion controls are effective. Moreover, the Water Board has taken a proactive approach to protect the public by voluntarily increasing the frequency of the required tap sampling from once every 3 years to an annual sampling and testing program. In addition, the Water Board revised its regulations in 2019 prohibiting the repair of lead service lines.

The Water Board has also instituted a focused education and outreach program that is designed to raise awareness and disseminate relevant information about lead in drinking water. Any customer in the City can have their water tested for lead by a certified third-party laboratory with the cost borne by the Water Board. Several hundred customers have taken advantage of this program and have had their water tested.

The current USEPA action level for lead in drinking water is 15 ppb. However, the Water Board voluntarily reduced its local action level to 5 ppb in 2016 and requires additional sampling when testing results exceed this lower level. After two testing results that show lead in the drinking water above the reduced action level, the Water Board will replace the private lead service line at no cost to the customer. In 2019, the Water Board initiated the Replace Old Lead Lines (ROLL) program to remove old lead service lines when damaged or leaking. The program is ongoing, and since its inception, approximately 600 customers have had leaking lead service lines replaced. Furthermore, the Water Board has recently included significant annual allocations in its approved CIP to fund the abatement of lead service lines and continues to pursue additional federal and state funding for this important objective.

The Lead and Copper Rule Revision (LCRR) was published in the Federal Register on January 15, 2021, although the effective date and compliance dates have been postponed to allow USEPA to complete its review of the rule in accordance with presidential directives. Accordingly, the effective date of the LCRR has been delayed until December 16, 2021, with a required compliance date of October 16, 2024. The LCRR includes several updates that will impact Buffalo Water, such as the following items (not a complete list of LCRR requirements):

- Updated Tap Sampling Requirement: The LCRR requires collection of the “fifth liter” compared to the current first liter sample to better represent water coming from the service line rather than internal plumbing. This will add a level of complexity to the sampling process. Veolia Water has retained the services of a third-party, 120Water to help with the new sampling requirement, in addition to other services, and is examining how this change may affect compliance.
- Sampling Requirements at Schools and Child Care Facilities: The LCRR will require Buffalo Water to conduct sampling at elementary and secondary schools, as well childcare facilities on a specific schedule. Results and public education must also be provided to the sampled facilities.
- New “Trigger Level:” The LCRR establishes a new threshold trigger level of 10 ppb in drinking water. Exceedances of this new trigger value would require the Water Board to take additional actions, such as re-optimizing corrosion control treatment, further customer notification and education, and commencing LSL replacement programs. As noted above, the Water Board has already voluntarily reduced its local action level to 5 ppb and has taken corrective actions if testing results show lead concentration above this action level. Based on historical data, Buffalo Water would likely be below this trigger level; however, the Water Board and Veolia Water are currently evaluating how the new fifth liter sampling requirement would affect compliance with the trigger level.
- Detailed Lead Service Line Inventory: Buffalo Water will be required to identify and make public the locations of lead service lines. Buffalo Water has an inventory database that, while not complete, is in the process of being converted to an online mapping tool for the public. The Water Board is also developing a predictive model to help identify LSLs in the system.

The Water Board, in conjunction with Veolia Water, continues to evaluate the LCRR and is taking steps to make sure the Water System will meet LCRR requirements by the compliance date.

## **5.4 Consumer Confidence Report Rule**

The Consumer Confidence Report Rule (CCR) took effect in 1998 and requires that public water systems prepare and distribute an annual report to customers describing the quality of drinking water. The Water Board is in compliance with the CCR and prepares an annual drinking water quality report that summarizes information regarding source water, detected contaminants, compliance with regulations and consumer education information.

## **5.5 Regulatory Analysis**

The Water System is currently meeting the requirements of present applicable regulations, permits and licenses, and is operationally in compliance with regulations. To the extent of our review of available data, the Water Board has met and continues to satisfy all applicable regulation requirements, therefore, the Water System is considered Sufficient, provided that current levels of monitoring, sampling, maintenance, and regulatory training continue.



## 6. Capital Improvement Program

The Water System is a complex network of buried infrastructure, pumping stations, storage tanks, and treatment facilities. The Water Board monitors the Water System 24 hours a day, 7 days a week, 365 days a year, and periodically inspects primary system components such as the water intake, treatment plant, pumping stations, chemical systems, storage facilities, and electrical systems. The Water Board has worked to satisfy regulatory requirements and fulfill its fiduciary responsibility to the City while responsibly controlling costs. However, major system components are deteriorating due to age, environmental conditions, and normal wear and tear. As a result, increased operation and maintenance expenses, in conjunction with capital renewal, will be required in the future.

All capital construction projects are under direction and oversight of the Division of Water. However, the capital improvement process typically involves various phases, which include planning, study, design, bidding, construction, and commissioning. The Water Board conducts the capital planning process with assistance from the Principal Water Engineer, Division of Water, Veolia Water, GHD, and other engineering consultants. The various entities formulate and prioritize the CIP in order to satisfy new regulations and adapt to changing conditions that could affect the System's performance and reliability.

### 6.1 Current Capital Improvement Plan

The Water Board, in collaboration with the Division of Water, City Engineer, Veolia Water and GHD, has developed a CIP of water system projects for the next 6 years that meets the most immediate needs of the Water System. The current CIP was approved by the Water Board and Water Authority on October 16, 2021, and contemplates approximately \$237.9 million in new capital projects targeted for completion by FY 2026/27. The Water Board's rate consultant reviewed the current and projected water rates, and concluded that with some future rate increases, the projected revenues will be sufficient to support the adopted CIP. Table 6.1 presents the current CIP.

Table 6.1 Current Capital Improvement Plan

Project Category	Project No.	Project Name	Calendar Year – Estimated Project Cost (\$1,000)					
			FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
Colonel Ward Treatment and Pumping Plant	1	Filter Plant Treatment Optimization	\$500	\$1,500				
	2	Filter Plant Lagoon Rehab/Sed. Basin Improvements	\$3,500					
	3	Flood Control	\$3,000					
	4	Filter Plant PAC		\$200	\$1,000			
	5	Flocculation motors/baffles			\$200	\$2,000		
	6	Thickener Rehab including Tube Settlers	\$300	\$2,000				
	7	Sodium Hypochlorite System	\$4,500					
	8	Filter Plant Miscellaneous Improvements <sup>(1)</sup>			\$250	\$250	\$2,000	\$1,000
	9	Colonel Ward Valve House Rehabilitation				\$200	\$1,000	\$1,000
	10	Colonel Ward Pumping Improvements					\$200	\$1,500
	11	Colonel Ward Complex Building Improvements	\$500	\$3,000	\$3,000			
	12	Colonel Ward Miscellaneous Improvements <sup>(1)</sup>			\$500	\$1,000	\$1,000	\$1,000
System Pumping and Storage	13	Massachusetts Ave. P.S. Power Upgrades	\$300	\$25,000				
	14	Massachusetts Ave. Tunnel Rehab			\$200	\$750	\$1,000	
	15	Massachusetts Ave. P.S. Miscellaneous Improvements <sup>(1)</sup>				\$250	\$250	\$250
	16	Manhattan Tank & P.S. Rehabilitation					\$200	\$1,000
	17	Manhattan Tank & P.S. Misc. Improvements <sup>(1)</sup>				\$250	\$250	\$250

Project Category	Project No.	Project Name	Calendar Year – Estimated Project Cost (\$1,000)					
			FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2025/26	FY 2026/27
	18	Kensington Tank Stabilization	\$500					
	19	Grover Cleveland Tank & P.S. Rehabilitation/Replacement	\$1,500			\$200	\$8,000	
	20	Hancock Tank Replacement			\$200	\$8,000		
	21	Ferry Tank Rehabilitation		\$300	\$8,000			
	22	Tank Mixing / System Disinfection Booster Stations						
	23	New Pressure Zone - New Tank & Pump Station <sup>(3)</sup>			\$200	\$5,000	\$5,000	\$5,000
<b>Transmission &amp; Distribution</b>	24	New Pressure Zone Distribution System Improvements <sup>(3)</sup>		\$500	\$4,000	\$3,000	\$2,000	\$2,000
	25	Annual Water Main / Valve Replacement / Rehabilitation	\$29,500	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
	26	Service Line Lead Abatement Program <sup>(4)</sup>		\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
<b>Buildings &amp; Other</b>	27	Metering Program	\$1,000	\$750	\$750	\$750	\$750	\$750
	28	System Security			\$250	\$250	\$250	\$250
	29	Intake Rehabilitation					\$200	\$1,000
	30	Building Improvements <sup>(2)</sup>			\$2,000	\$2,000	\$2,000	\$1,000
		<b>Estimated Total Annual Capital Project Costs:</b>	<b>\$45,100</b>	<b>\$48,250</b>	<b>\$35,550</b>	<b>\$38,900</b>	<b>\$39,100</b>	<b>\$31,000</b>

Notes:

- (1) This item includes miscellaneous funds to be used to perform additional upgrades in the treatment, pumping, storage, transmission, and other systems as required.
- (2) This item includes funds to be used to perform improvements to the buildings including structural beams, walls, floors, windows, roofs, and other items as required.
- (3) This item includes initial projected costs for construction of a new pressure zone. Engineering study currently underway to determine final requirements and costs.
- (4) The Water Board will also pursue federal and state funding for this objective.

## 6.2 Fiscal Year 2021/22 Capital Projects

The CIP includes a 6-year schedule of projects. The Water Authority intends to fund the current year (FY21/22) projects in part with new revenues bonds. Consequently, the current year projects are detailed in this report.

The CIP is subject change beyond FY 2021/22 based on ongoing evaluations and future conditions of the Water System. A summary of the FY 2022/21 projects is provided in Table 6.2 and a detailed description of each is provided below.

Table 6.2 Summary of FY 2021/22 Projects

CIP No.	Project	Estimated Cost
1	Filter Plant Clearwell Optimization	\$500,000
2	Filter Plant Lagoon Rehabilitation/Sedimentation Basin Improvements	\$3,500,000
3	Flood Control	\$3,000,000
6	Thickener Rehabilitation including Tube Settlers	\$300,000
7	Sodium Hypochlorite System	\$4,500,000
11	Colonel Ward Complex Building Improvements	\$500,000
13	Massachusetts Avenue P.S. Power Upgrades	\$300,000
18	Kensington Tank Stabilization	\$500,000
19	Grover Cleveland Tank & P.S. Rehabilitation/Replacement	\$1,500,000
25	Annual Watermain/Valve Replacement/Rehabilitation	\$29,500,000
27	Metering Program	\$1,000,000
	<b>Total:</b>	<b>\$45,100,000</b>

### 6.2.1 Filter Plant Clearwell Optimization

Estimated Project Cost - \$500,000

Project Category – Colonel Ward Treatment and Pumping Plant

Project Function – Study to evaluate the flow of finished water within the clearwell and preliminary design of potential corrective actions.

Expected Completion Date – 2022

Period of Probable Usefulness – Engineering Study (not applicable)

Project Description – This project involves the inspection and hydraulic modeling of the clearwell and 90-inch conduit to evaluate the flow of finished water and determine if physical modifications are necessary to improve flow characteristics and improve finished water quality.

### 6.2.2 Filter Plant Lagoon Rehabilitation/Sedimentation Basin Improvements

Estimated Project Cost – \$3,500,000

Project Category – Colonel Ward Treatment and Pumping Plant

Project Function – Construction of necessary structural, mechanical and efficiency improvements at the sludge processing facility to extend the useful life of the asset and increase the efficiency of sludge processing operations.

Expected Completion Date – 2022

Period of Probable Usefulness – 50 years

Project Description – This project includes the replacement of the lagoon liner and concrete base as well as additional basin upgrades to include a new sump pump, above-ground sludge transfer piping, and electrical connections.

### 6.2.3 Flood Control

Estimated Project Cost – \$3,000,000

Project Category – Colonel Ward Treatment and Pumping Plant

Project Function – Construction along the shoreline and adjacent land area to protect facilities and mitigate the storm surge impacts from Lake Erie.

Expected Completion Date – 2022

Period of Probable Usefulness – 50 years

Project Description – This project involves the construction of a raised berm between the shoreline and the Water Treatment Plant to protect facilities from future storm surge events. In addition, new security fencing will be installed along Amvets Drive and the clearwell to encompass all facilities at Colonel Ward Treatment and Pumping Plant.

### 6.2.4 Thickener Rehabilitation including Tube Settlers

Estimated Project Cost – \$300,000

Project Category – Colonel Ward Treatment and Pumping Plant

Project Function – Study and preliminary engineering for sludge thickener and tube settler improvements.

Expected Completion Date – 2022

Period of Probable Usefulness – Engineering Study and Preliminary Design (not applicable)

Project Description –The project will provide an engineering study and condition assessment of two sludge thickeners and associated tube settlers. Also included is the preliminary engineering design of replacement and/or upgrade options for the thickeners and tube settlers.

### 6.2.5 Sodium Hypochlorite System

Estimated Project Cost – \$4,500,000

Project Category – Colonel Ward Treatment and Pumping Plant

Project Function – Construction of a new sodium hypochlorite system to replace the existing chlorine gas system.

Expected Completion Date – 2022

Period of Probable Usefulness – 30 years

Project Description – The project involves the construction of a new sodium hypochlorite system.

### 6.2.6 Colonel Ward Complex Building Improvements

Estimated Project Cost – \$500,000

Project Location – Colonel Ward Treatment and Pumping Plant

Project Function – Preliminary design for general structural improvements to existing buildings.

Expected Completion Date – 2022

Period of Probable Usefulness – Preliminary Design (not applicable)

Project Description –The Colonel Ward complex is more than 100 years old, and its buildings have deteriorated due to age, use and environmental conditions. The project will develop concepts to improve the building envelope at several locations including roof repairs and the rehabilitation of the brick façade.

## 6.2.7 Massachusetts Avenue Pump Station Power Upgrades

Estimated Project Cost – \$300,000

Project Category – System Pumping and Storage

Project Function – Engineering design of major electrical improvements at the Massachusetts Avenue Pumping Station.

Expected Completion Date – 2022

Period of Probable Usefulness – Engineering Design (not applicable)

Project Description – This project includes the study, planning, and preliminary and final design of improvements to all electrical systems at this facility. Design upgrades include new low and medium voltage switch gear, SCADA controls, variable frequency drives (VFDs), low and medium voltage cable, electrical panels, backup power generation, and complete removal and replacement of the existing accumulator system with electronic actuators.

## 6.2.8 Kensington Tank Stabilization

Estimated Project Cost – \$500,000

Project Category – System Pumping and Storage

Project Function – Construction of general structural improvements to the existing facility.

Expected Completion Date – 2022

Period of Probable Usefulness – 30 years

Project Description – This project involves the replacement of the roof and rehabilitation of brickwork to stabilize the facility.

## 6.2.9 Grover Cleveland Tank and Pump Station Rehabilitation/ Replacement

Estimated Project Cost – \$1,500,000

Project Category – System Pumping and Storage

Project Function – Construction to improve the storage tank, pumping and ancillary electrical equipment.

Expected Completion Date – 2022

Period of Probable Usefulness – 30 years

Project Description – This project includes the construction of repairs to the tank and pump station. Improvement includes the repair and rehabilitation to the roof, stairways, pumps, motors, and the electrical switch gear.

## 6.2.10 Annual Watermain/Valve Replacement/Rehabilitation

Estimated Project Cost – \$29,500,000

Project Category – Transmission and Distribution

Project Function – Improvement projects to maintain the transmission and distribution piping system.

Expected Completion Date – 2022

Period of Probable Usefulness – 75 years

Project Description – The Water Board continues to experience numerous watermain breaks due to the age of the pipes in the water system. To address this, the CIP includes approximately \$29.5 million dollars to replace large valves and watermains, watermain cleaning and rehabilitation, joint sealing, general watermain replacement and restoration costs associated with watermain repairs.

## 6.2.11 Metering Program

Estimated Project Cost – \$1,000,000

Project Category – Buildings and Other

Project Function – Meter replacement program to improve meter reading accuracy and efficiency at which the Water Board collects rate revenues.

Expected Completion Date – 2022

Period of Probable Usefulness – 20 years

Project Description – This project includes the purchase of new meters and appurtenances of various sizes. Meters are generally installed on a rolling basis by City staff as older meters fail or need to be replaced.

## 6.3 Capital Funding Plan

The CIP is funded through various sources for projects and programs that are organized into four project categories: Colonel Ward Treatment and Pumping Plant, System Pumping and Storage, Transmission and Distribution, and Buildings and Other. The CIP assumes funding in part by stimulus funds, which include the availability of American Rescue Plan Act (ARPA) monies as provided in the Mayor’s approved spending plan and monies from the pending bipartisan Infrastructure Investment and Jobs Act currently making its way through Congress. The FY 2021/22 \$45.1 million capital plan anticipates \$13.4 million in new borrowing from the 2021 water revenue bonds and \$31.7 million from the anticipated availability of stimulus funds. In the event that stimulus monies are not available in the amounts estimated or the infrastructure bill is not passed, alternative funding will be sought which may include additional borrowing, or projects may be delayed. A summary of the FY 2021/22 Capital Plan Cost Per Project Category is presented in Table 6.3.

Table 6.3 FY 2021/22 Capital Plan Cost Per Project Category

Project Category	Total
Colonel Ward Treatment and Pumping Plant	\$12,300,000
System Pumping and Storage	\$ 2,300,000
Transmission and Distribution	\$29,500,000
Buildings and Other	\$ 1,000,000
<b>Total:</b>	<b>\$45,100,000</b>

## 7. Findings and Conclusions

Based on our assessment of the Water System, the condition of its assets, ongoing preventative maintenance, and planned upgrades and improvements included in the CIP, the Consulting Engineer's general opinion of the Water System condition warrants a rating of Sufficient. In GHD's opinion, the Water System is being maintained in generally good repair and in serviceable condition.

The Water Board has made substantial re-investment in the Water System in recent years and plans to continue with additional necessary improvements. These improvements have and will strengthen the reliability, longevity, and efficiency of the Water System for years to come. GHD recommends that:

- The Water Board continue to implement the CIP, review and update it periodically, and allow for adjustments as conditions determine.
- The Water Board maintain a minimum operations reserve fund equal to approximately 6 months of operating expenses, exclusive of debt service or coverage obligations.
- The Water Board continue to work closely with the City, the Division of Water, and its contract manager to maintain its System assets in accordance with industry standards and manufacturers' recommendations.
- The Water Board continue to work closely with the City, the Division of Water, and its contract manager to fill vacancies, as necessary, and continue to provide appropriate training for all O&M staff.

GHD believes that the Water Board's implementation of these capital, maintenance and operational recommendations will safeguard the functional life of the Water System well into the future with an anticipated expected life of more than 30 years.



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## APPENDIX C

### RATE CONSULTANT REPORT OCTOBER 30, 2021

#### SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

##### **Basis of Presentation**

The accompanying forecasted cash flows are based on projected estimates of Fiscal Year 2021-2022 revenues and expenditures beginning with the Fiscal Year 2021-2022 Budget, incorporating actual results for the first quarter of the Fiscal Year 2021-2022 as well as historical trends experienced for the preceding four months beginning with March 2021. Also included are assumptions concerning certain actions expected to be taken by the Buffalo Water System (the “System”) to increase rates and charges and the availability and use of American Rescue Plan Act funds as outlined in the Mayor’s approved spending plan. The System includes the operations of the Buffalo Municipal Water Finance Authority (the “Authority”), the Buffalo Water Board (the “Board”) and the City of Buffalo (the “City”). The forecast presents, to the best of the Authority’s, Board’s and City’s knowledge and belief, the anticipated cash flows, the projected operation and maintenance expenses and debt service requirements (including assumed financing required by the Capital Improvement Program), for Fiscal Years 2021-22 through 2026-27. Unanticipated events and circumstances are likely to occur subsequent to the date of the forecast which will cause actual cash flows to be different from the forecasted cash flows and such differences may be material.

Historical cash receipts have been negatively impacted by the ongoing COVID-19 pandemic. Since March 2020 and through Fiscal Year 2019-2020 and for Fiscal Year 2020-2021, aggregate cash receipts were below budget by \$2.8 million and \$4.2 million, respectively. Receipts for Fiscal Year 2021-2022, through September 2021, reflect an aggregate \$850,000 negative variance from budget. As part of the American Rescue Plan Act (ARPA and Act), the City of Buffalo was awarded \$330 million in Federal government support. The Mayor, in collaboration with various stakeholders put forth a spending plan in accordance with Act provisions that was unanimously approved by the Common Council on August 26, 2021. The plan includes \$13 million to be used for a Water and Sewer Debt Forgiveness Program. This program will address water affordability by providing financial assistance to certain low-income customers who have experienced financial hardship as a result of the ongoing pandemic and have become delinquent in their water and sewer accounts. This assistance will enable the forgiveness of outstanding and delinquent water and sewer accounts. The plan also provides for \$40 million in Smart Sewer and Water Infrastructure projects to improve the efficiency, quality and service of the water and sewer systems throughout the City of Buffalo. The plan also includes a \$10 million allocation for the expansion of the City’s Replacement of Old Lead Lines Program (ROLL). The forecast assumes amounts will be allocated evenly between Water and Sewer projects and the funds will be spent as permitted under the Act through Fiscal Year 2023-2024, although funds are allowed to be spent through 2025. It is anticipated that subsequent annual rate increases at assumed amounts ranging from 2% to 7% along with deemed revenues associated with excess O & M reserve funds, will enable the Board to exceed the minimum rate covenant as required by the Financing Agreement through Fiscal Year 2027. The current Schedule of Rates, Fees and Charges allows for future annual adjustments, at the Board’s discretion, of all its rates, fees and charges based upon increases, but not decreases, in the Consumer Price Index Northeast Urban-Class Size B/C, not seasonally adjusted.

Although Projected Cash Receipts continued to decline in the first quarter of Fiscal 2021-2022, reflective also of decreases in consumption, which may or may not be pandemic related, the remaining years of the forecast period assume a return to pre-pandemic service and receipt levels. No assurance can be provided that any resurgence of the virus will not result in further economic disruption and will not result in receipts that are lower than forecasted herein.

Any projected reductions in cash receipts are expected to be offset by rate actions anticipated to be taken by the Board over the forecast period, as well as the stimulus funding provided the American Rescue Plan Act.

The significant assumptions used in preparing the accompanying forecasted cash flows are explained below:

### **Projected Water Billings/Charges**

**Water Billings/Charges:** Water Billings/Charges are charges for water consumption by System customers based on water rates established by the Board. Water Billings/Charges include charges for metered water usage, meter capacity fees, and flat rate billings and capacity charges.

**Projected Adjustments to Water Billings/Charges:** Projected adjustments include corrections to prior Water Billings/Charges due to over billings resulting from estimated meter readings and/or adjustments due to bankruptcy and foreclosure proceedings. Adjusted values associated with customers converting from flat rate to metered based charges are also reflected as adjustments. Historical adjustment amounts for the last 24-month period averaged .5%. We have utilized a .5% adjustment factor in each of the years of the forecast period. Finally, credits resulting from the Residential Consumer Affordable Water Program have also been net as adjustments to water billings and charges. The Residential Consumer Affordable Water Program targets 40% of the City's active account base who have deemed low or very low income based on federal guidelines. The forecast assumes a 12% participation rate from eligible accounts across all years of the forecast. There are currently 1,275 customers who have qualified and participate in the Residential Consumer affordable Water Program.

### **Projected Cash Receipts**

*Projected Collections from Water Billings/Charges:* Projected collections include the payments to be received from customers of the System. Payments have been estimated based upon: (a) a consistent customer base and actual historical consumption levels, (b) the water rate for Fiscal Year 2021-22, including the rates and charges that became effective most recently on January 1, 2019, (c) a collection rate on net adjusted billings of 98.5% based on historical results beginning in Fiscal Year 2021-22, and current contractual requirements under the operator's contract, and (d) anticipated increases in water rates in each Fiscal Year of the forecast period (see forecasted cash flows).

Historical user payments for water rates for Fiscal Year 2016-2017 through Fiscal Year 2020-2021 are as follows:

<u>Fiscal Year</u>	<u>Actual Cash Receipts</u>
2016-17	\$40,216,077
2017-18	39,452,995
2018-19	43,176,966
2019-20	45,811,502
2020-21	44,293,088

The Fiscal Year 2020-2021 actual cash receipts came in under budget by \$4.2 million. This decline is tied to the impact of the COVID-19 pandemic. Receipts for the first quarter of Fiscal Year 2021-2022 are trending lower than budget by \$850,000. This has been factored into the Fiscal Year 2021-2022 projection and then receipts are expected to resume to typical levels in the remaining years of the forecast. The assumed increase in user payments over the Fiscal Year 2022-2023 through Fiscal Year 2026-2027 periods is predicated on the ability of the Board to raise rates each year. There was no rate action taken by the Board to increase rates and charges for Fiscal Year 2021-2022. In December 2018 the Board acted to restructure the water consumption blocks and increase water capacity charges for all customers in addition to increasing miscellaneous fees and charges for services to better reflect actual costs for those services. At the same time, a Residential Consumer Affordable Water Program was introduced. This program provides a credit against the capacity charge based on eligible income limits. A public hearing was held as required by law and the rate changes were unanimously approved. Prior, there had been no rate increase since 2013 and the System was able to fund required improvements through utilization of excess O&M reserves, expenditure of previous bond proceeds as well as deeming as “revenues” excess reserves to offset any increases in those years as more fully disclosed in the Operations & Maintenance Reserve section of this report. Finally, the rate structure adopted by the Buffalo Water Board in 2018 included a provision to allow for annual increases as deemed necessary by the Board based upon changes in the Consumer Price Index Northeast Urban – Class size B/C, not seasonally adjusted.

In January 2019, the restructured consumption blocks for water usage and increased in meter capacity charges took effect. These changes produced additional cash receipts for the Water System of approximately \$2.6 million and 5.2 million, net of the impact of the COVID-19 pandemic, in Fiscal Year 2018-2019 and Fiscal Year 2019-2020, respectively. There were no rate increases on July 1, 2020, or 2021 and none anticipated for the balance of Fiscal Year 2021-2022. Rate increases over the balance of the forecast period begin in Fiscal Year 2022-2023 at 2%, 4%, 6.5%, 7%, and 6% through Fiscal Year 2026-2027, respectively. These represent assumed increases to support System operating requirements and debt service.

