

MINUTES of the **FINANCE COMMITTEE MEETING** of the **ERIE COUNTY WATER AUTHORITY** held in the office, 350 Ellicott Square Building, Buffalo, New York, on the 11th day of January, 2018.

PRESENT: Robert Anderson, Chairman
Jerome D. Schad, Vice Chairman
Karl J. Simmeth, Jr., Treasurer
Joseph T. Burns, Secretary to the Authority
Robert J. Lichtenthal, Jr., Deputy Director
Earl Jann, Executive Director
Terrence McCracken, Deputy Administrative Director
Russell Stoll, Executive Engineer
Paul Riester, Director of Administration
Karen Prendergast, Comptroller
Daniel NeMoyer, Director of Human Resources
Jacqueline Mattina, Deputy Associate Attorney
Darlene Sikorski-Petritz, Deputy Associate Attorney
Richard Planavsky, Chief Business Officer Manager/Budget Director
John Mogavero, Chemist/Chief WTPO
Paul Whittam, Director of Water Quality

ATTENDEES: Sean Dwyer
Mike Wymer
Gerald Summe
Ashley Parslow
David Krauss

CALL TO ORDER

PLEDGE TO THE FLAG

I. - ROLL CALL

II. - READING OF MINUTES

Motion by Mr. Simmeth seconded by Mr. Schad and carried to waive the reading of the Minutes of the Finance Committee Meeting held on December 15, 2016.

III. - APPROVAL OF MINUTES

Motion by Mr. Simmeth seconded by Mr. Schad and carried to approve the Minutes of the Finance Committee Meeting held on December 15, 2016.

IV. - REPORTS

A. Proposed 2018 Bond Issuance for Capital Projects

Bob Lichtenthal distributed a proposal for the issuance of debt related issues and gave a summary to the Committee.

V. - COMMUNICATIONS AND BILLS

VI. - UNFINISHED BUSINESS

VII. - NEW BUSINESS (ITEMS 1 – 3)

ITEM 1 - APPROVAL OF RECOMMENDATION TO THE BOARD OF COMMISSIONERS OF THE ERIE COUNTY WATER AUTHORITY TO PROCEED WITH THE ISSUANCE OF SERIES 2018 BONDS

Motion by Mr. Simmeth seconded by Mr. Schad to recommend to the Board of Commissioners of the Erie County Water Authority to proceed with the issuance of 2018 bonds.

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

ITEM 2 - RECOMMENDATION TO ISSUE AN RFP FOR SENIOR MANAGING UNDERWRITER FOR WATER SYSTEM REVENUE BONDS, SERIES 2018

Motion by Mr. Simmeth seconded by Mr. Schad to recommend to the Board of Commissioners of the Erie County Water Authority to issue an RFP for Senior Managing Underwriter For Water System Revenue Bonds, Series 2018.

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

ITEM 3 - RECOMMENDATION TO RETAIN RATE CONSULTANT

Motion by Mr. Simmeth seconded by Mr. Schad to authorize the Deputy Director to enter discussions to retain a rate consultant.

Ayes: Three; Commrs. Anderson, Schad and Simmeth

Noes: None



ERIE COUNTY WATER AUTHORITY
INTEROFFICE MEMORANDUM

January 10, 2018

To: Commissioners Anderson, Schad and Simmeth
 From: Robert J. Lichtenthal, Jr., Deputy Director *RJS*
 Subject: Proposal for the Issuance of Debt and Related Issues

The recently adopted 2018 Budget and accompanying financial and rate projections include a proposed \$20,000,000 of debt to be issued during the 2018 calendar year. Included in the 2018 Budget is \$285,000 for projected issuance costs. Based upon the discussions held by the Finance Department internally and with the Authority's Financial Consultant and Bond Counsel, it is recommended that the Finance Committee and the Board of Commissioner's consider proceeding with the issuance of debt at this time. Listed below is a summary Sources and Uses of Funds 2018-2022. The following calculations are based upon the rate projections through December 31, 2017. All of these numbers are subject to change based upon subsequent actions by the Board in adopting future budgets and various rate scenarios.

12/31/17	Projected Total Unrestricted Cash	\$44,500,000
01/01/18	Less: Operating Cash (20% of 2018 Budgeted Rev)	<u>\$15,320,654</u>
01/01/18	Available For Capital	\$29,179,346
	Internally Generated Cash 2018-2022 (Assuming Revenue Increases)	\$104,401,147
	Release of Debt Service Reserve Funds & Interest	\$ 6,710,876
	Projected Borrowing	\$ 20,000,000
	Projected Asset Sales (vehicles)	<u>\$ 1,500,000</u>
	Total Resources	\$161,791,369
	2018-2022 Projected Capital Budget	<u>\$160,084,458</u>
	Remainder	\$ 1,706,911

With the upcoming final repayment of the 1998 and 2008 debt issues the Authority's annual debt service payments will be substantially lower. The recent actions of the Federal Reserve to increase interest rates mean that borrowing money too much farther in the future will result in higher interest expense. And with the projected cash on hand and projected internally generated cash over the next five years not meeting the planned

1/11/18

capital expenditures of over \$160,000,000 from 2018 to 2022, it is recommended that the debt be issued now before there are any further upward interest rate moves.

