

**EXHIBIT B**

**PRELIMINARY OFFICIAL STATEMENT**

PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_\_, 2025]

NEW ISSUE - BOOK-ENTRY ONLY

See “RATING” herein

*In the opinion of Barclay Damon LLP, Bond Counsel to the Buffalo Sewer Authority (the “Authority”), under existing law and assuming compliance with certain covenants described herein, and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by the Authority, interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is further of the opinion that interest on the Series 2025A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; however, interest on the Series 2025A Bonds that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A 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.*



**\$46,230,000\***  
**BUFFALO SEWER AUTHORITY**  
**Sewer System Revenue Bonds, Series 2025A**

Dated: Date of Issuance

Due: as shown on the inside cover

The Buffalo Sewer Authority (the “Authority”) \$46,230,000\* Sewer System Revenue Bonds, Series 2025A (the “Series 2025A Bonds”) will be issued in fully registered form without coupons. The Series 2025A Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2025A Bonds. So long as Cede & Co. is the registered owner of the Series 2025A Bonds, as nominee for DTC, principal and interest shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursement to the beneficial owners of the Series 2025A Bonds. Individual purchases of the Series 2025A Bonds will be made in book-entry form only in denominations of \$5,000 or multiples thereof. Beneficial owners of the Series 2025A Bonds will not receive physical delivery of Series 2025 Bond certificates.

The Series 2025A Bonds mature on June 15 in each of the years and in the amounts set forth herein. Interest on the Series 2025A Bonds is payable at the rates specified herein on each June 15 and December 15, commencing December 15, 2025. Interest on the Series 2025A Bonds will be calculated on the basis of a 30-day month and a 360-day year. Principal on the Series 2025A Bonds will be due on June 15, 2026 and shall continue annually thereafter, with a final maturity date of June 15, 2055.

The Series 2025A Bonds are special obligations of the Authority payable solely from revenues and other moneys pledged for such payment pursuant to the Authority Act and the Bond Resolution (both as defined herein). The Series 2025A Bonds shall not in any respect be a general obligation of the Authority to which the full faith and credit of the Authority is pledged and shall not in any manner or to any extent constitute or be a charge upon any moneys or property of the Authority not specifically pledged thereto by the Bond Resolution. The Authority has no taxing power. The Series 2025A Bonds are not a debt of the State of New York or the City of Buffalo, New York, and neither the State of New York nor the City of Buffalo, New York, is liable thereon, nor are the Series 2025A Bonds payable out of any funds other than those of the Authority pledged thereto.

The Series 2025A Bonds are subject to optional redemption, mandatory sinking fund redemption and [mandatory redemption with unspent Series 2025A Bond proceeds] prior to their stated maturities as more fully described herein.

The Series 2025A Bonds are offered for delivery when, as, and if issued, subject to the approving legal opinion of Bond Counsel to the Authority, Barclay Damon LLP, Buffalo, New York. Certain legal matters will be passed upon for the Authority by the Corporation Counsel of the City of Buffalo, New York, and for the Underwriters by Lippes Mathias LLP, Buffalo, New York. It is expected that the Series 2025A Bonds will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2025\*.

***This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.***

**Ramirez & Co., Inc.**

**FHN Financial Capital Markets**

Dated: \_\_\_\_\_, 2025

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion and amendment without notice. The Series 2025A Bonds may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. 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 the Series 2025A Bonds 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.

**BUFFALO SEWER AUTHORITY**

**\$46,230,000\***

**Sewer System Revenue Bonds,  
Series 2025A**

**Serial Bonds\***

| <b>Year*<br/>(June 15)</b> | <b>Principal<br/>Amount*</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>CUSIP**</b> | <b>Year*<br/>(June 15)</b> | <b>Principal<br/>Amount*</b> | <b>Interest<br/>Rate</b> | <b>Yield</b> | <b>CUSIP**</b> |
|----------------------------|------------------------------|--------------------------|--------------|----------------|----------------------------|------------------------------|--------------------------|--------------|----------------|
| 2026                       | \$220,000                    |                          |              |                | 2036                       | \$1,145,000                  |                          |              |                |
| 2027                       | \$740,000                    |                          |              |                | 2037                       | \$1,205,000                  |                          |              |                |
| 2028                       | \$775,000                    |                          |              |                | 2038                       | \$1,265,000                  |                          |              |                |
| 2029                       | \$815,000                    |                          |              |                | 2039                       | \$1,325,000                  |                          |              |                |
| 2030                       | \$855,000                    |                          |              |                | 2040                       | \$1,390,000                  |                          |              |                |
| 2031                       | \$900,000                    |                          |              |                | 2041                       | \$1,460,000                  |                          |              |                |
| 2032                       | \$945,000                    |                          |              |                | 2042                       | \$1,535,000                  |                          |              |                |
| 2033                       | \$990,000                    |                          |              |                | 2043                       | \$1,610,000                  |                          |              |                |
| 2034                       | \$1,040,000                  |                          |              |                | 2044                       | \$1,690,000                  |                          |              |                |
| 2035                       | \$1,090,000                  |                          |              |                | 2045                       | \$1,775,000                  |                          |              |                |

**Term Bonds\***

\$10,305,000\* \_\_\_\_\_% Term Bonds due June 15, 2050\* - Yield \_\_\_\_\_ CUSIP\*\* \_\_\_\_\_

\$13,155,000\* \_\_\_\_\_% Term Bonds due June 15, 2055\* - Yield \_\_\_\_\_ CUSIP\*\* \_\_\_\_\_

\* Preliminary, subject to change.

\*\* Copyright, American Bankers Association (ABA). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Capital IQ, a division of McGraw-Hill Financial, Inc. CUSIP (Committee on Uniform Securities Identification Procedures) numbers used in this Official Statement have been assigned by an independent company not affiliated with the Authority or the Underwriters and the Authority and the Underwriters are not responsible for the selection or use of the CUSIP numbers. CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Authority has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

# BUFFALO SEWER AUTHORITY

## BOARD OF DIRECTORS

HERBERT L. BELLAMY, JR. .... Chairman  
CHRISTOPHER ROOSEVELT ..... Vice Chairman  
ELEANOR PETRUCCI ..... Secretary

## EXECUTIVE STAFF

ADAM SASSONE..... Secretary to the General Manager  
and Chief of Staff  
CHARLES RILEY, PMP..... Executive Secretary and Chief  
Financial Officer  
ROSALEEN B. NOGLE, P.E. ....Principal Sanitary Engineer

ADVISORS

BARCLAY DAMON LLP .....Bond Counsel  
CAPITAL MARKETS ADVISORS, LLC .....Municipal Advisor  
GREELEY AND HANSEN .....Consulting Engineer  
DRESCHER & MALECKI LLP .....Auditor

TRUSTEE FOR THE SERIES 2025A BONDS

MANUFACTURERS AND TRADERS TRUST COMPANY

The Series 2025A Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the State of New York, the Series 2025A Bonds also will be exempt from registration under the securities laws of New York.

No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations with respect to the Authority, the City, the Service Area, the System, the Projects, the Bond Resolution, the Series 2025A Bonds or the Continuing Disclosure Agreement (as such terms are defined herein), other than as contained in this Official Statement in connection with the offering of the Series 2025A Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriters.

Brief descriptions of the Authority, the City, the Service Area, the System, the Projects, the Bond Resolution, the Series 2025A Bonds and the Continuing Disclosure Agreement are set forth in this Official Statement. However, any description or summary of any documents, statutes, resolutions, reports or other instruments, as set forth herein, is qualified in its entirety by reference to the definitive forms of such documents, statutes, resolutions, reports and other instruments, copies of which may be examined at the principal corporate offices of the Authority located at City Hall, Room 1038, Buffalo, New York 14202-3378 (telephone: 716-851-4664).

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Series 2025A Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions, to the extent that they are used herein, are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Authority nor the Underwriters plan to issue any updates or revisions to those forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, occur.

The Authority may place a copy of this Official Statement on its website at <https://www.buffalosewer.org/>. Unless this Official Statement specifically and expressly indicates otherwise, no statement on the Authority’s website is included and incorporated by specific cross- reference or constitutes a part of this Official Statement. The Authority has prepared its website information for the convenience of the public, but investors should not make any decision in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and the Authority assumes no liability or responsibility for errors or omissions on its website. Further, the Authority disclaims any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on its website. The Authority also assumes no liability or responsibility for any errors or omission or for any updates to dated website information.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2025A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is distributed in connection with the sale of the Series 2025A Bonds referred to herein and may not be used, in whole or in part, for any other purpose. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sales made hereunder shall, under any circumstances, create any implication that there has been no change in such information since the date hereof or any earlier date as of which any information contained herein is given.

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## SUMMARY

This Summary is provided for the convenience of potential investors and is expressly qualified by the entire Official Statement (including the cover and inside cover pages hereof and each of the Appendices attached hereto), which should be reviewed in its entirety by potential investors. Capitalized terms used in this Summary and not defined in this Summary shall have the respective meanings ascribed to such terms in the body of this Official Statement.

Issuer: Buffalo Sewer Authority (the “Authority”).

The Authority’s primary service area is the territory within the boundaries of the City of Buffalo (the “City”), in the State of New York (the “State”). The Authority is responsible, pursuant to its Authority Act (hereinafter defined), for both the collection and the treatment of all sewage generated within the City. Currently, approximately 70% of the wastewater collected and treated by the Authority originates within the City. In addition, the Authority has entered into seven (7) service contracts with fourteen (14) municipalities and sewer districts located in Erie County to provide wastewater treatment services.

Issue: \$46,230,000\* aggregate principal amount of “Sewer System Revenue Bonds, Series 2025A” (the “Series 2025A Bonds”).

Authorization: The Series 2025A Bonds are being issued pursuant to: (i) the Buffalo Sewer Authority Act, Title 8 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Authority Act”); (ii) all other applicable laws; (iii) the “Amended and Restated Sewer System Revenue Bond Resolution” of the Authority, duly adopted by the Authority on May 26, 2021 (as amended and supplemented, the “General Bond Resolution”), and the “Supplemental Sewer System Revenue Bond Resolution, Series 2025A” duly adopted by the Authority on [March 12, 2025] (the “Supplemental Resolution”; the General Bond Resolution, as supplemented by the Supplemental Resolution and as further amended and supplemented from time to time in accordance with the terms thereof shall be referred to herein as the “Bond Resolution”). See “THE SERIES 2025A BONDS” herein.

Dated Date: Date of Issuance.

Interest Due: June 15 and December 15, commencing December 15, 2025.

Principal Due: June 15 in each year as shown on the inside cover of this Official Statement.

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\* Preliminary, subject to change.