*ARPA -Debt Forgiveness:* The Mayor’s approved spending plan allocates \$13 million in American Rescue Plan Act funding to a Water and Sewer Debt Forgiveness Program. The forecast assumes an equal allocation of funds between water and sewer accounts. This program is expected to reduce the burden of low-income residents in the City of Buffalo by providing a pathway to affordable water programs and provide financial assistance for those who have been disproportionately impacted by the pandemic and are delinquent in their water and sewer accounts. Accounts receivable over 180 days at September, 2021 total over \$11.5 million and are subject to regular collection protocols. The forecast assumes \$6.5 million in revenue from debt forgiveness; \$2.5 million in Fiscal Year 2021-2022 and \$2 million each in Fiscal Years 2022-2023 and 2023-2024.

*Miscellaneous Fees:* Miscellaneous Fees include fees for specific water services provided such as the review, inspection, and approval of connections to the System. It also includes fees for items including hydrant use permits and fees from the Buffalo Sewer Authority (BSA) for billing and collection services provided to the BSA. Miscellaneous Fees were assumed to increase from the projected Fiscal Year 2021-2022 levels by 2% each year over the balance of the forecast period.

*Water Rate Interest:* This includes interest charged and paid on overdue accounts by users of the System. Water Rate Interest has historically averaged approximately 2.0%-2.5% of cash receipts, however; The Board implemented a Water Amnesty Program to benefit the City's most vulnerable citizens. This program waives interest and penalties associated with past due balances. As a result of the ongoing pandemic, this program was extended through December 31, 2021. Fiscal Year 2021-2022 incorporates this amnesty program. The remaining years of the forecast period have been increased by the historical 2% of cash receipts.

*Interest:* Interest results from investment of balances in the Operations and Maintenance Reserve Fund, Capital Funds, and the Debt Service Reserve Fund. Current interest rates are near zero. Fiscal Year 2021-2022 has been projected at .01% of available reserve balances and then increased to 1% in each of the remaining years of the forecast period.

*ARPA-ROLL:* The Mayor's approved spending plan also allocates \$10M for the expansion of the City's Replacing of Old Lead Lines (ROLL) Program. The forecast assumes \$5M of this allocation will be used to fund projects contained in the Board's approved Capital Improvement Plan in Fiscal Year 2021-2022 and \$2.5M will be used in both Fiscal 2022-2023 and Fiscal 2023-2024 to support ROLL program expenditures contained in system operation and maintenance expenses in these years.

### **Debt Service**

*New York State Environmental Facilities Corporation Series 2011 Bonds:* The debt service payments for the Series 2011 EFC Bonds reflect a principal amount of \$2,720,000 with an average interest rate of 2.65% and a 10-year term.

*New York State Environmental Facilities Corporation Series 2012 Bonds:* The debt service payments for the Series 2012 EFC Bonds reflect a principal amount of \$2,575,000 with an average interest rate of 6.17% and a 20-year term.

*New York State Environmental Facilities Corporation Series 2015 Bonds:* The debt service payments for the Series 2015 EFC Bonds reflect a principal amount of \$19,900,000 with interest rates ranging from 2.6-6.3% and a 20-year term.

*The Series 2015 Bonds* were issued to refund the Series 2008 and remaining Series 2002 Bonds for an issuance of \$46,655,000 carrying interest at rates ranging between 2-5% and a 20-year term.

*The Series 2019 Bonds* were issued to refund the outstanding Series 2007 Bonds for a \$11,985,000 refunding amount and \$24,285,000 in new monies to finance required capital improvements to the Water System. The total aggregate Series 2019 Bond issuance is \$36,270,000 carrying interest at rates ranging from 3.0% -5.0% and a 30-year term.

*The Series 2020 Bonds* were issued to refund the outstanding Series 2010 Bonds for a \$16,850,000 refunding amount and \$4,580,000 in new monies to finance required capital improvements to the Water System. The total aggregate Series 2020 Bond issuance was \$21,430,000 carrying interest at rates ranging from 2%-5% and a 20-year term.

The Series 2021 Bonds are being contemplated in part to refund the Series 2012-A Bonds with a par amount of \$11,495,000 and to secure \$13,240,000 in new monies to finance required capital improvements to the Water System. Anticipated interest rates average 4%.

**Anticipated Future Bond Issues:**

Future debt service payments on anticipated future bond issues of the Authority are net of anticipated ARPA monies and incorporate the debt issuance requirements and assumptions reflected in the five-year Capital Improvement Plan (CIP) as prepared by the City and approved by Board and reviewed by GHD Engineering, Inc. The CIP is presented on a calendar year to better align with the System’s construction season, rather than the System’s and City’s fiscal year; therefore, future anticipated debt service associated with the bonding lags one year behind the CIP as presented in the accompanying forecast. For purposes of the anticipated future issuances, we have assumed the CIP will be funded with mid-year issues that have a 30-year term with level semi-annual payments with interest at 3% over the forecast period although other funding mechanisms may be utilized, including Environmental Facilities Corporation issues, as applicable.

Water and sewer infrastructure buildout projects were allocated a total of \$40 million in the Mayor’s approved ARPA spending plan. The forecast assumes the allocation will be split evenly between water and sewer infrastructure projects. In addition to the current \$13.4 million anticipated financing, the Fiscal Year 2021-2022 capital plan of \$45.1 million is expected to be funded with \$20 million in monies available and allocated from the American Rescue Plan Act for Water infrastructure projects and \$5 million that was allocated for ROLL projects as outlined in the Mayor’s spending plan. The balance of the Fiscal 2021-2022 capital plan is expected to be supported with funding from the pending bipartisan Infrastructure Investment and Jobs Act that is making its way through Congress. In the event the bill is not passed, alternative funding will be sought which may include a subsequent borrowing, or projects may be delayed. This has not been factored into the accompanying forecast.

The anticipated future bond issue principal amounts, for each of the Fiscal Years within the forecast period, net of Pay-as-you-go CIP amounts, are as follows:

<b><u>Fiscal Year</u></b>	<b><u>Series Bonds Principal Amount</u></b>
22/23 for CIP 22	\$46.3M
23/24 for CIP 23	\$33.6M
24/25 for CIP 24	\$36.9M
25/26 for CIP 25	\$37.1M
26/27 for CIP 26	\$29.0M

The required rate increase projection includes debt service amounts for anticipated future bond issues in the Forecasted Cash Flows table. The anticipated bond issues for each Fiscal Year are based on the CIP requirements as identified by the City and approved by the Board and, as reviewed by GHD Engineering, Inc. \$10 million is anticipated to be funded over the forecast period for capital projects utilizing accumulated reserves or the current year cash surplus. This is reflected as Pay-as-you-go-Capital in the accompanying forecast.

**Operating Expenses/Disbursements**

*System Operations - Veolia Contract management:* The Authority and Board signed a new 10-year Management Agreement, dated July 1, 2020 (the “Management Agreement”), with Veolia Water, to provide management services in connection with the operation, maintenance, repair, and improvement of the System. The relationship created between Veolia Water and the Board is one for professional and technical services by Veolia as an independent contractor. The Management Agreement grants Veolia limited authority as the representative of the Board in carrying out its obligations and neither the Board nor Veolia is an agent, employee or joint venture with the other, the City or the Authority. In accordance

with the provisions of the Management Agreement, Veolia is to manage the City employees in a manner which is expected to achieve certain efficiencies and provide certain benefits to the Board. The Management Agreement obligates the Board to pay Veolia an annual fee, currently set at \$6,687,900 for Fiscal 2020-21 payable in monthly installments during the ten-year term of the Management Agreement. This fee is subject to annual increases in accordance with increases in various economic and product indexes throughout the 10 year term. The Fiscal Year 2021-2022 base contract amount has been projected at \$6,894,658 including applicable price indexes and projected to increase in each remaining year of the forecast period by 1.3%. There are always additional operation and maintenance expenditures required for the System, that are carried out by Veolia and/or the Board through the City. These are System expenditures paid in addition to the contract management fee and are paid through the Veolia or contracted through the Board through the City. These amounts are reflected as System Operations-System O&M in the accompanying forecast and are also expected to increase 1.3% over the forecast period.

*System Operations – Labor, Health Care & Workers’ Comp., Pension:* The operating costs also include Labor, Health Care and Pension Costs associated with the operation and maintenance of the Water System. These costs include direct salary costs plus fringe benefit and pension costs. Labor and fringe costs are assumed to increase on average 2% and 3.5%, respectively over anticipated and historical actual amounts. It should be noted that the Fiscal Year 2021-2022 budget includes funding for approximately 34 historically unfilled positions as required under contract. This amounts to another approximate \$2.8 million in salary and fringe benefit costs that are not currently reflected in the accompanying forecast.

*Utilities:* These represent projected increases in annual power costs and are not part of the contractual obligation of the operator under the Management Agreement. These costs are paid directly by the System. Historical usage for Fiscal Year 2021-2022 has been used as a basis incorporating certain efficiencies realized with the high service pumps and increased 2% annually over the forecast period for estimated increases in utility rates.

*Payments to the City of Buffalo in Lieu of Taxes and Indirect Cost:* Operating payments reflect costs allocated to the System for support provided by various City agencies and departments. Services provided include budget preparation and review, cost and revenue accounting, and legal support. Such payments also include charges in lieu of property taxes on Water System property net of an allowance for the City’s water consumption. The base amount under the agreement with the City was \$4,036,000 and this amount may be increased by up to 5% annually, under the terms of the Financing Agreement with the City. For Fiscal Year 2021-2022 the Payments to the City of Buffalo in Lieu of Taxes and Indirect Costs are expected to be \$7,991,006 and are increased by 5% over each remaining year of the forecast period.

*Authority and Board Operations:* The operating expenses of the Authority and the Board include administrative costs associated with the day-to-day operation of the Authority and the Board. These costs are projected to increase annually by 0.5%.

*Operations & Maintenance Reserve:* Under the terms of the Financing Agreement, any accrued surplus remaining in the System Operations and Board Expense accounts at year end must be transferred into the Operations and Maintenance Reserve Account. If the balance in the Operations and Maintenance Reserve Account exceeds 10% of the Board’s budget for the following year, then the excess may be used at the discretion of the Board for System Operations or Capital Improvements or deemed to be “revenue” and used to reduce any required potential rate increase. We have counted as “revenue” \$2.5 million of these O&M reserves available at June 30, 2022 to achieve the 1.51 debt service coverage ratio but not to meet current minimum cash expenditures of the System. This is labeled O&M Reserve Funds Considered Revenue in the accompanying forecast. Reserve funds considered revenue in each of the years of the forecast period range from \$2.5 million to \$8 million. Finally, as noted above, any additional

reserve amounts in excess of the 10% are available for capital improvements or to maintain a reserve balance over and above the amounts considered as revenue for purposes of the debt service coverage calculation. These O&M reserve funds are captioned as Available O&M Reserve Funds in the accompanying forecast. They are expected to be \$16.8 million for Fiscal Year 2021-2022. Total O&M Reserves at June 30, 2022 is expected to be \$21.8 million and forecasted to be \$22.7 million by the end of the forecast period.

**Forecasted Cash Flows  
(000's omitted)**

	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>FY 25</b>	<b>FY 26</b>	<b>FY27</b>
	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
<b>Projected Gross Water Billings/Charges</b>	<b>47,296</b>	<b>48,242</b>	<b>50,172</b>	<b>53,433</b>	<b>57,173</b>	<b>60,603</b>
Projected Adjustments to Water Billings/Charges	(1,100)	(1,119)	(1,160)	(1,232)	(1,317)	(1,398)
Projected Collections from Water Billings/Charges	46,196	47,123	49,012	52,201	55,856	59,206
Miscellaneous Fees	1,716	1,750	1,785	1,821	1,857	1,895
Water Rates Interest	545	942	980	1,044	1,117	1,184
Interest	17	218	246	265	245	233
ARPA-ROLL	0	2,500	2,500	0	0	0
ARPA-Debt Forgiveness	2,500	2,000	2,000	0	0	0
<b>Total Projected Cash Receipts</b>	<b>50,975</b>	<b>54,534</b>	<b>56,524</b>	<b>55,331</b>	<b>59,075</b>	<b>62,517</b>
<b>Transfer to Bond Trustee for Debt Service</b>						
Series 2011 EFC	300	0	0	0	0	0
Series 2012 EFC	268	264	259	263	257	250
Series 2015 EFC	1,342	1,330	1,316	1,295	1,281	1,261
Series 2015	4,464	4,460	4,538	4,515	4,565	5,384
Series 2019	2,914	2,909	2,907	2,917	2,907	2,284
Series 2020	1,409	1,407	1,413	1,406	1,409	1,409
Projected 2021 Bonds	1,108	1,616	1,611	1,610	1,613	1,620
Anticipated 2022 Bonds	0	1,197	2,394	2,394	2,394	2,394
Anticipated 2023 Bonds	0	0	868	1,736	1,736	1,736
Anticipated 2024 Bonds	0	0	0	955	1,910	1,910
Anticipated 2025 Bonds	0	0	0	0	960	1,920
Anticipated 2026 Bonds	0	0	0	0	0	750
<b>Total Debt Service</b>	<b>11,806</b>	<b>13,184</b>	<b>15,305</b>	<b>17,090</b>	<b>19,031</b>	<b>20,919</b>
<b>Operating Expense Disbursements:</b>						
System Operations						
Operator Management Fee	6,895	6,984	7,075	7,167	7,260	7,355
System O&M	5,470	5,541	5,613	5,686	5,760	5,834
Utilities	1,865	1,889	1,914	1,939	1,964	1,989
Labor and Fringes	11,869	12,136	12,409	12,689	12,976	13,271
Payments to the City in Lieu of Taxes	7,991	8,391	8,810	9,251	9,713	10,199
Authority and Board Operations	1,524	1,532	1,540	1,547	1,555	1,563
<b>Total Operating Expense Disbursements</b>	<b>35,614</b>	<b>36,473</b>	<b>37,360</b>	<b>38,279</b>	<b>39,228</b>	<b>40,211</b>
Annual Cash Surplus/Deficit	3,555	4,878	3,858	(38)	816	1,388
Pay As You Go - Capital	0	2,000	2,000	2,000	2,000	2,000
Total O&M Reserve Fund- Year Ending	21,769	24,646	26,504	24,467	23,282	22,670
Available O&M Reserve Funds (3)	16,803	19,380	20,967	18,641	17,169	16,557
O&M Reserve Funds Considered Revenue (1)	2,500	2,500	4,500	8,000	8,000	8,000
<b>Projected Debt Service Coverage (2)</b>	<b>1.51</b>	<b>1.56</b>	<b>1.55</b>	<b>1.47</b>	<b>1.46</b>	<b>1.45</b>
<b>Available O&amp;M Debt Service Coverage</b>	<b>2.72</b>	<b>2.84</b>	<b>2.62</b>	<b>2.09</b>	<b>1.95</b>	<b>1.86</b>
<b>Required Net Rate Increase</b>	<b>0.00%</b>	<b>2.00%</b>	<b>4.00%</b>	<b>6.50%</b>	<b>7.00%</b>	<b>6.00%</b>
<b>Required Debt Service Coverage</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15%</b>	<b>1.15</b>

(1) Operations and Maintenance reserve funds considered revenue represent a portion of total reserve funds in excess of 10% of the Board's next year's budget that can be used to offset rate increases.

(2) Debt service coverage is computed using total projected cash receipts plus O&M reserve funds considered revenue less operating expense disbursements divided by debt service.

(3) Available Operations and Maintenance reserve funds represent the total of those reserve funds in excess of 10% of the Board's next year's budget that can be used for System Operations or capital improvements to the System and are not required to be considered revenue in O&M Reserve Funds Considered Revenue .



## APPENDIX D

### CERTAIN INFORMATION CONCERNING THE CITY OF BUFFALO

#### ECONOMIC AND DEMOGRAPHIC FACTORS

The City was incorporated in 1832. It is the second largest city in the State, encompassing a land area of 42 square miles with a 2020 population of 278,349. The City is located in Erie County in western New York State on the eastern shore of Lake Erie.

The economy of the Buffalo area underwent a transition in the decade from 1980 to 1990. Traditionally dominated by heavy manufacturing and petrochemical industries, the area lost manufacturing jobs in part from the decline in steelmaking employment at both Bethlehem Steel and Republic Steel. However, these losses were offset by increases in employment in trade, government, services, finance, insurance and real estate and contract construction.

The City remains committed to its downtown development strategy as a means of further diversifying its employment base.

Major employers in the Buffalo area include the State, University of Buffalo, the U.S. Government, Kaleida Health, the County, Buffalo CSD, Catholic Health Systems and Manufacturers and Traders Trust Company.

#### Trends in Employment by Category<sup>(1)</sup>

2000-2020

(000's Omitted)

Category	2000		2010		2019		2020	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	83.0	17,263.0	49.6	11,528.0	52.5	12,817.2	49.2	12,179.1
Trade, Transportation & Utilities	109.3	26,225.0	97.8	24,636.0	99.5	27,722.8	91.6	26,589.9
Retail Trade	65.8	15,279.8	60.8	14,440.4	59.4	15,619.9	54.0	14,853.1
Wholesale Trade	23.9	5,933.2	21.1	5,452.1	21.4	5,888.6	20.0	5,639.9
Government	90.7	20,790.0	95.0	22,490.0	90.0	22,613.2	85.3	21,908.5
Service Providing	455.3	107,232.0	469.7	112,166.0	491.0	129,867.3	440.6	122,117.3
Other Services	23.1	5,168.0	23.4	5,331.0	25.8	5,890.6	21.3	5,393.8
Finance & Insurance	23.2	5,772.8	24.2	5,761.0	29.2	6,433.3	28.8	6,499.6
Mining & Logging	20.8	599.0	18.9	705.0	21.2	727.0	19.6	619.0
	<u>895.1</u>	<u>204,262.8</u>	<u>860.5</u>	<u>202,509.5</u>	<u>890.0</u>	<u>227,579.8</u>	<u>810.4</u>	<u>215,800.1</u>

Source: U.S. Department of Labor - Bureau of Labor Statistics Data

<sup>(1)</sup>Does not include all categories of employment

**Total Non-Agricultural Employment by Category<sup>(1)</sup>**  
**2000-2020**  
(000's Omitted)

Category	2000		2010		2019		2020	
	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States	Buffalo MSA	United States
Manufacturing	9.3%	8.5%	5.8%	5.7%	5.9%	5.6%	6.1%	5.6%
Trade, Transportation & Utilities	12.2%	12.8%	11.4%	12.2%	11.2%	12.2%	11.3%	12.3%
Retail Trade	7.4%	7.5%	7.1%	7.1%	6.7%	6.9%	6.7%	6.9%
Wholesale Trade	2.7%	2.9%	2.5%	2.7%	2.4%	2.6%	2.5%	2.6%
Government	10.1%	10.2%	11.0%	11.1%	10.1%	9.9%	10.5%	10.2%
Service Providing	50.9%	52.5%	54.6%	55.4%	55.2%	57.1%	54.4%	56.6%
Other Services	2.6%	2.5%	2.7%	2.6%	2.9%	2.6%	2.6%	2.5%
Finance & Insurance	2.6%	2.8%	2.8%	2.8%	3.3%	2.8%	3.6%	3.0%
Mining & Logging	2.3%	0.3%	2.2%	0.3%	2.4%	0.3%	2.4%	0.3%
	100%	100%	100%	100%	100%	100%	100%	100%

Source: U.S. Department of Labor - Bureau of Labor Statistics Data

<sup>(1)</sup>Does not include all categories of employment

**Unemployment Rates**

The following table indicates that the City's rate of unemployment is higher than the State and national percentages. City data in the table were determined by using the Census share methodology, which is based on the ratio of the City to the County with respect to employment figures.

**UNEMPLOYMENT RATES <sup>(1)</sup>**

Year	City	Buffalo MSA	NY State <sup>(2)</sup>	United States
2011	10.6%	8.2%	8.3%	8.9%
2012	10.9%	8.5%	8.4%	8.1%
2013	9.7%	7.6%	7.5%	7.4%
2014	7.9%	6.2%	6.2%	6.2%
2015	7.1%	5.6%	5.3%	5.3%
2016	6.3%	4.9%	4.9%	4.9%
2017	6.7%	5.4%	4.7%	4.4%
2018	5.8%	4.7%	4.2%	3.9%
2019	5.5%	4.4%	3.8%	3.7%
2020	12.6%	9.5%	10.1%	8.1%

Source: U.S. Department of Labor, Bureau of Labor Statistics

<sup>(1)</sup>Total employment by place of residence

<sup>(2)</sup>Figures from 2013-2019 reflect revised population controls and model re-estimation

<sup>(3)</sup>Average rates through December 2020, represents COVID-19 impacts from March 2020 – December 2020

## Population

The 2020 Census revealed that the City's population increased from 261,310 in 2010 to 278,349 in 2020. This is the first population increase since 1950.

### POPULATION TREND 1990-2020

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Buffalo	328,123	292,648	261,310	278,349
Erie County	968,532	950,265	919,040	954,236
Buffalo MSA	1,189,288	1,170,111	1,135,509	1,166,902
New York State	17,990,455	18,976,457	19,378,102	20,201,249
United States	249,632,692	281,421,906	308,745,538	331,449,281

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Source: U.S. Department of Commerce, Bureau of the Census

### CITY OF BUFFALO HOUSING CHARACTERISTICS 1990-2020

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>
Year Round Housing Units	151,971	145,574	139,174	136,350
Occupied Housing Units	136,436	122,720	112,844	119,119
Persons Per Houshold	2.33	2.29	2.26	2.24

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Source: U.S. Department of Commerce, Bureau of the Census

## **Development Activity**

### *Corporate Headquarters*

The City of Buffalo is the home to the corporate headquarters of M&T Bank. M&T Bank, founded in Buffalo in 1856, is one of the nation's largest 20 commercial banks, with \$143 billion in assets and more than 17,000 employees, a third of which are in the Buffalo area. M&T's footprint includes 700 branches in New York, Maryland, Pennsylvania, Virginia, Washington, D.C., West Virginia, Delaware, New Jersey and Florida.

M&T Bank executed a lease to establish a high-tech hub at Seneca One Tower, bringing 1,000 IT employees to Seneca One in 2020 and an additional 1,500 over the next 3 years. Each tech job has potential to result in 5 additional jobs for a total of 7,500 new jobs. The M&T Technology Division will be the anchor tenant at SenecaOne.

ACV Auctions, Buffalo's first "unicorn" start-up company, presented its IPO in late Q1 2021. The company's IPO is the first from a Buffalo-based company since 2017. ACV Auctions was a company incubated in 43North in 2015 and is headquartered in downtown Buffalo.

HSBC bank has a major back-office presence in Buffalo, with more than 3,000 employees located in the area. Key Bank, Bank of America, Citizens Bank, and several local banks also have a major branch presence in the region.

Buffalo is home to the headquarters of several major corporations, including Delaware North Companies, RichProducts, Labatt USA, the New Era Cap Company and Lactalis American Group.

### *Business Development*

43 North, a start-up pitch competition organization that awards \$5.0 million to various start-up companies that locate in the City of Buffalo and the Innovation Center, a business incubator and co- working site designed to promote entrepreneurship.

The University at Buffalo launched a start-up program of its own in 2021, titled Cultivator. Cultivator is part of the region's broader efforts to fund start-up companies.

### *Waterfront Development*

The centerpiece of the waterfront development is the Canalside project, a year-round destination on the southern edge of downtown. More than 1.5 million visitors annually enjoy the attractions Canalside, which include concerts, ice skating, paddle boating, special events, and other activities. A new building at Canalside, the \$27.0 million Explore & More - Ralph C. Wilson, Jr. Children's Museum, is complete and open to the public. In addition, Canalside has added two new attractions; a solar-powered historic 1924 carousel housed inside a roundhouse enclosed in glass and a historic replica Longshed Boat Building which is a two-story gabled-roof wood structure.

Heritage Point project is a planned \$30.0 million mixed-use development on the former South "Aud" block which will include restaurants, retail, and apartments. While this project was paused in 2020, it is now restarted.

In 2018, the Ralph C. Wilson, Jr. Foundation announced \$100.0 million in funding for a complete reimagining of LaSalle Park, located on Buffalo's waterfront, as well as a shoreline trail system that connects Buffalo to Niagara Falls. Additional funding from the Wilson Foundation, the State, and the City was

announced in 2019 for the construction of a new pedestrian bridge connecting LaSalle Park and the adjacent neighborhoods. Planning and development work continues on Centennial Park in 2021.

### *Downtown Development*

Statler LLC purchased the Statler Hotel for \$7.8 million and has begun a \$150.0 million renovation to the historic building, which includes apartments, banquet facility, retail, on-site parking and conference space. The project is to be fully completed at the end of 2023.

Buffalo's tallest building, the Seneca One Tower, has plans of up to \$120.0 million worth of investments on a mixed-use redevelopment. Construction is expected to finish in 2021. The space will include retail, residential and commercial space. Douglas Development has agreed to a PIF (PILOT Increment Financing) and will forgo substantial tax benefits for the Seneca One Tower Project, contributing \$15.0 million in full tax payments towards a \$40.0 million Accelerator fund to support infrastructure improvements, business development and talent attraction in downtown Buffalo.

The Emerson Culinary School is renovating and expanding their facility. In 2020, Ellicott development announced plans to construct a mixed-use development on a surface parking lot at 11 St. Paul St. In proximity to the Buffalo Niagara Medical Campus, the development will include 14,000 square feet of retail, an Element by Westin Hotel with 103 extended-stay hotel rooms, and parking for 560 vehicles. The "Grid", an \$18.0 million five-story residential complex, was completed in February 2021 that is geared towards students and young professionals working and studying at the medical campus.

The \$45 million 201 Ellicott street project was completed in Q3 2021 and has brought more than 200 affordable residential units and a critical grocery store to downtown Buffalo.

The former Buffalo Police Headquarters in Downtown Buffalo is being rehabilitated into a mix of affordable and market rate apartments.

The Cars Sharing Main Street project continues to bring vehicular traffic back to Main Street, while preserving the light rail system on the thoroughfare. With the 500, 600, and 700 blocks of Main Street completed. The goal of this project is to increase economic development and activity downtown.

### *Neighborhood Development*

Residential developments on the Buffalo River and the Old First Ward neighborhood include a \$40M redevelopment of the Silo City complex into primarily affordable housing, and a \$35M adaptive reuse project at the former Barcalo factory into more than 100 units of market-rate apartments and commercial space.

Uniland Development Company is constructing 12 upscale residences priced from \$850,000 to \$1.5 million in one of the City of Buffalo's most in-demand neighborhoods, the intersection of Delaware District and Elmwood Village. Construction began in January 2021 on the \$10.0 million project and is expected to be completed in December of 2021.