Based upon the discussions and meetings had, it is recommended that the Finance Committee accept and recommend to the full Board of Commissioner's an issuance of \$20,000,000 in Authority Debt for a period of 30 years by way of a negotiated sale be undertaken.

Additionally, a recommendation to issue an RFP for the solicitation of a Bond Underwriter is also being made at this time. A copy of the draft RFP is included with this memo.

Finally, there is a piece of unfinished business regarding Raftelis. At the last Finance Committee meeting the committee gave permission to work with Raftelis on a contract extension and work scope expansion. As outlined in my memo of 12-6-16 (attached) the reason for this was:

As the Board of Commissioners has approved a major change in the Authority's rate structure which will become effective January 1, 2017 and discussions have taken place regarding a major expansion of the Authority's pipeline replacement program which will involve the regular issuance of water revenue bonds, I am recommending that the Authority retain Raftelis as its Rate Consultant for the next three years. I would envision this to be on an as-needed basis whereby the Authority would only incur an expense if it had a specific project to be performed or if Raftelis was needed to answer questions or offer advice on a matter.

A proposal was requested of Raftelis but what was received by the Authority was much greater in scope and services than had been envisioned. Based upon other demands during the year, this issue was never addressed and brought to closure. With the approval of the Finance Committee I would like to restart a discussion with the firm for the same purposes as outlined in the December 6, 2016 memo now that a specific project (debt issuance) is at hand.

If you have any additional questions or need further information please let me know.

ERIE COUNTY WATER AUTHORITY
REQUEST FOR PROPOSALS
FOR
SENIOR MANAGING UNDERWRITER
FOR WATER SYSTEM REVENUE BONDS, SERIES 2018
PROJECT NO: 201800021



Erie County Water Authority
295 Main Street, Room 350
Buffalo, New York 14203-2494

Contact: Rick Ganci
Executive Vice President
Capital Markets Advisors, LLC
4211 North Buffalo Road, Suite 19
Orchard Park, NY 14127
Tel: 716-662-3910

Table of Contents

Purpose.....3

Background Information.....3

Estimated Proposal Timetable4

Proposal Format/Qualifications4

Submission of Proposal.....6

Evaluation/Selection Process7

General Information.....9-12

Attachments:

Respondent’s Certification

Required Forms A, B and C

Contract Termination Provision

Insurance Certificates

The Request for Proposal (RFP) for Senior Managing Underwriter For Water System Revenue Bonds, Series 2018 is being conducted pursuant to New York State Finance Law §§ 139-j and 139-k and the Erie County Water Authority’s Procurement Disclosure Policy. The Procurement Disclosure Policy is available by accessing the Erie County Water Authority’s website-<http://www.ecwa.org>, under the caption “Doing Business with ECWA.”

PURPOSE

The Erie County Water Authority (the "Authority") is seeking the services of qualified underwriters in connection with its offering of Water System Revenue Bonds, Series 2018 (the "Bonds").

The selected firm will work with representatives of the Authority, Capital Markets Advisors, LLC ("CMA") and Barclay Damon LLP, bond counsel, to ensure that the financing is completed in a timely and efficient manner and the securities are well received by the market. CMA will be the liaison, on behalf of the Authority, to the rating agencies. It should be emphasized that the Authority reserves the right to appoint other members of the underwriting team, which could include a co-senior manager, co-managers, and/or a selling group; a decision to appoint any of these supplemental members will depend on the size of the issue, among other factors.

As detailed in the attachment herein, the Bonds are expected to be issued to partially fund capital projects of the Authority in 2018 and 2019.

The Authority intends to seek a rating from S&P Global Ratings ("S&P") on the Bonds. The Authority currently has an underlying uninsured rating of "AA+" from S&P.

BACKGROUND INFORMATION:

Organizational Information

The Erie County Water Authority is a public benefit corporation formed in 1949 to provide a potable water supply to the residents of Western New York. The Authority was created by an Act of the State Legislature, codified in Sections 1050 through 1073 of Title 3 (the "Erie County Water Authority Act") of Article 5 of the Public Authorities Law of the State of New York (as amended), to, among other things, finance, construct, operate and maintain a water supply and distribution system to benefit the residents of the County of Erie, New York. The Authority became operational in 1953. The Authority is financially self-sustaining, paying all operating expenses from revenues generated from the sale of water to 169,xxx customers.

