



ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM

September 22, 2021

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

From: Karen A. Prendergast, Chief Financial Officer ^{KAP}

Subject: Rating Agency Reviews

At the invitation of the Environmental Protection Agency (EPA), the Authority applied for low-interest financing for several infrastructure projects. The Board approved the application at their April 29, 2021 meeting. Through the Water Infrastructure Finance and Innovation Act (WIFIA), the EPA approved the Authority's application for \$22,883,000.

The Executive Staff, our Financial Advisor - Capital Markets, and Harris Beach as Bond Counsel have been working with the EPA to finalize the WIFIA Loan Agreement. As a condition precedent to the effectiveness of the agreement, the Authority must provide evidence of assignment by two rating agencies of a public investment grade rating on the WIFIA loan within 30 days of the effective date of the agreement.

Rick Ganci of Capital Markets has reached out to Fitch Ratings and S&P Global Ratings to request ratings. Both S&P and Fitch rated our 2018 debt issuance and have performed surveillance reviews in recent years, and have provided ratings of AA+. The rating agencies require signed engagement letters, authorizing estimated fees of \$25,250 and \$20,000, respectively.

Although we don't know the specific closing date of the loan, we anticipate closing sometime in November. Please consider authorizing the Chair to execute the engagement letters after review by General Counsel at the September 30, 2021 meeting.

cc T. McCracken
M. Carney
R. Stoll

Date: 9/21/2021

Dear Karen Prendergast,

Thank you for requesting an Indicative Private Rating/Potential Full Public Rating for the Erie County Water Authority (NY) from Fitch Ratings, Inc. (“Fitch”). The Issuer agrees to pay Fitch fees for credit rating services as set forth below:

Fee Details for Fall 2021 Rating Assignment – WIFIA Loan Application

An Indicative Rating is valid for twenty-five days upon communication to you and can be converted to a public or private monitored rating on or before the last day of the twenty-five day period. You agree to take reasonable steps to ensure that the Indicative Rating is kept confidential between Fitch, you and your agents, advisors, auditors and consultants. If you determine to convert the Indicative Rating[s] to a public or private monitored rating, Fitch will credit the Indicative Rating fee toward the public or private monitored rating fee. Should you determine not to convert the Indicative Rating to a monitored rating, only the Indicative Rating fee will be due.

Rating Service	Par Amount	Fee
Indicative Private Rating on WIFIA loan	NA	\$15,000
Full Rating – Public	\$10 mill - \$25 million	\$5,000
Total Rating Fees		\$20,000

Payment of these fees is not contingent on the issuance or sale of the rated securities, your use of the ratings, Fitch’s issuance of a particular rating or any other work performed. Fees are due and payable within 30 days of your receipt of an invoice from Fitch.

All fees and charges quoted are net of sales taxes. Issuer acknowledges and agrees that to the extent it is exempt from payment of sales tax, it is Issuer’s obligation to provide Fitch with all necessary documentation from the relevant state authority confirming such exemption or pay sales taxes included on the invoice from Fitch.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and from other sources Fitch believes to be credible. The Issuer recognizes the need to supply Fitch with all information relevant to evaluating the ratings, including without limitation any information identified by Fitch in any questionnaire that may be forwarded to the Issuer or its agents periodically. The Issuer further recognizes the importance to monitored ratings of keeping Fitch informed on a timely basis of all material changes in the information provided to Fitch, potential material events and the overall financial condition of the rated entity.

Fitch reserves the right in its sole discretion to raise, lower, place on Rating Watch or withdraw any rating at any time for any reason it deems sufficient. Under such circumstances, no fees paid to Fitch will be returned.

Fitch is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision. Ratings are not a recommendation or suggestion, directly or indirectly, to the Issuer or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security or any entity. Ratings do not comment on the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not the Issuer's advisor and is not providing the Issuer or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services. Nothing in the fee agreement is intended to or should be construed as creating a fiduciary relationship between the Issuer and Fitch or between Fitch and any user of a rating.