In July, 2021, the construction of a five-story \$7.0 million redevelopment of a former brownfield building at 1585 Hertel Avenue has come to a completion. Formerly a gas station, the building is home to 34 apartments, underground parking, as well as ground level commercial space.

The Grid, a 217-unit ground-up apartment building opened. The \$35.0 million project is adjacent to the Buffalo Niagara Medical Campus. The Buffalo Forge Project, a \$50.0 million 158-unit affordable housing project was completed.

The former Trico manufacturing facility restarted construction of \$105.0 million project, after a pause due to the pandemic. The 500,000 sq ft facility is to host 150 plus apartments and 100,000 sq ft of commercial space and parking stalls. This important project will serve as a connection between Downtown and the Medical Campus.

The Pardee is the first new building at Elmwood Crossing. October 2021, Ellicott Development and Sinatra & Company Real Estate have completed a five-story \$18.0 million mixed-use structure on a former Children's Hospital parking lot at the northeast corner of Elmwood and Bryant. Office space is available on the second floor and twenty-two apartments occupy floors three through five.

Whites and Family LP., has begun construction of a \$6.2 million project within the Elmwood Village. The Lofts @ 1020 is a 38,260 sq. ft. building that will include 26 market-rate apartments on its upper floors and three ground-floor commercial spaces. It is expected to be completed in Spring 2022.

Hispanics United of Buffalo/Acacia, Inc.'s La Plaza at 254 Virginia Street has begun the construction of a three-story senior housing project along Virginia Street. The project will contain 46 one-bedroom units, to include a senior center, laundry room, social day care, a resident meeting room, nutritional and other related services for the residents to be made available on the first floor. Commercial space will also be made available for area businesses. Completion is expected in the summer of 2022.

### *Education*

In 2021, D'Youville College in the City's Westside opened its \$25 million Health Professions HUB which is a health-focused mixed-use development that will house the college's medical programs.

In addition to the University at Buffalo and SUNY Buffalo State College, the area is home to 20 other colleges & universities, for a total of 110,000 students and 32,000 employees in higher education, creating a \$3.2 billion economic impact.

The Northland Workforce Training Center a, workforce initiative under the New York State's Buffalo Billion investment, is focused on closing the skills gap of the local labor pool and providing training, co-ops, internships, apprenticeships, and permanent employment for Western New Yorkers seeking high-paying advanced manufacturing and energy careers.

### *Film Industry*

Buffalo has seen an increase in film production activity in recent years. "A Quiet Place II", "Nightmare Alley" and "The Untitled Cabrini Film" have recently filmed in Buffalo. These productions provided a positive economic impact to region while filming in downtown Buffalo and throughout Western New York. Film productions have come to Buffalo for its historic architecture, pristine natural settings, low filming costs (estimated to be up to 30% cheaper than other cities), and New York State's Film Tax Credit incentives.

Currently, there are plans for two film studios in the City, including the development of a \$50 million film studio on Buffalo's West Side and a \$75 million project set for a 27-acre site in South Buffalo. These film and television production developments present an incredible opportunity for Buffalo residents and workers, as well as an opportunity to further diversify the Buffalo economy.

### *Entertainment and Culture*

Downtown Buffalo is also the regional hub of Western New York entertainment, drawing approximately seven million visitors per year. The largest draw is special events, which attract 1.3 million visits per year for the Taste of Buffalo, Canalside Summer Music Series, the M&T Lunchtime concert series, the National Buffalo Wing Festival, and other events. Sporting events draw 1.2 million visits for hockey, baseball and lacrosse, while some 700,000 patrons enjoy Theatre District events. The City's vibrant arts community and world-renowned architecture are also major tourism draws.

Western New York is home to the Buffalo Bills of the National Football League (NFL). Buffalo is home to the Buffalo Sabres of the National Hockey League (NHL), and the Buffalo Bisons the Triple-A baseball team affiliated with the Toronto Blue Jays.

Buffalo is the home of numerous institutions devoted to the arts including Kleinhans Music Hall, the home of the Buffalo Philharmonic Orchestra, and the world-famous Albright-Knox Art Gallery which broke ground on its \$160.0 million expansion. The gallery will house temporarily on the Northland Campus during construction and the new Buffalo AKG Art Museum is expected to open in 2022.

The City's historic theater district provides the stage for legitimate theater with the largest concentration of theaters in New York State outside of New York City. Shea's Buffalo Theater, 710 Main Theatre, Alleyway Theatre, and the Irish Classical Theatre anchor the City's downtown theatre district.

The City is also the location of the Buffalo Museum of Science, the Buffalo and Erie County Historical Museum, the Buffalo Zoo, and the Botanical Gardens of Buffalo and Erie County.

### *Canadian Impact*

The City's proximity to Canada has resulted in a positive economic impact, especially in retail and transportation. In addition to Canadian shoppers boosting sales tax revenue, Canadian travelers have also been credited with strengthening activity at the Buffalo Niagara International Airport. Canadians are estimated to make up 20-30% of passengers that use the airport, supporting 17,000 jobs with \$1.1 billion economic impact.

The impact of Canadians on the local economy is expected to increase as the "Golden Horseshoe" region of Southern Ontario (Toronto-Niagara Falls-Hamilton area) is projected to grow from 8.8 million people today to 11.5 million by 2031. An expanded Peace Bridge Plaza completed construction aimed at strengthening the region's ties with Southern Ontario by making border crossings quicker and easing congestion on the bridge. The plan also included \$2.0 million for improvements to the surrounding neighborhood.

### *Transportation*

The city is in the center of a transportation network of truck, rail, highway, water and air facilities.

A three-story, \$27.7 million Buffalo Exchange Street Amtrak Station has been completed construction. At 4,900 square feet, it will be three times larger. The station has the capacity to accommodate expanded train and bus services in the future.

The Port of Buffalo is eighth in size of the 54 Great Lakes ports and twenty-ninth in size of the 40 major U.S. ports. The Port's terminal facilities encompass 185,000 square feet of enclosed storage space for marine cargo and approximately 200 acres of open storage space. On May 28, 1976 a Foreign Trade Zone (the

“FTZ”) operation at the Port of Buffalo. Imported goods may be processed in the FTZ, sorted, stored and repackaged without payment of any duties until the goods are actually sold to importers in the United States or elsewhere. A total of 153 acres at the former Bethlehem Steel Plant has been designated as the FTZ and approximately 31 companies occupy the FTZ at the relocated Port of Buffalo.

Truck service is provided in the Buffalo area by various transcontinental, international and common carriers. Several freight and passenger lines, including Conrail, Amtrak and Canadian National Railways, provide rail service.

The Buffalo Niagara International Airport (BNIA), operated by the Niagara Frontier Transportation Authority (NFTA) is a regional airport serving the Buffalo-Niagara Metropolitan Area providing approximately 110 dailyflights. The following table sets forth the trend in passenger volume at the Buffalo Niagara International Airport from 2011 through 2020.

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

<u>Year</u>	<u>Passenger Volume</u>	<u>% Change from Prior Year</u>
2011	5,194,162	-0.2%
2012	5,177,913	-0.3%
2013	5,134,925	-0.8%
2014	4,750,643	-7.5%
2015	4,679,070	-1.5%
2016	4,618,748	-1.3%
2017	4,704,114	1.8%
2018	5,059,555	7.6%
2019	4,967,859	-1.8%
2020	1,434,080	-71.1%

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Source: Niagara Frontier Transportation Authority



## APPENDIX E

### GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS

The following words and terms used in this Appendix E shall have the respective meanings set forth below unless the context or use indicates another or different meaning or intent:

“Account” shall mean one of the special accounts created and established pursuant to the Resolution and/or the Agreement.

“Accountant” shall mean an independent certified public accountant (or a firm thereof) of recognized standing, selected by the Authority and satisfactory to the Trustee and may be the accountant regularly auditing the books of the City.

“Accreted Value” shall mean at any particular time, the value of any Capital Appreciation Bonds used for the purpose of determining any required principal amount for Bondholders’ consents or approvals, the amount of the Bonds Outstanding, the redemption price of such Bonds or the priority of any claim for payment of interest or principal upon the occurrence of an Event of Default, all as provided in the Supplemental Resolution authorizing issuance of any such Capital Appreciation Bonds.

“Acquisition Agreement” shall mean that portion of the Agreement entitled the Acquisition Agreement dated as of September 24, 1992 between the City and the Board.

“Acquisition Date” shall mean the date of the conveyance of the System by the City to the Board pursuant to the Acquisition Agreement.

“Act” shall mean, solely for purposes of this Appendix E, the Buffalo Municipal Water Finance Authority Act, constituting Sections 1048-a through 1048-bb of Title 2-B of Article 5 of the Public Authorities Law of the State, as amended.

“Aggregate Debt Service” shall mean for any Fiscal Year, as of any date of calculation, the sum of the Debt Service for all Bonds Outstanding during such Fiscal Year.

“Agreement” shall mean the Financing Agreement dated as of September 24, 1992, amended as of July 7, 1995, as of June 19, 1996, as of August 1, 1997, and further amended as of September 15, 2005, entered into pursuant to Section 1048-i of the Act, by and among the Authority, the Board and the City, as the same may be further amended or supplemented, which Agreement expressly incorporates both the Acquisition Agreement and the Operation Agreement.

“Annual Budget” shall mean the annual budget of the Board, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in Section 6.4 of the Agreement.

“Annual Report” shall mean the annual report of the Authority as described in Section 706 of the Resolution.

“Appendix A” shall mean Appendix A to the Agreement, as the same may be amended from time to time in accordance with the provisions of the Agreement.

“Arbitrage and Use of Proceeds Certificate” shall mean the Arbitrage and Use of Proceeds Certificate of the Authority executed and delivered on original issuance of any Series of Bonds.

“Authority” shall mean the Buffalo Municipal Water Finance Authority, a body corporate and politic constituting a public benefit corporation created and existing under and by virtue of the Act.

“Authority Budget” shall mean the annual budget of the Authority, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in Section 712 of the Resolution.

“Authority Expense Fund” shall mean the Authority Expense Fund established pursuant to Section 502 (a) of the Resolution.

“Authority Expenses” shall mean all reasonable or necessary expenses of the Authority, including, but not limited to, all salaries, administrative, general, commercial, engineering, advertising, auditing, accounting and legal expenses, insurance and surety bond premiums, fees paid to banks, insurance companies or other financial institutions for the issuance of Credit Facilities, consultants’ fees and charges, payments to pension, retirement, health and hospitalization funds, costs of public hearings and public notices, ordinary and current rentals of equipment and other property, lease payments for real property or interests therein, expenses, liabilities and compensation of any Fiduciary, and all other expenses necessary, incidental or convenient for the efficient operation of the Authority as such Authority Expenses may be limited by the Act or the Agreement.

“Authorized Newspaper” shall mean “The Bond Buyer” or such other newspaper or financial journal designated by an Authorized Representative of the Authority that is customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, printed in the English Language, containing financial news, and of general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Representative” shall mean (i) in the case of both the Authority and the Board, their respective Chairperson or such other person or persons so designated by resolution or the by-laws of the Authority or the Board, as the case may be, to perform the act or sign the document in question and (ii) in the case of the City, the Mayor, or, in the absence or incapacity of the Mayor, such other person authorized to act on behalf of the City in the Mayor’s absence or incapacity.

“Bank” shall mean the bank, trust company or banking association (which may be the Trustee) designated by the Board to act as depository for the funds of the Board.

“Beneficial Owner” shall mean any Person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including any Person holding a Bond through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for Federal income tax purposes.

“Board” shall mean the Buffalo Water Board, a body corporate and politic constituting a corporate municipal instrumentality of the State created and existing under and by virtue of Chapter 368 of the Laws of 1985 and empowered by the Act.

“Board Expense Account” shall mean the Buffalo Water Board Expense Account established within the Local Water Fund by, and held in the custody of, the Board pursuant to Section 4.2(A)(1) of the Agreement.

“Board Expenses” shall mean all reasonable or necessary expenses of the Board, including, but not limited to, all Operating Expenses, costs of improvements to the System as provided in the Operation Agreement Section 3.1(F), salaries, administrative, general, commercial, engineering, advertising, auditing, accounting and legal expenses, insurance and surety bond premiums, consultants fees and charges, payment to pension, retirement, health and hospitalization funds, costs of public hearings and public notices, ordinary and current rentals of equipment and other property, lease payments for real property or interests therein, expenses, liabilities and compensation of any depository of funds of the Board, and all other expenses necessary, incidental or convenient for the efficient operation of the Board as such Board Expenses may be limited by the Act or the Agreement.

“Bond” or “Bonds” shall mean any bonds, notes or other evidences of indebtedness, as the case may be, authenticated and delivered pursuant to the Resolution and shall also mean any Parity Reimbursement Obligation, but shall not mean Subordinated Indebtedness or Bond Anticipation Notes.

“Bond Anticipation Notes” shall mean any of the Notes issued pursuant to Section 208 of the Resolution.

“Bond Counsel” shall mean Hawkins Delafield & Wood LLP or any other attorney at law or firm of attorneys selected by the Authority and reasonably acceptable to the Trustee, the Remarketing Agent, and the Authority of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Counsel’s Opinion” shall mean an opinion signed by any attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of municipalities and public agencies, selected by the Authority and satisfactory to the Trustee.

“Bond Depository” shall mean, initially, The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York or any other bond depository appointed by the Authority to act as bond depository for the Bonds in connection with a Book-Entry-Only System of distributing Bonds.

“Bondholder”, “owner” or “holder” or words of similar import shall mean, when used with reference to a Bond, the person in whose name the Bond is registered.

“Bond Insurance Policy” shall mean the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal of and interest on the Series 2021 Bonds when due.

“Bond Insurer” or “Insurer” shall mean \_\_\_\_\_, a New York stock insurance company, or any successor thereto or assignee thereof.

“Bond Payment Date” shall mean each date on which interest or both a Principal Installment and interest shall be due and payable on any of the Outstanding Bonds according to their respective terms.

“Bond Year” shall mean, with respect to any Series, the twelve-month period, if any, set forth in the Supplemental Resolution authorizing such Series.

“Budget Documents” shall have the meaning set forth in Section 6.4(C) of the Agreement.

“Capital Appreciation Bonds” shall mean any Bonds issued under the Resolution with a stated value at maturity, the Accreted Value of which is not payable until maturity or earlier redemption. The Debt Service Reserve Requirement, if any, for Capital Appreciation Bonds shall be determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance of such Capital Appreciation Bonds. For purposes of consents, voting rights, bondholder action or any other matter in the Resolution determined by a percentage of the aggregate principal amount of Bonds Outstanding, Capital Appreciation Bonds shall be valued at their Accreted Value.

“Capitalized Interest” shall mean, for any particular Series, that portion of the proceeds of the Bonds of such Series, if any, required by the Supplemental Resolution authorizing such Series to be deposited in a sub-account established for such Series in the Capitalized Interest Account in the Debt Service Fund, for the purpose of funding the payment of a portion of the interest on the Bonds of such Series.

“Capitalized Interest Account” shall mean the Account by that name established in the Debt Service Fund pursuant to Section 502(c) of the Resolution.

“Certificate” shall mean, as the context indicates, either (i) a signed document attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant to the Resolution or the Agreement, (ii) the report of an Accountant as to an audit or compliance called for by the Resolution or the Agreement, or (iii) any report of the Consulting Engineer or Rate Consultant as to any matter called for by the Resolution or the Agreement.

“Chief Accountant” shall mean, as of any date, the duly appointed and acting Chief Accountant of the City, or such other person duly appointed and authorized to act on behalf of the Chief Accountant, or, if there shall no longer be a Chief Accountant, the duly appointed official of the City succeeding to the duties and functions of the Chief Accountant.

“City” shall mean The City of Buffalo.

“City Charter” shall mean The Charter of the City of Buffalo, as amended from time to time. “Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commencement Date” shall mean the effective date of the Management Agreement, July 1, 2020.

“Commissioner” shall mean, as of any date, the duly appointed and acting Commissioner of Public Works, Parks and Streets of the City, or such other person duly appointed and authorized to act on behalf of such Commissioner, or, if there shall no longer be such an office, the duly appointed official of the City succeeding to the duties and functions of such Commissioner.

“Common Account” shall mean the Common Account established in the Debt Service Reserve Fund pursuant to Section 502(b) of the Resolution.

“Common Council” shall mean the Common Council of the City.

“Comptroller” shall mean the Comptroller of the City or such other person duly appointed and authorized to act on behalf of the Comptroller.

“Construction” shall have the meaning assigned such term in subsection 6 of Section 1048-b of the Act.

“Construction Fund” shall mean the Construction Fund established pursuant to Section 502 (a) of the Resolution.

“Consulting Engineer” shall mean such independent engineer or firm of engineers of recognized standing selected by the Authority in consultation with the Board and approved by the City.

“Continuing Disclosure Agreement” shall mean that certain Continuing Disclosure Agreement between the Authority, the Board and the Trustee to be dated as of the date of issuance of the Series 2021 Bonds, as it may be amended from time to time in accordance with its terms.

“Contract Year” shall mean the twelve (12) month period commencing on the Commencement Date and each successive twelve (12) month period thereafter during the term of the Management Agreement, as such term may be extended.

“Costs” or “Costs of a Water Project” shall mean all costs of Construction, including without limitation, the acquisition, erection, building, alteration, improvement, increase, enlargement, extension, reconstruction, renovation or rehabilitation of the System or a Water Project or any portion of either, the inspection and supervision thereof, the engineering, architectural, legal, fiscal economic and environmental investigations and studies, surveys, designs, plans, working drawings, specifications, procedures and other actions incidental thereto; the cost of the acquisition of all property; the cost of demolishing, removing or

relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all systems, facilities, machinery, apparatus and equipment, financing charges, interest prior to, during and after Construction to the extent not paid or provided for from Revenues or other sources; the cost of engineering and architectural surveys, plans and specifications; the cost of consultants' and legal services; the cost of lease guarantee or bond insurance; other expenses necessary, reasonably related or incidental to the Construction of such Water Project and the financing of the Construction thereof, including the cost of Credit Facilities, the amounts authorized in the Resolution to be paid into any reserve or other special fund from the proceeds of Bonds and the financing of the placing of any Water Project in operation, including reimbursement to any municipality, state agency, the State, the United States of America, or any other person for expenditures that would be costs of such Water Project hereunder; and all claims arising from any of the foregoing.

“Costs of Issuance” shall mean all items of expense, directly or indirectly payable or reimbursable and related to authorization, sale and issuance of 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 Bonds, costs and expenses of refunding, costs of any Credit Facility relating to the Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

“Counsel” shall mean an attorney or a firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

“Credit Facility” shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution that provides funds for (i) the direct payment of the Principal Installments of and interest on such Bonds when due or (ii) the payment of the Principal Installments of and interest on such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond, which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose).

“Debt Service” for any Fiscal Year or part thereof shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest payable during such Fiscal Year or part thereof on Bonds of such Series except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (ii) the Principal Installments of the Bonds of such Series payable during such Fiscal Year or part thereof. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) Variable Rate Bonds will bear interest at the greater of (A) the rate or rates that were assumed by the Authority in the Authority Budget for such Fiscal Year to be borne by Variable Rate Bonds during such Fiscal Year or (B) the actual rate or rates borne by such Variable Rate Bonds on such date of calculation.

“Debt Service Fund” shall mean the Debt Service Fund established pursuant to Section 502(a) of the Resolution.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund and the Accounts therein established pursuant to Section 502 of the Resolution.

“Debt Service Reserve Requirement” shall mean, as of any date of calculation, and for any Fiscal Year, the amount equal to the lesser of (i) maximum Aggregate Debt Service in the current or any future Fiscal Year on all Bonds Outstanding, (ii) 125% of average annual Aggregate Debt Service on all Bonds Outstanding or (iii) 10% of the principal amount of the Bonds; provided, however, that, if (i) the payment of

the Principal Installments of or interest on any Series of Bonds or portion thereof is secured by a Credit Facility or (ii) the payment of the Tender Option Price of an Option Bond of a Series is secured by a Credit Facility, the Supplemental Resolution authorizing such Series may provide that the Debt Service Reserve Requirement for the Bonds so secured shall be an amount not in excess of the maximum Debt Service on such Bonds in the current or any future Fiscal Year. The Debt Service Reserve Requirement may be satisfied in whole or in part by a Financial Guaranty. For purposes of calculating the Debt Service Reserve Requirement, the cost of any applicable Financial Guaranty shall be included as if it were interest on the Bond of the related Series. For the purpose of calculating the Debt Service Reserve Requirement for any Series of Variable Rate Bonds, the maximum Debt Service on such Series shall be determined by reference to the Pro Forma Bond Issue for such Series set forth in the Supplemental Resolution authorizing such Series.

“Defeasance Obligations” shall mean the obligations described in clause (ii) of the definition of Investment Securities in the Resolution.

“Depository” shall mean any bank or trust company selected by the Board or the Authority, as the case may be, as a depository of moneys to be held under the provisions of the Agreement or the Resolution, and may include any Paying Agent and the Trustee.

“Director” shall mean, as of any date, the duly appointed and acting Commissioner of Administration and Finance of the City, or the person duly appointed and authorized to act on behalf of such Director, or, if there shall no longer be such an office, the duly appointed official of the City succeeding to the duties and functions of such Director.

“Disbursement Request” shall mean the written request signed by an Authorized Representative of the Authority and required to be delivered to the Trustee pursuant to Section 503 of the Resolution to effect disbursements from the Construction Fund and shall be in substantially the form set forth in Exhibit A to the Resolution.

“DTC” shall mean The Depository Trust Company, New York, New York.

“Event of Default” shall mean any event specified in Section 1001 of the Resolution.

“Fiduciary” shall mean the Trustee or any Paying Agent or Depository.

“Financial Guaranties” shall mean one or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions, the senior long-term debt obligations of which (or the holding company of any such banking institution) have (at the time of issue of such letter of credit) a rating of “Aa2” or better by Moody’s Investors Service Inc. and “AA” or better by Standard & Poor’s Corporation; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers, the obligations insured by which are eligible (at the time of issuance of such policy) for a rating of “Aa” or better by Moody’s Investors Service Inc. and “AA” or better by Standard & Poor’s Corporation; in each case providing for the payment of sums for the payment of Principal Installments of and interest on Bonds in the manner provided in Section 508 of the Resolution; and providing further that any such Financial Guaranty must be drawn upon, on a date that is at least thirty (30) days prior to the expiration date of such Financial Guaranty, in an amount equal to the deficiency that would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

“Financing Agreement” shall mean the Agreement.

“Fiscal Year” shall mean the twelve-month period commencing July 1 of each year; provided, however, that the Authority, the Board and the City may, from time to time, mutually agree on a different twelve-month period as the Fiscal Year, in which case July 1, when used therein with reference to a Fiscal Year, shall be construed to mean the first day of the first calendar month of such different Fiscal Year.

“Fixed Rate Bond” shall mean, as of any date of determination, any Bond bearing interest at a fixed rate for the remainder of its term.

“Fund” shall mean any fund established pursuant to Section 502 of the Resolution.

“General Account” shall mean the Buffalo Water Authority Board General Account established within the Local Water Fund by, and held in the custody of, the Board pursuant to Section 4.2(A)(5) of the Agreement.

“Industry Standards” shall mean requirements established by applicable laws for the operation and maintenance of the System, or in the absence or irrelevance of such requirements, performance consistent with practices and/or policies of comparable municipal water systems in the State.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority and in effect at the time of the making of such investment:

(i) direct obligations of, or obligations guaranteed as to principal and interest by, the 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 a Rating Agency;

(ii) (A) any bonds or other obligations, which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America, including obligations of any agency thereof or corporation that has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in sub clause (A) of this clause (ii);

(iii) 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;

(iv) banker’s acceptances or certificates of deposit issued by a commercial bank with its principal place of business within the State and having capital and surplus of more than \$100,000,000;

(v) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by a Rating Agency in its highest rating category for comparable types of obligations; and

(vi) investments that are

1. Repurchase agreements:

(A) With any domestic bank the long term debt of which is rated “AA” or better by S&P (so long as an opinion is rendered that the repurchase agreement is a “repurchase agreement” as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) and that such bank is subject to FIRREA), or any foreign bank the long-term debt of which is rated at least “AA” by S&P and “Aaa” by Moody’s, or “AAA” by S&P and at least “Aa” by Moody’s; provided the term of such repurchase agreement is for one year or less; or

(B) With (1) Commercial banks, or (2) any broker-dealer with “retail customers”, in either case, which has, or the parent company of which has, long-term debt rated at least “AA” by S&P and “Aa” by

Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC), or (3) any other entity approved by all issuers of Credit Facilities for Outstanding Bonds, provided that:

(i) The market value of the collateral is maintained for United States Treasury Securities at the levels shown below under "Collateral Levels for United States Treasury Obligations" and;

(ii) Failure to maintain the requisite collateral percentage will require the Authority or the Trustee to liquidate the collateral;

(iii) The Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable State and Federal laws (other than by means of entries on the transferor's books);

(iv) The repurchase agreement shall state and an opinion of counsel acceptable to the Trustee shall be rendered that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(v) The transferor represents that the collateral is free and clear of any third-party liens or claims;

(vi) An opinion of counsel acceptable to the Trustee is rendered that the repurchase agreement is a "repurchase agreement" as defined in the United States Bankruptcy Code;

(vii) There is or will be a written agreement governing every repurchase transaction;

(viii) The Authority and the Trustee represents that it has no knowledge of any fraud involved in the repurchase transaction; and

(ix) The Authority and the Trustee receives the opinion of counsel acceptable to the Trustee (which opinion shall be addressed to the Authority and all issuers of Credit Facilities for Outstanding Bonds) that such repurchase agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms; and

2. Investment agreements with (A) a domestic bank the long-term debt of which is rated at least "AA" by S&P and "Aa" by Moody's (so long as an opinion is rendered that the bank is subject to FIRREA); or (B) a foreign bank the long-term debt of which is rated "AAA" by S&P and at least "Aa" by Moody's, or at least "AA" by S&P and "Aaa" by Moody's; provided, that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice (which notice may be amended or withdrawn at any time prior to the specified withdrawal date); provided that the Authority or the Trustee give notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof;

(d) a fixed guaranteed rate of interest is to be paid on invested funds and all future deposits, if any, required to be made to restore the amount of such funds to the level specified under the Resolution;



- (e) the term of the investment agreement does not exceed seven years;
- (f) the Authority or the Trustee receives the opinion of domestic counsel acceptable to the Trustee (which opinion shall be addressed to the Authority and all issuers of Credit Facilities for Outstanding Bonds) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, all issuers of Credit Facilities for Outstanding Bonds;
- (g) the investment agreement shall provide that if during its term:
  - (i) the provider's rating by either S&P or Moody's falls below "AA" or "Aa", respectively, or, with respect to a foreign bank, below the ratings of such provider at the delivery date of the investment agreement, the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by the all issuers of Credit Facilities for Outstanding Bonds), within 10 days of receipt of such direction, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable State and Federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") United States Treasury Obligations that are free and clear of any third-party liens or claims at the Collateral Levels set forth below; or (b) repay the principal of and accrued but unpaid interest on the investment (the choice of (a) or (b) above shall be that of the Authority or Trustee, as appropriate), and
  - (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A", or, with respect to a foreign bank, below "AA" or "Aa" by S&P or Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee (who shall give such direction if so directed by all issuers of Credit Facilities for Outstanding Bonds), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee;
- (h) the investment agreement shall state and an opinion of counsel acceptable to the Trustee shall be rendered that the Trustee has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and
- (i) the investment agreement must provide that if during its term:
  - (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee (who shall give such direction if so directed by all issuers of Credit Facilities for Outstanding Bonds), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.
  - (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

Investment securities can also include other investments approved by all issuers of Credit Facilities for Outstanding Bonds to the extent permitted by applicable law.