- Redemption:** The Series 2025A Bonds will be subject to optional redemption, mandatory redemption and mandatory sinking fund redemption, all as more fully described in this Official Statement. See “THE SERIES 2025A BONDS – Optional Redemption,” “– Mandatory Sinking Fund Redemption” and [“– Mandatory Redemption with Unspent Series 2025A Bond Proceeds”] herein.
- Purpose:** A portion of the proceeds of the Series 2025A Bonds shall be used to finance the design, rehabilitation and construction of certain projects known as the Raw Wastewater Pump Station Rehabilitation Project, Settled Wastewater Pump Station Rehabilitation Project, South Buffalo Pump Station Rehabilitation Project, and Fruit Belt Sewer Rehabilitation Project (each as defined herein and, collectively, the “Projects”). See “THE PROJECTS” herein for more information about the Projects being financed with the proceeds of the Series 2025A Bonds.
- Sources of Payment and Security:** The Series 2025A Bonds are special obligations of the Authority payable solely from revenues and other moneys pledged for such payment pursuant to the Authority Act and the Bond Resolution. The Series 2025A Bonds shall not in any respect be a general obligation of the Authority to which the full faith and credit of the Authority is pledged and shall not in any manner or to any extent constitute or be a charge upon any moneys or property of the Authority not specifically pledged thereto by the Bond Resolution. The Authority has no taxing power. The Series 2025A Bonds are not a debt of the State of New York (the “State”) or the City of Buffalo (the “City”), and neither the State nor the City is liable hereon, nor are the Series 2025A Bonds payable out of any funds other than those of the Authority. See “SECURITY FOR THE SERIES 2025A BONDS” herein.
- Credit Rating:** The Series 2025A Bonds are rated “\_\_” by Moody’s Investors Service. See “RATING” herein.
- Tax Matters:** In the opinion of Barclay Damon LLP, Bond Counsel to the Authority, under existing law and assuming compliance with certain covenants described herein, and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by the Authority, interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is further of the opinion that interest on the Series 2025A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; however, interest on the Series 2025A Bonds that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code.
- Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A 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).
- Book-Entry Form:** The Series 2025A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2025A Bonds. See “THE SERIES 2025A BONDS – Book-Entry-Only System” herein.

**OFFICIAL STATEMENT**  
**of the**  
**BUFFALO SEWER AUTHORITY**

Relating to its  
\$46,230,000\*  
Sewer System Revenue Bonds, Series 2025A

**INTRODUCTION**

This Official Statement, which includes the cover and inside cover pages hereof, the Summary herein and each of the Appendices attached hereto, has been disseminated by the Buffalo Sewer Authority, a body corporate and politic constituting a public benefit corporation of the State of New York (the “Authority”), to provide certain information relating to the Authority and to the issuance, sale and delivery by the Authority of its “Sewer System Revenue Bonds, Series 2025A”, dated the date of issuance thereof, in the aggregate principal amount of \$46,230,000\* (“Series 2025A Bonds”).

The Series 2025A Bonds are being issued pursuant to: (i) the Buffalo Sewer Authority Act, Title 8 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State of New York, as amended from time to time (the “Authority Act”); (ii) all other applicable laws; and (iii) the “Amended and Restated Sewer System Revenue Bond Resolution” of the Authority, duly adopted by the Authority on May 26, 2021 (as amended and supplemented, the “General Bond Resolution”), and by the “Supplemental Sewer System Revenue Bond Resolution,” duly adopted by the Authority on [March 12, 2025] (the “Supplemental Resolution”; the General Bond Resolution as supplemented by the Supplemental Resolution and as further amended and supplemented from time to time in accordance with the terms thereof shall be referred to herein as the “Bond Resolution”).

The Authority previously adopted its Sewer System Revenue Bond Resolution on June 29, 1977 (the “1977 Resolution”), which was amended and restated by the General Bond Resolution. Pursuant to the 1977 Resolution, the Authority has issued its Revenue Bonds, Series J, K, L, M, N, and 2021 (EFC) and pursuant to the General Bond Resolution the Authority has issued its Sewer System Environmental Impact Revenue Bonds, Series 2021 (Green Bonds) (collectively, the “Existing Bonds”). The Series 2025A Bonds will be issued on a parity with the lien granted on the Revenues (as defined herein) securing the Existing Bonds.

**The Authority**

The Authority is a body corporate and politic constituting a public benefit corporation organized and existing pursuant to the Authority Act. The Authority is authorized to issue its bonds, including the Series 2025A Bonds, pursuant to the terms and provisions of the Authority Act.

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\* Preliminary, subject to change.

While the Authority Act empowers the Authority to dispose of the sewage of all municipalities within Erie County, New York, the Authority's primary service area is the territory within the boundaries of the City of Buffalo (the "City"), in the State of New York (the "State"). The Authority is responsible, pursuant to the Authority Act, for both the collection and the treatment of all sewage generated within the City. Currently, approximately 70% of the wastewater collected and treated by the Authority originates within the City. In addition, the Authority has entered into seven (7) service contracts with several municipalities and sewer districts located in Erie County to provide wastewater treatment services.

The Authority conducts its operations through five departments: (i) the Sewage Treatment Department; (ii) the Sewer Maintenance Department; (iii) the Engineering Department; (iv) the Administrative Department; and (v) the Industrial Waste Department, and had 231 employees as of December 1, 2024. The Authority, pursuant to the Authority Act and with the consent of the City, also makes use of the facilities and services of various City departments. Such services include billing services performed by the Buffalo Water Board, a New York State public benefit corporation established under the Buffalo Municipal Water Finance Authority Act (the "Buffalo Water Board"), and also billing and collection services performed by the City's Commissioner of Administration and Finance.

The Comptroller of the City also acts as the Comptroller for the Authority. The Comptroller of the State and the New York State Authorities Budget Office have oversight of the Authority. As an environmental facility, the New York State Department of Environmental Conservation ("NYSDEC") and the United States Environmental Protection Agency (the "USEPA") have oversight of the Authority. See "BUFFALO SEWER AUTHORITY" herein for more information about the Authority.

### **Purpose for the Issuance of the Series 2025A Bonds by the Authority**

A portion of the proceeds of the Series 2025A Bonds shall be used to finance the design, rehabilitation and construction of certain projects consisting of the Raw Wastewater Pump Station Rehabilitation Project, Settled Wastewater Pump Station Rehabilitation Project, South Buffalo Pump Station Rehabilitation Project, and Fruit Belt Sewer Rehabilitation Project (each as defined herein and, collectively, the "Projects"). See "THE PROJECTS" herein for more information about the Projects being financed with the proceeds of the Series 2025A Bonds.

### **Security for the Series 2025A Bonds**

The Series 2025A Bonds are special obligations of the Authority payable solely from revenues and other moneys pledged for such payment pursuant to the Authority Act and the Bond Resolution. The Series 2025A Bonds shall not in any respect be a general obligation of the Authority to which the full faith and credit of the Authority is pledged and shall not in any manner or to any extent constitute or be a charge upon any moneys or property of the Authority not specifically pledged thereto by the Bond Resolution. The Authority has no taxing power. The Series 2025A Bonds are not a debt of the State or the City, and neither the State nor the City is liable thereon, nor are the Series 2025A Bonds payable out of any funds other than those of the Authority. For a more detailed discussion of the security for the Series 2025A Bonds, see "SECURITY FOR THE SERIES 2025A BONDS" and Appendix D - "Summary of Certain Provisions of the Bond Resolution" herein.

### **Redemption of the Series 2025A Bonds**

The Series 2025A Bonds will be subject to optional redemption, mandatory sinking fund redemption and [mandatory redemption with unspent Series 2025A Bond proceeds], all as more fully described herein. See "THE SERIES 2025A BONDS – Optional Redemption," "– Mandatory Sinking Fund Redemption" and ["– Mandatory Redemption with Unspent Series 2025A Bond Proceeds"] herein.

## **Review by Persons Considering a Purchase of the Series 2025A Bonds**

This introduction is a brief description of certain of the matters set forth in this Official Statement and is qualified by reference to the entire Official Statement. Persons considering a purchase of the Series 2025A Bonds should read this Official Statement in its entirety, including, without limitation, the cover and inside cover pages, the Summary herein and each of the Appendices attached hereto. The summaries of, and references to, all documents, statutes, resolutions, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each summary and reference is further qualified in its entirety by reference to such document, statute, resolution, report or instrument.

Persons considering a purchase of the Series 2025A Bonds should read “SECURITY FOR THE SERIES 2025A BONDS” and “ENFORCEABILITY OF REMEDIES” herein for a discussion of the collateral security for the Series 2025A Bonds, the enforcement of remedies with respect thereto, and certain risks associated with holding the Series 2025A Bonds.

Brief descriptions of the Authority, the City, the Service Area, the System, the Projects, the Bond Resolution, the Series 2025A Bonds and the Continuing Disclosure Agreement (as such terms are defined herein) are set forth in this Official Statement. However, any description or summary of any documents, statutes, resolutions, reports or other instruments, as set forth herein, is qualified in its entirety by reference to the definitive forms of such documents, statutes, resolutions, reports and other instruments, copies of which may be examined at the principal corporate offices of the Authority located at City Hall, Room 1038, Buffalo, New York 14202-3378 (Telephone 716-851-4664) (the “Authority Offices”).

## **THE PROJECTS**

### **Introductory Description of the Projects**

The “Projects” to be undertaken by the Authority with a portion of the proceeds of the Series 2025A Bonds will consist of the design, rehabilitation and construction of certain projects consisting of the Raw Wastewater Pump Station Rehabilitation Project; the Settled Wastewater Pump Station Rehabilitation Project; the South Buffalo Pump Station Rehabilitation Project; and the Fruit Belt Sewer Rehabilitation Project, each as further described below. The Projects are intended to achieve the ongoing use of critical systems throughout the City for maintaining sanitation.

### **The Projects to be Financed with the Proceeds of the Series 2025A Bonds**

#### **Raw Wastewater Pump Station Rehabilitation Project**

The “Raw Wastewater Pump Station Rehabilitation Project” will be undertaken with respect to the Raw Wastewater Pump Station (“RWWPS”), which was commissioned in the 1930s. The RWWPS pumps raw wastewater from the collection system via the Raw Wastewater (“RWW”) pumps up to the fine screens, grit removal chamber, and to the primary influent chamber for treatment. There are six RWW pumps in the RWWPS that pull influent from two wet wells, resulting in a configuration of three pumps per wet well. The RWWPS is designed with a firm capacity (largest pump out of service) to convey up to 560 million gallons per day (“MGD”). The RWW pumps are controlled via liquid level in the two wet wells.

The RWWPS is made up of six RWW Pumps, consisting of two variable speed pumps, two constant speed pumps, and two dual speed pumps. Each RWW pump has a capacity of 120 MGD at 88% speed. Five pumps are required to be in operation to meet the 560 MGD firm capacity. The RWW pumps were originally designed with a vacuum priming system, although that system is no longer in operation. The RWWPS



includes ancillary systems to support the pumps, including electrical, instrumentation and controls, and HVAC:

As part of existing conditions assessments in summer 2024, the program management team conducted a site visit and multiple discussions with plant staff. The RWWPS currently has three of six pumps operational. The resulting conditions assessment report in July 2024 identified immediate, short-term, mid-term, and long-term recommendations to get all RWW pumps operational. The goals of the recommendation for immediate need focus on getting all six RWW pumps operational. To achieve these goals, the Raw Wastewater Pump Station Rehabilitation Project will consist of the following upgrades (including any related work necessary to complete these upgrades):

- Replace vacuum priming system
- Rehab pumps No. 5 and 4, motors, and valves
- Rehab Pump No. 4 impeller and eddy current drive
- Rehab Pump No. 6 valve
- Rehab or replacement of Roof
- Install updated electrical and control systems.
- After Pump No. 4 is back in operation, rehab Pump No. 2, including motor (originally the motor from Pump No. 5) and valve. Once Pump No. 2 is rehabbed and all pumps are operational, the motors are to be swapped to their original pump.

#### Settled Wastewater Pump Station Rehabilitation Project

The “Settled Wastewater Pump Station Rehabilitation Project” will be undertaken with respect to the Settled Wastewater Pump Station (“SWWPS”), which was commissioned in the 1980s and conveys primary effluent from the Primary Sedimentation Tanks (“PSTs”) to the secondary treatment system. If the Bird Island Wastewater Treatment Facility (“WWTF”) is operating in primary bypass mode during wet weather events, both primary effluent and flow bypassing the PSTs feed the SWWPS.

