



# ERIE COUNTY WATER AUTHORITY

## INTEROFFICE MEMORANDUM

July 11, 2025

To: Jerome D. Schad, Chair  
Peggy A. LaGree, Vice Chair  
Michele M. Iannello, Treasurer

From: Joyce Tomaka, Chief Financial Officer

Subject: Debt Management Policy

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The Debt Management Policy was updated in October 2022 and adopted at the October 20, 2022 Board meeting.

I have reviewed the policy along with other members of the Finance Department and we do not have any updates to the policy at this time.

In keeping with re-adopting various other policies and guidelines, a resolution authorizing the re-adoption of the Debt Management Policy is on the July 23, 2025 meeting agenda for your consideration.

**ERIE COUNTY WATER AUTHORITY  
AUTHORIZATION FORM  
For Approval/Execution of Board Meeting Documents**

**Document Name:** \_\_\_\_\_ **Project No.:** \_\_\_\_\_

**Description:** \_\_\_\_\_

**Item Description:**

Choose one:

Other: \_\_\_\_\_

**Action Requested:**

Choose one:

Other: \_\_\_\_\_

**Approvals Required:**

**APPROVED AS TO CONTENT:**

Chief Financial Officer \_\_\_\_\_ Date: 07/14/2025

Chief Operating Officer \_\_\_\_\_ Date: 7/15/2025

Claims Rep. – Risk Manager \_\_\_\_\_ Date: \_\_\_\_\_

Comptroller \_\_\_\_\_ Date: 7/15/2025

Director of Administration \_\_\_\_\_ Date: \_\_\_\_\_

Director of Distribution \_\_\_\_\_ Date: \_\_\_\_\_

Director of Human Resources \_\_\_\_\_ Date: \_\_\_\_\_

Director of IT \_\_\_\_\_ Date: \_\_\_\_\_

Director of Production \_\_\_\_\_ Date: \_\_\_\_\_

Director of Water Quality \_\_\_\_\_ Date: \_\_\_\_\_

Executive Engineer \_\_\_\_\_ Date: \_\_\_\_\_

General Counsel (Legal) \_\_\_\_\_ Date: 7/14/2025

Other: \_\_\_\_\_ Date: \_\_\_\_\_

**APPROVED FOR BOARD RESOLUTION:**

Secretary to the Authority \_\_\_\_\_ Date: 07/15/2025

**Remarks:** \_\_\_\_\_

**Resolution Date:** \_\_\_\_\_ **Item No:** \_\_\_\_\_



## **ERIE COUNTY WATER AUTHORITY DEBT MANAGEMENT POLICY**

### **PURPOSE**

The following policy is enacted in an effort to standardize the issuance and management of debt by the Erie County Water Authority (the "Authority"). The primary objective is to establish conditions for the use of debt and enact policies that minimize the Authority's debt service and issuance costs, retain the highest practical credit rating, and maintain full and complete financial disclosure and reporting. This policy is a guideline for general use, and allows for exceptions in extraordinary conditions. The policy applies to all debt issued by the Authority. Nothing in this policy shall be deemed to affect or impair any outstanding obligations of the Authority or any obligations issued to renew such outstanding obligations. Failure to comply with any goal or limit established by this policy shall not itself be deemed to invalidate any obligations.

### **CREDITWORTHINESS OBJECTIVES, PURPOSES AND USES OF DEBT**

#### **Credit Rating**

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

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

#### **Financial Disclosure**

The Authority is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The Authority is committed to complying with secondary market disclosure requirements as outlined in the Securities and Exchange Commission (SEC) Rule 15c2-12 on a timely and comprehensive basis. The Chief Financial Officer of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the Trustee or as part of a Continuing Disclosure Agreement shall be the Responsible Party as defined in the Secondary Market Disclosure requirements. The Cash Manager will be responsible for ensuring compliance for required secondary market disclosures made on the Municipal Securities Rulemaking Board (MSRB's) Electronic Municipal Market Access system (EMMA) in a timely manner.

## **Capital Planning**

To enhance creditworthiness and prudent financial management, the Authority is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment to systematic capital planning will be demonstrated through adoption of an annual capital budget, supplemented by an additional four-year capital budget forecast.