Collateral Levels For United States Treasury Obligations

### **Remaining Maturity**

Frequency of valuation	1 year or less	5 years or less	10 years or less	15 years or less	30 years or less
Daily .....	102	105	106	108	114
Weekly .....	103	111	112	114	120
Monthly .....	105	117	120	125	133
Quarterly .....	107	120	130	133	140

Valuation Requirements:

(1) On each valuation date, the Authority, the Trustee, or the custodian who shall confirm to the Authority and the Trustee shall value the market value (exclusive of accrued interest) of the collateral, which market value will be an amount equal to the requisite collateral percentage times the principal amount of the investment and unpaid accrued interest thereon that is being secured;

(2) In the event the collateral level is below its collateral percentage on a valuation date, such percentage shall be restored within the following restoration periods: one business day for daily valuations, two business days for weekly and monthly valuations, and one month for quarterly valuations.

Obligations of the Trustee or an affiliate thereof may be Investment Securities, provided that they otherwise qualify.

“Local Water Fund” shall mean the special fund by that name established by the Act in the custody of the Board.

“Management Agreement” shall mean the Management Agreement dated as of July 1, 2020, by and between the Board and Veolia, as amended from time to time.

“Management and Operations Fee” shall mean the fee payable to Veolia pursuant to the Management Agreement.

“Mayor” shall mean the Mayor of the City or such other person duly appointed and authorized to act on behalf of the Mayor.

“Minimum Monthly Balance” shall mean, as calculated in accordance with Section 4.3 of the Agreement, an amount equal to the sum of the aggregate amounts of Debt Service that has accrued with respect to all Series of Bonds, calculating the Debt Service that has accrued with respect to each Series of Bonds as an amount equal to the sum of (A) the interest on the Bonds of such Series that has accrued and is unpaid and that will have accrued by the end of the then current calendar month, reduced by the amount, if any, then on deposit in the Capitalized Interest Account in the Debt Service Fund, and (B) that portion of the next due Principal Installment for the Bonds of such Series that would have accrued (as deemed to accrue in the manner interest accrues) by the end of the then current calendar month.

“Ongoing Project Account” shall mean the Buffalo Water Board Ongoing Project Account established within the Local Water Fund by, and held in the custody of, the Board pursuant to Section 4.2(A)(4) of the Agreement.

“Operating Expenses” shall mean all reasonable or necessary current expenses of the City or the Board for operating, maintaining, repairing, and managing the System, including debt service on all of the City’s outstanding general obligation bonds (or portions thereof), to the extent that the proceeds of such outstanding bonds were used for water related purposes, all salaries, administrative, general, commercial, architectural, engineering, advertising, public notices, auditing, billing, collection and enforcement and legal expenses, insurance and surety bond premiums, consultants fees and charges, payments to pension,

retirement, health and hospitalization funds, any taxes or assessments, which may lawfully be imposed on the System or the income or operation thereof, payments to any taxing jurisdiction (including the City) in lieu of taxes, costs of public hearings, ordinary and current rentals of equipment or other property, hydrant rentals, lease payments for real property or interest therein, usual expenses of maintenance and repair (including replacements), expenses, liabilities and compensation of the Bank or any other depository of Board funds, the amount of any judgment or settlement arising out of a tort claim related to the ownership, Construction, repair, administration, operation or maintenance of the System, payments to independent contractors of the Board or the City related to the operation, maintenance, repair (including replacements), administration and management of the System and all other expenses necessary, incidental or convenient for the efficient operation of the System, but only to the extent properly attributable to the Board or the System, including but not limited to all amounts payable pursuant to Section 6.1(B) of the Operation Agreement.

“Operation Account” shall mean the Buffalo Water Board Operation Account established within the Local Water Fund by, and held in the custody of, the Board pursuant to Section 4.2(A)(2) of the Agreement.

“Operation Agreement” shall mean that portion of the Agreement entitled the Operation Agreement dated as of September 24, 1992 and amended as of August 1, 1997 between the City and the Board as the same may be further amended or supplemented.

“Operation and Maintenance Reserve Account” shall mean the account by that name established in the Local Water Fund by, and held in the custody of the Board pursuant to the Agreement.

“Option Bonds” shall mean Bonds that by their terms may be tendered by and at the option of the owner thereof for purchase or payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owner thereof.

“Outstanding”, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

- (a) any Bonds cancelled by the Trustee at or prior to such date;
- (b) any Bond (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust hereunder either:
  - (i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,
  - (ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or
  - (iii) any combination of (i) and (ii) above,

and, if such Bond or portion thereof is to be redeemed, for which notice of redemption has been given as provided in Article VI hereof, or the applicable Supplemental Resolution, or provision satisfactory to the Trustee has been made for the giving of such notice;

- (c) any Bond in lieu of or in substitution for which other Bonds have been authenticated and delivered; and
- (d) any Bond deemed to have been paid as provided in Section I201(b) of the Resolution.

“Parity Reimbursement Obligation” shall mean a Reimbursement Obligation, the payment of which is secured by a pledge of, and a lien on, Revenues on a parity with the lien created by Section 501 of the Resolution.

“Paying Agent” shall mean any paying agent for the Bonds of any Series, and its successor or successors and any other person that may at any time be substituted in its place pursuant to the Resolution.

“Permitted Encumbrances”, when used with reference to the System, shall mean (a) any and all liens, encumbrances, security interests or other defects in or clouds on title that may exist on the Acquisition Date, (b) utility, access and other easements, rights of way and exceptions that do not materially impair the operation or maintenance of the System or the Revenues therefrom, (c) mechanics’, materialmen’s, warehousemen’s, carriers’ and other similar liens, to the extent permitted by law, and liens for taxes at the time not delinquent or being contested, and (d) any lien or security interest that the Board warrants with the written consent of the City and the Authority.

“Principal Installment” shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including (x) for Capital Appreciation Bonds, any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the “principal amount” with respect to any Capital Appreciation Bonds issued thereunder, (y) the Tender Option Price of any Option Bonds, which may be tendered to the Authority for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility that is not in default and (z) the principal amount of any Parity Reimbursement Obligation) of such Series due (or so tendered for purchase or payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

“Principal Office” shall mean, with respect to the Trustee, the address of the Trustee identified as its address in the Thirty-First Supplemental Resolution otherwise notified in writing by such Trustee to the Authority, the Authority and the Trustee.

“Prior Note” shall have the meaning accorded such term in the preambles to the Resolution.

“Pro Forma Bond Issue” shall mean, when used with reference to the Debt Service Reserve Requirement for a Series of Variable Rate Bonds, the hypothetical fixed rate long term bond issue set forth in the Supplemental Resolution authorizing such Series, having (i) the same maturities (and sinking fund provisions, if any) as the Series of Variable Rate Bonds to which it relates and (ii) such interest rate or rates as the Authority shall reasonably deem to be the equivalent of the rates that would have been borne by such Series of Variable Rate Bonds if such Series had been issued as a Series of Fixed Rate Bonds.

“Project” shall mean any Water Project constituting a part of the System.

“Projected Debt Service” shall mean, for any Fiscal Year or part thereof as of any date of calculation and with respect to any Projected Series of Bonds, an amount (set forth by the Authority in the Authority Budget as provided in Section 6.4 of the Agreement), equal to the Debt Service estimated by the Authority to be payable during such Fiscal Year or part thereof on such Projected Series of Bonds.

“Projected Series of Bonds” or “Projected Series” shall mean any Series of Bonds described in an Authority Budget as anticipated to be issued in the Fiscal Year to which such Authority Budget relates.

“Qualified Swap” shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (a) which is entered into by the Authority with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (b) which is a cap, floor or collar, forward rate, future

rate, swap, asset, index, price or market-linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing, executed by the Authority, and (c) which has been designated as a Qualified Swap with respect to such Bonds in a written determination signed by an Authorized Officer and filed with the Trustee and (d) which has been entered into in accordance with the Authority's Interest Rate Swap Policy then in effect.

"Qualified Swap Agreement" shall mean any Agreement between the Authority and a Qualified Swap Counterparty for the entry into a Qualified Swap transaction.

"Qualified Swap Counterparty" shall mean (i) an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at the time of the execution of such Qualified Swap not less than "A+" by S&P and "A1" by Moody's, or (ii) any entity that has been approved by all Bond insurers that have issued a policy of Bond insurance for any Bonds then outstanding.

"Rate Consultant" shall mean any independent accountant or firm of independent accountants, or management consultant or firm of management consultants, or independent engineer or firm of independent engineers (which must not be the firm then serving as the Consulting Engineer), selected by the Board in consultation with the Authority and approved by the City.

"Rating Agencies" shall mean Moody's Investors Service Inc. and Standard & Poor's Corporation and their respective successors and assigns. The Authority may appoint any nationally recognized securities rating agency in addition to or as a replacement for one of the Rating Agencies defined herein.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 502(a) of the Resolution.

"Record Date" shall mean, for any Series of Bonds, the date defined as the Record Date in the Supplemental Resolution authorizing such Series of Bonds.

"Redemption Price" shall mean, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the Resolution.

"Refunding Bond" shall mean any Bond authenticated and delivered on original issuance pursuant to Section 206 or Section 207 of the Resolution for the purpose of refunding any Outstanding Bonds, or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the Resolution.

"Reimbursement Obligation" shall mean the obligation of the Authority described in Section 209(b) hereof to directly reimburse the issuer of a Credit Facility for amounts advanced on behalf of the Authority by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

"Representative" shall mean the representative of the Board designated as provided in Section 7.5 of the Management Agreement.

"Required Deposits" shall mean, for any Fiscal Year, amounts, if any, payable into the Authority Expense Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund (including amounts required to be transferred from the Authority Expense Fund into the Rebate Fund), but only to the extent such payments are required to be made from Revenues pursuant to the Resolution.

“Reserve for Expenses” shall have the meaning set forth in paragraph SECOND of Section 505 of the Resolution.

“Resolution” shall mean the Water System General Revenue Bond Resolution, adopted by the Authority on November 20, 1992, as the same may be amended or supplemented from time to time by one or more Supplemental Resolutions.

“Revenue Fund” shall mean the Revenue Fund established pursuant to Section 502 (a) of the Resolution.

“Revenues” shall mean (a) all the rates, rents, fees, charges, payments and other income and receipts derived by the Board from users of the System, (b) all investment proceeds and proceeds of insurance, condemnation, sale or other disposition of the System or any part thereof received by the Board (other than the proceeds of insurance with respect to the damage or destruction of all or any portion of the System), together with all operating aid therefor from any governmental entity, federal, State or local, to the Board, and (c) except for purposes of the definition of Debt Service Reserve Requirement and Sections 206 and 207 of the Resolution, any regularly scheduled payments received by the Authority under a Qualified Swap Agreement after giving effect to any netting of payment obligations thereunder (but specifically excluding any termination payments thereunder) but shall not include (w) amounts required to be refunded because of billing or payment errors, (x) any amount attributable to any of the foregoing sources described in clause (a) which is expressly excluded by the Agreement, (y) any amount from any governmental entity, federal, State or local, in aid of or for or with respect to the Costs of Water Projects or (z) (i) fines (excluding interest on late payments which shall constitute Revenues), (ii) amounts from the use of water to generate electricity, (iii) amounts from the State as a result of mandatory water discharges from reservoirs, or (iv) amounts from the granting of easements, licenses, rights-of-way or other interests in the real property constituting a part of the System.

“Scope of Services” shall mean the services to be provided by Veolia as described in the Management Agreement.

“Securities Act” shall mean the Securities Act of 1933, as amended, and any successor thereto.

“Series” or “Series of Bonds” shall mean all of the Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Resolution regardless of variations in maturity, interest rate or other provisions..

“Series 2021 Bonds” shall mean collectively the Series 2021-A Bonds and Series 2021-B Bonds.

“Series 2021-A Bonds” shall mean the Water System Revenue Bonds, Series 2021-A, authorized by Article II of the Thirty-First Supplemental Resolution.

“Series 2021-B Bonds” shall mean the Water System Revenue Refunding Bonds, Series 2021-B, authorized by Article II of the Thirty-First Supplemental Resolution.

“Sinking Fund Installment” shall mean, as of any particular date of calculation, the amount required by the Resolution to be paid by the Authority on a future date for the retirement of Outstanding Bonds, which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“Special Account” shall mean one or more of the Special Accounts established in the Debt Service Reserve Fund by a Supplemental Resolution pursuant to Section 502 (b) of the Resolution.

“State” shall mean the State of New York.

“Subordinated Indebtedness” shall mean any bond, note or other evidence of indebtedness issued by the Authority in furtherance of its corporate purposes under the Act and payable from the Subordinated Indebtedness Fund.

“Subordinated Indebtedness Fund” shall mean the Subordinated Indebtedness Fund established pursuant to Section 502(a) of the Resolution.

“Subordinated Indebtedness Requirement” shall mean any amount required to be deposited in the Subordinated Indebtedness Fund by resolution of the Authority, including all payments with respect to Subordinated Indebtedness payable out of, or secured by a pledge of, amounts held in the Subordinated Indebtedness Fund.

“Supplemental Resolution” shall mean a resolution of the Authority authorizing the issuance of a Series of Bonds or otherwise amending or supplementing the Resolution, adopted in accordance with Article VIII of the Resolution.

“Surplus Fund” shall mean the Surplus Fund established pursuant to Section 502(a) of the Resolution.

“System” shall mean the “Water System” as such quoted term is defined in Section 1048-b(19) of the Act.

“Tax-Exempt Obligations” shall mean Bonds issued pursuant to the Resolution, the interest on which is not included in the gross income of the recipient thereof for Federal income tax purposes under §103 of the Code.

“Tender Option Price” shall mean, with respect to any Option Bond tendered for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond, an amount equal to the principal amount of such Option Bond plus the interest accrued and unpaid thereon to the date of such tender.

“Thirty-First Supplemental Resolution” shall mean the Thirty-First Supplemental Water System Revenue Bond Resolution authorizing \$ \_\_\_\_\_ Water System Revenue Bonds, Series 2021-A and \$ \_\_\_\_\_ Water System Revenue Refunding Bonds, Series 2021-B, adopted December \_\_, 2021.

“Trust Indenture Act” shall mean the Trust Indenture Act of 1939, as amended, and any successor thereto.

“Trustee” shall mean the Trustee designated by each respective Supplemental Resolution.

“Underwriters” shall mean those Underwriters described in this Official Statement under the heading “Underwriting”.

“Union Employees” shall mean the public employees in the Division of Water of the City of Buffalo in graded and classified civil service positions holding the job titles as of the Commencement Date of the Management Agreement, as such job titles and employees may change from time to time as contemplated in the Management Agreement, and as more particularly described in the Operation Agreement.

“Variable Rate Bond” shall mean, as of any date of determination, any Bond on which the interest rate borne thereby may vary during any part of its remaining term.

“Veolia” shall mean Veolia Water North America-Northeast, LLC, a Delaware limited liability company.

“Water Project” shall have the meaning ascribed thereto in Section 1048-b(18) of the Act and undertaken pursuant to an agreement by and among the Authority, the Board and the City pursuant to Section 1048-i of the Act.

### SUMMARY OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution. This summary does not purport to be complete and is subject in all respects to the provisions of and is qualified in its entirety by reference to the Resolution.

Pledge of Revenues and Funds. The Authority pledges for the payment of the Principal Installment or Redemption Price of and any interest on the Bonds, in accordance with their terms and the provisions of the Resolution: (i) all Revenues (except investment earnings on any Funds or Accounts created under the Resolution, which are on deposit in or are required to be deposited in the Rebate Fund), (ii) all moneys or securities in any of the Funds and Accounts created under the Resolution, and (iii) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the Resolution; subject only to the provisions of the Resolution, the Act and the Agreement permitting the application of such amounts for or to the purposes and on the terms and conditions therein set forth. It is the intention of the Authority that, to the fullest extent permitted by law, such pledge shall be valid and binding from the time when it is made; that the Revenues, moneys, securities and other funds so pledged, and then or thereafter received by the Authority, shall immediately be subject to the lien of such pledge without any physical delivery or further act; and that the obligation to perform the contractual provisions therein contained shall have priority over any or all other obligations and liabilities of the Authority and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

As further security for the payment of the Bonds, the Authority, under the Resolution, assigns, transfers and pledges to the Trustee all of its rights and interests under and pursuant to the Agreement (excluding rights to notice and other procedural rights, its right to indemnification and rights and interest not material to bondholders), including, without limiting the generality of the foregoing, the present and continuing right: (i) to claim, collect or receive from the Board, all Revenues thereunder, (ii) to bring actions and proceedings thereunder for enforcement of such right of collection, and (iii) to do any and all things that the Authority is or may become entitled to do under the Agreement; provided that such assignment shall not impair or diminish any obligation of the Authority under the Agreement.

The Bonds are special obligations of the Authority payable solely from the Revenues and other amounts described in the Resolution and do not and will not constitute an indebtedness of the State, the City, or the Board and neither the State, the City nor the Board shall be in any way liable thereon. (Sections 203 and 501)

Establishment of Funds and Accounts. The Resolution establishes the following Funds:

- (1) Construction Fund;
- (2) Revenue Fund;
- (3) Debt Service Fund;
- (4) Authority Expense Fund;
- (5) Debt Service Reserve Fund;
- (6) Subordinated Indebtedness Fund;
- (7) Surplus Fund; and
- (8) Rebate Fund.



The Resolution establishes in the Debt Service Reserve Fund a separate account known as the “Common Account”, and provides that any Supplemental Resolution, which authorizes a Credit Facility may establish one or more “Special Accounts” in the Debt Service Reserve Fund. The Resolution also establishes in the Debt Service Fund a separate account to be known as the “Capitalized Interest Account”.

Unless otherwise provided in the Resolution, the Trustee shall hold all of the Funds and Accounts, except the Authority Expense Fund, which shall be held by the Authority. (Section 502)

Construction Fund. The Authority shall deposit from time to time in the Construction Fund the net proceeds from the sale of each Series of Bonds and make the deposits in the Funds and Accounts required by the applicable Supplemental Resolutions. The Authority shall also deposit from time to time in the Construction Fund any other amounts required to be deposited therein pursuant to the Resolution or the Agreement, including amounts received by the Authority for or in connection with the System and determined by the Authority to be deposited therein. Any proceeds of insurance maintained by the Board or the City against physical loss of or damage to the System, or of contractors’ performance bonds pertaining to the construction of the System, shall also be paid into the Construction Fund.

Except as otherwise provided, amounts in the Construction Fund may only be expended to pay Costs of Water Projects (including Costs of Issuance). The Trustee shall make payments from the Construction Fund, except as otherwise provided, of amounts only upon receipt of a Disbursement Request signed by an Authorized Representative of the Authority.

To the extent that other moneys are not available therefor in any other Fund or Account, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due. (Section 503)

Allocation of Revenues - Revenue Fund. The Authority shall cause all Revenues received from the Board pursuant to the Agreement to be paid to the Trustee and deposited promptly upon receipt in the Revenue Fund. There shall also be deposited in the Revenue Fund all other amounts required by the Resolution or the Agreement to be so deposited. (Section 504)

Payments Into Certain Funds. From the amounts in the Revenue Fund, the Trustee shall make, as soon as practicable in each month, the following deposits in the following order:

(i) to the Debt Service Fund all such amounts until the amount therein on deposit in such month equals the Minimum Monthly Balance for such month for all Series of Bonds Outstanding;

(ii) from the balance, if any, remaining in such month after making the deposits required in (i) above, to the Authority Expense Fund the entire balance until the total on deposit therein in such month is equal to the product obtained by multiplying (A) the sum of the Authority Expenses for the then current Fiscal Year plus (if included in the Authority Budget for the then current Fiscal Year) an amount (the “Reserve for Expenses”) equal to one-sixth (1/6) of such Authority Expenses by (B) a fraction, the numerator of which is 12 minus the number of full months, excluding the month of calculation, remaining in the Fiscal Year, and the denominator of which is 12;

(iii) from the balance, if any, remaining after making the deposits required in (i) and (ii) above, *first*, to the Common Account in the Debt Service Reserve Fund, the amount, if any, necessary to make the total on deposit in the Common Account equal to the Debt Service Reserve Requirement for the Bonds to which such Common Account relates or, if less than sufficient, the entire balance and, *second*, to each Special Account an amount necessary to make the total on deposit in such Special Account equal to the Debt Service Reserve Requirement for the Bonds to which such Special Account relates, provided, however, if the balance remaining is less than sufficient to credit in full each Special Account, credit shall be made pro-rata among all Special Accounts in the same ratio as the Debt Service Reserve Requirement related to such Special

Account bears to the sum of the Debt Service Reserve Requirements for all of the Bonds related to the Special Accounts; and,

(iv) from the balance, if any, remaining after making the deposits required in (i), (ii) and (iii) above, to the Subordinated Indebtedness Fund the amount estimated by the Authority to be required to be deposited in such Fund by the Authority for payments under Qualified Swap Agreements, whether or not provided for as part of the Authority Budget, and to the Variable Rate Bond Sinking Fund such amounts as the Authority determines shall be required to comply with the requirements of Section 705, or such other amount required by the Authority for such month in accordance with the Authority Budget or the entire balance if less than sufficient.

Debt Service Fund. The Trustee shall, for each Series of Bonds Outstanding, pay from the Debt Service Fund the amounts due on each Bond Payment Date for the payment of the Principal Installments, if any, and from the moneys in the Debt Service Fund, including moneys in the Capitalized Interest Account in such Fund, interest on the Outstanding Bonds and on the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided.

The Trustee may, and if so directed by an Authorized Representative of the Authority shall, prior to the forty-fifth day preceding the due date of each Sinking Fund Installment, apply the amounts accumulated in the Debt Service Fund for such Sinking Fund Installment, together with amounts with respect to interest on the Bonds for which such Sinking Fund Installment was established: (i) to the purchase of Bonds of like Series and maturity at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable with such Sinking Fund Installment plus unpaid interest accrued or (ii) to the redemption of such Bonds, if redeemable by their terms, at or below said Redemption Price. Upon such purchase or redemption of any Bond, the Trustee shall then credit an amount equal to the principal of the Bond so purchased or redeemed toward the next Sinking Fund Installment thereafter to become due and the amount of any excess over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

In any event, the Trustee shall, as soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, call, for redemption, a sufficient amount of Bonds of like Series and maturity to complete the retirement of the principal amount specified for such Sinking Fund Installment of such Bonds whether or not it then has moneys in the Debt Service Fund to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date, the amount required for the redemption of such Bonds. (Section 506)

Authority Expense Fund. The Authority shall apply amounts credited to the Authority Expense Fund to the payment of Authority Expenses. Any moneys in the Authority Expense Fund that the Authority determines are in excess of that needed to meet the sum of the unpaid Authority Expenses for such Fiscal Year plus (if such amount was included in the Authority Budget for such Fiscal Year) the Reserve for Expenses, shall be applied toward any deficiencies in the following Funds and Accounts in the order stated: the Debt Service Fund, Debt Service Reserve Fund and Subordinated Indebtedness Fund. Any remaining amounts shall be credited to the Revenue Fund. Amounts in excess of the Reserve for Expenses, if any, on the last day of each Fiscal Year shall be transferred by the Authority to the Trustee for deposit in the Revenue Fund. (Section 507)

Debt Service Reserve Fund. The Resolution establishes a Debt Service Reserve Fund and a Common Account therein. In addition, the Resolution provides that any Supplemental Resolution that provides for a Credit Facility to secure the payment of the principal, interest or Tender Option Price of any Bonds may establish one or more "Special Accounts" in the Debt Service Reserve Fund. From the proceeds of each Series of Bonds there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein, together with any applicable Financial Guaranty, equal to the Debt Service Reserve Requirement, after giving effect to the issuance of such Bonds; and all such amounts will be credited to the

Common Account, unless a Supplemental Resolution requires a deposit in a Special Account. Amounts on deposit in each of the Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available therefor pursuant to the Resolution, to pay the Principal Installments of, and interest on the Bonds to which such Account relates when due. Amounts so applied shall be derived first from cash or Investment Securities on deposit, and second from draws and demands on Financial Guaranties in accordance with the terms thereof and of the Supplemental Resolution providing for such guaranty.

If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Fund exceeds the applicable Debt Service Reserve Requirement after giving effect to any Financial Guaranty deposited in such Fund, the Trustee shall withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal and deposit the moneys so withdrawn into the Surplus Fund. If, as of February 1 of each year the amount in any Account in the Debt Service Reserve Fund is less than the applicable Debt Service Reserve Requirement and, to the extent that such deficiency has not been made up by March 1 of such year by either (i) deposits pursuant to Section 505 of the Resolution, or (ii) an increase in the market value of the Investment Securities therein, or (iii) a combination of (i) and (ii), the Authority shall, in its Authority Budget for the ensuing Fiscal Year, include the amount necessary to make up such deficiency as a Required Deposit.

Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

In lieu of the required deposits and transfers to any Account in the Debt Service Reserve Fund, the Authority may cause to be deposited into such Account in the Debt Service Reserve Fund, Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in such Account in the Debt Service Reserve Fund or being deposited in such Account in the Debt Service Reserve Fund concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from such Account in the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in such Account in the Debt Service Reserve Fund. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into such Account in the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in such Account in the Debt Service Reserve Fund equals the applicable Debt Service Reserve Requirement.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Reserve Fund all or any portion of amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201 of the Resolution, and (b) the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement. (Section 508)

#### Subordinated Indebtedness Fund.

(a) Amounts on deposit in the Subordinated Indebtedness Fund shall be applied by the Trustee solely to the maintenance of reserves for, or the payment of, Subordinated Indebtedness, including, but not limited to, payments due and payable under any Qualified Swap Agreement, or as otherwise provided by the Resolution of the Authority authorizing each issue of Subordinated Indebtedness or each Qualified Swap Agreement.

(b) If, at any time, the amounts in the Debt Service Fund or in any Series Account in the Debt Service Reserve Fund shall be less than the current requirements thereof, after the payments required under Section 509(a) have been made, the Trustee shall withdraw from the Subordinated Indebtedness Fund and deposit in the Debt Service Fund, as the case may be, the amount necessary (or all the monies in said Fund, if less than the amount necessary) to make up such deficiency.

Surplus Fund. The Trustee shall, on each Bond Payment Date, apply moneys credited to the Surplus Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in such Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in such Fund. Such transfer shall be made notwithstanding any other provisions of the Resolution requiring deposits in such Funds. Amounts on deposit in the Surplus Fund on the last day of a Fiscal Year shall be withdrawn from such Fund and transferred to the Board for deposit in the Local Water Fund. (Section 510)

Rebate Fund. Notwithstanding any other provisions of Article V of the Resolution, the Authority shall instruct the Trustee to deposit investment earnings on any Funds or Accounts established under the Resolution into the Rebate Fund in accordance with the Arbitrage and Use of Proceeds Certificate. The Authority must determine the amounts (and dates of payment) 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 Arbitrage and Use of Proceeds Certificate. Amounts required to be rebated must be withdrawn from the Rebate Fund and paid to the United States Government. The Authority must promptly pay, from moneys that are on deposit in the Revenue Fund, the Surplus Fund or such other amounts in any other Fund that are available for such purpose, the amount necessary to make up any deficiency in the Rebate Fund for any required payment to the United States Government. (Section 511)

Subordinated Indebtedness. The Authority may issue Subordinated Indebtedness payable out of and secured by a pledge of and lien on amounts in the Subordinated Indebtedness Fund available for such payment. Such Subordinated Indebtedness, however, shall be issued, and the proceeds of such issue applied, only for the purposes set forth in the Resolution and shall be secured by a pledge subordinate in all respects to the pledge created by the Resolution as security for the Bonds. The Authority's obligations under any Qualified Swap shall constitute Subordinated Indebtedness payable out of and secured by a pledge of and lien on amounts in the Subordinated Indebtedness Fund subject and subordinate in all respects to the pledge created by the Resolution as security for the Bonds and on a parity with the pledge created by the Resolution for other Subordinated Indebtedness. The Authority shall include amounts payable under a Qualified Swap Agreement in the Authority Budget. Nothing in any Qualified Swap Agreement shall prevent the Authority from issuing Bonds or Subordinated Indebtedness or entering into any Parity Reimbursement Obligation in accordance with the Resolution or from making disbursements from any Fund in accordance with the Resolution, including, in particular, disbursements from the Surplus Fund in accordance with Section 510 of the Resolution.

Notwithstanding any other provisions of the Resolution, for the purposes of the definition of Debt Service Reserve Requirement and Sections 206 and 207 hereof, the Authority may calculate Debt Service and Required Deposits with respect to any Bonds that are Outstanding or proposed to be issued using the fixed interest rate on any floating-to-fixed Qualified Swap Agreement for the principal amount of Bonds equal to the notional amount set forth in such Qualified Swap Agreement and the principal amount of such Bonds will not constitute Variable Rate Bonds for the purposes of the definition of Debt Service Reserve Requirement and Sections 206 and 207 hereof, but only for the period during which such Qualified Swap Agreement is in effect.

Notwithstanding the foregoing, if, at any time, the long-term senior unsecured debt obligations or financial program rating of the Qualified Swap Provider (or its Credit Support Provider, as defined in the

Master Agreement) cease to be rated at least “BBB” by S&P or “Baa2” by Moody’s, then for the purposes of the definition of Debt Service Reserve Requirement and Sections 206 and 207 hereof, the Authority shall calculate Debt Service and Required Deposits with respect to any Bonds that are Outstanding or proposed to be issued, assuming that the principal amount of such Bonds constitute Variable Rate Bonds for the purposes of the definition of Debt Service Reserve Fund Requirement and Sections 206 and 207 hereof, but only for the period during which the counterparty is rated below “BBB” or “Baa2”. (Section 512)

Depositories. All moneys or securities held by the Trustee shall constitute trust funds and the Trustee may, and shall, if directed by the Authority, deposit such moneys with one or more Depositories. All moneys or securities held by the Authority in the Authority Expense Fund shall be held in trust and shall be deposited with one or more Depositories. All moneys or securities deposited under the provisions of the Resolution with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Resolution, and each of the Funds established by the Resolution shall be a trust fund for the purposes thereof.

Each Depository holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the State or a national banking association (having its principal office within the State), having capital stock, surplus and undivided earnings aggregating at least \$100,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Resolution. (Section 513)

Investment of Certain Funds. Moneys held in the Debt Service Fund, the Debt Service Reserve Fund, and the Subordinated Indebtedness Fund (subject to the terms of any resolutions or other instruments securing any issue of Subordinated Indebtedness) shall be invested and reinvested to the fullest practicable extent in Investment Securities that mature not later than such times as shall be necessary to provide moneys when needed to make payments required from such Funds; provided that in the case of the Debt Service Reserve Fund maturation may not occur later than fifteen years from the date of such investment, and in the case of the Debt Service Fund, investments shall be of the type described in clauses (ii), (iii) and (vi), and in the case of the Debt Service Reserve fund, clauses (ii) and (iii), of the definition of “Investment Securities” (in either case, to the fullest extent practicable). Moneys in the Authority Expense Fund, the Revenue Fund, the Construction Fund, the Rebate Fund and the Surplus Fund may be invested in Investment Securities that mature no later than such times as shall be necessary to provide moneys when needed to make payments from such Funds. The Trustee shall make all investments in accordance with written instructions from any Authorized Representative of the Authority. Moneys in any Fund or Account may be combined with moneys in any other Fund or Account for the purpose of making such investments in Investment Securities.

Except as otherwise authorized by a Supplemental Resolution, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Rebate Fund, Construction Fund and the Debt Service Reserve Fund, shall be paid into the Revenue Fund as and when received. Interest earned on monies on deposit in the Rebate Fund shall be held in the Rebate Fund until required for payment to the United States Government. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in (i) the Debt Service Reserve Fund shall be paid into the Surplus Fund, and (ii) the Construction Fund shall be paid to the Board for deposit in the Local Water Fund quarterly, on the 15th day of each July, October, January and April of each Fiscal Year, upon receipt of a written direction of the Authority to make such payment except that amounts in excess of that allowable by the Arbitrage and Use of Proceeds Certificate shall be paid directly into the Rebate Fund.

All Investment Securities acquired with moneys in any Fund or Account, including any Fund or Account held by the Authority, shall be held by the Trustee in pledge or by a Depository as agent in a pledge in favor of the Trustee.

Investments purchased with funds on deposit in the Debt Service Fund shall have an aggregate weighted term to maturity of not greater than ten years. (Section 515)

Additional Bonds. The Authority may issue Bonds from time to time without limitation as to amount except as provided in the Resolution or as may be limited by law to generate funds sufficient to meet the Costs of Water Projects, to make deposits in the Fund and Accounts or to refund Outstanding Bonds, Bond Anticipation Notes, Subordinated Indebtedness or outstanding bonds of the City issued to pay the Capital Costs of the System. All Bonds shall be issued subject to the terms, conditions and limitations established in the Resolution and in one or more Series as therein provided.

Bonds that are executed and delivered to the Trustee shall be authenticated only upon receipt of, among other items:

- (a) a certified copy of the Supplemental Resolution authorizing such Series;
- (b) (i) in the case of the Series 1992 Bonds, an executed copy of the Agreement; and (ii) in the case of any subsequent Series of Bonds, an executed copy of any amendment or supplement to the Agreement not theretofore delivered to the Trustee;
- (c) except in the case of any Series of Bonds issued prior to January 1, 1993 and any Series of Refunding Bonds issued pursuant to Section 207 of the Resolution, a certificate of an Authorized Representative of the Authority setting forth (i) the Revenues for either of the last two full Fiscal Years immediately preceding the Fiscal Year in which such Bonds are to be issued and (ii) the Aggregate Debt Service during such Fiscal Year for which Revenues are set forth pursuant to clause (i) above (excluding from Aggregate Debt Service any Principal Installment or portion thereof which was paid from sources other than Revenues) and (iii) the sum of the Operating Expenses and the Required Deposits for such Fiscal Year, and showing that the amount set forth in (i) is at least equal to the sum of (x) an amount equal to 115% of the amount set forth in (ii) and (y) an amount equal to 100% of the amount set forth in (iii);
- (d) except in the case of any Series of Refunding Bonds issued pursuant to Section 207 of the Resolution, a Certificate of the Consulting Engineer setting forth the projected Operating Expenses for each of the five Fiscal Years following the Issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued);
- (e) except in the case of any Series of Refunding Bonds issued pursuant to Section 207, a Certificate, signed by an Authorized Representative of the Authority setting forth the estimated Required Deposits for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued); and
- (f) except in the case of any Series of Refunding Bonds issued pursuant to Section 207, a certificate of the Rate Consultant (i) setting forth the estimated Revenues for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued) after giving effect to any increases or decreases in rates, fees and charges projected for such Fiscal Years and (ii) showing for each such Fiscal Year that the estimated Revenues for such Fiscal Year will be at least equal to the sum of (A) 115% of the maximum estimated Aggregate Debt Service on all Bonds then Outstanding including the Bonds then to be issued, and (B) 100% of the sum of the projected Operating Expenses, Authority Expenses and Required Deposits, as shown on the Certificate of the Consulting Engineer delivered pursuant to paragraph (d) above and the Certificate of the Authority delivered pursuant to paragraph (e) above, respectively. (Sections 204, 206)

Refunding Bonds. One or more Series of Refunding Bonds may be issued pursuant to Section 207 of the Resolution at any time to refund any Outstanding Bonds provided that (i) average annual Debt Service on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded, all as shown in a Certificate signed by an Authorized Representative of the Authority and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Bonds. Refunding Bonds shall be issued in a principal

amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts required by the provisions of the Supplemental Resolution authorizing such Bonds. (Section 207)

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Series of Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Resolution. The Authority may also pledge the Revenues to the payment of the interest on, and subject to Section 707 of the Resolution, the principal of such notes. A copy of the Resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption, together with such other information concerning such notes as the Trustee may reasonably request. (Section 208)

Credit Facilities. In connection with the issuance of any Series of Bonds, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for or securing payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Authority.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); provided, however, that no Reimbursement Obligation shall be created until amounts are advanced on behalf of the Authority under such Credit Facility. Any such Reimbursement Obligation may be secured by a pledge of and a lien on Revenues on a parity with the lien created by Section 501 of the Resolution (a "Parity Reimbursement Obligation"); provided, however, the Authority shall not enter into a Credit Facility that would permit the creation of a Parity Reimbursement Obligation in an amount, which together with the aggregate amount of Parity Reimbursement Obligations authorized by other Credit Facilities would exceed 25% of the principal amount of the Bonds then Outstanding. All Reimbursement Obligations other than Parity Reimbursement Obligations shall be payable from the Subordinate Indebtedness Fund.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof, as specified in the applicable Supplemental Resolution. (Section 209)

Tax Covenants. The Authority has covenanted and agreed with the holders of the Bonds, which are issued as Tax-Exempt Obligations that (i) no part of the proceeds of any Series of such Bonds, or any other funds of the Authority, shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond," as such term is defined in the Code (an "Arbitrage Bond"), and (ii) it will not take or omit to take any actions that, if taken, or that the Authority is obligated to take but that, if not taken, would cause any Bond to be an Arbitrage Bond. The Authority shall comply with the provisions set forth in any Arbitrage and use of Proceeds Certificate or in any similar document executed by the Authority in connection with the issuance and delivery of any Bonds, which are issued as Tax-Exempt Obligations. The Authority will not take or omit to take any actions that, if taken or omitted, will cause the interest on the Bonds, which are issued as Tax-Exempt Obligations to be includable as gross income under the provisions of the Code.

Notwithstanding any other provisions of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds, which are Tax-Exempt Obligations for

Federal income tax purposes, the covenants contained in Section 705 of the Resolution shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 1201 of the Resolution.

Accounts and Periodical Reports and Certificates. The Resolution provides that the Authority shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions under the Resolution and, which together with all other books and papers of the Authority, shall at all reasonable times and upon reasonable notice be subject to the inspection of the Trustee or the holder (or the representative of such holder duly authorized in writing) of not less than 5% in principal amount of the Bonds then Outstanding.

The Authority shall cause its books and accounts with respect to transactions under the Resolution to be audited annually, and within 90 days thereafter, copies of the reports of such audits, responsive to both §1048-y of the Act and §2800 of the State's Public Authorities Law, shall be made available for inspection by the Trustee and any holder of the Bonds (or their representatives duly authorized in writing), as well as by any provider of a Credit Facility or a Financial Guaranty. (Section 706)

Indebtedness and Liens. The Resolution provides that the Authority shall not issue any bonds, or other evidences of indebtedness, other than the Bonds, Subordinated Indebtedness and Parity Reimbursement Obligations, secured by a pledge of or other lien on the Revenues and shall not create or cause to be created any lien on such Revenues or on any amounts held by any fiduciary, under the Resolution; however, the Authority may: (i) issue notes payable from the proceeds of Bonds or other obligations for the corporate purposes of the Authority payable or secured by a pledge of Revenues derived on and after such date as the pledge of the Revenues provided in the Resolution is discharged and satisfied and (ii) issue bonds or other obligations for the corporate purposes of the Authority payable out of or secured by the pledge of amounts in the Local Water Fund, which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of and the lien and pledge created by the Resolution. (Section 707)

Agreement of the State. In accordance with Section 1048-t of the Act, the Authority agrees, for and on behalf of the State, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. (Section 711)

Authority Budget. The Authority shall, on or before March 1, in each Fiscal Year, adopt and file with the Trustee, the Board and the City, a certified copy of the Authority Budget showing the Authority Expenses, the Aggregate Debt Service and the Projected Debt Service for the ensuing Fiscal Year, together with any other information required to be set forth therein by the Resolution or the Agreement. Such Authority Budget may set forth such additional information as the Authority may determine or as the Board or the City may request. If for any reason the Authority shall not have adopted the Authority Budget before such March 1, the Authority Budget for the then current Fiscal Year shall be deemed to be the Authority Budget for the ensuing Fiscal Year until a new Authority Budget is adopted. The Authority may at any time adopt an amended Authority Budget for the then current or ensuing Fiscal Year, but no such amended Authority Budget shall supersede any prior Budget until the Authority shall have filed with the Trustee, the Board and the City a copy of such amended Authority Budget. (Section 712)

Supplemental Resolutions. The Resolution permits the modification or amendment of the Resolution or of rights and obligations of the Authority and of the holders of the Bonds thereunder by a Supplemental Resolution, with the written consent of the holders of two-thirds of the principal amount of: (i) the Bonds then Outstanding and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bonds of the Series so affected and then Outstanding; however, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such



Bonds shall not be deemed to be Outstanding for the purpose of such modification; provided no such modification or amendment shall change the terms of redemption, maturity of principal, installment of interest, or reduce the principal amount, Redemption Price, or rate of interest without the consent of the holder of the affected Bond, or reduce the percentages of consents required to effect any future modification or amendment.

The Authority may adopt (without the consent of any holders of the Bonds) supplemental resolutions to authorize Additional Bonds; to add to the restrictions contained in the Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the Resolution; to confirm any pledge under the Resolution of Revenues or other moneys, securities or funds; to preserve the Federal tax exemption of interest on the Bonds; or otherwise to modify any of the provisions of the Resolution (but no such other modification may be effective while any of the Bonds of any Series theretofore issued are Outstanding); or, upon the Trustee's consent, to provide for additional duties of the Trustee, to cure any ambiguity, supply any omission or to correct any defect in the Resolution, to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable, and are not contrary to or inconsistent with the Resolution as theretofore in effect, to obtain a higher rating or maintain the then existing rating assigned to the Bonds by a Rating Agency or in order to make such provision confirm to an amendment to the Agreement. (Articles VIII and IX)

Defaults and Remedies. The Resolution provides that if one or more of the following Events of Default shall occur, namely: (i) a default in the payment of the principal or Redemption Price of any Bond; (ii) a default in payment of any installment of interest on any Bond; (iii) a default by the Authority in the performance or observance of any other of its covenants, agreements or conditions in the Resolution for a period of 45 days after written notice thereof; (iv) a default under the Agreement by the Board or the City for a period of 45 days after written notice thereof; or (v) a filing of a petition for relief under any Federal or State bankruptcy or similar law by the Authority; then, upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding the Trustee shall, declare the principal and accrued interest on all the Bonds then Outstanding, due and payable immediately subject, however, to the possibility of rescission of such declaration and annulment of the default upon the remedying thereof.

The Authority covenants that upon the occurrence of an Event of Default, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and that, upon demand of the Trustee, the Authority will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Upon default, the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution. During the continuance of an Event of Default, Revenues shall be applied first, to the reasonable and proper charges and expenses of the Trustee; then (unless the principal of all of the Bonds shall have been declared payable) to the payment of all unpaid interest in the order of maturity of such Bonds, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, ratably among them and then to unpaid principal or Redemption Price, in the order of their due dates, and, if the amount available is insufficient to pay in full all the Bonds due on any date, then ratably among them; and if all of the principal of the Bonds shall be due and payable, ratably to the payment of unpaid principal and interest, without preference or priority of interest over principal, principal over interest or of any Bond or installment over any other Bond or installment, without any discrimination or preference; provided, however, that the Authority may, through any Supplemental Resolution, provide with an issuer of a Credit Facility, that upon an Event of Default application of moneys after default shall be prioritized: (1) to the Trustee for its reasonable expenses, (2) to

the payment of interest due and owing, (3) to the payment of principal due and owing, (4) to the issuer of such Credit Facility, amounts owed to such issuer that are not covered by (2) and (3) above, and (5) to the Authority for application in accordance with the provisions of the Resolution.

No Bondholder has any right to institute suit to enforce any provision of the Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by the holders of at least a majority in principal amount of the Bonds to take such action and has been offered adequate security and indemnity and has failed to commence such suit in the manner provided in the Resolution; provided, however, that in the event the Authority enters into a Credit Facility pursuant to a Supplemental Resolution with respect to a Series of Bonds, such Supplemental Resolution may provide that the issuer of such facility has the right to give notice of an Event of Default. The right to appoint a statutory trustee under Section 1048-p of the Act is expressly abrogated. (Article X)

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of such Bond. Notwithstanding the previous sentence, the Authority may, through a Supplemental Resolution, provide with an issuer of a Credit Facility that such issuer shall have the right to direct remedies other than acceleration for purposes of Article X of the Resolution. (Article X)

Defeasance of Bonds. Any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the Resolution if (i) in the case of any Bonds to be redeemed prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish on such date the notice of redemption therefor (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption), (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Obligations the principal of and the interest on which, when due, without reinvestment, will provide moneys, which, together with any moneys deposited, shall be sufficient to pay when due the principal or Redemption Price (if applicable) and interest due and to become due on said Bonds and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Bonds in accordance with the Resolution that the deposit required above has been made with the Trustee and that said Bonds are deemed paid in accordance with the Resolution and stating such maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption). The Trustee shall, to the extent necessary, apply moneys toward the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments.

The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid, which are not to be redeemed prior to their maturity date or prior to the publication of the above notice of redemption for Bonds deemed paid and to be redeemed, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and purchase such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; provided, however, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds; and provided further, that such redemption or sale of Defeasance Obligations will not adversely affect the exemption of the interest on such Bonds from Federal income taxation and that such redemption or sale complies with the provisions of the Resolution. (Section 1201)

Swap Provisions. On September 15, 2005, the Resolution was amended by the Sixteenth Supplemental Resolution to allow the Authority to enter into various Qualified Swap transactions. The Financing Agreement between the City, the Board and the Authority was likewise amended. The Resolution

provides that swap payments made by the Authority are to be paid from the Subordinated Indebtedness Fund. Swap payments received by the Authority are to be paid into the Authority Revenue Fund. The Authority may calculate Debt Service and Required Deposits with respect to any Bonds that are Outstanding or proposed to be issued using the fixed interest rate on any floating-to-fixed Qualified Swap Agreement for the principal amount of Bonds equal to the notional amount set forth in such Qualified Swap Agreement, and the principal amount of such Bonds will not constitute Variable Rate Bonds for the purposes of the definition of Debt Service Reserve Fund Requirement and Sections 206 and 207 of the Resolution, but only for the period during which such Qualified Swap Agreement is in effect. (Section 512 as amended) The Authority also adopted an Interest Rate Swap Policy to require the Authority, its management and staff to adhere to sound financial and risk management practices when assessing the feasibility of Qualified Swap transactions.

### SUMMARY OF THE FINANCING AGREEMENT

The following is a brief summary of certain provisions of the Financing Agreement. This summary does not purport to be complete and is subject in all respects to the provisions of and is qualified in its entirety by reference to the Financing Agreement.

Financing Projects. The Authority agrees to use its best efforts to finance all or a part of the Costs of the Projects described in Appendix A to the Financing Agreement. Appendix A may, from time to time, upon approval by resolution of the City, the Authority and the Board, following a public hearing, be amended to add a Project, to delete or change a Project listed thereon or change the scope or cost of a Project listed thereon, without the consent of the Trustee or the Bondholders. In consideration of the Authority's issuance of the Bonds, among other things, the Board pledges, gives, grants a security interest in, conveys and transfers to the Authority all of its right, title and interest in the Revenues, including, without limitation, all of its rights to collect and receive said Revenues subject only to provisions of the Financing Agreement and the Resolution permitting the application of said Revenues to the purposes therein set forth. The Board and the City incur no indebtedness under the terms of the Financing Agreement, the Acquisition Agreement, the Operation Agreement, the Resolution or any other documents executed in connection therewith. (Sections 2.1, 2.2 and 2.4)

Transfer of Funds. The Authority shall deposit the proceeds of each Series of Bonds with the Trustee for disbursement in accordance with the provisions of the Resolution and the Supplemental Resolution authorizing such Series. The Authority shall authorize payment of Costs incurred with respect to Projects in the manner set forth in the Resolution once evidence thereof is provided to the Authority in a certificate signed by an Authorized Representative of the Board. (Sections 3.1. and 3.2)

Local Water Fund. The Board shall deposit all Revenues, as promptly as practicable after receipt, into the General Account of the Local Water Fund at the Bank. There shall also be deposited in the General Account in the Local Water Fund all amounts received by the Board from the Trustee pursuant to the Resolution. (Section 4.1)

Establishment of Certain Accounts and Application of Revenues in the Local Water Fund. The Board shall establish the following special accounts or subfunds within the Local Water Fund, each of which shall be held by the Board at the Bank in one or more Bank Accounts as the Board may determine: the Board Expense Account, the Operation Account, the Operation and Maintenance Reserve Account, the Ongoing Project Account and the General Account. The Board shall hold such accounts as trust funds and the amounts on deposit shall be applied solely for the purposes provided in the Financing Agreement and the Operation Agreement.

Beginning on the first day of each Fiscal Year and on each day thereafter, the Board is required to apply the Revenues in the General Account of the Local Water Fund in the following order of priority: First, beginning with the first day of each calendar month, to the Trustee for deposit in the Revenue Fund until the

amount on deposit in the Revenue Fund, together with the amount on deposit in the Debt Service Fund, equals the Minimum Monthly Balance for each Series of Bonds in such month and the Trustee shall have received the amounts, if any, required by the Resolution to be deposited in the Authority Expense Fund, the Debt Service Reserve Fund and the Subordinate Indebtedness Fund for such month; second, beginning with the first day of each calendar month, to the Board Expense Account, 1/12 of the Board Expenses for the then current Fiscal Year as shown in the Annual Budget, or with the concurrence of the Rate Consultant, an alternative payment schedule that equitably reflects both the timing of the Board's incurrence of Board Expenses and the timing of Board revenues and fund balances; third, beginning with the first day of each calendar month, to the Operation Account, for credit against the amount due from the Board to the City for Operating Expenses for the then current Fiscal Year, 1/12 of the amount certified to the Board pursuant to the Operation Agreement, unless the City provides the Board with an alternate payment schedule concurred in by the Rate Consultant that equitably reflects both the timing of the City's incurrence of Operating Expenses and the timing of Board revenues and fund balances; fourth, from the balance, if any, in the General Account after making the deposits described above, to the Operation and Maintenance Reserve Account, all such Revenues until the total of the amounts so paid equals the total amount budgeted for deposit therein in such Fiscal Year in the Annual Budget; fifth, from the balance, if any, in the General Account after making the deposits described above, to the Ongoing Project Account until the amount on deposit therein equals the total amount budgeted for deposit therein in such Fiscal Year in the Annual Budget; and sixth, the balance, if any, in the General Account after making the deposits described above, to the Operation and Maintenance Reserve Account. (Section 4.2)

Minimum Monthly Balance. On the first day of each month, the Minimum Monthly Balance shall be calculated by the Authority for each Series of Outstanding Bonds for such month and shall be an amount equal to the sum of the aggregate amounts of Debt Service that have accrued with respect to all Series of Bonds, calculating the Debt Service that has accrued with respect to each Series of Bonds as an amount equal to the sum of (1) the interest on the Bonds of such Series that has accrued and is unpaid and that will have accrued by the end of the then current calendar month, reduced by the amount, if any, then on deposit in the Capitalized Interest Account in the Debt Service Fund, (2) that portion of the next due Principal Installment for the Bonds of such Series that would have accrued (as deemed to accrue in the manner interest accrues) by the end of the then current calendar month, and (3) any amount payable into a Variable Rate Bond Sinking Fund established pursuant to the Resolution. (Sections 4.2 and 4.3)

Deposits to the Operation and Maintenance Reserve Account. There shall be deposited in the Operation and Maintenance Reserve Account in each Fiscal Year from the sources described below the amount required, if any, so that the amounts on deposit therein at least equal the amount of the deposit to the Operation and Maintenance Reserve Account set forth in the Annual Budget for such Fiscal Year.