The SWWPS is made up of five Settled Wastewater (“SWW”) Pumps, consisting of four variable speed pumps and one constant speed pump. Each SWW pump has a capacity of 120 MGD at 88% speed. With four pumps in operation, up to 480 MGD can be conveyed to the secondary treatment process. With four pumps operating at 100% speed, the estimated theoretical capacity is 560 MGD. The SWWPS was designed to include a sixth pump, and it is intended to be added as part of the future Secondary System Rehabilitation & Upgrades Phase III project, which upgrades the biological treatment process. The SWWPS includes ancillary systems to support the pumps, including electrical, instrumentation and controls, and HVAC.

As part of existing conditions assessments in summer 2024, the program management team conducted a site visit and multiple discussions with plant staff. The station currently has four of five pumps operational. However, operation of the SWW pumps has been limited due to the accumulation of grit in the SWW wet wells. The resulting conditions assessment report in July 2024 identified immediate, short-term, mid-term, and long-term recommendations to get all SWW pumps operational. To achieve these goals, Settled Wastewater Pump Station Rehabilitation Project will consist of the following upgrades (including any related work necessary to complete these upgrades):

- Rehabilitate Pump No. 1 and 5 pump impeller, valve, motor and eddy current drive. Pump 5 and motor will be removed for inspection and rehabilitation. Inspect and rehab the discharge valve as needed during this time. When Pump No. 5 is back in operation, remove Pump No. 1 to be rehabilitated to address both the leaking seal water and the scorched shaft that are causing issues for Pump No. 1. Once addressed, Pump No. 1 is expected to be fully operational.

- Rehabilitate Pumps 3 and 6. Remove Pump 3 pump, motor, and valve for inspection and rehabilitation. When Pump 3 is reinstalled remove Pump 6 pump, motor, and valve for inspection and rehabilitation.
- Rehabilitate or replacement of the SWWPS building roof.
- Improve HVAC systems for safety and operational efficiency.
- Install updated electrical and control systems.

#### South Buffalo Pump Station Rehabilitation Project

The “South Buffalo Pump Station Rehabilitation Project” will be undertaken with respect to the South Buffalo Pump Station, an outlying facility located south of Bailey Avenue and Riverside Way. The program management team completed a condition assessment of the South Buffalo Pump Station (“SBPS”) in July 2024 to identify immediate, short-term, mid-term, and long-term needs for the station and continue to provide reliable service to the southern portion of the Authority’s collection system. The South Buffalo Pump Station Rehabilitation Project includes the immediate and short-term needs.

The South Buffalo Pump Station Rehabilitation Project includes complete rehabilitation of Pump Nos. 1, 3, and 4 and partial rehabilitation of Pump No. 2 as well as improvements to the seal water system. Modifications will be made to the discharge junction chamber to improve pump isolation and access to the interior of the structure. The South Buffalo Pump Station Rehabilitation Project further includes structural rehabilitation throughout the station, a new platform for removal of major equipment, civil improvements for access out the north side of the building, and replacement of the low and high roofing systems. Complete replacement of the HVAC system will provide better environmental conditions within the dry well and control room. The plumbing system will also be rehabilitated, including replacement of corroded potable water piping, bathroom fixtures, hose bibs, and hot water heater. The variable frequency drives for each pump will be replaced and a new control system will be provided, including enhanced communication with the Bird Island WWTF.

#### Fruit Belt Sewer Rehabilitation Project

The “Fruit Belt Sewer Rehabilitation Project” will consist of the installation of approximately 20,000 linear feet of ultraviolet cured in place pipe lining of existing sewers together with approximately 30 spot repairs and the replacement of 200 linear feet of sewer. Together with cleaning and televising of these sewers to verify proper installation of this sewer, this work will provide a watertight sewer network throughout the Fruit Belt neighborhood in the City to ensure that open joints and other deficiencies in the public sewers are not contributing to sink holes in this neighborhood.

## **THE SERIES 2025A BONDS**

### **General Description**

The Series 2025A Bonds will be dated the date of issuance thereof, and are scheduled to mature on June 15 in the years (the “Principal Payment Dates”) and in the principal amounts set forth on the inside cover page hereof. The Series 2025A Bonds will bear interest from their dated date payable by check or draft semiannually on June 15 and December 15 of each year until their respective maturities (the “Interest Payment Dates”), commencing December 15, 2025, at the rates per annum set forth on the inside cover page hereof.

The Series 2025A Bonds will be payable as to principal (including any sinking fund installment) upon presentation and surrender thereof at the corporate trust office of the Trustee. The Series 2025A Bonds will be issued as fully registered bonds in the denomination of one bond per aggregate principal amount of the stated maturity thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The

Depository Trust Company, New York, New York (“DTC”). Purchases of beneficial interests in the Series 2025A Bonds will be made in book-entry-only form (without certificates) in denominations of \$5,000 or any whole multiple thereof.

### **Authorization for the Issuance of the Series 2025A Bonds**

The Series 2025A Bonds are being issued pursuant to the Authority Act, all other applicable law and the Bond Resolution. The Series 2025A Bonds will constitute valid and binding special obligations of the Authority, and will be secured by a pledge of certain revenues of the Authority on a parity with the pledge securing the Existing Bonds in accordance with the terms of the Bond Resolution and all other Senior Bonds (as issued pursuant to the Bond Resolution).

The proceeds of the Series 2025A Bonds will be used to finance the Raw Wastewater Pump Station Rehabilitation, Settled Wastewater Pump Station Rehabilitation, South Buffalo Pump Station Rehabilitation, and Fruit Belt Sewer Rehabilitation (as defined herein). See “THE PROJECTS” herein.

### **Optional Redemption**

The Series 2025A Bonds maturing on or after June 15, 2035\* are subject to redemption prior to maturity, at the option of the Authority on June 15, 2034\* and thereafter on any date, as a whole or in part, at a redemption price equal to par plus accrued interest to the redemption date, in such order of maturity as is selected by the Authority and by lot within a maturity, in principal amounts of \$5,000 or integral multiples thereof.

So long as the Series 2025A Bonds are registered in book-entry only form and DTC, or a successor securities depository, is the sole registered owner of such Series 2025A Bonds, if less than all of a particular maturity of the Series 2025A Bonds is called for redemption, the portions thereof to be redeemed shall be allocated on a pro rata basis in accordance with DTC rules and procedures, provided that, so long as the Series 2025A Bonds are held in book-entry form, the selection for redemption of the Series 2025A Bonds shall be made in accordance with the operational arrangements of DTC then in effect and, if the DTC operational arrangements do not allow for redemption on a pro rata basis, the Series 2025A Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If a particular Series 2025A Bond is called for partial redemption, upon its surrender a new Series 2025A Bond, representing the unredeemed balance of the principal amount of such Series 2025A Bond, will be issued to the Bondholder.

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\*Preliminary, subject to change.

### **Mandatory Sinking Fund Redemption**

The Series 2025A Term Bonds maturing on June 15, 2050\* are subject to mandatory redemption by lot from the mandatory sinking fund installments, at a redemption price equal to par plus accrued interest to the redemption date, on June 15 of the following years and in the following amounts, such redemption amounts to be subject to proportionate reduction in the event of partial optional redemption of such Series 2025A Term Bonds:

| Year*                  | Amount*     |
|------------------------|-------------|
| 2046                   | \$1,865,000 |
| 2047                   | \$1,960,000 |
| 2048                   | \$2,055,000 |
| 2049                   | \$2,160,000 |
| 2050 (stated maturity) | \$2,265,000 |

The Series 2025A Bonds maturing on June 15, 2055\* are subject to mandatory redemption by lot from the mandatory sinking fund installments, at a redemption price equal to par plus accrued interest to the redemption date, on June 15 of the following years and in the following amounts, such redemption amounts to be subject to proportionate reduction in the event of partial optional redemption of such Series 2025A Term Bonds:

| Year*                 | Amount*     |
|-----------------------|-------------|
| 2051                  | \$2,380,000 |
| 2052                  | \$2,500,000 |
| 2053                  | \$2,625,000 |
| 2054                  | \$2,755,000 |
| 2055(stated maturity) | \$2,895,000 |

### **[Mandatory Redemption with Unspent Series 2025A Bond Proceeds\***

Any amounts remaining in the Construction Fund for the Series 2025A Bonds upon completion of the Projects shall be deposited in the Redemption Fund and applied on the next interest payment date for the Series 2025A Bonds to redeem Series 2025A Bonds, at par plus accrued interest to the date of redemption, in such order of maturity as is selected by the Authority and by lot within a maturity.]

### **Notice of Redemption**

The Trustee shall give notice of redemption to the registered owners of the Series 2025A Bonds, at least once not less than thirty (30) days prior to the date fixed for the redemption thereof. The Trustee shall, upon written instruction of an Authorized Officer, give such notice either by (i) delivery of a copy of such notice not less than thirty days before the redemption date, to the registered owners of any Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registry books, or, in the case of Book Entry Bonds, to the Depository for such Book Entry Bonds in accordance with such Depository's standard practices, or (ii) publication once a week for at least two successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty days nor more than sixty days prior to the redemption date, but such delivery or publication shall not be a condition precedent to such redemption and failure to deliver or publish any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

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\*Preliminary, subject to change.

In the case of an optional redemption, the notice may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent no later than the redemption date, or (ii) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of an Authorized Officer to the Paying Agent instructing the Paying Agent to rescind the redemption notice (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders.

So long as DTC or its nominee is the Bondholder, the Authority and the Trustee will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants (hereinafter defined), by Direct Participants to Indirect Participants (hereinafter defined), and by Direct Participants and Indirect Participants to Beneficial Owners (hereinafter defined) will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. So long as DTC or its nominee is the Bondholder, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the redemption.

### **Book-Entry-Only System**

*The following has been provided by DTC for use herein. While the information is believed to be reliable, none of the Authority or the Underwriters, subject to the standard of review found on the inside cover hereof, nor any of their respective counsel, members, officers or employees, make any representations as to the accuracy, sufficiency or completeness of such information.*

DTC will act as securities depository for the Series 2025A Bonds. The Series 2025A 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 Series 2025 Bond certificate will be issued for each maturity of the Series 2025A Bonds, and will be deposited with DTC.

DTC, the world’s largest 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 3.6 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 (“DTC Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfer and pledges between DTC Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. DTC 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 DTC Direct Participant, either directly or indirectly (“DTC Indirect Participants” and, together with DTC Direct Participants, “DTC Participants”). The DTC rules applicable to its DTC 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 the Series 2025A Bonds under the DTC system must be made by or through DTC Direct Participants, which will receive a credit for the Series 2025A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2025A Bond ("Beneficial Owner") is in turn to be recorded on the DTC Direct Participants' and DTC Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Direct Participant or DTC Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2025A Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2025A Bonds, except in the event that use of the book-entry-system for the Series 2025A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2025A Bonds deposited by DTC Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. The deposit of Series 2025A 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 2025A Bonds. DTC's records reflect only the identity of the DTC Direct Participants to whose accounts such Series 2025A Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Direct Participants, by DTC Direct Participants to DTC Indirect Participants, and by DTC Direct Participants and DTC 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 the Series 2025A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2025A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2025A 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 Trustee 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 2025A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC 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 the Series 2025A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority, as issuer of the Series 2025A Bonds, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Direct Participants to whose accounts the Series 2025A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, of and interest payments on the Series 2025A 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 DTC Direct Participants' accounts upon DTC's receipt of funds and corresponding details from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC 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 DTC Participant and not of DTC, the Trustee, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal, redemption premium, if any, of and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee. Disbursement of such payments to DTC Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC Direct Participants and DTC Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2025A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2025 Bond certificates are required to be printed and delivered to DTC.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2025A 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 takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm the foregoing information with DTC or the DTC Participants.