The Erie County Water Authority is not an agency of New York State, nor an agency of Erie County government. The Authority is completely independent with respect to budgeting, bonding authority, debt management and credit rating.

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

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

Estimated Proposal Timetable:

Thursday, January 25, 2018	Board Approval of RFP
Thursday, January 25, 2018	Distribution of RFP
Friday, February 2, 2018	Inquiries related to RFP due by noon
Thursday, February 8, 2018	RFP Responses due by 2:00 pm Prevailing Time
Thursday, February 8, 2018 to no later than Thursday, February 22, 2016	Review and evaluation of Responses; presentations, if required; selection of underwriter by the Board of Commissioners

Proposal Format/Qualifications:

Proposals must be submitted as described herein. Restate each question (A through F) prior to each response. Excluding requested tabular material and schedules, please limit your proposal to the specified number of pages.

- A.) Letter of Transmittal.** The letter of transmittal must be signed by an officer of the proposing firm who will have primary responsibility to the Authority, should the proposal be accepted, and who has the authority to commit the firm submitting the proposal. The letter must contain a brief description of the qualifications of the firm, including a listing of three comparable transactions in which the firm has served as underwriter and a maximum three references that the Authority may contact in regard to such services. This letter must not exceed two pages in length.
- B.) Key Personnel.** Provide a list of the key personnel from your firm who will be assigned to this engagement, including their respective titles, tenure with your firm, proposed roles in this transaction and a brief description of their respective backgrounds. This section must not exceed one page in length.
- C.) Experience and Expertise.** List the negotiated tax-exempt water revenue bond issues in New York State for which your firm has served as senior manager since January 1, 2016. For each issue, specify the capacity in which your firm served (i.e., sole senior or co-senior). Provide a description of each issue, including the par amount and the ratings on the securities. Please do not include transactions for which your firm served as co-manager or selling group member.

D.) Bond Structure. A proposed structure, based upon the assumptions listed below, must be included as part of your proposal.

1. Deposit to the project fund should be \$20,000,000.
2. The Bonds will be dated and delivered on June 1, 2018.
3. Interest on the Bonds will be payable December 1, 2018, and thereafter on June 1 and December 1 of each year with principal of the Bonds being due December 1, 2018 and annually thereafter on December 1 of each year. The final maturity for the Bonds shall be December 1, 2048.
4. The Bonds shall have the option of prior redemption, at par, on any date on or after December 1, 2027.
5. A Debt Service Reserve Fund (the "DSRF") is not expected to be required.
6. The Bonds should be structured with substantially level or declining annual debt service on a December 31 fiscal year basis. Term bonds subject to annual mandatory sinking fund requirements are permitted, if cost effective.
7. Total estimated cost of issuance, excluding underwriters' discount, is \$175,000.
8. Use prevailing MMD interest rate scales as of the close of business on January 25, 2018.

E.) Marketing Plan (not to exceed one page)

The marketing strategy should identify your firm's view as to the mix of potential buyers for the Authority's issue (i.e., property and casualty, bank trust, bond fund, individual retail) and your recommended method of pre-sale marketing to maximize local retail distribution. Describe your firm's marketing and distribution capabilities, municipal research services and any publications your firm routinely uses or distributes to inform buyers of bonds sold by New York State issuers. Please note that the Authority reserves the right to direct the underwriting team to establish a priority of orders at the time of pricing that favors individual in-State retail investors.

Discuss briefly your firm's marketing recommendations in the context of expected market conditions at the time of the sale of the Bonds.

F.) Compensation. Include a firm indication of the total proposed spread (in dollars/\$1,000). Complete the fees and expenses form provided as Exhibit 1. All fees and expenses must be provided on a not-to-exceed basis, subject to market considerations. This section must not exceed one page in length.

The Authority reserves the right to amend this RFP up to three business days prior to the submission day for receipt of proposals; to reject any or all of the proposals, or any part thereof, submitted in response to this RFP; to waive any informalities, if such action is deemed to be in the best interest of the Authority; and to award a negotiated contract to the successful proposer or proposers. The Authority also reserves the right to request additional information from any proposer and to negotiate in its best interest with the proposer that is deemed to offer the most favorable terms to the Authority.