Deposits to the Operation and Maintenance Reserve Account may be made from the Local Water Fund as provided in the Financing Agreement, including any accrued surplus on deposit in the Operations Account or the Board Expense Account at the end of any Fiscal Year, or from any other moneys lawfully available therefor.

Application of Moneys in the Operation and Maintenance Reserve Account. The amounts on deposit in the Operation and Maintenance Reserve Account may be used to pay the cost of extraordinary repairs to and replacements of the System, and, if there are insufficient funds in the Operation Account to pay the City the requisite amounts for Operating Expenses, the Board shall withdraw from the Operation and Maintenance Reserve Account and pay to the City, on demand, an amount equal to the amount required to be so paid, or the entire balance in the Operation and Maintenance Reserve Account if less than sufficient.

After any payments and transfers described above are made, the amounts on deposit in the Operation and Maintenance Reserve Account may also be applied or transferred, as the case may be, by the Board in the following order of priority:

(1) on any date that there are insufficient funds in the Board Expense Account to pay Board Expenses then due and owing, to the Board Expense Account the amount of such deficiency;

(2) to pay, when due, (a) the amounts requested by the City to pay Costs incurred by the City for the Construction of Projects approved by the Board, but only if on such date there are insufficient funds in the Operation Account to pay such amounts so requested, and/or (b) Board Expenses incurred pursuant to the Operation Agreement; and

(3) to pay, when due, the principal of and interest on bonds, notes or other obligations of the Authority (other than Bonds, Bond Anticipation Notes and Subordinated Indebtedness), together with all other amounts necessary to make the required deposits, if any, to the reserve and other funds and accounts established for such bonds, notes or other obligations pursuant to the resolution, Trust Indenture or other instrument under which such bonds, notes or other obligations were issued.

If the accrued surplus on deposit in the Operation and Maintenance Reserve Account at the end of any Fiscal Year exceeds an amount equal to 10% of the total Annual Budget for such Fiscal Year, then during the next Fiscal Year the Board shall expend the portion of such accrued surplus that exceeds 10% of such Annual Budget in the manner described in (2) and (3) above, unless the Board and the City otherwise agree to the contrary. The portion of such accrued surplus that exceeds ten percent (10%) of the total Annual Budget of the Board for such Fiscal Year shall be deemed to be Revenues collected for the next Fiscal Year of such Annual Budget. (Section 4.5)

Application of Moneys in the Operation Account. The amounts on deposit in the Operation Account shall be paid to the City for Operating Expenses in accordance with the Operation Agreement. (Section 4.6)

The amounts on deposit in the Operation Account may also be paid to the City for Costs incurred by the City for the Construction of Projects approved by the Board as provided in the Operation Agreement. (Section 4.6)

Application of Moneys in the Board Expense Account. The amounts on deposit in the Board Expense Account shall be applied by the Board solely for the purposes of paying Board Expenses. (Section 4.7)

Application of Moneys in the Ongoing Project Account. The amounts on deposit in the Ongoing Project Account shall be applied (i) to ongoing Projects undertaken by the City in accordance with the Operation Agreement, or (ii) for improvements to, including equipment for, the System undertaken by the Board in accordance with the Operating Agreement.

The amounts on deposit in the Ongoing Project Account may also be applied to pay the principal of and interest on bonds, notes or other obligations of the Authority (other than Bonds Bond Anticipation Notes and Subordinate Indebtedness), together will all other amounts necessary to make the required deposits, if any, to the reserve and other funds and accounts established for such bonds, notes or other obligations pursuant to the resolution, trust Indenture or other instrument under which such bonds, notes or other obligations were issued. (Section 4.8)

Application of Revenues After Default. The Board has covenanted that if an “Event of Default” (as defined in the Resolution) shall occur and be continuing, the Board shall upon demand of the Trustee pay or cause to be paid to the Trustee all moneys and securities then held by the Board in the Local Water Fund, and thereafter the Revenues as promptly as practicable after receipt, for application in accordance with the provisions of the Resolution dealing with the application of moneys during the continuation of an “Event of Default” thereunder. (Section 4.9)

Amounts Remaining. Any amounts received or held by the Authority or the Trustee pursuant to the Resolution, any similar document or the Financing Agreement after all Bonds and other evidences of indebtedness have been paid in full or are no longer Outstanding and after payment of all other obligations

and expenses of the Authority, or provision for payment thereof has been made, shall be paid to the Board. (Section 4.10)

Rate Covenant. The Board has covenanted and agreed to establish, fix and revise fees, rates, rents or other charges for the use of or services furnished by the System, which, together with any other available funds, are adequate to provide for: (1) the timely payment of the Principal Installments of and interest on all Bonds and the principal of and interest on any other indebtedness of the Authority payable from Revenues, (2) the proper operation and maintenance of the System, (3) all other payments required for the System not otherwise provided for, and (4) all other payments required pursuant to the Financing Agreement and the Operation Agreement. Without intending to limit the generality of the foregoing, the Board has also covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of (a) 115% of estimated Aggregate Debt Service and Projected Debt Service payable in such Fiscal Year, (b) 100% of the Operating Expenses and Authority Expenses payable in such Fiscal Year, and (c) 100% of the amount necessary to pay the other Required Deposits for such Fiscal Year. A failure to generate such Revenues does not constitute an “Event of Default” if the Board takes timely action to correct any such deficit. The Board shall review, at least annually, such rates, fees and charges to determine whether such rates, fees and charges are, or will be, sufficient to meet the requirements described above and shall promptly take action to cure or avoid any deficiency. Except to the extent required by law or by the Financing Agreement or the Operation Agreement, the Board will not furnish or supply any product, use or service of the System free of charge or at a nominal charge; provided, however, there shall be no charges for any use of the System by the City in pursuance of its governmental functions or for services rendered to the City in connection with such use of the System. (Section 6.1)

Consulting Engineer and Rate Consultant. The Authority shall annually employ a Consulting Engineer and the Board shall annually employ a Rate Consultant whose duties, respectively, shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer and the Rate Consultant under the Financing Agreement, the Operating Agreement and the Resolution. The same person or firm may not perform the duties and functions of the Consulting Engineer and the Rate Consultant.

In every other Fiscal Year the Consulting Engineer, and in every Fiscal Year the Rate Consultant, shall make an examination of, and shall report to the Authority, the Board, the Mayor, the Common Council and the Trustee on, the properties and operations of the System. Such reports shall set forth among other findings: the Consulting Engineer’s advice and recommendation as to the proper operation, maintenance and repair of the System during the ensuing two Fiscal Years and improvements that should be made during the ensuing five Fiscal Years, and an estimate of the amounts of money necessary for such purposes, the Rate Consultant’s recommendation as to any necessary or advisable revisions of rates, fees and charges and such other advice and recommendation as it may deem desirable, and the Consulting Engineer’s findings as to whether the System has been maintained in good repair and sound operating condition, and its findings as to whether the System has been maintained in good repair and sound operating condition, and its estimate of the amount, if any, required to be expended to place such properties in such condition, and the details of such expenditures and the approximate time required therefor. The City and the Board covenant that if any such report shall set forth that the properties of the System have not been maintained in good repair and sound operating condition, they will promptly restore the properties to good repair and sound operating condition with all expedition practicable. (Section 6.2)

Covenant as to Operation of Main System. The City and the Board have covenanted as follows:

(1) the Board shall at all times, within the funding provided by the Board to the City, operate the System properly and in a sound and economical manner and maintain, preserve and keep the same preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and from time to time make, or cause to be made, all necessary and proper repairs, so that at all times the operation of the System may be properly and advantageously conducted, regardless of any failure on the part of the Board to make the payments to the City required by the Operation Agreement; provided, however, that nothing contained in the Financing Agreement shall require the Board or the City to operate,

maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall be filed with the Board, the Authority and the Trustee (a) a certificate of an Authorized Representative of the Board and the City stating that in the opinion of the City abandonment of operation of such part of the System will not adversely affect the operation of the System or the amount of Revenues derived therefrom and is not prejudicial to the interests of the Board, the Authority or the Bondholders and (b) a Certificate of the Consulting Engineer concurring with such statement;

(2) the Board and the City shall enforce the rules and regulations governing the operation, use and services of the System established from time to time by the Board or the City;

(3) the Board and the City shall observe and perform all of the terms and conditions contained in the Act, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body having competent jurisdiction of the City, the Board or the System; provided, however, that the failure of the City or the Board to comply with this covenant for any period shall not constitute a default on its part so long as the City or the Board, as the case may be, (a) is taking reasonable and timely steps to permit compliance and (b) the City or the Board, as the case may be, shall have delivered to the Authority and to the Board or the City, as the case may be, a Certificate of the Consulting Engineer, which (i) sets forth in reasonable detail the facts and circumstances attendant to such noncompliance, (ii) sets forth the steps being taken by the City or the Board, as the case may be, to permit compliance, (iii) sets forth the estimated date on which the City or the Board, as the case may be, will be in compliance and (iv) states that in the opinion of the Consulting Engineer such noncompliance during the period described will not adversely affect the operation of the System or the amount of Revenues to be derived therefrom;

(4) the Board and the City shall not create or suffer to be created any lien or charge upon the System or any part thereof, except for Permitted Encumbrances;

(5) The City shall, within the limits of funding provided, and in accordance with the Operation Agreement and the Financing Agreement, undertake and complete such improvements to the System, including but not limited to capital improvements, replacements, renewals, alterations, increases, enlargements, extensions and additions, whether structural, non-structural, ordinary or extraordinary, and such planning, studies, designs and surveys as are necessary or appropriate and the Construction of such Projects as the Board, based upon recommendations from the Consultant Engineer, shall determine to be necessary and appropriate to preserve and keep the System in good working and safe order and condition. Any such improvements so undertaken by the City pursuant to funding: (i) if provided by the Board shall be conveyed to the Board, and (ii) if provided by the City or the Authority, may be conveyed to the Board upon such terms as the Board and the City may agree; and

(6) Nothing contained in the Operation Agreement or the Financing Agreement shall be construed as preventing the Board from undertaking, to the extent permitted by law, improvements to the System (including the acquisition of equipment therefor), on its own initiative from revenues available to the Board pursuant to the Act, or from funds other than the proceeds of obligations issued by the City or the Authority to finance same or from funds otherwise available from the Financing Agreement. In addition, the Board may with the concurrence of the City undertake such improvements on its own initiative, provided that such improvements are financed either out of proceeds of obligations issued by the City to finance same, or from other funds of the City available therefor; and further provided the City considers such improvements to be appropriate and in the public interest. (Section 6.3)

Annual Budget. On March 1 of each year (or on such later date as the Authority, the Board and the City may agree) the Authority shall deliver to the Board a certified copy of the Authority Budget for the ensuing Fiscal Year showing the Authority Expenses and the Debt Service and Projected Debt Service for all Series of Bonds and all Projected Series of Bonds for such Fiscal Year. Within five days after passage of the City's budget, the City shall submit to the Board its certification of the amounts of moneys to be paid to the City by the Board in accordance with Section 6.2(A) of the Operation Agreement. Based upon the information contained in (1) the Authority Budget, (2) the City's certification pursuant to Section 6.2(A)(1) of the

Operation Agreement, (3) the certificate of the Consulting Engineer or the Rate Consultant delivered to the Board pursuant to Section 6.2(A)(2) of the Operation Agreement, and (4) the report of the Consulting Engineer described in Section 6.2 of the Financing Agreement (collectively, the “Budget Documents”), the Board in consultation with the City shall prepare the Annual Budget for the ensuing Fiscal Year. In addition to the information contained in the Budget Documents, the Board shall also make provision in the Annual Budget (a) for Board Expenses for the ensuing Fiscal Year, (b) for the amount, if any, required to be deposited in the Operation and Maintenance Reserve Account in accordance with Section 4.4 of the Financing Agreement, and (c) after consultation with the Consulting Engineer, for the amount to be deposited in the Ongoing Project Account. Thereafter, but in no event later than 15 days after the date of passage of the City’s budget, the Board shall adopt such Annual Budget. Promptly after adoption of the Annual Budget, and in no event later than June 30 (or such other date as the Authority, the Board and the City may agree) of each year, the Board shall establish the rates, fees and charges for the use of the System for the ensuing Fiscal Year. The Board may from time to time, either before or after commencement of the Fiscal Year to which it relates, amend the Annual Budget, but (except for its own expenses) only in accordance with and after receipt of amended Budget Documents. If, as of the first day of any Fiscal Year an Annual Budget has not been adopted, the Annual Budget for the immediately preceding Fiscal Year shall be the Annual Budget for such Fiscal Year until a new Annual Budget is adopted. The Annual Budget for Fiscal Years 1992 and 1993 adopted by the Board by resolution on or prior to the date of adoption of the Resolution shall be deemed to satisfy all the procedural requirements of Section 6.4 of the Financing Agreement. (Section 6.4)

Tax Exemption. The Authority, the City and the Board have covenanted that, so long as any Bonds shall be Outstanding under the Resolution, each will (1) not take any action, or fail to take any action, which, if taken or not taken, as the case may be, would adversely affect the tax-exempt status of the interest payable on the Bonds then Outstanding, and (2) consent to any amendments to the Financing Agreement, the Operation Agreement and the Resolution required, in the opinion of Bond Counsel, to maintain such tax exemption. Such amendments may be made without the consent of Bondholders. (Section 6.5)

Discontinuance of Service. The Board and the City have covenanted to enforce the rules and regulations providing for discontinuance of, or disconnection from, the supply of water for nonpayment of fees, rates, rents or other charges imposed by the Board, provided that such discontinuance or disconnection shall not be carried out except in the manner and upon the notice as is required of a waterworks corporation pursuant to Sections 89(b)(3)(a)-(c) and 116 of the Public Service Law of the State. (Section 6.7)

Covenant of City as to Rates and Charges. The City has covenanted that, upon the issuance of the Bonds by the Authority, the City will not thereafter levy user fees, rents and other charges with respect to the System until all Bonds are paid or are otherwise defeased pursuant to the terms of the Resolution; provided, however, that the City may levy ad valorem taxes or assessments to pay the costs and expenses of the System or to pay the principal of and interest on general obligation bonds of the City heretofore or hereafter issued to finance the System or any part thereof. (Section 6.9)

Books and Records. Each of the Authority and the Board shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to their corporate purposes under the Act. The Authority and the Board shall each annually prepare and submit to the Mayor, the Director of the Budget of the City, the Comptroller, Governor of the State, the State Comptroller and the State Legislature a detailed report concerning their activities for the Fiscal Year, as more fully described in the Financing Agreement. (Section 6.11)

Liens. Until the Bonds or other evidences of indebtedness issued by the Authority for its purposes under the Act have been paid in full or provision has been made therefor in accordance with the Resolution or other similar document pursuant to which the same were issued, the Financing Agreement provides that the Board shall not create, and, to the extent it has the power to do so, shall not permit to be created, any lien upon or pledge of the Revenues, except the lien and pledge thereon created by the Act, the Resolution and the Financing Agreement. (Section 6.12)



Security Interests. Except to the extent provided by the Act, neither the Board nor the Authority may grant any Bondholder any security interest in any of the assets or Properties of the Board (other than the Revenues that have been pledged pursuant to the terms of the Financing Agreement and of the Resolution). (Section 6.13)

Agreement of the State. Pursuant to the Act, the State has pledged and agreed that it will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. The Authority, the Board and the City for the purpose of effectuating such pledge of the State certify that the Financing Agreement, the Resolution and the Acquisition Agreement are all intended to be for the benefit of the Bondholders. (Section 7.1)

Events of Default. An “Event of Default” or a “Default” means any one of the following events: (1) failure by the Board to pay the Authority those amounts required under the Financing Agreement; (2) failure of the City or the Board to observe any covenant, term, or condition of the Financing Agreement (other than as described in clause (1) above) and such failure shall have continued for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, is given to the City or the Board, or both, by the Authority, unless the Authority shall agree in writing to extend such time prior to its expiration, provided such extension shall not be unreasonably withheld if the City or the Board has instituted and is diligently pursuing corrective action that cannot be completed within the applicable period; (3) the Authority shall file a petition or otherwise seek relief under any Federal or State bankruptcy or similar law; or (4) the respective provisions of the Act pursuant to which the Resolution has been adopted or the bonds have been issued, including, without limitation, those provisions pursuant to which the lien upon the Revenues of the Board has been created pursuant to the Financing Agreement and the Resolution and those provisions establishing the powers and obligations of the Board and the relationship of the Authority to the Board and the City as contemplated by the Act, shall be materially and adversely limited, altered or impaired by any legislative action or any final judgment or the terms conditions and security provided under the Financing Agreement and the Resolution shall be materially and adversely limited, altered or impaired by any legislative action or any final judgment. (Section 8.1)

Remedies. Whenever any Event of Default shall have occurred and be continuing, and written notice of the Default, if required, shall have been given to the City and the Board by the Authority or by the Trustee and the Default shall not have been cured within any curative period provided therefor, the Authority and the Trustee and the Default shall not have been cured within any curative period provided therefor, the Authority and the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and as they thereafter become due, and the Authority and the Trustee, so long as any Bonds are Outstanding, may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the City or the Board under the Financing Agreement. The remedies conferred upon or reserved to the Authority in respect of any Event of Default are not exclusive of other available remedies, but shall be in addition to every other remedy given under the Financing Agreement or existing at law or in equity or by statute. (Sections 8.2 and 8.3)

Termination. The Financing Agreement shall terminate, and the covenants and other obligations contained therein shall be discharged and satisfied, when (1) payment of all indebtedness of the Authority has been made or provided for in accordance with the Resolution or similar document securing such indebtedness and (2) either all payments required thereunder have been made in full, or provision for such payments satisfactory to the Authority has been made, or the City pays or assumes all liabilities, obligations, duties, rights and powers of the Authority under the Financing Agreement. (Section 9.1)

Amendments. The parties to the Financing Agreement may enter into any amendment, change or modification of the Financing Agreement (if in writing, signed by each of the parties and consented to in writing by the Trustee); provided that the parties shall enter into no such change or modification that adversely

affects the rights of the holders of any Bonds by modifying certain enumerated provisions of the Financing Agreement without first complying with the applicable provisions of the Resolution. (Section 11.1)

Conflicts. The Financing Agreement provides that its provisions shall not change or in any manner alter the terms of the Resolution, or adversely affect the security, rights or remedies of the Trustee or the Bondholders. In the event any provision of the Financing Agreement conflicts at any time, or in any manner, with the provisions of the Resolution or any Bond, the provisions of the Resolution or Bond shall be controlling and conflicting provisions of the Financing Agreement shall be disregarded. (Section 12.1)

Incorporation. The Acquisition Agreement and the Operation Agreement are attached to and declared to be a part of the Financing Agreement and incorporated into the Financing Agreement in full as though set forth in full therein. (Sections 6.1 and 6.2)

Swap Provision. On September 15, 2005, the Financing Agreement was amended to allow the Authority to enter into various swap transactions.

## SUMMARY OF THE OPERATION AGREEMENT

The following is a brief summary of certain provisions of the Operation Agreement. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Operation Agreement.

Revenues of the Board. All Revenues received by the Board shall belong to the Board, and shall be applied in accordance with the provisions of the Financing Agreement and the Resolution. (Section 2.1)

Substitution of Board for City. Where necessary or desirable and to the extent permitted by law, the City and the Board agree to use their best efforts to substitute the Board for the City with respect to any application or proceedings filed or commenced in relation to the System with the various State and Federal regulatory bodies having jurisdiction over the System. To the extent permitted by law, the City and the Board agree any such application or proceeding shall inure to and be for the benefit of the Board and shall be binding upon the Board to the same extent and in the same manner as if the Board had been a party to such application or proceeding from its inception, and that the Board shall be deemed a party thereto. To the extent permitted by such regulatory bodies, all licenses, approvals, permits or decisions issued or granted pursuant to or as a result of any such application or proceeding shall inure to the benefit of and be binding upon the Board, and the City agrees to assign and transfer same to the Board to the extent permitted by law. (Section 2.2)

Indemnification. The City agrees, subject to certain conditions, to hold the Board harmless from any and all liability, loss or damage from or in connection with any act the Board does or omits to do in the exercise of its powers if taken or omitted in good faith and in pursuance of its corporate powers. (Sections 2.3 and 2.4)

Contractor Indemnification. The Board shall cause all persons, firms, corporations or entities with whom it contracts to perform any of the duties herein assigned to or assumed by the Board for the operations, maintenance, repair and management of the System, to keep, save, defend and hold harmless the Board, the Authority and the City and its officers, employees and agents from any and all liability, loss or damage arising from or in connection with any act done or omitted by such persons, firms, corporations or entities and their employees, officers or agents in connection with the operation, maintenance, repair and management of the System. (Section 2.5)

Board to Operate and Maintain System. The Board shall manage, operate, maintain and repair the System. The City agrees that the Board is entitled to advise and consult with the City in all substantially material decisions affecting the operation and management services provided by the City for the benefit of the System. The Board shall administer, operate and maintain the System in good and safe order and condition, and make all necessary repairs in connection therewith. The terms “maintain” and “repair” shall include all necessary repairs, replacements, renewals, alterations and additions, whether structural, non-structural ordinary or extraordinary, the term “administer” shall include, without limitation, the enforcement of regulations of the Board and the City relating to the use of the System, and “operate” shall include the engagement of independent contractors for the fulfillment of the Board’s duties and obligations with respect to the System.

Failure on the part of the Board to comply with the provisions described above shall constitute an “event of default” under the Financing Agreement, provided: (i) the City shall first deliver a written notice to the Board stating the basis for the deficiency, including written reports of the Authority, the Rate Consultant and the Consultant Engineer concurring with the City’s findings; (ii) the Board shall fail to commence to correct such deficiency within thirty (30) days of receipt of such notice; and (iii) the costs to the Board and/or the City of correcting such deficiency shall be provided to the Board and the City, as the case may be, out of the Ongoing Project Account or any other Account; provided, however, that such costs shall not be paid out of the General Account unless and until the Minimum Monthly Balance has been satisfied for the month in which such costs are to be paid.

The City shall, within the limits of funding, and in accordance with the Operation Agreement and the Financing Agreement, undertake and complete such improvements to the System, including but not limited to capital improvements, replacements, renewals, alterations, increases, enlargements, extensions and additions, whether structural, non-structural, ordinary or extraordinary, and such planning, studies, designs and surveys as are necessary or appropriate to effect such improvements and the Construction of such Projects as the Board, based upon recommendations from the Consultant Engineer, shall determine to be necessary and appropriate to preserve and keep the System in good working and safe order and condition. Any such improvements so undertaken by the City pursuant to funding: (i) if provided by the Board, shall be conveyed to the Board, and (ii) if provided by the City or the Authority, may be conveyed to the Board upon such terms as the Board and the City may agree.

Nothing contained in this Operation Agreement or in the Financing Agreement shall be construed as preventing the Board from undertaking improvements to the System on its own initiative from revenues available to the Board pursuant to the Act, or from funds other than the proceeds of obligations issued by the City or the Authority to finance same. In addition, the Board may with the concurrence of the City undertake such improvements on its own initiative, provided that such improvements are financed either out of proceeds of obligations issued by the City to finance same, or from other funds of the City available therefor; and further provided the City considers such improvements to be appropriate and in the public interest. (Section 3.1)

The City shall use all reasonable care, within the limits of funding provided by the Board, to prevent the occurrence of waste, damage or injury to the System. No permit, license or similar approval from the City, nor any bond or insurance otherwise required by the City shall be required to operate, maintain, repair or improve the System in furtherance of the public purpose of the Board. The System shall be used, operated and maintained in accordance with all applicable laws, including the applicable rules and regulations of the Board and the City. The Board shall exercise its powers pursuant to applicable law to administer, operate, maintain and regulate the use of the System. The exercise of such powers by the Board shall not, however, diminish the power of the City pursuant to the Act to promulgate such rules and regulations as it may deem necessary from time to time. (Sections 3.2 and 3.3)

Construction and Acquisition by City. The City may incur Costs for the Construction, effectuation and financing of Projects in accordance with a written five year Project capital plan mutually agreed to by the City and the Board, and concurred to by the Authority. Such Projects may be financed from the Construction Fund in accordance with the provisions of the Financing Agreement. Projects may also be financed from the Operation Account or the Operation and Maintenance Reserve Account in the Local Water Fund if such Projects are specified and approved in the Project capital plan agreed upon by the Board and the City and concurred in by the Authority. Projects may also be financed from the Ongoing Project Account in the Local Water Fund. (Section 4.1 )

The City will acquire all real and personal property, or any interest therein, necessary or useful for the Construction or effectuation of a Project; provided that all such property or interest acquired by the City through the exercise of the power of eminent domain shall be taken in the name of the City. Upon payment by the Board to the City of the City's costs and expenses incurred in connection therewith, such property or interest therein shall be conveyed by the City to the Board. (Section 4.2)

Billing and Levy of Water Charges. The Board shall render billing, accounting and budgeting services, including but not limited to: (1) notification to users of the System of the water charges levied by the Board, (2) collection of such charges, and (3) maintenance of the books, records and accounts of the billing systems. The Board reserves to itself the power to resolve billing and other disputes regarding the levy of water charges and to delegate all or a portion of such powers to the City. (Sections 5.1 and 5.2)

Levy of Water Charges. In accordance with the Act, the Board hereby authorizes and directs the City to levy the amount of any delinquent water charges against persons and property liable therefor and authorizes the City to exercise all of its powers covering enforcement and collection of such water charges. (Section 5.2)

Late Payments. All late payments of water charges are the property of the Board and shall be collected by the Board or as the Board may delegate to the City through any applicable remedy available under current law. (Section 5.3)

Discontinuance of Billing Services. If the Board, the Authority, the Consulting Engineer and the Rate Consultant determine that the City is not properly performing billing services pursuant to the Operation Agreement, or if the City no longer desires to provide such services, the party making such determination and said party's desire to terminate such services shall give written notice of such fact to the other party at least two years prior to the proposed date of termination of such services. Notwithstanding such termination of billing services by the City, Section 5.2 of the Operation Agreement, relating to delinquent water charges, shall remain in full force and effect, and in such event the Board shall pay to the City the costs of services provided to the Board. (Section 5.4)

Payments of Costs by the Board. As consideration for (1) the performance by the City of its obligations set forth herein, (2) the City's agreement to bill the Board for services to be provided by the City in connection with the capital improvement of the City's direct costs of such services (including but not limited to salary, fringe benefits and retirement system contributions), (3) the assignment to the Board of delinquent water system user accounts receivable attributable to periods prior to the Board's acquisition of the System, (4) the providing by the City to the Board with general overhead and support services and facilities, the use of the City's facilities for meeting and other administrative functions, (5) payments-in-lieu-of-taxes by the Board as permitted by the Act, and (6) the City's agreement to bill the Board for use of the City's employees; the Board agrees, pursuant to the Act, including but not limited to Section 1048-j thereof and otherwise as permitted by law, to make the payments to the City to provide the services described below.