The Issuer acknowledges that Fitch's rating is subject to both (i) the analytical process and limitations described in this fee agreement and (ii) the provisions relating to understanding ratings, including the usage and limitations thereof, found on Fitch's website, www.fitchratings.com. Subject to any specific limitations set forth elsewhere in the fee agreement, nothing in the fee agreement shall limit Fitch's right to publish, disseminate or license others to publish or otherwise to disseminate the ratings or the rationale for the ratings.

The Issuer agrees that each of Fitch's affiliates and subsidiaries is an intended third party beneficiary of the fee agreement. The Issuer further agrees that nothing in this fee agreement, or the rating when issued, is intended to create rights in any third parties other than Fitch's affiliates and subsidiaries, including any users or recipients of ratings.

If the Issuer, or your firm on behalf of the issuer, is in agreement with the above, please accept below indicating such agreement. Work will commence after receipt of written agreement to the above terms. You should separately forward materials needed to provide the rating service directly to the analyst.

Ratings assigned by Fitch shall be valid and effective only if the rating letter assigning the rating contains the Agreement ID number set forth in this letter, and, in the case of a public rating, the rating is published on Fitch's website.

Please let me know if you have any questions and thanks again for choosing Fitch Ratings.

Best regards,

Jack Archibald Jr


Jack Archibald (Sep 21, 2021 09:26 EDT)

If you are in agreement please type "Accept" below.

ERIE COUNTY WATER AUTHORITY
AUTHORIZATION FORM
For Approval/Execution of Documents
(check which apply)

Contract: _____ **Project No.:** _____
Project Description: Bond Ratings for WIFIA Loan Agreement

Item Description:

<input type="checkbox"/> Agreement	<input type="checkbox"/> Professional Service Contract	<input type="checkbox"/> Amendment	<input type="checkbox"/> Change Order
<input type="checkbox"/> BCD	<input type="checkbox"/> NYSDOT Agreement	<input type="checkbox"/> Contract Documents	<input type="checkbox"/> Addendum
<input type="checkbox"/> Recommendation for Award of Contract	<input checked="" type="checkbox"/> Recommendation to Reject Bids		
<input checked="" type="checkbox"/> Request for Proposals			
<input checked="" type="checkbox"/> Other	<u>Engagement Letters for Rating Agencies</u>		

Action Requested:

<input checked="" type="checkbox"/> Board Authorization to Execute	<input type="checkbox"/> Legal Approval
<input type="checkbox"/> Board Authorization to Award	<input type="checkbox"/> Execution by the Chairman
<input type="checkbox"/> Board Authorization to Advertise for Bids	<input type="checkbox"/> Execution by the Secretary to the Authority
<input type="checkbox"/> Board Authorization to Solicit Request for Proposals Other	
<input type="checkbox"/>	

Approvals Needed:

APPROVED AS TO CONTENT:

<input type="checkbox"/> Other (if Applicable)	_____	Date: _____
<input checked="" type="checkbox"/> Chief Operating Officer	<u><i>Russell J. Stoll</i></u>	Date: <u>09/22/2021</u>
<input type="checkbox"/> Executive Engineer	_____	Date: _____
<input type="checkbox"/> Director of Administration	_____	Date: _____
<input type="checkbox"/> Risk Manager	_____	Date: _____
<input checked="" type="checkbox"/> Chief Financial Officer	<u><i>Karen A. Brundgaard</i></u>	Date: <u>09/22/2021</u>
<input checked="" type="checkbox"/> Legal	<u><i>[Signature]</i></u>	Date: <u>9/22/2021</u>

APPROVED FOR BOARD RESOLUTION:

<input checked="" type="checkbox"/> Secretary to the Authority	<u><i>[Signature]</i></u>	Date: <u>09/22/21</u>
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Remarks: _____

Resolution Date: _____ **Item No:** _____