NO OTHER INFORMATION IS REQUIRED OR REQUESTED

Submission of Proposal:

Questions may be directed via email to Rick Ganci, rganci@capmark.org by 12:00 noon on Friday, February 2, 2018. Information obtained from any other source is not official and may be inaccurate. Inquiries and responses will be recorded and those that are general in nature and may pertain to all potential respondents may be shared with all potential respondents at the Authority's option. Respondent, its agents and/or associates shall refrain from contacting or soliciting any other Erie County Water Authority official, including any Authority member, regarding the selection of a firm during the RFP process. Failure to comply may disqualify the respondent.

Each of the below individuals should receive an electronic version of the proposal from your firm together with one hard copy (via US Mail, overnight mail or hand delivery) of the proposal by 2:00 p.m. (EDST) on Thursday February 8th. Make sure that you send your proposal so that it arrives no later than the deadline to both.

Robert J. Lichtenthal, Jr.
Deputy Director
Erie County Water Authority
295 Main Street, Rm. 350
Buffalo, NY 14203
RJL6807@ECWA.org

Rick Ganci
Executive Vice President
Capital Markets Advisors, LLC
4211 North Buffalo Road, Suite 19
Orchard Park, NY 14127
Tel: 716-662-3910
rganci@capmark.org

This RFP is not intended and shall not be construed to commit the Authority to pay any costs incurred in connection with any proposal or to procure or contract for services.

Proposal Evaluation:

Proposals will be evaluated based upon the following criteria:

1. Firm experience/performance
2. Personnel assigned
3. Proposed structure
4. Marketing plan
5. Fees and expenses

The Authority reserves the right to reject any one and all proposals, to waive any informality with respect to any proposal, and to modify or amend, with the consent of the bidder, any proposal prior to acceptance, as the Authority, in its sole judgment, may deem to be in its best interests. The Authority can give no assurance that the proposed transaction will take place. Neither the Authority nor CMA shall be liable for any damages or harm suffered by the bidders under any circumstances. Neither the Authority nor CMA shall be liable for any expenses incurred in the preparation of this response.

Please refrain from contacting Authority officials; the only contact during the selection process should be with CMA, the Authority's Municipal Advisor. Please be advised that the Authority expects to complete the transaction in a relatively short period. We appreciate your continuing interest in the Authority and look forward to receiving your proposals.

DRAFT

EXHIBIT 1

ERIE COUNTY WATER AUTHORITY, NEW YORK
Fees And Expenses Worksheet

Total Spread (in dollars per thousand):

- (1) Average Takedown \$ _____
 - (2) Management Fee \$ _____
 - (3) Underwriter's Expenses* \$ _____
 - (4) Underwriting Fee (Risk) \$ _____
- Total Spread:** \$ _____

*Breakdown of Underwriter's Expenses (actual dollar amount):

- (1) Underwriter's Counsel (1) \$ _____
 - (2) Travel \$ _____
 - (3) Fed Funds (2) \$ _____
 - (4) Document Printing (3) \$ _____
 - (5) Overnight Delivery \$ _____
 - (6) Other (specify) \$ _____
- Sub-Total Expenses:** \$ _____

Submitted By: _____
 Title: _____
 Firm Name: _____
 Telephone: _____

1. Duties of the selected underwriter's counsel firm will include the drafting of the POS and OS. Kindly provide three firms with contact information and fees on a "not-to-exceed" basis.
2. Assume closing with same-day funds.
3. Exclude POS/OS printing; the financial advisor will oversee printing of the Official Statement.

General Information**REQUIREMENTS OF NEW YORK STATE FINANCE LAW**

The enacted provisions of New York State Finance Law §§ 139-j and 139-k, require that Form A, B and C be completed, and returned to the Authority by each respondent. Each respondent must comply with the enacted provisions.

OWNERSHIP OF PROPOSALS

All responses to this request for proposal (RFP) become the property of the Erie County Water Authority and are not returnable.

RESPONDENT'S EXPENSES

Respondents are solely responsible for their own expenses in preparing a proposal in response to this RFP and for any expenses incurred by the respondent in subsequent negotiations with the Authority.

CONTRACT

The Erie County Water Authority reserves the right to award a contract in part, or in full, or not at all, based on its analysis of the responses received to this RFP. The Erie County Water Authority is not bound to accept the lowest cost proposal.

ACCEPTANCE OF PROPOSALS

This RFP by and of itself should not be construed as a contract to purchase goods or services. However, after an award of contract has been made by the Board of Commissioners, the RFP and the selected respondent's proposal will be considered part of the contract with the Authority.

LIABILITY FOR ERRORS

While the Erie County Water Authority has used considerable efforts to ensure an accurate presentation of information in this RFP, all prospective respondents are urged to review the materials and facts pertinent to this RFP and to make inquiry to the Authority for clarification(s) and /or other material(s) (see section INQUIRIES above). The Erie County Water Authority shall not be held liable or accountable for any error or omission in any part of this RFP, or in the additional materials or responses, written or verbal, provided as exhibits, attachments, or otherwise.