Subject to the lien of the Act, the Operation Agreement and the Financing Agreement and the payment of Operating Expenses incurred in the operation, maintenance and repair of the System, the Board shall make the following payments: (1) the cost of debt service on all of the City's outstanding general obligation bonds (or portions thereof), to the extent that the proceeds of such outstanding bonds were used for water related purposes, and all Operating Expenses incurred by the City in connection with the System (but net of the amount of any governmental operating aid received or receivable within the current Fiscal Year with respect to the System), including but not limited to (a) the cost of third party contracts for administration, maintenance, repair and operation of the System, (b) the cost of materials and supplies for the System, (c) the amount of any judgment or settlement paid by the City arising out of a tort claim (but only if the costs of such claim are not otherwise reimbursed and the City's liability for such claim is related to Construction of a Project or the City's improvements to the System pursuant to the Operation Agreement or the Financing Agreement), and (d) an amount sufficient to reimburse the City for the compensation, or the costs of the services, of the City, whether on a full-time or a part-time basis to the Board, (2) an amount sufficient to reimburse the City for Costs incurred by the City for the Construction of Projects that are not paid or reimbursed from any other source to the extent such Project is specified and approved by the Board as provided in the Operation Agreement, including, without limitation, the payment of any judgment or settlement arising out of a contract claim related to the construction of any Project, and (3) an annual amount equal to \$4,036,000 increased by five percent (5%) compounded annually for the term of the Financing Agreement; provided that the City may waive all or any part of such increase annually and, in such event, may, at the City's sole discretion, defer and accrue up to 20% of such waived increase (1% of the total amount due the City from the previous year) and, again at the City's sole discretion, require that all or any portion of such accrued moneys be paid to the City in any subsequent Fiscal Year. The Board has agreed to provide free use of the System to the City for its governmental purposes. (Section 6.1)

Method of Payment. The City agrees that the Board may have input in connection with preparation of budget requests for Operating Expenses and Project Costs for the ensuing Fiscal Year. The City shall certify to the Board within five business days after passage of the City's Budget for the ensuing Fiscal Year the amount that the City reasonably anticipates it will expend in connection with payment of (1) debt service on the City's outstanding water-related general obligation bonds, (2) Operating Expenses and (3) costs incurred for the Construction of Projects that are not paid or reimbursed from any other source. The Board

shall commence payment of amounts in respect of such Operating Expenses so certified by the City upon receipt of a written request therefor from the City; provided that, prior to such payment to the City, the Board shall have received, in addition to such certification by the City, a certificate of the Consulting Engineer or the Rate Consultant to the effect that such amounts certified by the City are reasonable and appropriate. If the amounts certified by the City are not determined to be reasonable and appropriate, the Board with the concurrence of the Authority may adopt findings as to what amounts are reasonable and appropriate and the City shall promptly amend its budget in accordance therewith. In the event that in any Fiscal Year, the City incorrectly estimates the amounts to be expended in such year, the City shall deliver to the Board a certificate of the Consulting Engineer or the Rate Consultant and a supplemental certificate of the City stating the new estimates. For Fiscal Year 1992, the City's certification described above will be made not later than the date of the Board's acquisition of the System (the "Acquisition Date") and the certification of the Consulting Engineer is not required. In addition, when any action under the Operation Agreement cannot be timely performed during Fiscal Year 1992 because the specified time for action is (i) prior to the Acquisition Date or (ii) so soon after the Acquisition Date that the action could be timely taken only with extreme hardship to the City or the Board, then such action shall be deemed timely taken if taken as soon as practicable after such date. (Sections 6.2 and 7.1)

Disposition of Property. Other than Permitted Encumbrances, the Board agrees that it will not sell, lease, sublease, assign, transfer, encumber or otherwise dispose of any part of the System, or any other property that may be acquired by the Board, or its interest in the Operation Agreement, without the prior written approval of the City.

The City may request the Board to dispose of personal property included in the System. In the case of personal property the value of which is less than \$1 million per unit, the Board will adopt rules and procedures for the expedited disposition thereof. Upon the City's request to dispose of any personal property valued in excess of \$1 million, the Board will give such consent only upon receipt of a certificate from the Consulting Engineer to the effect that such personal property may be disposed of without materially or adversely affecting the Revenue or impairing the ability of the Board to make any payments required by the Operation Agreement or the Financing Agreement or any other agreement to which it may be a party or be bound. The Board may also, with the prior written consent of the City, grant Permitted Encumbrances on the System that, in the reasonable judgment of the Board and the City, do not interfere with the operation and maintenance of the System and the collection of the Revenues. (Section 9.1)

Encumbrances. Other than pursuant to Permitted Encumbrances, the Board may not authorize, extend or renew any contract for the management of the operation and maintenance of the System or any use of, or grant any lien, encumbrance, security interest, license, easement or right-of-way affecting the System without prior written approval of the City. (Section 9.2)

#### SUMMARY OF THE MANAGEMENT AGREEMENT

The following is a brief description of the Management Agreement. This summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to the Management Agreement. The Management Agreement is between the Buffalo Water Board and Veolia Water North America-Northeast, LLC (Veolia), a Delaware limited liability company with offices at 1115 West Chestnut Street, Brockton, Massachusetts 02301.

Term of Management Agreement. The Management Agreement is effective for a period of ten (10) years commencing on July 1, 2020 and terminating on June 30, 2030, unless sooner terminated. (Section 2.1)

Negotiation of Contracts. Veolia shall assist the Water Board to negotiate agreements to be entered into by the Water Board relating to the operation and maintenance of the System or the Water Board's interest in the System, including representing the interests of the Water Board, and shall recommend to the Water Board the approval of such agreements consistent with Prudent Management Practices. (Section 2.4)

Relationship of Parties. The Water Board and Veolia agree that the relationship is one for professional and technical services by Veolia as an independent contractor as specified in the Management Agreement. Neither the Water Board nor Veolia is an agent, employee or joint venturer of the other or of the City or of the Authority and neither party will represent itself as such. Veolia has limited authority to act as the representative of the Water Board in carrying out its obligations under the Management Agreement. The parties anticipate that day-to-day operating contracts and supply orders will be entered into between Veolia and third parties. Pursuant to the Operation Agreement, the Water Board has agreed to use the services of the graded employees of the City of Buffalo Division of Water to operate, maintain, repair and improve the System and Veolia will perform the agreement using the services of the Union Employees. It is understood and acknowledged that the Union Employees are the employees of the City of Buffalo and are subject to all rights and privileges afforded to public employees as provided by the Laws of the State and City, including but not limited to the New York Civil Service Law. The Management Agreement is conditioned upon such Union Employees being paid by the City pursuant to the salary ordinances and other compensation provisions of the collective bargaining agreements by and between the City and the unions representing the Union Employees. Notwithstanding any other provision, neither the Board nor Veolia shall be deemed the employer, individually or jointly, of the Union Employees. (Section 2.6)

Vehicles and Equipment . Veolia shall manage and be entitled to use the Equipment and Vehicles of the System and shall, at its cost, purchase and/or lease Vehicles for use in the System. Upon expiration of the Agreement, Veolia shall pay the remaining lease contract costs and expenses of such vehicles and deliver free and clear title to the Water Board. In the event of early termination of the Agreement, as of the termination date, Veolia shall transfer or assign its interest in the Vehicles to the Water Board and the Water Board shall assume responsibility for all outstanding lease or purchase payments for any Vehicles as of such termination date.

Veolia shall continue to use the Vehicles provided with the System as of the Commencement Date. Veolia shall negotiate purchases or leases with other persons and shall be subject to approval by the Water Board Representative. During the term of the Agreement, Veolia shall spend a minimum of \$500,000 each Contract Year Vehicle purchases, leases, repair, maintenance and replacement. If the actual aggregate amount spent by Veolia during each Contract Year is less than \$500,000, Veolia will credit or rebate the difference to the Board, or carry over the remaining amount to the next Contract Year, at the Board's discretion. . If Veolia spends more than \$500,000 in each Contract Year, with the Board's concurrence, the Board will reimburse Veolia for such Vehicle expenditures in excess of \$500,000, plus a 10% administrative fee. Each Contract Year, the target or minimum annual amount will be adjusted by the Board and Veolia. In the event of early termination, such amount shall be prorated for purposes of calculating the payment or credit due to the Water Board. (Section 2.7)

Ultimate Authority of the Board. No agreement or negotiation by Veolia shall be binding upon the Water Board without a duly adopted resolution of the Water Board specifically referring to such agreement as being in the best interest of the Water Board. Nothing in the agreement constitutes a waiver or delegation of the Board's statutory duties, powers or obligations with respect to the operation, maintenance, repair and management of the System. (Section 2.8)

Statement of Purpose. The Water Board agrees to engage Veolia in order to obtain Veolia's experience, professional and specialized skills, expertise and services to manage the operation, maintenance, repair and improvement of the System, in furtherance of the Water Board's achievement of its public purposes and the performance of an essential governmental function. Veolia acknowledges that the Water Board and the carrying out of its powers and duties are in all respects for the benefit of the people of the City and the State, for the improvement of their health, welfare and property and that such purposes are public purposes and that the Water Board is and will be performing an essential governmental function in the exercise of the powers conferred upon it by the Act. (Sections 5.1 & 5.2)

Goals and Standard of Review. It is the intention of the Parties to achieve efficiencies in the management of the System, maintain the quality of the water distributed to consumers, stabilize System rates,

reduce unaccounted for water, extend the service life of the System and effect water and energy conservation measures. In determining whether either Party has performed the Agreement and undertaken its duties and obligations under the Agreement consistent with such goals, the standard of review shall be whether the Water Board has complied with Industry Standards, and whether Veolia has complied with Prudent Management Practices. (Section 5.3)

System Operation. Veolia shall manage the operation of the Water Plant so that the average water quality meets or exceeds the finished Water Quality requirements, established by all existing Laws as of the Commencement Date relating to the operation of the System. Veolia shall manage the operation, maintenance and repair of the System with the objective of extending its useful life, providing maximum capacities, preventing unnecessary damage to public and private property, minimizing inconveniences by handling interruptions in service and preventing public health hazards. Veolia shall manage the operation, maintenance and repair of the System so as to minimize odors, noise and disruption of neighborhoods as far as practicable. Veolia shall assist the Water Board, the City and the Representative to timely respond to claims, complaints and questions about the operation, maintenance and repair of the System. Veolia will provide 24-hour per day, seven days per week emergency service and will use its best efforts to maintain uninterrupted service to customers of the System. (Section 6.3)

Performance Standards. The operation, maintenance and repair of the System shall be managed in accordance with Prudent Management Practices, the Scope of Services and the Performance Standards. The Scope of Services and Performance Standards shall be reviewed on an ongoing basis and may be adjusted as agreed to by the Parties from time to time. The Scope of Services and Performance Standards applicable to Contract Years 6 through 10 shall be established and agreed to by the Parties on or before the close of Contract Year 5. (Section 6.4)

Water Meters. Veolia acknowledges that meter reading routes and billing cycles must be evaluated and restructured if necessary to improve the efficiency of meter reading, the accuracy of bills and increase revenue collection. Veolia shall evaluate the meter billing cycles and meter reading routes and present its evaluation and recommendations to the Water Board. Meter reading routes, cycles and performance shall be reviewed and continuously improved, in order to promote meter reading efficiency, accuracy, and timely bill release. Veolia shall perform a Meter Program Improvement Study and present its report to the Board on or before July 1, 2021. (Section 6.8)

System Personnel. Veolia shall provide such personnel as are necessary and appropriate to perform its obligations in accordance with the purposes and standards of the agreement. In addition, Veolia shall manage the City's Union Employees employed in the City's Department of Public Works - Division of Water in accordance with such collective bargaining agreements, the Civil Service Laws, and all other applicable Laws. In no event, however, shall the Union Employees be deemed to be employees of Veolia or the Water Board, jointly or individually. All disciplinary or adverse actions with respect to any personnel so managed by Veolia shall be performed: (i) by the City with respect to Union Employees based upon information and recommendations provided by Veolia, (ii) by the Water Board with respect to employees of the Board, if any, and (iii) by Veolia, with respect to non-Union Employees. (Section 6.11)

Comprehensive Maintenance Programs. Veolia will develop and manage a comprehensive maintenance program for the Board. Such maintenance program shall include all major assets, facilities, Vehicles and Equipment. Veolia shall:

(a) Maintain the developed and established comprehensive preventive, predictive, scheduled and unscheduled maintenance programs for all Equipment, Vehicles, and assets of the System assigned to Veolia. Veolia shall perform scheduled and unscheduled Maintenance and Repairs to all Equipment, Vehicles, and structures of the System in accordance with such established maintenance programs. Veolia shall perform preventive Maintenance on all Equipment and structures of the System at intervals in accordance with manufacturers' recommendations. Veolia shall provide routine maintenance of the buildings and grounds forming part of the System.



(b) Veolia shall maintain the records of its Maintenance and Repairs on its computer maintenance program and provide a report of such information to the Water Board on a monthly basis. Upon termination or expiration of the Agreement, Veolia shall provide the Water Board with copies of all computer maintenance programs and/or transfer the access rights or licenses for the Water Board's future use.

(c) Veolia shall be responsible for the cost of each Maintenance or Repair item which is Twenty Thousand Dollars (\$20,000) or less, excluding the Compensation Cost of Union Employees. For the purposes of calculating the cost of each Maintenance or Repair item, no aggregation of multiple item costs will be permitted. Any such Maintenance or Repair items may be implemented by Veolia without further approval or consent of the Water Board. Veolia shall obtain the Water Board's approval for any non-emergency Maintenance or Repair item, the projected cost of which is more than Twenty Thousand Dollars (\$20,000), excluding the Compensation Cost of Union Employees, prior to incurring any such expense. If the Water Board approves such recommended Maintenance or Repair item, the Water Board shall pay the total cost of such Maintenance or Repair expense, excluding the Compensation Cost of Union Employees. The Water Board shall be responsible for the payment of the total cost of each emergency Maintenance or Repair item with a cost (excluding Compensation Cost) of more than Twenty Thousand Dollars (\$20,000). (Section 6.17).

Services to be Provided by Veolia. Except as otherwise provided in the agreement Veolia shall pay for and provide or obtain all personnel, utilities and supplies that it needs to manage the maintenance, operation and repair of the System in accordance with the Scope of Services and Performance Standards.

(a) This will include all necessary personnel required for the operation of the System to the service level defined in the Scope of Services, Performance Standards, and in accordance with the collective bargaining agreements and employment contracts in force and effect from time to time.

(b) All administrative and management personnel to supplement the Union Employees, for services including management, certain human resources, certain accounting services, purchasing and information systems, billings and collections, laboratory services and fleet management.

(c) All such personnel shall be capable and experienced to perform the tasks assigned or expected to be performed and qualified to meet all applicable certifications or requirements of Law, or in the absence thereof, Prudent Management Practices to manage the operation, maintenance and repair of the System. When necessary or appropriate, Veolia shall also provide, or cause to be provided, such professional engineers, licensed in the State, as may be required, in the judgment of Veolia, to perform the services required by Veolia, or as may be required by applicable Laws.

(d) All materials and supplies, including chemicals, Vehicle accessories and supplies, vehicle licenses, office supplies, building and grounds maintenance supplies, replacement parts, Equipment or Maintenance supplies and spare parts required in the day-to-day management of operations, Maintenance and Repair of the System.

(e) Collection and disposal of sludge and other wastes.

(f) Veolia shall ensure the System provides potable water with sufficient pressure 24 hours per day, 7 days per week and 52 weeks per year.

(g) Veolia shall obtain and pay for costs and expenses for utility services, with the exception of electricity, natural gas, gasoline and diesel fuel, to operate and maintain the System, including but not limited to data communications and telephone services.

(h) Veolia shall maintain, enhance and update the Buffalo Water website. Veolia shall assume all costs associated with the hosting and updating of the website.

(i) The parties may modify, add or delete the Scope of Services and other services to be provided by Veolia during the Term of the Agreement in light of New Work, Changes in Law, changed circumstances, new technology, Force Majeure and other reasons not currently contemplated or foreseeable, or that may otherwise be beneficial to the System. (Section 6.9)

Fines. Veolia shall be responsible and liable for penalties or fines, without any dollar limit, which may be imposed by Government having jurisdiction over the System for Water Quality violations and for failure to comply with the terms and conditions of any duly authorized permit, court order, administrative order, law, statute or ordinance resulting from Veolia's negligence or other tortious misconduct. (Section 6.21)

Management and Operations Fee. The Board will pay Veolia a monthly Management and Operations Fee in an amount equal to one-twelfth (1/12) of the annual Management and Operations fee. As of July 1, 2020 the Annual Management and Operations Fee for the first Contract Year will be \$7,837,900. . This Management and Operations Fee includes several components, and Exhibit D of the Agreement sets forth the amount of each fee for Contract Year One, as follows: The Operations and Maintenance Fee (\$6,687,900), The Vehicle Account Fee (\$500,000), The Specialty Preventive Maintenance Account Fee (\$100,000), the High Priority Water main Repair, Service Line Repair/Replacement and Pavement Restoration Account Fee (\$500,000) and the Spoils Management Account Fee (\$50,000). The Management and Operations Fee (or aggregate of the above amounts) is subject to annual adjustment, (potentially increases or decreases, as of July 1, each year during the term of the Agreement, in accordance with increases or decreases in several indexes, consisting of the Producer Price Index for Water Industry Chemicals, the Employment Cost Index, the Producer Price Index for Industrial and Commercial Machinery and Equipment, and the Consumer Price Index Northeast Urban Size Class B/C for Buffalo (all items excluding energy) throughout the ten-year term. In addition, Veolia will be subject to several defined performance standards, which are designed to ensure accountability, and are supported by financial incentive payments, as well as liquidated damages. (Section 6.31)

Customer Collections. Veolia shall manage the billing and collection of accounts receivable of the Water Board at Veolia's cost and expense (including but not limited to postage and handling), excluding however, collection of accounts receivable by the City through lien enforcement procedures. In addition, Veolia shall manage the billing and collection of the rents and charges of the Buffalo Sewer Authority as agreed to by the Water Board and the Buffalo Sewer Authority, provided that Veolia is authorized to manage the billing and collection of such rents and charges by the Buffalo Sewer Authority. Veolia shall generate and distribute bills and arrange for the deposit of all water charge collections in the Water Board's Local Water Fund. Veolia acknowledges that the Water Board is seeking to improve revenue collections. Veolia will continuously review the billing and collection process and performance throughout the Term of the Agreement with the objective of improving and maximizing revenue collections. (Section 6.7)

Veolia's Insurance Requirements.

(a) Veolia shall obtain, pay the entire premium and maintain insurance throughout the Term of the Agreement, with insurers that are authorized to issue policies in the State and are acceptable to the Water Board, covering the following risks and events and in the following amounts:

(i) Commercial General Liability:

Bodily Injury and Property Damage	\$2,000,000	Occurrence
	\$4,000,000 Aggregate	
Personal Injury Liability	\$2,000,000	

(ii) Commercial Automobile Liability: The insurance shall cover all Vehicles owned or leased by the Water Board, or Veolia and used in connection with the operation and maintenance of the System, including coverage for collision, theft, uninsured and under-insured motorists:

Owned, Hired and Non-Owned Liability                      \$1,000,000 Per Accident

(iii) Worker’s Compensation:                      Statutory for Veolia employees only

(iv) Employer’s Liability (for Veolia employees only):

Bodily Injury By Accident	\$500,000 Each Accident
Bodily Injury By Disease	\$500,000 Policy Limit
Bodily Injury By Disease	\$500,000 Each Employee

(v) Umbrella/Excess Liability:

Personal	Injury	Liability,	and
Bodily Injury and Property Damage		\$50,000,000	Aggregate
(inclusive of limits required by (i),(ii) and (iv) above.)			

In addition, Veolia is required to maintain cyber insurance for cyber extortion, media content, network interruption, data and security breach, privacy and security liability, \$5,000,000 combined single limit.

(b) Notification of Loss. Veolia will notify the Water Board of all notices of loss or claim against the policies maintained by Veolia pursuant to the Agreement in excess of ten thousand dollars (\$10,000.00) with respect to losses or claims arising in Buffalo and Erie County, and in excess of five hundred thousand dollars (\$500,000.00) with respect to losses or claims arising outside of Buffalo and Erie County. If such claims reduce the aggregate coverage amount available from those limits described in the Agreement, or as subsequently amended by Agreement between the Water Board and Veolia, then the Water Board may require that Veolia acquire additional insurance coverage to ensure that the aggregate limits are maintained at the levels described in the Agreement. The cost of acquiring such additional insurance shall be paid for by the Board. Also, Veolia shall notify the Commissioner and the Board whenever it discovers any actual or alleged data breach, security breach, or other cyber incident involving data described in the Agreement.

(c) Additional Insured. Veolia will cause the Authority, the Water Board and the City to be named as an additional insured on all policies maintained by Veolia pursuant to the Agreement (except the workers’ compensation policy and employer’s liability policy covering Veolia’s employees. Veolia will provide the Authority, the Board and the City with certificate(s), and upon request, such other documents, evidencing compliance with the aforesaid insurance requirements, before the Commencement Date and confirmation of the renewal of such policies within sixty (60) days of their renewal date. Each policy of insurance will contain a provision that the same will not be canceled or not renewed unless the Authority, the Board and the City are given thirty (30) days’ notice of such intended cancellation or non-renewal. Each policy will contain a waiver of subrogation in favor of the Board, the Authority and the City, to the extent available. (Section 6.33)

Indemnification and Hold Harmless. Veolia has agreed to indemnify, defend and hold the Authority, the Board and the City harmless against any and all liabilities, suits, actions, demands, judgments, losses, expenses, damages, claims and costs, including reasonable attorney’s fees and court costs, (whether under any statute or at common law) for injury (including death) to any person or property caused by Veolia’s negligence, omission, or other tortious conduct in the operation, maintenance or repair of the System, but not damages, claims or liabilities arising from the gross negligence of the City, the Board or the Authority. The foregoing indemnification shall be available only to the extent of Veolia’s insurance coverage and insurance

limits. In addition, Veolia has agreed as part of the Management Agreement to implement cyber security protection and other requirements applicable to public water utilities to further protect the Authority, the Board and the City from cyber events. Veolia has also agreed to provide the Board, the Authority and the City with an indemnity, upon commercially reasonable terms, from any data or security incident(s) caused by Veolia's negligence, omission or other tortious conduct in the performance of the Management Agreement. (Section 6.34)

Maintenance and Repair Savings. If the actual aggregate of Maintenance and Repair expenditures for which Veolia is responsible is less than \$1,000,000 in any Contract Year, Veolia will refund or credit the difference to the Board, in its entirety, within sixty (60) days following the end of the Contract Year. If the actual aggregate of Maintenance and Repair expenditures for which Veolia is responsible is more than One Million Three Hundred Thousand Dollars (\$1,300,000) in any Contract Year, the Board shall refund or credit fifty percent (50%) of the difference for verifiable expenditures in excess of \$1,300,000. (Section 6.36)

Union Employees. Veolia shall manage the Union Employees holding the graded and classified job titles as of the Commencement Date of the Agreement, as such job titles may change from time to time as contemplated in the Agreement to perform the System operations. The employees and job titles may decrease or change over time due to normal attrition, including, but not limited to, resignation, termination and retirement. The job titles may change from time to time, including but not limited to, as a result of agreements reached by such labor-management committee as may be formed by Veolia and representatives of the Union Employees. Alternatively, upon the prior consent of the City, the Board (represented by Veolia) may directly enter into collective bargaining agreements with the unions representing the Union Employees, employ the Union Employees, and provide such Union Employees for management by Veolia. Union Employees are not and shall not be deemed to be employees of the Board or Veolia. The parties recognize that nothing in the Agreement shall give either the Board or Veolia any right to hire or fire Union Employees, to discipline Union Employees or to enforce any collective bargaining agreement between the City and the unions representing such Union Employees. Notwithstanding the foregoing, nothing in the agreement shall prevent Veolia from offering incentives to Union Employees to induce retirement or performance as allowed by Law. Veolia and the Board have agreed to maintain a regular working staff of 126 full-time Union Employees to operate and maintain the System. This is a Target Staffing Level, which will be reviewed by Veolia and the Commissioner before December 1, 2020, and thereafter regularly monitored and adjusted, as appropriate to respond to changing operational needs and to assist Veolia to achieve its performance standards and various obligations set forth in the Management Agreement. (Section 7.1)

Permits. Veolia shall assist the Board in maintaining all existing licenses and permits that have been granted to the Board as owner of the System or that are used by the Board. Veolia will be responsible for the cost of maintaining such existing licenses and permits. The Board shall be responsible for applying for and obtaining, at the Board's expense, such additional licenses and permits as may be required of the Board as owner of the System or required by the City for work by the Union Employees contemplated in the agreement. (Section 7.3)

Baseline Influent Flow and Raw Water. The benchmark for the System Average Annual Influent Flow shall be 70 MGD. If the average influent flows as measured at the Water Plant increases to greater than 73.5 MGD in any Contract Year, then the Management and Operation Fee shall be adjusted to account for increased costs arising from the increased Average Annual Flow. Veolia shall be entitled to an adjustment for the substantiated direct cost of chemicals, sludge disposal, and overhead, as approved by the Representative. In the event there is a reduction in the Average Annual Flow, Veolia shall retain any resulting savings and there shall be no adjustment to the Management and Operations Fee. In the event that the quality of the raw water supply to the System materially deteriorates in any 12-month period as a result of naturally or non-naturally occurring phenomenon that cannot be reasonably anticipated, Veolia shall present to the Water Board evidence of such deterioration, and shall be paid for its direct additional costs, if any, of maintaining Water Quality resulting from such change in the raw water. (Section 7.6)

Definition of Defaults.

