

ERIE COUNTY WATER AUTHORITY
News Release

FOR IMMEDIATE RELEASE
July 8, 2004

ECWA APPROVES MOU FOR BUFFALO WATER SYSTEM

BUFFALO, New York – The Erie County Water Authority's (ECWA) Board of Commissioners today approved a formal memorandum of understanding (MOU) to acquire the assets of Buffalo's troubled water system. The \$166.5 million offer is the result of ongoing negotiations that began three years ago between the ECWA and city officials.

In addition to paying the city \$31.5 million in cash, the ECWA will assume all outstanding debt of the city, the Buffalo Municipal Finance Authority and general obligation bonds related to the water system, which will total \$121,014,728 as of July 2, 2005. In exchange, the ECWA would acquire all assets of the city's water system and city ratepayers would become customers of the ECWA.

"We have put forth a good faith effort and our best possible offer to the city," said ECWA Executive Director Robert A. Mendez. "This is a great deal for the city and the water board. It provides a substantial up front cash payment, relieves the water board of its current and future debt burden, the system will get a much needed capital investment program that will average \$15 million a year, and it stabilizes rates over the long term."

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Based on projections from the city's rate consultant, if the city retained ownership of the system it would have to increase rates 56 percent over nine years to stabilize operations. According to Mendez, if the ECWA took over the city's system, rates would increase about 34 percent over the same period. Mendez also said the city is not in the financial position to maintain the capital improvement program that its system needs to continue to meet increasingly stringent government regulations mandated by the New York State Department of Health and the Environmental Protection Agency

"The ECWA's sole business is water and we are in a much better position than the city and its water board to implement changes in operations and make the capital improvements that are needed to run the system more efficiently," Mendez said. "This is the best deal for the community and it's based on the ECWA's basic mission of providing safe, affordable water to our customers throughout Western New York. This offer is an attempt to do just that for the current and future ratepayers of Buffalo."

The ECWA's offer is based upon interest-free financing it may receive from the New York State Environmental Facilities Corporation (EFC) to pay off the Buffalo water system's debt. The EFC's financing program is based on a merit system in which points are awarded on a needs assessment. The more points an application gets, the lower the interest rate. EFC officials recently assured the ECWA that its application met the requirements to qualify for zero percent financing; however, they said they want to see the MOU approved by the Buffalo Water Board and the Common Council by August 15.

The MOU also says the ECWA would operate the city's system as a separate cost center with its own rate structure. ECWA officials said it would not be fair to have existing customers subsidize the city's system.

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If the offer is accepted by the city, ECWA officials estimate the transition could be completed by spring of 2005.

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The Erie County Water Authority is an independent, public benefit corporation that provides safe, affordable drinking water to more than 540,000 people in thirty-two municipalities throughout Western New York. It is New York State's second largest regional water authority.



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