ACCEPTANCE OF TERMS

All the terms and conditions of this RFP are deemed to be accepted by the respondent(s) and are incorporated in the respondent's proposal except those conditions and provisions which are expressly excluded by the respondent and so stated in the respondent's proposal.

QUOTES FROM THE MARKETPLACE

The Authority reserves the right to consider at any time quotes from the marketplace, from multiple sources and/or directly from firms other than those invited to respond to this RFP.

FINANCIAL STABILITY

The successful respondent must demonstrate financial stability and the Authority reserves the right to conduct independent background checks to determine the financial strength of any and all firms submitting proposals. The Authority may require that additional information be submitted by a firm responding to the RFP.

NEGOTIATION DELAY

If any agreement cannot be negotiated within fifteen (15) days of notification to the designated respondent, the Authority may terminate negotiations with that respondent and negotiate an agreement with another respondent or respondents of its choice.

SHORTLIST

Unless there is a successful respondent selected by the Authority after its initial review of the responses, the Authority will commence an evaluation process and develop a "shortlist" based principally on the criteria stated on pages 3 through 6 of this RFP. Those respondents listed on the "shortlist" may be asked to submit additional information or make a presentation of their proposal to staff of the Authority and/or personally appear before the Board of Commissioners of the Erie County Water Authority to discuss their proposal.

DEFINITION OF AGREEMENT

The Erie County Water Authority may, at its option, notify a respondent in writing that its response-proposal has been accepted and such acceptance shall constitute the making of a formal agreement for the services identified in the accepted response-proposal. Alternatively, the Authority may require the execution of a written agreement for services, and no respondent shall acquire any legal or equitable rights or privileges until the Erie County Water Authority has delivered either a formal resolution of the Board of Commissioners or a fully executed written agreement to the respondent. The firm selected will be required to submit Certificates of Insurance, (see the attached pages), prior to the execution of any agreement with the Authority.

CONTRACT ADMINISTRATOR

The Authority will assign the administration of any contract that results from this process to Robert J. Lichtenthal, Jr., Deputy Director who will oversee the contract awarded to the successful respondent. In addition, the successful respondent will be expected to name a counterpart. The respondent's designee will be responsible for providing services and information to effectuate the implementation of the goods and services and provide support services on an ongoing basis for the term of the contract. If the respondent's primary designee is not available for any reason, an alternative designee will be made available to assist the Authority.

COMPLIANCE WITH LAWS

The successful respondent shall give all notices and obtain all the licenses, permits, approvals, etc., required to perform its duties and provide the professional services expected by the Authority. The successful respondent will keep the Authority informed of any changes in legislation, regulations, court decisions, etc., which may impact the Authority with respect to the services provided.

GOVERNING LAW AND JURISDICTION

This RFP and any contract entered into between the respondent(s) and the Erie County Water Authority shall be governed by and in accordance with the laws of the State of New York. Notwithstanding any other provision in this RFP or contract between the Authority and the successful respondent, any matter which is not disposed of by agreement of the parties shall be governed, interpreted and decided by a court of competent jurisdiction of the State of New York.

CONFIDENTIALITY AND SECURITY

This RFP document, or any portion thereof, may not be used for any purpose other than the submission of proposals.

GENERAL

Subsequent to the submission of proposals, interviews and negotiations may be conducted with respondents selected by the Authority, but there shall be no obligation on the part of the Authority to receive further information from any respondent or conduct interviews with all respondents.

Respondents shall identify and present to the Authority any conflicts of interest, or appearances of conflicts of interest, issues, concerns, etc. Failure to do so could be deemed sufficient reason for the Authority to terminate its relations with the respondent or firm at any time.

FIRM PRICING

Prices quoted in the proposals shall be firm for a period of at least ninety (90) days after the submission deadline – February 8, 2018 by 2:00 p.m. Prevailing Time.

CURRENCY

Prices are to be in U.S. dollars.

DRAFT

RESPONDENT'S CERTIFICATION

I have carefully examined the Request for Proposals (RFP) and any other documents accompanying or made a part of this Request for Proposals.

I hereby propose to furnish the service(s) and/or product(s), etc. specified in my response to the Request for Proposals for the Erie County Water Authority (Authority) – Request for Proposals (RFP) at the prices or rates quoted in my proposal. I agree that my proposal will remain firm for a period of up to ninety (90) days from the date Offer submits proposal, in order to allow the Authority adequate time to evaluate all proposals it receives.

I agree to abide by all conditions of the Request for Proposals issued by the Authority.