The Authority, the Trustee and the Paying Agent cannot and do not give any assurances that DTC will distribute to the DTC Direct Participants or that the DTC Direct Participants or the DTC Indirect Participants will distribute to the Beneficial Owners of the Series 2025A Bonds (i) payments of principal, redemption premium, if any, of or interest on the Series 2025A Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the Series 2025A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2025A Bonds, or that they will do so on a timely basis or that DTC, its DTC Direct Participants or its DTC Indirect Participants will serve and act in the manner described in this Official Statement.

None of the Authority, the Trustee nor the Paying Agent will have any responsibility or obligations to any DTC Direct Participant, DTC Indirect Participant or any person claiming a beneficial ownership interest in the Series 2025A Bonds under or through DTC or any DTC Direct Participant, or any other person who is not shown in the registration books of the Authority kept by the Trustee as being a Series 2025A Bondholder. The Authority, the Trustee and the Paying Agent shall have no responsibility with respect to (i) any ownership interest in the Series 2025A Bonds, (ii) the payment by DTC to any DTC Direct Participant or by any DTC Direct Participants or DTC Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of or interest on the Series 2025A Bonds, (iii) the delivery to any DTC Participant or any Beneficial Owner of any notice which is permitted or required to be given to the holders of the Series 2025A Bonds (the "Series 2025A Bondholders") under the Bond Resolution, or (iv) any consent given or other action taken by DTC or Cede & Co. as Series 2025A Bondholder.

So long as Cede & Co. is the registered owner of the Series 2025A Bonds, as the nominee of DTC, references herein to the Series 2025A Bondholders or registered owners of the Series 2025A Bonds (other than under the captions "TAX MATTERS" and "SECONDARY MARKET DISCLOSURE AND REPORTS") shall mean Cede & Co., and shall not mean the Beneficial Owners of the Series 2025A Bonds.

## **SECURITY FOR THE SERIES 2025A BONDS**

### **The General Bond Resolution and the Supplemental Resolution**

The following summary of the security for the Series 2025A Bonds is qualified in its entirety and reference is hereby made to Appendix D and to the Bond Resolution, which set forth in further detail provisions relating to the security for the Series 2025A Bonds. For definitions of certain capitalized terms used but not defined herein, see Appendix D - "Summary of Certain Provisions of the Bond Resolution."

The Series 2025A Bonds are special obligations of the Authority payable solely from revenues and other moneys pledged for such payment pursuant to the Authority Act and the Bond Resolution and on a parity with the Existing Bonds and all other Senior Bonds that may hereafter be issued in accordance with the General Bond Resolution. The Series 2025A Bonds shall not in any respect be a general obligation of the Authority to which the full faith and credit of the Authority is pledged and shall not in any manner or to any extent constitute or be a charge upon any moneys or property of the Authority not specifically pledged thereto by the Bond Resolution. The Authority has no taxing power. The Series 2025A Bonds are not a debt of the State or the City, and neither the State nor the City is liable thereon, nor are the Series 2025A Bonds payable out of any funds other than those of the Authority.

The General Bond Resolution provides for the issuance of senior bonds ("Senior Bonds") and subordinated indebtedness ("Subordinated Indebtedness") thereunder. The Authority may issue additional bonds on a parity with the Series 2025A Bonds and the Existing Bonds (collectively, "Bonds") upon the satisfaction of certain conditions. See Appendix D - "Summary of Certain Provisions of the Bond Resolution - Provisions for Issuance of Bonds," and "- Provisions for Refunding Issues" herein. All Bonds are equally and ratably secured under the provisions of the Bond Resolution and by the Funds and Accounts established thereunder, and all Bonds will be on parity with the Series 2025A Bonds and the Existing Bonds. In addition, the General Bond Resolution provides for the issuance of bond anticipation notes. 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 General Bond Resolution. The Authority may also pledge the Revenues to the payment of the interest on the principal of such notes. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Bond Anticipation Notes" herein.

The General Bond Resolution also permits the issuance of Subordinated Indebtedness. Subordinated Indebtedness is subordinate to the pledge and lien on Revenues securing Series 2025A Bonds. In the event of any Event of Default under the General Resolution, so long as there are any Bonds Outstanding, directions to the Trustee with respect to remedies shall be given by holders of a majority in principal amount of the Outstanding Senior Bonds. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Subordinated Indebtedness" herein.

The General Bond Resolution also permits the Authority to 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 premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Authority. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Credit Facilities" herein.

### **The Pledged Revenues**

In the General Bond Resolution, the Authority pledges as security for the Bonds, including the Series 2025A Bonds and the Existing Bonds, (a) its Revenues (except any investment earnings on any Funds or accounts of the Authority that are on deposit in the Rebate Fund or that are required to be deposited therein for rebate



to the United States of America pursuant the provisions of the Code in order to comply with the Authority's covenants in any Supplemental Resolution for such Series of Bonds so as to ensure that interest on any Bonds that are issued as tax exempt obligations continues to be excludable from gross income under the Code), (b) its Funds and any Accounts (except amounts in the Rebate Fund and any Account of the Construction Fund held by the New York Environmental Facilities Corporation (the "EFC") as provided in Section 502(B) of the General Bond Resolution, which Account shall secure only the Series of Bonds to which it relates), and (c) its other moneys, securities and other funds to be received, held or set aside by the Authority or by any Fiduciary pursuant to the General Bond Resolution. The Authority's pledge will be valid and binding from the time when it is made, and 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. The lien of such pledge and the obligation to perform the contractual provisions under the Bond Resolution contained therein shall have priority over any or all other obligations and liabilities of the Authority, except that such lien shall be subordinate to and inferior to the cost of operation and maintenance of the Sewer System, and will 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. The lien securing Subordinate Indebtedness shall be subordinate to and inferior to the lien securing the Senior Bonds under the General Bond Resolution. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Pledge Effected by General Bond Resolution" herein.

"Revenues" means all rates, charges, rents, sewer rents, fees, assessments and other realized income derived or to be derived by or for the account of the Authority from or for the ownership, operation, use or services of the Sewer System, including the proceeds of any business interruption insurance, and any amounts paid into and credited to the Net Revenue Fund pursuant to the General Bond Resolution, but shall not include (a) any refundable customer deposit, (b) any amount received or receivable from the United States or the State (or any agency of either thereof) or from any other source as or on account of a contribution for or with respect to (i) the construction, acquisition, improvement, extension, renewal or other development of any part of the Sewer System, or (ii) the financing or repayment of financing of any of the foregoing, (c) sanitation or other charges that the Authority collects not for services of the Sewer System but solely as a fiscal agent or in another such agency capacity, other than the net revenues of such sanitation or other charges retained by the Authority to the extent allocated to the Sewer System, or (d) any amount received by or paid to the Authority that is required to be charged or collected by or paid to the Authority under the terms of any grant agreement with the United States of America or any agency thereof or the State or any agency thereof and which is received by or paid to the Authority in an agency capacity under such grant agreement. For the purposes of determining compliance with the coverage test set forth in Section 709(C) of the General Bond Resolution, the computation of Revenues with respect to any period of time shall be increased (to the extent set forth in Section 709(C)) of the General Bond Resolution by the amount of transfers during such period from the Rate Stabilization Fund to the Net Revenue Fund pursuant to Section 509 of the General Bond Resolution, and decreased by the amount of transfers during such period from the Net Revenue Fund to the Rate Stabilization Fund pursuant to Section 509 of the General Bond Resolution.

### **Creation of Funds**

Pursuant to the General Bond Resolution, the Authority establishes and creates the following Funds held by the Trustee, provided, however, that the EFC may hold any Account of the Construction Fund related to a particular Series of Bonds issued to EFC Bonds ("EFC Bonds") to the extent set forth in the Supplemental Resolution authorizing such Series of EFC Bonds: the Construction Fund, the Net Revenue Fund, the Debt Service Fund, the Debt Reserve Fund, the Redemption Fund, the Subordinated Indebtedness Fund, the Surplus Fund and the Rebate Fund. The Trustee shall, at the request of the Authority, establish within any Fund such Accounts as shall be designated in a Supplemental Resolution or the written instructions of an Authorized Officer.

In addition to the Funds held by the Trustee, the Authority shall establish a Capital Improvement Fund, an Operating Fund and a Rate Stabilization Fund, which shall be held by one or more Depositories designated by and under the supervision of the Authority. The Capital Improvement Fund shall be used for the payment of Capital Costs of the Sewer System. The Operating Fund shall be used for the collection of Revenues and the payment of Operating Expenses and shall provide amounts for deposit in the Net Revenue Fund as provided in Section 504 of the General Bond Resolution. The Rate Stabilization Fund shall be used to manage the receipt of Revenues and payment of expenses by the Authority. The Authority may, at any time, transfer amounts on deposit in the Capital Improvement Fund, the Operating Fund and the Rate Stabilization Fund to the Net Revenue Fund for application in accordance with Sections 504(B), 504(D) and 504(E) of the General Bond Resolution. See Appendix D- "Summary of Certain Provisions of the Bond Resolution – Establishment of Funds and Accounts" herein.

### **Net Revenue Fund; Flow of Funds**

The General Bond Resolution provides that the Authority will cause all Revenues to be deposited promptly in the Operating Fund, except as otherwise expressly provided in the General Bond Resolution. As soon as practicable after the twenty-fifth day of each month, after reserving therein any amount deemed necessary to provide a reserve for the payment of the following month's Operating Expenses based on the Annual Budget (as the same may be amended as provided in Section 707 of the General Bond Resolution), the balance remaining in the Operating Fund shall be paid to the Trustee for deposit in the Net Revenue Fund.

The Trustee will transfer from the Net Revenue Fund to the Debt Service Fund, no later than the last day of the month in which the Authority makes a payment to the Trustee in accordance with Section 504(A) of the General Bond Resolution, an amount for each Series of Outstanding Senior Bonds equal to the sum of: (1) an amount equal to 1/6 of the amount of interest falling due on the Bonds of such Series on the next Interest Payment Date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next Interest Payment Date, as set forth in the Supplemental Resolution authorizing such Series; and (2) an amount equal to 1/12 of the amount of principal falling due on the next date upon which an installment of principal (including a Sinking Fund Installment) falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of principal (including a Sinking Fund Installment) on such date, as set forth in the Supplemental Resolution authorizing such Series. In making the credits required by Section 504(B) of the General Bond Resolution (and described in this paragraph), any amounts required to be credited to the Debt Service Fund or otherwise paid to a Paying Agent representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of the Series, any earnings on moneys in the Debt Service Fund and any other transfers and credits otherwise made or required to be made to the Debt Service Fund or otherwise paid to a Paying Agent shall be taken into consideration and allowed for.

The Trustee shall pay out of the Net Revenue Fund to the Authority for deposit in the Operating Fund at any time or from time to time the amount specified in a Certificate of an Authorized Officer of the Authority as necessary for the payment of Operating Expenses due to the insufficiency of amounts available for such purpose in the Operating Fund.