## **Capital Financing**

The Authority will finance its capital improvement plan through revenue generation, grants, contributions from other governments, and responsible debt issuance.

## **Debt Limits**

The Authority will keep outstanding debt at levels consistent with its creditworthiness objectives and capital financing plan. The Authority's debt to capitalization ratio, as defined below, is a measure of the relative leverage of the Authority as of the most recently issued December 31st independently audited financial statements and expressed as a percentage. The Debt-to-Capitalization Ratio shall not exceed 25% except in an emergency or an extraordinary event. If the Authority issues debt where a public body is contractually bound to pay the debt service, the Authority may disregard such debt for purposes of calculating the amount of its outstanding debt.

### Debt-to-Capitalization Ratio

Numerator: The sum total of all short- and long-term debt both on the Authority's balance sheet and that which is allocable to the Authority, including draws on credit lines, commercial paper notes and other loans, debt, or material obligations.

Denominator: The total debt as calculated in the numerator plus the Authority's net position

## **DEBT STANDARDS AND STRUCTURE**

### **Debt Coverage Ratio**

The Authority shall adopt an annual budget which contains net revenues equal to 1.35 times the sum of the debt service on outstanding bonds for said fiscal year computed as of the beginning of such fiscal year.

### **Length of Debt**

Debt will be structured for a period consistent with a fair allocation of costs to current and future ratepayers and consistent with the useful life of the assets being financed.

## **Debt Structure**

Debt will be structured to achieve the lowest possible True Interest Cost (TIC) to the Authority given market conditions and the urgency of the capital projects. Moreover, to the extent possible, the Authority will design the repayment of its overall debt so as to repay principal as rapidly as possible consistent with maintaining a level debt service profile.

## **Types of Bonds**

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

## **Use of Derivatives**

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

## **DEBT ADMINISTRATION AND PROCESS**

### **Bond Counsel**

The Authority will retain an external Bond Counsel for all debt issues.

### **Municipal Advisor**

The Authority will retain an SEC and MSRB registered Municipal Advisor for all debt issues. The Municipal Advisor shall advise and make recommendations on the execution of bond issuances, redemptions, and defeasances.

### **Types of Bond Sales**

Authority debt shall be issued either through a competitive bidding process or by negotiated sale. The Authority shall retain the services of a Municipal Advisor to assist in the administration of the sale process. If a negotiated sale process is deemed appropriate, the Underwriter(s) shall be selected through a competitive process. The Authority may request the Authority's Municipal Advisor to assist in this process, analyze proposals and provide recommendations with respect to the selection(s).

## **Investment of Bond Proceeds**

All bond proceeds shall be invested in accordance with its bond indenture, applicable New York State Statutes, and the Authority's adopted Investment Guidelines

## **Arbitrage Bonds**

Title 26 §1.148 of the Code of Federal Regulations (IRS Code) restricts the direct and indirect investment of bond proceeds in higher yielding investments and requires that certain earnings on higher yielding investments be rebated to the United States. Violation of these provisions cause the bonds in the issue to become arbitrage bonds, the interest on which is not excludable from the holders gross income. It is the policy of the Authority to comply with all of the IRS Code provisions necessary to protect the tax-exempt status of their bond issues.

The Cash Manager shall monitor the computation process in consultation with the Authority's Municipal Advisor and promptly make any arbitrage rebates resulting from the computation. The initial computation date can be no later than five years after the issue date. The final maturity date of a bond issue is also the final computation date.

## **Refunding of Outstanding Long-Term Obligations**

The Authority's Chief Financial Officer, with the assistance of the Authority's Municipal Advisor, shall periodically review the Authority's outstanding long-term debt to identify refunding opportunities. If a refunding opportunity is identified, the Authority's Chief Financial Officer shall work in conjunction with the Authority's Municipal Advisor to determine if the potential benefits of the refunding outweigh the risks or costs of delaying the refunding.

## **Controlling Documents**

If any portion of this policy conflicts with the terms of the Authority's General Bond Resolution, supplemental resolutions, closing documents, or any Tax Compliance Agreement (or similar document), or any tax advice rendered by nationally recognized bond counsel, this policy shall be superseded by such other document(s).