I certify that all information contained in this response to the Request for Proposals is truthful to the best of my knowledge and belief. I further certify that I am authorized to submit this response to the Request for Proposals on behalf of the agent/broker and/or insurer(s) as its act and deed and that the same is ready, willing and able to perform if awarded the contract.

I further certify, under oath, that this proposal is made without prior understanding, agreement, connection, discussion, or collusion with any other person, firm or corporation submitting a proposal for the same service(s), product(s), coverage(s), etc. unless a joint proposal is disclosed by the respondents and the joint proposers act as a syndicate, and the individual parties in the joint proposal, as well as the syndicate, abide by all the terms and conditions set forth in this RFP; and, that the undersigned executed this Respondent's Certification with full knowledge and understanding of the matters therein contained and was duly authorized to do so.

NAME OF BUSINESS:

BY:

SIGNATURE:

NAME & TITLE, TYPED OR PRINTED:

MAILING ADDRESS:

CITY, STATE, ZIP CODE:

TELEPHONE NUMBER:

FORMS A, B and C**SECTION 139 OF STATE FINANCE LAW**

Pursuant to State Finance Law §139-j and §139-k, this Invitation to Bid includes and imposes certain restrictions on communications between a Governmental Entity and an Offerer/bidder during the procurement process. An Offerer/bidder is restricted from making contacts from the earliest notice of intent to solicit offers, through final award and approval of the Procurement Contract by the Governmental Entity. The designated contact is identified in the Notice to Bidders. Governmental Entity employees are also required to obtain certain information when contacted during the restricted period and make a determination of the responsibility of the Offerer/bidder pursuant to these two statutes. Certain findings of non-responsibility can result in rejection for contract award and in the event of two findings within a 4-year period, the Offerer/bidder is debarred from obtaining governmental Procurement Contracts. Further information about these requirements can be found in §139-j and §139-k of the New York State Finance law and the Erie County Water Authority's Procurement Disclosure Policy.

- Form A - Offerer's Affirmation of Understanding of and Agreement pursuant to State Finance Law.
- Form B - Offerer's Certification of Compliance with State Finance Law.
- Form C - Offerer's Disclosure of Prior Non-Responsibility Determinations.
- Contract Termination Provision.

FORM A

**Offerer's Affirmation of Understanding of and Agreement pursuant to State
Finance
Law §139-j (3) and §139-j (6) (b)**

Instructions:

A Governmental Entity must obtain the required affirmation of understanding and agreement to comply with procedures on procurement lobbying restrictions regarding permissible Contacts in the restricted period for a procurement contract in accordance with State Finance Law §§139-j and 139-k. It requires that this affirmation be obtained as early as possible in the procurement process, but no later than when the Offerer submits its proposal.

Offerer affirms that it understands and agrees to comply with the procedures of the Government Entity relative to permissible Contracts as required by State Finance Law §139-j (3) and §139-j (6) (b).

By: _____ Date: _____

Name: _____

Title: _____

Contractor Name: _____

Contractor Address: _____

FORM B

**Offerer's Certification of Compliance
With State Finance Law §139-k (5)**

Instructions:

A Governmental Entity must obtain the required certification that the information is complete, true, and accurate regarding any prior findings of non-responsibility, such as non-responsibility pursuant to State Finance Law §139-j. The Offerer must agree to the certification and provide it to the procuring Governmental Entity. It is required that the certification be obtained as early as possible in the process, but no later than when an Offerer submits its proposal.

Offerer Certification:

I certify that all information provided to the Governmental Entity with respect to State Finance Law §139-k is complete, true, and accurate.

By: _____ Date: _____

Name: _____

Title: _____

Contractor Name: _____

Contractor Address: _____

FORM C

Page 1 of 3

**Offerer's Disclosure of Prior
Non-Responsibility Determinations****Background:**

New York State Finance Law §139-k (2) obligates a Governmental Entity to obtain specific information regarding prior non-responsibility determinations with respect to State Finance Law §139-j. In accordance with State Finance Law §139-k, an Offerer must be asked to disclose whether there has been a finding of non-responsibility made within the previous four (4) years by any Governmental Entity due to: (a) a violation of State Finance Law §139-j or (b) the intentional provision of false or incomplete information to a Governmental Entity. The terms "Offerer" and "Governmental Entity" are defined in State Finance Law §139-k (1). State Finance Law §139-j sets forth detailed requirements about the restrictions on Contacts during the procurement process. A violation of State Finance Law §139-j includes, but is not limited to, an impermissible Contact during the restricted period (for example, contacting a person or entity other than the designated contact person, when such Contact does not fall within one of the exemptions).