On or before the last day of each month, the Trustee will apply amounts then on deposit in the Net Revenue Fund to the making of the following payments or transfers, but only to the extent available and in the order specified below:

- (1) There shall be transferred to the Debt Reserve Fund the amounts, if any, required pursuant to Section 506(C) of the General Bond Resolution with respect to Series Debt Reserve Accounts securing Senior Bonds.

- (2) If the Trustee receives a written direction from an Authorized Officer, there shall be transferred to the Operating Fund the amount, if any, specified in such written direction as necessary to cause the amount on deposit in the Operating Fund to equal the Operating Reserve Requirement.
- (3) There shall be transferred to the Subordinated Indebtedness Fund an amount for each Series of Outstanding Subordinated Indebtedness equal to the sum of: (a) an amount equal to 1/6 of the amount of interest falling due on the Bonds of such Series on the next Interest Payment Date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next Interest Payment Date, as set forth in the Supplemental Resolution authorizing such Series; and (b) an amount equal to 1/12 of the amount of principal falling due on the next date upon which an installment of principal (including a Sinking Fund Installment) falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of principal (including a Sinking Fund Installment) on such date, as set forth in the Supplemental Resolution authorizing such Series. In making the credits required by Section 504(D)(3) of the General Bond Resolution (and described in this paragraph), any amounts required to be credited to the Subordinated Indebtedness Fund or otherwise paid to a Paying Agent representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of the Series, any earnings on moneys in the Subordinated Indebtedness Fund and any other transfers and credits otherwise made or required to be made to the Subordinated Indebtedness Fund or otherwise paid to a Paying Agent shall be taken into consideration and allowed for.
- (4) There shall be transferred to the Debt Reserve Fund the amounts, if any, required pursuant to Section 506(C) of the General Bond Resolution with respect to Series Debt Reserve Accounts securing Subordinated Indebtedness.

On or before the last day of each Fiscal Year, after making all of the payments and transfers described in Sections 504(B), (C) and (D) in the General Bond Resolution (and described in the three preceding paragraphs), the Trustee will apply amounts then on deposit in the Net Revenue Fund to the making of the following payments or transfers, but only to the extent available and in the order specified below:

- (1) There shall be transferred to the Capital Improvement Fund an amount equal to the Renewal and Extension Requirement for such Fiscal Year.
- (2) There shall be transferred to the Rate Stabilization Fund the amount, if any, designated in a Certificate of an Authorized Officer.
- (3) Any amount remaining after the above payments or transfers have been made shall be deposited in the Surplus Fund.

See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Net Revenue Fund; Flow of Funds" herein.

### **The Construction Fund**

The Authority will establish within the Construction Fund a separate Account for each Project for which a Series of Bonds is issued. There shall be deposited from time to time in the applicable Account of the Construction Fund any amount required to be deposited therein pursuant to the General Bond Resolution and

any Supplemental Resolution and any other amounts received and determined to be deposited therein from time to time that are not otherwise required to be applied in accordance with the General Bond Resolution.

Amounts in each separate Account of the Construction Fund shall be expended only: (1) to pay Capital Costs of the Project for which such account was established; (2) if the Supplemental Resolution authorizing a Series of Bonds provides for a Capitalized Interest Account for such Bonds, to pay interest on such Bonds from such Capitalized Interest Account; and (3) to the extent that the amounts in any other Fund or Account are insufficient or unavailable therefor, to pay the principal of and interest on the Bonds of such Series when due, but in the case of (3) above only in the event that there shall have been filed with the Trustee: (a) a Certificate of an Authorized Officer in form and substance satisfactory to the Trustee stating that the Revenues expected to be received thereafter together with such other specified amounts as are expected to be made available therefor by the Authority will be insufficient to pay in full all Outstanding Bonds when and as the same shall become due in accordance with their terms and in reasonable detail, the basis for such certification; and (b) a Counsel's Opinion that such payment will not result in a violation of any existing law. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Construction Fund" herein.

### **The Debt Reserve Fund**

There shall be deposited in the Debt Reserve Fund all amounts required to be deposited therein pursuant to the General Bond Resolution and any other amounts received and determined to be deposited therein by the Authority. The Series Debt Reserve Account maintained for all Common Debt Reserve Secured Bonds shall be funded at all times to the Common Debt Reserve Requirement, and each other Series Debt Reserve Account shall be funded at all times to the applicable Separate Series Debt Reserve Requirement as set forth in the applicable Supplemental Resolution.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of Bondholders of a Series for all or any part of the applicable Debt Reserve Requirement; provided the Reserve Fund Facility meets the requirements set forth in the General Bond Resolution. Such Reserve Fund Facility shall be payable to the Paying Agent (upon the giving of notice required under the General Bond Resolution) on any Interest Payment Date or redemption date on which a deficiency exists that cannot be cured by moneys in any other fund or account held pursuant to the General Bond Resolution and available for such purpose. For the purposes of this Section 506 and Section 514 of the General Bond Resolution, in computing the amount on deposit in the applicable Series Debt Reserve Account, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation.

If any Series Debt Reserve Account contains both a Reserve Fund Facility and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Facility. If more than one Reserve Fund Facility is on deposit in a Series Debt Reserve Account, amounts required to be drawn thereon shall be done on a pro rata basis. The Authority agrees to pay all costs owing in regard to any Reserve Fund Facility from the amounts pledged under Section 501 of the General Bond Resolution, first to reimburse the Reserve Fund Facility Provider for amounts advanced under such Reserve Fund Facility, second, to replenish any cash deficiencies in such Series Debt Reserve Account, and third, to pay the Reserve Fund Facility Provider applicable expenses and interest on amounts advanced under the Reserve Fund Facility. The General Bond Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Fund Facility on deposit in such Series Debt Reserve Account. The Authority will not optionally redeem Bonds secured by a Reserve Fund Facility unless all amounts owing in regard to such Reserve Fund Facility on deposit in the Series Debt Reserve Account for such Bonds have been paid in full. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Debt Service Fund" herein.

### **The Rate Stabilization Fund**

The Rate Stabilization Fund authorized by Section 502 of the General Bond Resolution shall be held by the Authority in an Account separate and apart from all other Funds and Accounts of the Authority and payments therefrom shall be made as hereinafter provided. Moneys may be transferred by the Authority to the Rate Stabilization Fund from the Net Revenue Fund as provided in Section 504 of the General Bond Resolution as determined by an Authorized Officer. At any time, the Authority shall transfer from the Rate Stabilization Fund to the Net Revenue Fund an amount determined by an Authorized Officer. See Appendix D - “Summary of Certain Provisions of the Bond Resolution – Rate Stabilization Fund” herein.

### **Subordinate Indebtedness Fund**

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, or as otherwise provided by the resolution of the Authority authorizing each issue of Subordinated Indebtedness.

If at any time the amount in any Series Debt Reserve Account in the Debt Reserve Fund with respect to any Senior Bonds shall be less than the Series Debt Reserve Requirement with respect to such Senior Bonds, the Trustee shall withdraw from the Subordinated Indebtedness Fund and deposit in the Debt Reserve Fund, for allocation to such Series Debt Reserve Account, the amount necessary (or all the moneys in said Fund, if less than the amount necessary) to make up such deficiency.

If, upon the payment in full of all Subordinated Indebtedness, any amount remains on deposit in the Subordinated Indebtedness Fund, such amount shall be transferred to the Net Revenue Fund. See Appendix D - “Summary of Certain Provisions of the Bond Resolution – Subordinated Indebtedness Fund” herein.

### **The Surplus Fund**

There shall be deposited in the Surplus Fund all amounts required to be deposited therein pursuant to the General Bond Resolution and any other amounts received and determined to be deposited therein by the Authority.

Amounts in the Surplus Fund may at any time, as directed by the Certificate of an Authorized Officer, be transferred to the Capital Improvement Fund, the Redemption Fund or the Operating Fund or be paid to the Authority for any lawful purpose of the Authority in connection with the Sewer System.

To the extent that moneys on deposit in the Net Revenue Fund are insufficient to make the required interest and principal payments on Senior Bonds, moneys in the Surplus Fund shall be transferred to the Net Revenue Fund, and then there shall be withdrawals from the Rate Stabilization Fund, Capital Improvement Fund, Construction Fund, Debt Reserve Fund, Subordinated Indebtedness Fund and Operating Fund, in that order, to cure any such deficiencies. See Appendix D - “Summary of Certain Provisions of the Bond Resolution – The Surplus Fund” herein.

### **The Rate Covenant**

With respect to all direct or indirect connection with, and all use and services of, the Sewer System, the Authority shall make, impose, charge and collect service rates, charges, fees and tolls in accordance with the Authority Act. At least annually, the Authority shall cause the Rate Consultant to review and verify the adequacy of the rates and charges then in effect to meet the coverage test set forth in Section 709(C) of the General Bond Resolution.

The present schedule of rates and charges for services furnished by the Sewer System both within and outside the territorial limits of the Authority, including the service charges, minimum deposits, connection charges and meter rates, and the rules and regulations of the Authority relating therefor, may be adjusted or revised provided that the resulting Revenues satisfy the requirements set forth in Section 709(C) of the General Bond Resolution. All users receiving services from the Sewer System shall pay therefor at the established rates. There shall be no free services rendered by the Sewer System except that the Authority may but is not required to exempt from sewer rent based on assessed valuation property exempted from real property taxes imposed by the City. Free services may be rendered by the Authority to the City for municipal buildings and other customary municipal purposes.

From time to time and as often as it shall appear necessary, the rates, charges, rents, sewer rents, fees and assessments established for the Sewer System will be adjusted whenever necessary or proper so that the Revenues collected in each Fiscal Year will be at least equal to the sum of (1) the amount estimated to be required in the current Fiscal Year to pay Operating Expenses, plus (2) the greater of (a) 120% of Debt Service on Senior Bonds for such Fiscal Year or (b) the sum for such Fiscal Year of (i) 100% of the Debt Service on Senior Bonds and Subordinated Indebtedness, (ii) the amounts estimated to be required to meet Debt Reserve Requirements with respect to any Bonds, (iii) the Renewal and Extension Requirement, and (iv) the Operating Reserve Requirement. In calculating Revenues pursuant to Section 709(C) of the General Bond Resolution, the Authority shall include transfers from the Rate Stabilization Fund to the Net Revenue Fund during such Fiscal Year (as provided in Section 509 of the General Bond Resolution), but only to the extent of 20% of Debt Service on Senior Bonds for such Fiscal Year, and transfers from the Net Revenue Fund to the Rate Stabilization Fund during such Fiscal Year (as provided in Sections 504(E)(1) and 509 of the General Bond Resolution). See Appendix D - “Summary of Certain Provisions of the Bond Resolution – Rate Covenant” herein.

### **The Failure to Comply with Covenants**

If the Authority fails to adjust rates, charges, rents, sewer rents, fees and assessments (as provided in Section 709(C) of the General Bond Resolution), but the Authority in the next Fiscal Year has promptly taken all available measures to adjust such rates, charges, rents, sewer rents, fees and assessments as advised by a Rate Consultant retained by the Authority to review the operations of the System, there shall be no Event of Default (as described in Section 1002 of the General Bond Resolution) until at least the end of such next Fiscal Year and then only if Revenues are less than the amount required by Section 709 of the General Bond Resolution. See Appendix D - “Summary of Certain Provisions of the Bond Resolution – Rate Covenant” herein.