(a) The occurrence of any of the following shall be an “Event of Default” under the Agreement:

(i) If the Board fails to pay any fee, charge or other monetary payment, other than the Management and Operations Fee, after approval by the Representative and the City Comptroller (such approval not to be unreasonably withheld), to Veolia within thirty (30) days of the date upon which such payment is due and payable, as provided in the Agreement;

(ii) Incurring or causing the City or the Board to incur three or more Material fines from the Government in any Contract Year, provided that such fines are not being contested by Veolia in good faith; and

(iii) The breach of any other representation, warranty or covenant by any Party to the Agreement, except in the event of Force Majeure, where such breach is not cured by the defaulting Party within thirty (30) days of the delivery of notice specifying the breach (or ten (10) days in the case of a default in the payment of a Material amount of money owed by Veolia to the Board), or where such breach is not capable of cure within such thirty (30) day period, where the defaulting Party has in good faith commenced to remedy such default within such thirty (30) day period.

(b) The occurrence of any of the following shall be a “Material Event of Default” under the Agreement:

(i) If any Party to the Agreement shall make any assignment for the general benefit of creditors or shall cease or threaten to cease carrying on business or shall take or threaten to take any action to liquidate its assets or shall stop making payments to its creditors in the ordinary course of business or shall institute or have instituted against it any proceeding under any Law or otherwise relating to insolvency or bankruptcy (and such proceeding is not dismissed within sixty (60) days after commencement thereof) or if any custodian, receiver, manager or other Person with like powers shall be appointed (and such Person is not discharged within sixty (60) days after appointment thereof) to take charge of all or part of any Party to the agreement undertaking, business, property or assets or if any Party to the agreement shall commit any other act of insolvency or bankruptcy;

(ii) If the Parent Company shall make any assignment for the general benefit of creditors or shall cease or threaten to cease carrying on business or shall take or threaten to take any action to liquidate its assets or shall stop making payments to its creditors in the ordinary course of business or shall institute or have instituted against it any proceeding under any statute or otherwise relating to insolvency or bankruptcy (and such proceeding is not dismissed within sixty (60) days after commencement thereof) or if any custodian, receiver, manager or other person with like powers shall be appointed (and such person is not discharged within sixty (60) days after appointment thereof) to take charge of all or any part of the Parent Company’s business property or assets or if the Parent Company shall commit any other act of insolvency or bankruptcy;

(iii) If the Parent Company fails to comply with its obligations under the Guaranty Agreement referred to in Section 10.1 of the Agreement, including the financial covenants referred to therein.

(iv) If the Board fails to pay the payment due for the Management and Operation Fee as provided in Section 6.31 of the Agreement within thirty (30) business days after the date upon which such payment is due as provided in the Agreement;

(v) Veolia’s performance of the Agreement, in such a manner as to create a situation that creates a serious threat to the health and public welfare of the Board or City and its users and residents, or which would seriously jeopardize the operational capacity or integrity of the System, except in the event of Force Majeure, and where Veolia has not remedied such situation within ten (10) business days of written notice thereof or, where such situation cannot be remedied within ten (10) business days, where Veolia has not

commenced remediation of such situation within ten (10) business days of written notice thereof and diligently proceeded to complete such remediation;

(vi) If an order shall be made or a resolution passed for the winding up or liquidation of either Veolia or the Parent Company or if either purports to take any corporate proceedings to enable it to take proceedings for its dissolution or liquidation, other than a winding up of Veolia into the Parent Company as a result of a reorganization;

(vii) Intentionally operating without appropriate permits, insurance or bonds as required in the Agreement for more than fifteen (15) business days, except where the Board fails to obtain or maintain permits for which the Board is responsible or where the Board otherwise fails to comply with the Agreement in a manner which compromises Veolia's ability to obtain or maintain permits, insurance or bonds;

(viii) Material damage or destruction of Equipment, Vehicles or structures at the System caused by, or arising from the gross negligence or willful misconduct of Veolia or its officers or employees, which damage or destruction is not fully remedied, or the value of which has not been reimbursed by Veolia, within thirty (30) days of the date on which the damage or destruction was incurred;

(ix) Causing any permit necessary for the operation of the System (and excluding any permit the loss of which does not prevent the continued operation of the System) to be canceled or not issued due to the gross negligence of Veolia, which permit is not obtained within any applicable grace periods allowed by the Government entity which issues such permit, and in the absence of such grace periods, is not obtained within fifteen (15) business days after the cancellation or expiration of such necessary permit; or

(x) The failure of Veolia to give prior written notice to the Water Board of a change in control of Veolia such that the Parent Company no longer controls Veolia directly or indirectly or any realization by any creditor upon a pledge of its interests, provided that Veolia shall have not less than thirty (30) days to present the circumstances of any such change in control to the Water Board and satisfy the Water Board, in its discretion, that such change in control will not impair Veolia's performance of the Agreement.

(c) In the event of any Material Event of Default, the non-defaulting Party shall be entitled to terminate the Agreement upon not less than thirty (30) days prior written notice of such termination of the Agreement, such notice to specify the circumstances of the asserted Material Event of Default, which notice will be effective upon receipt.

(d) The foregoing remedy with respect to any Material Event of Default shall be in addition to such remedies, damages, defenses, set-offs and claims as may be available at law or equity to either Party, except as otherwise provided in the Agreement. In addition to any other monetary remedies provided herein, the non-defaulting Party may pursue a cause of action against the defaulting Party for any and all actual damages suffered by the non-defaulting Party as a result of any Material Event of Default by the defaulting Party. Each Party shall be required to pay for their respective costs in pursuing such action, including attorney's and expert fees. (Section 8.1)

Notice and Cure. If any Party determines that the other Party has committed an Event of Default, the non-defaulting Party shall give notice in writing to the defaulting Party of the Event of Default. The Parties shall, no later than thirty (30) days following delivery of such notice of an Event of Default, meet and agree upon the remedial steps to be taken by the defaulting Party. If the Parties are unable to agree upon the remedial steps to be taken within a further thirty (30) days or to agree upon whether there has been the occurrence of an Event of Default, then the matter may be referred to dispute resolution as provided in Section 9.6 of the Agreement. If the defaulting Party does not implement the remedial action agreed upon or fixed by dispute resolution within the time frame agreed upon or fixed in accordance with such dispute resolution, then the non-defaulting Party may exercise any of the remedies set forth in Section 8.3 of the Agreement. The Parties agree that any time period allowed for a defaulting Party to cure an Event of Default will be extended if the Event of Default cannot be cured without applicable Government approval by the time required to obtain such

approval, provided that an application for such approval has been filed with the appropriate Government. (Section 8.2)

Remedies. If a defaulting Party does not cure an Event of Default as described above, then:

(i) if Veolia and/or the Parent Company is the Party in default, the Board may terminate the Agreement on not less than sixty (60) days written notice of the effective date of termination;

(ii) if the Board is the Party in default, Veolia and the Parent Company may terminate the Agreement on not less than sixty (60) days written notice of the effective date of termination. (Section 8.3)

Termination by Board. In the event (i) the Authority's Bond Counsel determines in writing or any court, department of State or Federal Government (not including the Board, the City or the Authority), administrative agency, commission or board, including but not limited to the Internal Revenue Service or Public Employment Relations Board, determines in writing that the Agreement or any material part hereof is in violation of any Law or renders any of the Bonds sold by the Authority as non-tax exempt, or (ii) the Board determines that it is impractical for the Board to fulfill its obligations under the Agreement in the event of a Casualty Event which substantially renders or will render the System inoperable for a period in excess of six (6) months, or (iii) all or substantially all of the System shall be taken or condemned by a public entity for a public use or purpose, the Board reserves the right to terminate the Agreement upon thirty (30) days written notice to Veolia.

(b) Pursuant to Public Authorities Law Section 2875 the Parties hereto agree that the Board may terminate the Agreement upon the refusal by any officer, director or partner of Veolia, when called before a grand jury, head of a State department, temporary State commission or other State agency, the organized crime task force in the department of law, head of a City department, or other City agency, which is empowered to compel the attendance of witnesses and examine them under oath, to testify in an investigation concerning any transaction or contract had with the State, any political subdivision thereof, a public authority or with any public department, agency or official of the State or of any political subdivision thereof or of a public authority, to sign a waiver of immunity against subsequent criminal prosecution or to answer any relevant question concerning such transaction or contract. (Section 8.4)

Termination for Convenience. Either the Board or Veolia may terminate the Agreement for convenience upon one hundred eighty (180) days written notice to the other Party. (Section 8.5)

Adjustments Required to Maintain Tax-Exempt Status of Bonds. Each of the Board, for itself and on behalf of the City, and Veolia hereby acknowledges that (i) the Authority has authorized and issued and has outstanding Water System Revenue Bonds, (collectively, the "Bonds"), (ii) the interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (iii) the terms of the Financing Agreement provide for "private business use" of facilities financed with tax-exempt bonds as that phrase is referred to in applicable provisions of the Code, and in particular Rev. Proc. 97-13 issued by the U.S. Internal Revenue Service, and U.S Treasury Regulations §1.141-3 *et seq.*, and (iv) pursuant to the provisions of the Financing Agreement, Veolia's providing management services to the Board and the City hereunder may result in such private business use of the System which would cause the interest on the Bonds to not be tax-exempt for federal income tax purposes. Accordingly, the Board, for itself and on behalf of the City, covenants to limit and otherwise restrict compensation of any kind for any purpose paid directly or indirectly to Veolia in any year the Financing Agreement is in force to an amount of which no less than 80% is the amount for each year set forth in Exhibit D hereto, as adjusted in accordance with the Agreement pursuant to Section 6.31, including any such amounts for each year of any renewal term of the Agreement. Veolia acknowledges and agrees to the foregoing restriction. Each of the Water Board, for itself and on behalf of the City, and Veolia agrees to establish appropriate procedures to periodically calculate and monitor compensation paid to Veolia to perform the covenants contained in the Section 9.17. For purposes of the Section 9.17, the term "compensation" shall not include (i) any payment made by Veolia to any Person not a Party hereto, in the performance of Veolia's

obligations under the Agreement, including those adjustments as set out in Section 6.31, the payment of which is charged to the Board or the City for reimbursement *pro tanto* or (ii) any payments to Union Employees required to be made by the Board under Sections 6.5, 6.9(i) of the Agreement or under any other provision of the Agreement. In the event any increase to the Management and Operations Fee is hereby restricted, the Agreement shall be deemed to be terminated by the Board pursuant to Section 8.4. (Section 9.17)

Guarantee by Parent Company. As an inducement to the Board to enter into the Agreement with Veolia, the Parent Company has agreed, among other things, to guaranty the performance by Veolia of its obligations pursuant to the Agreement, to provide certain audited financial statements of the Parent Company, and to maintain a minimum net worth of One Hundred Million Dollars (\$100,000,000). In the event of a dispute, the Board shall first proceed against Veolia, while sending notice to the Parent Company, describing the nature of such dispute, the remedies sought and the time period within which such remedies are sought. In the event that the Board is unable to obtain satisfaction from Veolia within a reasonable period of time (not to exceed ninety (90) days) and after all applicable cure periods have expired, the Board may then seek any and all remedies allowed in the agreement or by law against the Parent Company. The Parent Company has agreed that a change in the members of Veolia will not relieve the Parent Company of its guaranty under the agreement. The form of the Guaranty Agreement of the Parent Company, which shall incorporate, by reference, the Dispute Resolution provisions of section 9.6 and include an acknowledgement and consent by the Parent Company to submit to the jurisdiction and venue of the New York Supreme Court, County of Erie and/or the United States District Court for the Western District of New York. (Section 10.1)



## APPENDIX F

### FORM OF PROPOSED BOND COUNSEL OPINION

[Closing Date]

Buffalo Municipal Water Finance Authority  
502 City Hall  
Buffalo, New York 14202

Ladies and Gentlemen:

We have acted as Bond Counsel to the Buffalo Municipal Water Finance Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”) created by the Buffalo Municipal Water Finance Authority Act, being Title 2-B of Article 5 of the Public Authorities Law of the State, as amended to the date hereof (the “Act”), in connection with the issuance by the Authority of \$\_\_\_\_\_ aggregate principal amount of Water System Revenue Bonds, Series 2021-A (the “Series 2021-A Bonds”) and \$\_\_\_\_\_ aggregate principal amount of Water System Revenue Refunding Bonds, Series 2021-B (the “Series 2021-B Bonds” and, collectively with the Series 2021-A Bonds, the “Series 2021 Bonds”).

The Series 2021 Bonds are issued under and pursuant to the Act, and under and pursuant to the Water System General Revenue Bond Resolution adopted by the Authority on November 20, 1992, as amended (the “General Bond Resolution”), as supplemented by the Thirty-First Supplemental Water System Revenue Bond Resolution adopted by the Authority on December \_\_, 2021 (the “Series 2021 Bonds Supplemental Resolution”), authorizing the Series 2021 Bonds (the General Bond Resolution as supplemented by the Series 2021 Bonds Supplemental Resolution being herein called the “Resolution”). All capitalized terms used and not otherwise defined herein shall have the respective meanings given to them in the Resolution.

The Series 2021 Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Resolution. The Authority reserves the right hereafter to issue additional bonds on the terms and conditions, secured and payable, and for the purposes, as provided in the General Bond Resolution.

As Bond Counsel to the Authority, at your request we have examined into the validity of the Series 2021 Bonds and certain other matters as expressly set forth below. We have examined the Constitution and statutes of the State, including the Act, certified copies of proceedings of the Authority authorizing the issuance of the Series 2021 Bonds, including the Resolution, and a specimen Series 2021 Bond of each series, and have made such other examination of applicable law and fact as we have considered necessary or appropriate for the purposes of this letter.

Based on the foregoing, and subject to the assumptions and limitations referred to below, we are of the 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 the Act.

(2) The Authority has the right and power under the Act to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect and is valid and binding upon the Authority and enforceable against the Authority in accordance with its terms, and no other authorization for the Resolution is required. The Series 2021 Bonds Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution and is authorized or permitted by the Resolution.

(3) The Resolution creates the valid pledge which it purports to create of (a) all Revenues, except for certain moneys or securities on deposit or required to be deposited in the Rebate Fund established pursuant to the Resolution, (b) all moneys or securities (except amounts in the Rebate Fund) on deposit in the Funds and Accounts established pursuant to the Resolution, and (c) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the Resolution, in each case subject only to the provisions of the Resolution, the Act and the Financing Agreement dated as of September 24, 1992, as amended, by and among the Authority, the City of Buffalo and the Buffalo Water Board permitting the application thereof for or to the purposes and on the terms and conditions therein set forth.

(4) The Authority is duly authorized and entitled to issue the Series 2021 Bonds, and the Series 2021 Bonds have been duly and validly authorized and issued by the Authority in accordance with law, including the Act, and in accordance with the Resolution. The Series 2021 Bonds constitute valid and binding obligations of the Authority as provided in the Resolution, enforceable in accordance with their terms and the terms of the Resolution, and are entitled to the benefits of the Act and of the Resolution. The Series 2021 Bonds are special obligations of the Authority, payable solely from the funds of the Authority as provided in the Resolution. Under the Act, the Series 2021 Bonds shall not constitute a debt of the State, the City of Buffalo, or the Buffalo Water Board, and neither the State, nor the City of Buffalo, nor the Buffalo Water Board nor any subdivision thereof shall be liable thereon. All conditions precedent to the delivery of the Series 2021 Bonds have been met.

(5) Under existing statutes and court decisions and assuming compliance with certain tax covenants described below, (i) interest on the Series 2021 Bonds is excluded

from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2021 Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

On the date of issuance of the Series 2021 Bonds, the Authority and the Buffalo Water Board will execute a Tax Certificate relating to the Series 2021 Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority and the Buffalo Water Board each represent that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Series 2021 Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph (5) above, we have relied upon and assumed (i) the material accuracy of the Authority's and the Buffalo Water Board's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Series 2021 Bonds, and (ii) compliance by the Authority and the Board with the procedures and covenants set forth in the Tax Certificate as to such matters.

(6) Under the existing laws of the State, interest on the Series 2021 Bonds is exempt from personal income taxes imposed by the State and its political subdivisions (including The City of New York).

We express no opinion herein as to federal, state or local tax consequences arising with respect to the Series 2021 Bonds, or the ownership or disposition thereof, except as stated in paragraphs (5) and (6) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Series 2021 Bonds.

The opinions expressed in paragraphs (1) through (4) above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law. Furthermore, no opinion is expressed as to the availability of any particular remedy.

We express no opinion as to the accuracy, adequacy, sufficiency or completeness of the Official Statement (or any update or amendment thereof or supplement thereto) of the Authority relating to the Series 2021 Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the Series 2021 Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances, or changes in law or in interpretations thereof, that may hereafter occur, or for any other reason.

Very truly yours,

## APPENDIX G

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of December 3, 2021, by and between the Buffalo Municipal Water Finance Authority (the “Authority”), the Buffalo Water Board (the “Water Board”) and U.S. Bank National Association, as Trustee (the “Trustee”) in connection with the issuance of the Authority’s \$ \_\_\_\_\_ aggregate principal amount of Water System Revenue Bonds, Series 2021-A and \$ \_\_\_\_\_ aggregate principal amount of Water System Revenue Refunding Bonds, Series 2021-B (collectively, the “Series 2021 Bonds”). The Series 2021 Bonds are being issued pursuant to a Water System General Revenue Bond Resolution, adopted November 20, 1992, as amended, as supplemented by a Thirty-First Supplemental Water System Revenue Bond Resolution adopted December \_\_, 2021 (as so amended and supplemented, the “Resolution”). Capitalized terms used in this Agreement, which are not otherwise defined in the Resolution, shall have the respective meanings specified in Article IV hereof. Pursuant to the Resolution, the parties agree as follows:

#### ARTICLE I. The Undertaking

Section 1.1. Purpose: No Issuer Responsibility or Liability. This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Authority shall provide to the Trustee Annual Financial Information with respect to each fiscal year of the Authority, commencing with fiscal year ended June 30, 2022, by no later than 210 business days after the end of the respective fiscal year. The Water Board shall provide to the Authority all financial and operating information determined by the Authority to be necessary for such purpose. The Trustee shall provide notice in writing to the Authority that such Annual Financial Information is required to be provided by such date, at least 60 business days but not more than 90 business days in advance of such date. The Trustee shall provide such Annual Financial Information to EMMA as the sole repository for the central filing of electronic disclosure pursuant to Rule 15c2-12, in each case within 5 business days after receipt by the Trustee.

(b) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee’s receipt of such reports shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Authority’s compliance with any of its covenants hereunder and under the Resolution (as to which the Trustee is entitled to rely exclusively on a certificate of an authorized officer of the Authority as provided under the Resolution).

(c) The Trustee shall provide to EMMA, in a timely manner, notice of any failure to provide the Annual Financial Information to EMMA by no later than 215 business days after the end of the respective fiscal year.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof because not available, the Authority and the Water Board shall provide Audited Financial Statements, when and if available, to the Trustee. The Trustee shall provide any such Audited Financial Statements to EMMA within one Business Day after receipt by the Trustee.

Section 1.4. Reporting of Listed Events. (a) The Authority shall provide, in a timely manner (not in excess of nine business days after the occurrence of any Listed Event), notice of such Listed Event to the Trustee. The Trustee shall provide notice of each such Listed Event to EMMA within one Business Day after receipt by the Trustee.

(b) Any such notice of a defeasance of Series 2021 Bonds shall state whether the Series 2021 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Authority whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which, if material, would require the Authority or the Water Board to provide notice of a Listed Event hereunder; provided, however, that the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

(d) Certain of the Listed Events subject to a materiality standard may not be applicable. Whenever the Authority or the Water Board obtains knowledge of the occurrence of such a Listed Event, the Authority shall as soon as possible determine if such event would constitute material information for holders of the Series 2021 Bonds.

(e) The Authority shall provide or shall cause the Trustee to provide in a timely manner to EMMA, written notice of a failure of any officer or other person authorized by the Authority to comply with Sections 1.2, 1.3 and/or 1.4 hereof.

Section 1.5. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Authority under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Listed Event hereunder, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Financial Information or notice of a Listed Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Listed Event hereunder.

Section 1.7. Previous Non-Compliance. The Official Statement describes in detail the Authority's and the Board's prior non-compliance, within the preceding 5 years, with their respective prior continuing disclosure undertakings in written contracts and agreements specified in paragraph (b)(5)(i) of the Rule.

## ARTICLE II. Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Authority provides Annual Financial Information by specific reference to documents (i) either (1) provided to EMMA or (2) filed with the SEC, or (ii) if such document is a "final official

statement” as defined in paragraph f(3) of the Rule, available to the public on the MSRB’s Internet Web site.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents, and at one time or in part from time to time.

Section 2.3. Listed Event Notices. Each notice of a Listed Event hereunder shall be captioned “Notice of Listed Event” and shall prominently state the title, date and CUSIP numbers of the Series 2021 Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Trustee’s sole determination, subject to technical and economic feasibility, the Trustee shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Authority’s information and notices.

Section 2.5. Fiscal Year. (a) The Authority’s fiscal year currently is July 1 - June 30, and the Authority shall promptly notify the Trustee in writing of each change in its fiscal year. The Trustee shall provide such notice to EMMA within 5 business days after receipt by the Trustee.

(b) As provided in Section 1.2(a), Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

### ARTICLE III.

#### Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date. Termination. (a) This Agreement shall be effective upon the issuance of the Series 2021 Bonds.

(b) The Authority’s, the Water Board’s and the Trustee’s obligations under this Agreement with respect to each series of the Series 2021 Bonds shall terminate upon a legal defeasance, prior redemption or payment in full of all of such respective series of Series 2021 Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that (1) the Authority delivers to the Trustee an opinion of Counsel, addressed to the Authority, the Water Board and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Series 2021 Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Trustee delivers copies of such opinion to EMMA. The Trustee shall so deliver such opinion promptly after receipt by the Trustee.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Series 2021 Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Authority shall have delivered to the Trustee an opinion of Counsel, addressed to the Authority, the Water Board and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Authority shall have delivered to the Trustee an opinion of Counsel or a

determination by a person, in each case unaffiliated with the Authority or the Water Board (such as bond counsel or the Trustee) and acceptable to the Authority, addressed to the Authority, the Water Board and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Series 2021 Bonds or (ii) the holders of the Series 2021 Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Series 2021 Bonds pursuant to Section 903 of the Resolution as in effect on the date of this Agreement, and (5) the Trustee shall have delivered copies of such opinion(s) and amendment to EMMA. The Trustee shall so deliver such opinion(s) and amendment promptly after receipt by the Trustee.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Series 2021 Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Authority shall have delivered to the Trustee an opinion of Counsel, addressed to the Authority, the Water Board and the Trustee, to the effect that performance by the Authority, the Water Board and the Trustee of this Agreement as so amended will not result in a violation of the Rule, and (3) the Trustee shall have delivered copies of such opinion and amendment to EMMA. The Trustee shall so deliver such opinion and amendment within one Business Day after receipt by the Trustee.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2 (a) hereof to the accounting principles to be followed by the Authority or the Water Board in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit: Third-Party Beneficiaries: Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Series 2021 Bonds, except that beneficial owners of Series 2021 Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and subsection (b) of this Section.

(b) The obligations of the Authority and the Water Board to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Series 2021 Bonds, or by the Trustee on behalf of the holders of Outstanding Series 2021 Bonds, or (ii), in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Series 2021 Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Series 2021 Bonds at the time Outstanding, who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's or Water



Board's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Series 2021 Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Series 2021 Bonds for purposes of this subsection (b).

(c) Any failure by the Authority, the Water Board or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

#### ARTICLE IV. Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(a) "Annual Financial Information" means, collectively, (i) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Authority, as follows:

(i) The annual audited financial statements of the Authority and the Water Board for the preceding Fiscal Year, which may be combined in a single report. The statements are required to be prepared in accordance with generally accepted accounting principles applicable to such entities, except as may otherwise be required by State law.

(ii) A summary of any water rate changes imposed for the preceding Fiscal Year and a summary of water billings and collections for the preceding Fiscal Year.

(iii) A copy or summary of any revised Capital Improvement Plan for the System.

(iv) A statement of the aggregate principal amount and aggregate debt service requirements with respect to any Additional Bonds issued during the preceding Fiscal Year (other than the Series 2021 Bonds).

and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (a)(i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(b) “Audited Financial Statements” means the annual financial statements, if any, of the Authority and the Water Board, audited by such auditor as shall then be required or permitted by State law or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP except as may otherwise be required by State law; provided, however, that pursuant to Section 3.2(a) hereof, the Authority and the Water Board may from time to time, if required by Federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific Federal or State law or regulation describing such accounting principles, or other description thereof.

(c) “Counsel” means Hawkins Delafield & Wood LLP, or other nationally recognized bond counsel or counsel expert in federal securities laws.

(d) “EMMA means the Electronic Municipal Market Access system maintained by the MSRB.

(e) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties or responsibilities thereof.

(f) “Listed Events” means any of the following significant events with respect to the Series 2021 Bonds, whether relating to the Authority or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service (“IRS”) of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2021 Bonds, or events affecting the tax status of the Series 2021 Bonds;
- (vii) modifications to rights of bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2021 Bonds, if material;
- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or similar proceeding of the Authority or the Water Board;

Note to clause (xii): For the purposes of the event identified in clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the Water Board or the sale of all or substantially all of the assets of the Authority or the Water Board, 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, if material;
- (xiv) appointment of a successor or additional trustee, or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation of the Authority or the Water Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority or the Water Board, any of which affect security holders, if material;
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority or the Water Board, any of which reflect financial difficulties; and

Note to clauses (xv) and (xvi): For the purposes of the events identified in clauses (xv) and (xvi), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

- (xvii) Failure of the Authority to comply with the requirements of Sections 1.2 and 1.3 of this Agreement.

(g) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(h) “Official Statement” means the Official Statement dated December \_\_, 2021 of the Authority relating to the Series 2021 Bonds.

(i) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240. 15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(j) “SEC” means the United States Securities and Exchange Commission.

(k) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(l) “Underwriters” shall mean any of the original underwriters of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 Bonds.

ARTICLE V.  
Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article XI of the Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Resolution. The Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement, and the Authority agrees to 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 attorney fees) of defending against any claim of liability, but excluding liabilities due to the Trustee’s negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from and in addition to that provided to the Trustee under the Resolution. The obligations of the Authority under this Section shall survive resignation or removal of the Trustee and payment of the Series 2021 Bonds.

Section 5.2. Counterparts. This 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.

Section 5.3. Governing Law. This Agreement shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

BUFFALO MUNICIPAL WATER  
FINANCE AUTHORITY

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

BUFFALO WATER BOARD

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

U.S. BANK NATIONAL ASSOCIATION, as Trustee

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

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