As part of its responsibility determination, State Finance Law §139-k (3) mandates consideration of whether an Offerer fails to timely disclose accurate or complete information regarding the above non-responsibility determination. In accordance with law, no Procurement Contract shall be awarded to any Offerer that fails to timely disclose accurate or complete information under this section, unless a finding is made that the award of the Procurement Contract to the Offerer is necessary to protect public property or public health safety, and that the Offerer is the only source capable of supplying the required Article of Procurement within the necessary time frame. See State Finance Law §139-j (10) (b) and §139-k (3).

Instructions:

A Governmental Entity must include a disclosure request regarding prior non-responsibility determinations in accordance with State Finance Law §139-k in its solicitation of proposals or bid documents or specifications or contract documents, as applicable, for procurement contracts. The attached form is to be completed and submitted by the individual or entity seeking to enter into a Procurement Contract. It shall be submitted to the Governmental Entity conducting the Governmental Procurement no later than when the Offerer submits its proposal.

FORM C

Offerer's Disclosure of Prior Non-Responsibility Determinations

Name of Individual or Entity seeking to Enter into the Procurement Contract:

Address: _____

Name and Title of Person Submitting this Form: _____

Contract Procurement Number: _____

Date: _____

Has any Governmental Entity made a finding of non-responsibility regarding the individual or entity seeking to enter into the Procurement Contract in the previous four years? (Please circle)

No Yes

If yes, please answer the next questions:

Was the basis for the finding of non-responsibility due to a violation of State Finance Law §139-j? (Please circle)

No Yes

Was the basis for the finding of non-responsibility due to the intentional provision of false or incomplete information to a Governmental Entity? (Please circle)

No Yes

If you answered yes to any of the above questions, please provide details regarding the finding of non-responsibility below.

Governmental Entity: _____

Date of Finding of Non-Responsibility: _____

Basis of Finding Non-Responsibility: _____

(Add additional pages as necessary)

FORM C

Has any Governmental Entity or other governmental agency terminated or withheld a Procurement Contract with the above-named individual or entity due to the intentional provision of false or incomplete information? (Please circle)

No Yes

If yes, please provide details below.

Governmental Entity: _____

Date of Termination or Withholding of Contract: _____

Basis of Termination or Withholding: _____

(Add additional pages as necessary)

Offerer certifies that all information provided to the Governmental Entity with respect to State Finance Law §139-k is complete, true, and accurate.

By: _____ Date: _____

Signature

Name: _____

Title: _____

Contract Termination Provision

Instructions:

A Contract Termination Provision will be included in each Procurement Contract governed by State Finance Law §139-k. New York State Finance Law §139-k (5) provides that every procurement contract award subject to the provisions of State Finance Law §139-k and §139-j shall contain a provision authorizing the Governmental Entity to terminate the contract in the event that the certification is found to be intentionally false or intentionally incomplete. This statutory contract language authorizes, but does not mandate, termination. "Government Entity" and "procurement contract" are defined in State Finance Law §139-k (1).

This required clause will be included in a covered procurement contract.

A sample of the Termination Provision is included below. If a contract is terminated in accordance with State Finance Law §139-k (5), the Governmental Entity is required to include a statement in the procurement record describing the basis for any action taken under the termination provision.

Sample Contract Termination Provision

The Governmental Entity reserves right to terminate this contract in the event it is found that the certification filed by the Offerer in accordance with New York State Finance Law §139-k was intentionally false or intentionally incomplete. Upon such finding, the Governmental Entity may exercise its termination right by providing written notification to the Offerer in accordance with the written notification terms of this contract.

ERIE COUNTY WATER AUTHORITY
INTEROFFICE MEMORANDUM



December 6, 2016

To: Commissioners Jann, Schad and Anderson

From: Robert J. Lichtenthal, Jr., Deputy Director *RJL*

Subject: Retention of a Rate Consultant

The Authority's Fourth General Water Revenue Bond Resolution sets out a great number of requirements with respect to the ongoing operations of the Authority for however long any bonds issued under this resolution may be outstanding.

Article VIII, Section 8.5 addresses the issue of a Rate Consultant as follows (*italics for emphasis*):