### **Events of Default**

The following each constitute an “Events of Default” pursuant to the terms of the General Bond Resolution:

1. if default shall be made in the due and punctual payment of the principal or Redemption Price of any Sinking Fund Payment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption, or otherwise; or
2. if default shall be made in the due and punctual payment of any installment of interest on any Bond, when and as such interest installment shall become due and payable, and such default shall continue for a period of five days; or
3. if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions contained in the General Bond Resolution, any Supplemental Resolution or in the Bonds, and such default shall continue for a period of forty-five (45) days after written notice thereof to the Authority by the Trustee or to the

Authority and to the Trustee by the holders of not less than 25% in principal amount of the Senior Bonds Outstanding; or

4. if the Authority shall file a petition or otherwise seek relief under any federal or state bankruptcy or similar law;

then, upon the happening and continuance of any Event of Default specified in clause (1) or (2), the Trustee shall (by notice in writing to the Authority), or, upon the happening and continuance of any Event of Default specified in clause (3) or (4), the Trustee may, and upon the written request of the holders of not less than 25% in principal amount of the Senior Bonds Outstanding the Trustee shall, in any such case unless the principal of all the Bonds then Outstanding shall already have become due and payable, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the General Bond Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal and interest upon the Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the General Bond Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the General Bond Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of a majority in principal amount of the Senior Bonds Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the holders of the Senior Bonds as aforesaid at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the holders of a majority in principal amount of the Senior Bonds then Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Events of Default" herein.

#### **Incurrence of Additional Indebtedness**

Except in the case of (A) Refunding Bonds or (B) additional Bonds issued to pay the capital cost of completing a Project for which Bonds have previously been issued, the Authority shall not issue additional Bonds unless the Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of such additional Bonds (excluding any transfers between the Net Revenue Fund and the Rate Stabilization Fund during this period) are at least equal to the sum of (1) the amount required or estimated to be required in any future Fiscal Year described in the following clause (2) to pay Operating Expenses, plus (2) the greater of (a) 120% of the maximum Debt Service on Senior Bonds for any future Fiscal Year (calculated with respect to all Senior Bonds then Outstanding and the additional Bonds); or (b) 100% of the maximum Debt Service on the aggregate of any Senior Bonds and Subordinated Indebtedness for any future Fiscal Year (calculated with respect to all Bonds then Outstanding and the additional Bonds), excluding any amounts provided as capitalized interest from the proceeds of such Bonds but including Debt Service on such Bonds and on additional Bonds estimated by the Certificate of a Consulting Engineer as required to be issued to complete the Project to be financed with the proceeds of such Bonds; provided, however, that Revenues for such twelve (12) month period may be adjusted for purposes of Section 714 of the General Bond Resolution: (X) to reflect for such period revisions in the rates, fees, rentals

and other charges of the Authority for the services of the System made after the commencement of such period and preceding the date of issuance of the additional Bonds; (Y) to reflect any increase in Revenues due to any new facilities of the Sewer System having been placed into use and operation subsequent to the commencement of such period and preceding the date of issuance of the additional Bonds, as certified by the Consulting Engineer; and (Z) to include an amount equal to the average annual contribution to Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of issuance of such additional Bonds, as certified by the Consulting Engineer. See Appendix D - "Summary of Certain Provisions of the Bond Resolution – Provisions for Issuance of Bonds" herein.

### **ENFORCEABILITY OF REMEDIES**

The Series 2025A Bonds are payable from the sources, and are secured, as described in this Official Statement. The practical realization of value from the collateral for the Series 2025A Bonds described herein upon any default will depend upon the exercise of various remedies specified by the General Bond Resolution and the Supplemental Resolution and the then-value of the collateral and other regulatory approvals. These and other remedies may, in many respects, require judicial actions which are often subject to discretion and delay.

Under existing law, the remedies specified by the General Bond Resolution and the Supplemental Resolution may not be readily available or may be limited. A court may decide not to order the performance of the covenants contained in those documents. The legal opinions to be delivered concurrently with the delivery of the Series 2025A Bonds will be qualified as to the enforceability of the various agreements and other instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally.

### **SOURCES AND USES OF FUNDS FOR THE SERIES 2025A BONDS**

Sources:

Bond Proceeds of the Series 2025A Bonds:

|  |                 |
|--|-----------------|
| Aggregate Principal Amount of the Series 2025A Bonds | \$              |
| [Net] Original Issue [Premium/Discount]              | \$ _____        |
| <b>TOTAL SOURCES OF FUNDS</b>                        | <b>\$ _____</b> |

Uses:

|   |                 |
|---|-----------------|
| Deposit into the Construction Fund        | \$              |
| Deposit into the Series Debt Reserve Fund | \$              |
| Costs of Issuance <sup>(1)</sup>          | \$              |
| Underwriters' Discount                    | \$              |
| Additional Proceeds                       | \$ _____        |
| <b>TOTAL USES OF FUNDS</b>                | <b>\$ _____</b> |

(1) Costs of Issuance include, without limitation, legal counsel fees, financial advisory fees, fees of the Trustee, Rating Agency fees, costs associated with the preparation and dissemination of this Official Statement, and to the extent applicable, fees associated with a Credit Facility and/or a Reserve Fund Facility.



## **BUFFALO SEWER AUTHORITY**

### **Purposes and Powers of the Authority**

Creation of the Authority. In 1935, the Legislature of the State of New York created the Authority, pursuant to the enactment of the Authority Act, as a body corporate and politic constituting a public benefit corporation. Pursuant to the Authority Act, the Authority assumed, in 1938, complete jurisdiction and control over the then-existing CSS (the combined sewer and storm water collection system) of the City. Both (i) the validity of the Authority Act and (ii) the separate existence of the Authority from the City were affirmed by the New York Court of Appeals in *Robertson v. Zimmerman*, 268 N.Y. 52 (1935).

Primary Statutory Powers of the Authority. The Authority Act empowers the Authority to dispose of the sewage of all municipalities within Erie County. The Authority has entered into contracts with several municipalities and sewer districts in Erie County to provide wastewater treatment services. See “THE AUTHORITY’S SERVICE AREA – Description of the Service Area of the Authority: The City and the Outside Districts” and “—Authority Service Contracts with the Outside Districts,” herein. However, the Authority’s primary service area is the territory within the boundaries of the City. Currently, approximately 70% of the wastewater treated by the Authority originates in the City. Pursuant to the Authority Act, the Authority is responsible for both the collection and treatment of sewage in the City.

Among the Authority’s primary statutory powers, pursuant to the Authority Act, are the following:

- the power to construct, maintain, operate and improve its collection and treatment system (the “System”);
- the power to fix and collect rates, rentals and other charges for its services subject to any applicable agreements with bondholders;
- the power to use and acquire property within or without the City by purchase or, in the name of and through the City, by condemnation;
- the power to make contracts;
- the power to fix and collect rates and rentals;
- the power to sue and be sued; and
- the power to borrow money and issue negotiable bonds and notes, and to provide for the rights of the holders thereof.

### **A Brief History of the Authority**

During the early development of the City, the Niagara River was used as an economical and convenient means of disposal of the City’s sewage. On June 8, 1882, the City created a five-person Board of Commissioners of Sewers to construct sewers throughout the City. The majority of the sewers were laid in the City between 1882 and 1900. The sewer system was constructed to carry combined sewage and stormwater to the (i) Buffalo River, (ii) Scajaquada Creek, and (iii) Black Rock Canal. Untreated sewage was discharged directly into these water bodies at several points throughout the City. As the City continued to grow and expand, so did the volume and concentration of sewage discharged to these receiving water bodies. The health of the receiving water bodies, as well as the surrounding environment, became severely threatened.

In 1935, the New York State Department of Health mandated that the City discontinue, without delay, pollution of the receiving water bodies. Persistent pollution and disease, as well as treaties between the United States and Canada (the “Boundary Waters Treaty”), led to a reassessment of the means by which, not only the City, but many cities adjacent to the United States – Canadian border, disposed of untreated sewage into receiving water bodies. The Niagara River was specifically identified as among the most important of the border receiving water bodies.

The Authority was created in the Spring of 1935, as a body corporate and politic constituting a public benefit corporation, pursuant to the Authority Act. Delegated to the Authority by the Authority Act was responsibility for providing an effectual means of relieving the Niagara River, other tributary streams and receiving water bodies from pollution by sewage and waste. The Authority was authorized to borrow money, issue bonds and provide for their repayment, fix and collect rates and rentals, and, in general, assume full responsibility for carrying out the mandate of the State Department of Health.

By 1938, the Authority had established a system of intercepting sewers to bring sewage from the City to a then-modern and efficient primary sewage treatment plant where solid matter was removed and incinerated, and all liquid matter chlorinated. With respect to the collection system, the City constructed a then-state-of-the-art combined sewer system (the “CSS”) that collected and transmitted both sewage and stormwater within a single pipe system. By design, the CSS was constructed with a number of overflow points, referred to as combined sewer overflows (the “CSOs”), which relieved the CSS during precipitation events when the large amounts of water (stormwater primarily) could have damaged the sewage treatment plant as well as private property (i.e., basement flooding). For decades following its construction, the System (and its CSS) served the City and surrounding suburbs effectively, and continues to do so today.

With increasing national awareness of the need to more fully protect our water resources, the State, in 1966, directed further improvements to the facilities of the Authority by requiring that the Authority provide secondary treatment. With the financial support of federal and State grants, secondary treatment facilities, which provide for additional treatment and disinfection of wastewater, were added by the Authority at the Bird Island Plant between 1975 and 1979, and placed in service in 1981. Throughout this period, the CSS continued to operate adequately with few improvements.

In the early 1990s, the regulatory focus shifted from the treatment facilities to the collection systems. In the City, and nationally, the emphasis was placed upon the impact of CSO events and on their reduction. In addition, the Authority recognized the general inadequacy of the stormwater capabilities of the existing CSS within the City, and developed a comprehensive plan for the enlargement and betterment of the capacity of the CSS in order to address stormwater. The Authority has since been engaged in the construction of sewers according to this plan, and has eliminated (i) a number of the System’s designed CSOs and (ii) many areas of formerly prevalent basement and surface flooding. Over time, the need for continued reduction in the frequency and severity of CSO events has been recognized by regulatory agencies as well as the Authority, and, in recent years, all new construction has been planned by the Authority, whenever possible, to achieve this result.

The Comptroller of the State of New York and the New York State Authorities Budget Office have oversight of the Authority. In addition, the NYSDEC and the USEPA have oversight of the Authority, given its status as an environmental facility.

## **Organization and Management of the Authority**

The Authority conducts its operations through five (5) departments: (i) the Sewage Treatment Department; (ii) the Sewer Maintenance Department; (iii) the Engineering Department; (iv) the Administrative Department; and (v) the Industrial Waste Department.

Pursuant to provisions of the Authority Act and via an agreement with the City entered into on February 2, 1983, the Authority makes use of the facilities and services of various City departments in connection with the administration and management of the Authority. Such services include: (i) billing and collection services performed for the Authority by the Buffalo Water Board in connection with the sewer rents of the Authority that are based upon water usage; and (ii) billing and collection services performed for the Authority by the City's Commissioner of Administration and Finance (the Department of Assessment and Taxation and the Department of Treasury) in connection with sewer rents of the Authority that are based upon assessed valuation of the real property to which service is provided by the Authority. In addition, the Comptroller of the City acts as the Comptroller of the Authority. The City's Commissioner of Administration and Finance acts in the same capacity for the Authority. Corporation Counsel to the City provides counsel to the Authority.

Various contractual arrangements that the City, the Buffalo Water Board and the Authority have entered into impact the provision of billing services for the Authority. The City and the Buffalo Water Board entered into an Operations Agreement, dated September 24, 1992, pursuant to the terms of which the Buffalo Water Board manages the City's water system in reliance upon City employees. Subsequently, the Buffalo Water Board entered into a Management Agreement, dated July 1, 2010, with Veolia Water North America–Northeast, LLC ("Veolia") to manage the operations of the City's water system. On June 11, 2014, the Authority, the Buffalo Water Board and Veolia entered into a Memorandum of Understanding that establishes policies and procedures to facilitate the billing and collection of customer accounts for both the water charges of the Buffalo Water Board and the sewer rents of the Authority that are based upon water usage, each in a manner consistent with applicable law and regulations. In addition, the billing and collection of those sewer rents of the Authority that are based upon assessed valuation of the real property to which service is provided by the Authority is provided by the City's Department of Assessment and Taxation and the City's Department of Treasury. The Authority considers its service arrangements with the City, the Buffalo Water Board, and Veolia to be efficient and economical and, although it is authorized to provide internally for all administrative functions currently being performed on its behalf by each of the City, the Buffalo Water Board, and Veolia, the Authority has no current plans to do so.

## **Membership of the Authority Board**

Pursuant to the Authority Act, the Authority is governed by five (5) board members (the "Authority Board"), each serving three-year staggered terms and each of whom must be a resident of the City. Each member of the Authority Board is appointed by the Mayor of the City, subject to confirmation by the City Common Council. Members of the Authority Board may be re-appointed to successive terms, with no limit to the number of terms that may be served. Pursuant to the Authority Act and the New York Public Officers Law, all Authority Board members continue to hold office until their successors are appointed and qualified as provided above. Currently, there are two vacant Authority Board positions. The name of each current member of the Authority Board, their position on the Authority Board, and their occupation are as follows:

Table #1  
The Authority Board

| Name:                   | Position:     | Term:                 | Occupation:   |
|-------------------------|---------------|-----------------------|---|
| Herbert L. Bellamy, Jr. | Chairman      | Pleasure of the Mayor | Chief Executive Officer of Bellamy Enterprises and Chief Executive Officer of Buffalo's Black Achievers, Inc. |
| Christopher Roosevelt   | Vice Chairman | Pleasure of the Mayor | Buffalo Water Authority: Purchasing, Receiving and Stock Person   |
| Eleanor Petrucci        | Secretary     | Pleasure of the Mayor | Supervisor of Food, Faculty Student Association of SUNY Buffalo and Supervisor of the Union Market Place      |

**Senior Management of the Authority**

***General Manager and Chief Executive Officer***

The position of the General Manager and Chief Executive Officer of the Authority is currently vacant. Pursuant to the Authority Bylaws, when the position of General Manager and Chief Executive Officer is vacant, the responsibilities are shared by the Executive Secretary and Chief Financial Officer and the Principal Sanitary Engineer.

***Adam Sassone, Secretary to the General Manager, Chief of Staff and Chief Operating Officer***

Adam Sassone serves as Secretary to the General Manager, Chief of Staff and Chief Operating Officer for the Authority. Mr. Sassone joined the Authority in October 2022. In his role at the Authority, Adam oversees a staff of approximately 230 employees, while also working closely with the General Manager and executive staff on all aspects of operations. Prior to that, Adam worked for New York State in a variety of roles, including leading the COVID vaccine effort across Western New York during the pandemic. Mr. Sassone has also worked for the Buffalo Public Schools, as well as the National Basketball Association.

***Charles Riley, Executive Secretary and Chief Financial Officer***

Charles Riley serves as the Executive Secretary and the Chief Financial Officer of the Authority. Mr. Riley has over two decades of experience with the Buffalo Sewer Authority working in a variety of accounting and financial roles. As Executive Secretary, Mr. Riley is responsible for the overall financial management of the Buffalo Sewer Authority, including the Authority's \$74.4 million operating budget and \$1 billion Queen City Clean Waters initiative. Mr. Riley is responsible for all financial operations and policies of the Authority, including accounting operations, procurement, budgeting, investment and debt management, and financial risk analysis. Mr. Riley also oversees the Human Resources department and the Information Technology department.

Mr. Riley holds a Master of Business Administration degree from Canisius University of Buffalo and maintains a Project Management Professional certification.

***Gelea Y. James, Director of Employee Relations***

Gelea Y. James serves as the Director of Employee Relations for the Authority. Ms. James joined the Authority in such capacity in 2017. She holds a Bachelor of Science Degree in Human Resources and a Masters of Arts Degree in Organizational Leadership from Medaille College. Ms. James has been working in a leadership role in Human Resources for over fifteen (15) years.

At the Authority, her responsibilities include direct management of all human resource systems, including labor relations, employee services, environmental health and safety, employee training, employee benefits and performance management. She also is responsible for coaching and counseling over two hundred (200) full-time employees, while developing and administering the Authority's human resources policies.

Prior to joining the Authority in 2017, Ms. James worked at Roswell Park Comprehensive Cancer Center as the Manager of Employee Benefits and Services.

***Alexander C. Emmerson, Treatment Plant Superintendent***

Alexander C. Emmerson has been employed by the Authority for eighteen (18) years. From 2007 through 2015, he served as a Wastewater Operator II, and from 2015 through 2020 he served as a permanent Shift Superintendent, with responsibilities that included serving as the Shift Superintendent for the treatment plant as well as the Process Coordinator. Mr. Emmerson currently is the Acting Treatment Plant Superintendent, responsible for daily operations, laboratory oversight, industrial waste programs and regulatory permitting.

Mr. Emmerson holds a Bachelor of Science Degree in Social Science Interdisciplinary from the University at Buffalo. He possesses a Grade 4A Wastewater Treatment Operator – NYSDEC Certification. Prior to joining the Authority, Mr. Emmerson was responsible for a number of environmental positions, including asbestos air monitoring and wastewater treatment operations, at different facilities in Western New York State.

Mr. Emmerson is an active member of the New York Water Environment Association, including holding past roles with the local chapter and current roles as a State committee chair and a graduate of the Water Environment Association's Water Leadership Institute.

***Paul A. Harris, PMP, Superintendent of Mechanical Maintenance***

Paul A. Harris joined the Authority in 2018. As Superintendent of Mechanical Maintenance, Mr. Harris is responsible for Facility Asset Management of the entire wastewater treatment plant and all associated outlying stations. Mr. Harris also is responsible for overseeing Safety and Security, Yards and Grounds, Green Infrastructure Maintenance, the Stock & Inventory department, and the Information Technology department.

Mr. Harris brings to the Authority over fifteen (15) years of mechanical engineering and project management experience from the private sector. Prior to joining the Authority, Mr. Harris was a Senior Mechanical Equipment Engineer with Praxair, Inc. During his tenure at Praxair, Mr. Harris was a rotating equipment specialist and oversaw world-wide Air Separation Plant development pertaining to major equipment integration, design review, product line development, mechanical & aerodynamic performance testing, commissioning and start-up of in-line radial isothermal compressors up to 50,000 HP and double-ended surface condensing steam turbines up to 80,000 HP. Paul also oversaw design and integration of cryogenic systems and plant cooling systems, and provided senior technical support and expertise on static and rotating equipment to all global engineering regions. Mr. Harris holds a Bachelor of Science Degree in Mechanical Engineering from the University at Buffalo. Mr. Harris also holds a Project Management Professional certification.

***Joel Renzoni, Director of Sewer Maintenance***

Joel Renzoni took on the role of Director of Sewer Maintenance in June of 2022. Mr. Renzoni is responsible for the maintenance and construction work for the collection system throughout the city of Buffalo. Mr. Renzoni is also responsible for the Green Infrastructure Department, which handles all of the green storm water work across the City. Mr. Renzoni also has the role of Fleet Manager overseeing the purchasing and maintenance of all the vehicles and equipment for the Authority.

Mr. Renzoni started with the Authority July 2, 2007, as a Laborer 1. Working himself up through the ranks, holding many different titles such as Laborer 1, Sewer Construction Worker, Equipment Operator, Sewer Maintenance Supervisor, Sewer Construction Inspector, Acting Assistant Superintendent, and now Director of Sewer Maintenance.

***Rosaleen B. Nogle, P.E., Principal Sanitary Engineer***

Rosaleen B. Nogle joined the Buffalo Sewer Authority in 2014 and has served in a variety of engineering and management roles ever since. She has over eighteen years of experience in the water sector as a municipal engineer and regulator in Western New York. Ms. Nogle holds a Bachelor of Science degree in Civil Engineering, a Master of Science degree in Civil Engineering, and a Master of Public Affairs degree. In addition to three other post-secondary degrees, she holds leadership certifications from Duke University, Cornell University, and the University at Buffalo. Ms. Nogle is licensed in seven states including New York State as a professional engineer. She is also certified as a Grade 4 Collection System Operator, a Board-Certified Water Resources Engineer, a Board-Certified Environmental Engineer, a Floodplain Manager, a Project Management Professional, and an Envision Sustainability Professional.

As Principal Sanitary Engineer, Ms. Nogle oversees capital project planning, development, funding, and implementation for the entirety of the Authority including the Authority's billion dollar plus Queen City Clean Waters initiative. She leads regulatory compliance for the collection and drainage systems including green infrastructure. Ms. Nogle also has developed and oversees the implementation of stormwater and sanitary sewage management regulations for redevelopment and new development public and private projects throughout the City. In prior positions within the Authority, she managed individual capital projects in furtherance of abating combined sewer overflows including the first generation of real time control facilities. Ms. Nogle also jumpstarted the ongoing \$250 million facility upgrades. She also oversaw the Department of Sewer Maintenance for several years while also developing and managing construction, engineering, and collection system maintenance capital contracts for two and a half years.

Ms. Nogle is the senior Water Environment Federation (WEF) Delegate for the New York Water Environment Association (NYWEA), Science Certification Board Vice Chair for the American Association of Environmental Engineers and Scientists (AAEES), the Chair for the Examinations for Professional Engineers Committee for the National Council of Examiners for Engineering and Surveying (NCEES), and the Region 9 Director for the New York State Floodplain and Stormwater Managers (NYSFMSA). She also serves as a committee member and volunteer for these professional organizations and others. Ms. Nogle also serves on the NYS licensing board for engineers, land surveyors, and geologists and has been appointed as Professional Engineering Chair for this Board.

***Cheryl J. Colston, General Counsel***

Cheryl J. Colston joined the Buffalo Sewer Authority in September of 2023. She handles a variety of legal matters including, but not limited to, contracts and financial transactions, regulatory, real estate, property and personal injury claims, Open Meetings Law guidance and Freedom of Information Law requests.