SECTION 8.5. Rate Consultant; Consulting Engineers. *The Authority shall retain and appoint, as a Rate Consultant, one or more independent consulting engineers or engineering firms (each a "Consulting Engineer"), accounting firms, investment bankers or corporations having special skill, knowledge and experience in analyzing the operations of water utility systems, preparing rate analyses, forecasting the loads and revenues of water utility systems, preparing feasibility reports respecting the financing of water utility systems and advising on the operation of water facilities, who shall be available to advise the Authority, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions of the Resolution.* In addition to the other purposes for which a Consulting Engineer shall be retained and appointed pursuant to the Resolution, the Authority shall retain and appoint a Consulting Engineer, which may also serve as a Rate Consultant, and which shall not later than 180 days following the end of every fifth calendar year from the date of the last such examination and report make an examination of and report on the properties and operations of the Water Works System. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily performed and complied with the covenants, agreements and conditions set forth in the Resolution with respect to the management of the business of the Water Works System, the sufficiency of the amount being charged and collected for services under the requirements of the Resolution, the proper maintenance of the Water Works System, and the making of repairs, renewals, replacements, modifications, additions and betterments necessary or desirable to improve operating reliability or reduce costs and recommendations thereof. Such Consulting Engineer may rely upon audit reports rendered pursuant to Section 8.6. If the Authority in any material way shall have failed to perform or comply with such covenants, agreements and conditions, such report shall specify the details of such failure. A copy of each such report shall be filed with the Authority and the Trustee and sent to any Bondholder filing with the Trustee a written request for a copy thereof. On the filing of such report, the Authority shall undertake a review of the management of the business of

the Water Works System and shall cause the prompt taking of such action as shall be necessary to fully perform and comply with the covenants, agreements and conditions as to which the report specified such failure of performance or compliance.

At the regular meeting of the Board of Commissioners held on September 24, 2015 a resolution to enter into a Professional Services Contract for a Cost of Service and Rate Structure Review with Raftelis Financial Consultants, Inc. was approved. The contract was executed and was effective October 1, 2015. The original term of the contract was for one year from the effective date. As it took additional time to prepare and analyze the cost of service data and to design alternative rate structures for the Board's review the contract was extended to January 31, 2017 to allow for the project to be completed.

The original contract and the extended contract now in place through January 31, 2017 includes Article 4. - Additional Services which reads as follows:

At the Client's request, RFC may submit proposals for the expansion of the scope of work of this Agreement or additional professional services. Each proposal submitted shall detail: (1) scope of work for the additional services or expansion of the scope of work of this Agreement, (2) period of services to be performed, and (3) method and amount of compensation. The Client and RFC shall enter into a new Agreement prior to the commencement of work on any proposed additional services; or amend this Agreement in the event of the expansion of the scope of work of this Agreement.

As the Board of Commissioners has approved a major change in the Authority's rate structure which will become effective January 1, 2017 and discussions have taken place regarding a major expansion of the Authority's pipeline replacement program which will involve the regular issuance of water revenue bonds, I am recommending that the Authority retain Raftelis as its Rate Consultant for the next three years. I would envision this to be on an as-needed basis whereby the Authority would only incur an expense if it had a specific project to be performed or if Raftelis was needed to answer questions or offer advice on a matter.

With the Board's consent I would like to notify Raftelis that that the Authority has an interest in expanding the scope of work to act as the Authority's Rate Consultant from February 1, 2017 to January 31, 2020 at rates to be agreed upon and if Raftelis is in agreement, then a resolution approving the amendment and extension be considered by the Commissioner's at a future Board meeting.

Please let me know if you are in agreement with this course of action and if I should proceed.

ERIE COUNTY WATER AUTHORITY

DEBT MANAGEMENT POLICY

Purpose

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

Creditworthiness Objectives, Purposes and Uses of Debt

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

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

Policy 2. Financial Disclosure: The Authority is committed to full and complete financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The Authority is committed to complying with secondary disclosure requirements as outlined in Title 17 §240.15c of the Code of Federal Regulations on a timely and comprehensive basis. The Deputy Director 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).

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

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

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

Debt Standards and Structure

Policy 6. Coverage Ratio: So long as any Bonds are Outstanding, the Authority's Board of Commissioners each year shall adopt a budget plan that shall at all times maintain rates, fees, rentals and other charges with respect to the Water Works System as shall be required in order that in each fiscal year the net revenues shall equal at least 1.35 times the sum of the debt service on the outstanding bonds for such fiscal year computed as of the beginning of such fiscal year.

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

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

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

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

Debt Administration and Process

The following policies apply to all Authority debt issuance:

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

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

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

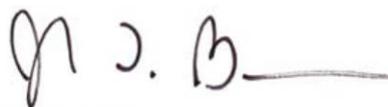
Policy 14. Investment of Bond Proceeds: All bond proceeds shall be invested in accordance with applicable New York State Statutes and the Authority's adopted Investment Guidelines

Policy 15. 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 will monitor the computation process which is generally completed by the Authority's Financial 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. Each additional computation is due no later than five years from each preceding computation date. The final maturity date of a bond issue is also the final computation date.

VIII. - ADJOURNMENT

Motion by Mr. Anderson, second by Mr. Schad and carried that the meeting adjourn.

A handwritten signature in black ink, appearing to read "J. T. Burns", followed by a horizontal line.

Joseph T. Burns
Secretary to the Authority

SLZ