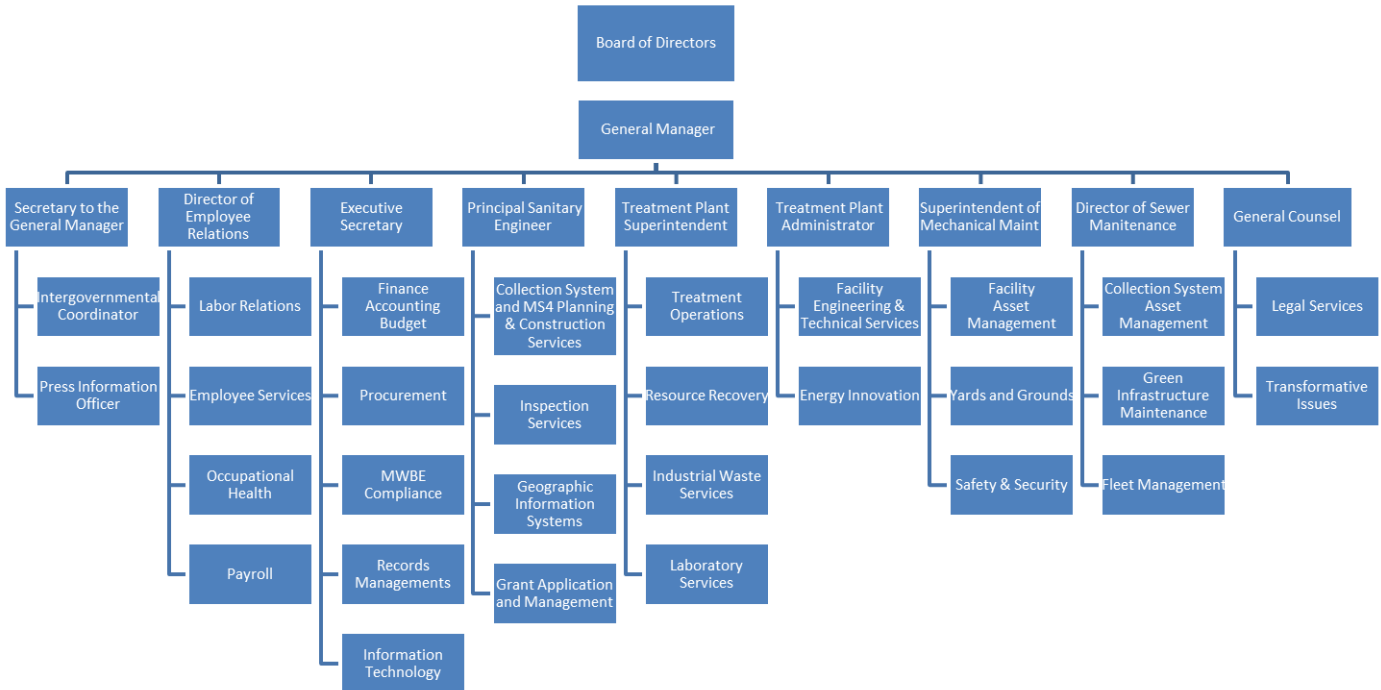
Ms. Colston is an experienced attorney with over 30 years of corporate governance, compliance, management side employment and labor law, regulatory and litigation experience. She has a background in demonstrated leadership and management skills in private law firms and public in-house law department environments. She has tried to verdict several cases in state and federal court. She has obtained favorable rulings in multiple federal and state court actions involving multi-million-dollar liability exposure.

Ms. Colston is admitted to practice in New York and Illinois.

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Chart #1: The current organizational chart of the Authority is set forth below.

### Organizational Chart of the Authority



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## Employees of the Authority

As of December 1, 2024, 231 individuals were employed by the Authority and organized pursuant to the following Authority departments.

Table #2  
Authority Departments and Employees

| Authority Department | Number of Employees |
|----------------------|---------------------|
| Administration       | 19                  |
| Sewage Treatment     | 130                 |
| Industrial Waste     | 8                   |
| Engineering          | 12                  |
| Sewer Maintenance    | 62                  |
| Total:               | 231                 |

## Representation of Authority Employees by Collective Bargaining Units

Authority employees are represented by two bargaining units. The Communications Workers of America (the “CWA”) represents the Authority’s blue collar employees, and the Civil Service Employees Association (the “CSEA”) represents the Authority’s white collar employees. Each union has negotiated a respective contract with a termination date of June 30, 2026.

## Pension and Insurance Liabilities of the Authority

All employees of the Authority are members of, and participants in, the New York State & Local Retirement System (the “ERS”). The ERS provides retirement benefits, as well as death and disability benefits. The net position of the 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 the ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrator of the ERS. The ERS benefits are established pursuant to the provision of the New York State Retirement and Social Security Law. Once a public employer elects to participate in the 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 Authority also participates in the ERS Group Life Insurance program, which provides death benefits in the form of life insurance. The ERS is included in the State’s financial report as a pension trust fund.

The ERS is noncontributory, except for (i) employees who joined the ERS after July 27, 1976, which employees contribute three percent (3%) of their salary for the first ten (10) years of membership, and (ii) employees who joined the ERS on or after January 1, 2010, which employees generally contribute three percent (3.0%) 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 upon a sliding salary scale. For the ERS, the State Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based upon salaries paid during the ERS’s fiscal year ending March 31.

The Authority provides employees with health insurance and dental insurance. The Authority also provides health insurance benefits for retirees, spouses and their covered dependents at no cost to the retirees under a single-employer postemployment benefit plan.

As of the conclusion of the 2024 fiscal year of the Authority (June 30, 2024), the following Authority employees and spouses were covered by the above-described retirement benefit terms:

Table #3  
Employees and Spouses Receiving Retirement Benefits

|                                |     |
|--------------------------------|-----|
| Active, not eligible to retire | 199 |
| Active, eligible to retire     | 24  |
| Retired and surviving spouses  | 213 |
| Retiree spouses                | 130 |
| Total:                         | 566 |

Table #4, below, presents the total benefit expenses of the Authority for each of the last five fiscal years. Such benefits include health and dental insurance, life insurance, ERS benefits, workers’ compensation and unemployment.

Table #4  
Total Benefit Expenses of the Authority  
Last Five Fiscal Years

| 6/30/2020   | 6/30/2021    | 6/30/2022    | 6/30/2023    | 6/30/2024    |
|-------------|--------------|--------------|--------------|--------------|
| \$9,850,818 | \$10,300,069 | \$10,051,003 | \$10,729,450 | \$10,199,630 |

The net pension liability for the ERS was last measured as of March 31, 2024 (the conclusion of the State’s 2024 fiscal year). The total ERS pension liability used to calculate the ERS net pension liability was determined by actuarial valuations as of April 1, 2023, with update procedures used to roll forward the total pension liability to the measurement date. The Authority’s proportion of the ERS net pension liability was based upon a projection of the Authority’s long-term share of contributions to the ERS relative to the projected contributions of all ERS participating members, actuarially determined. This information was provided by the ERS in a report provided to the Authority:

|   |                |
|---|----------------|
| Measurement date:   | March 31, 2024 |
| Net pension liability:  | \$7,113,049    |
| Authority’s portion of the ERS’s total net pension liability: | 0.0483091%     |

The Authority’s total “Other Postemployment Benefit” liability of \$57,903,302 was measured as of June 30, 2024, and was determined by an interim actuarial valuation as of that date.

## **THE AUTHORITY’S SERVICE AREA**

### **Description of the Service Area of the Authority: The City and the Outside Districts**

The service area of the Authority (the “Service Area”) encompasses approximately 110 square miles, and includes all of the area within the corporate limits of the City and certain communities outside the corporate limits of the City. Outside the corporate limits of the City, the Authority has entered into service contracts with (i) twelve (12) sewer districts in Erie County (as identified below), (ii) the Town of Cheektowaga, and (iii) the Village of Sloan, from each of which the Authority receives and treats sanitary sewage pursuant to the terms of the respective service contracts. The municipalities served pursuant to the terms of the service contracts (via the 12 sewer districts or directly) include: the Towns of Alden, Cheektowaga, Elma, Lancaster, Tonawanda and West Seneca, and the Villages of Depew, Lancaster and Sloan. The Authority has not entered into a service contract with the City, as the Authority’s provision of services to the City is statutory, pursuant to the terms of the Authority Act, as opposed to contractual. The Authority serves a total population within its Service Area consisting of approximately 550,000 residents.

Table #5, below, identifies, (i) for each of the last ten fiscal years, the flow (presented as millions of gallons per day (MGD)) to the Bird Island Plant as derived by the Authority from each section of the Service Area, (ii) the ten-year MGD average flow to the Bird Island Plant as derived by the Authority from each section of the Service Area, and (iii) the ten-year average percentage of flow to the Bird Island Plant as derived by the Authority from each section of the Service Area.

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**Table #5**  
**Source of Service Area Flow to the Bird Island Plant Last**  
**Ten Fiscal Years**  
**Including the 10-Year Average Percentage**

| Outside District                               | 10 Year Avg. Percentage | 10 Year Average | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 | 6/30/2023 | 6/30/2024 |
|--|-------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| County of Erie Sewer District No. 1            | 4.277%                  | 5.467           | 5.476     | 3.979     | 5.638     | 5.692     | 5.746     | 5.921     | 5.025     | 5.925     | 5.681     | 5.589     |
| County of Erie Sewer District No. 4            | 10.942%                 | 13.934          | 14.110    | 13.233    | 14.512    | 14.385    | 14.719    | 16.055    | 14.684    | 12.769    | 11.805    | 13.069    |
| Town of Cheektowaga                            | 7.963%                  | 10.180          | 9.710     | 8.690     | 10.090    | 10.500    | 10.900    | 10.360    | 9.04      | 11.47     | 11.71     | 9.33      |
| Town of West Seneca Sewer District Nos. 5 & 13 | 5.733%                  | 7.362           | 7.040     | 5.965     | 7.627     | 8.276     | 7.701     | 9.227     | 6.95      | 7.70      | 8.22      | 4.907     |
| Town of West Seneca Sewer District Nos. 1 & 2  | 0.362%                  | 0.454           | 0.356     | 0.935     | 0.458     | 0.509     | 0.493     | 0.112     | 0.371     | 0.474     | 0.480     | 0.352     |
| Town of West Seneca Sewer District No. 15      | 0.009%                  | 0.012           | 0.003     | 0.002     | 0.004     | 0.005     | 0.004     | 0.067     | 0.007     | 0.008     | 0.009     | 0.007     |
| Village of Sloan                               | 0.438%                  | 0.559           | 0.602     | 0.565     | 0.643     | 0.602     | 0.628     | 0.535     | 0.350     | 0.528     | 0.637     | 0.496     |
| City of Buffalo                                | 70.277%                 | 89.853          | 83.604    | 81.231    | 86.127    | 93.831    | 95.609    | 100.723   | 82.574    | 100.127   | 91.655    | 83.050    |
| <b>Total Treatment Plant flow (MGD)</b>        |                         | 127.820         | 120.900   | 114.600   | 125.100   | 133.800   | 135.800   | 143.000   | 119.000   | 139.000   | 130.200   | 116.800   |
| <b>Total Flow from Outside Districts (MGD)</b> |                         | 37.967          | 37.296    | 33.369    | 38.973    | 39.969    | 40.191    | 42.277    | 36.426    | 38.873    | 38.545    | 33.750    |

The infrastructure connections to each of the twelve (12) sewer districts and two (2) municipalities that are located outside the corporate limits of the City (the “Outside Districts”), pursuant to which the Authority provides sanitary sewage treatment services to the Outside Districts, were constructed prior to the statutory establishment of the Authority. In the 1960s, the USEPA and the NYSDEC formally mandated that the Outside Districts transmit sanitary sewage to the Authority via the existing collection system for treatment by the Authority. It was in connection with such formal mandate by the USEPA and the NYSDEC that the Authority entered into a service contract with each of the Outside Districts. The below table identifies (i) each of the Outside Districts, (ii) each of the seven (7) service contracts that have been entered into and (iii) the date such service contracts were entered into. In addition, in order to comply with the general pretreatment regulations of the federal Clean Water Act, the Authority was regulatorily required by the USEPA to implement and enforce a pretreatment program throughout its Service Area, including with respect to the Outside Districts. Therefore, between 1984 and 1986 (as indicated in the table below), the Authority amended the service contract with each Outside District for the purpose of establishing and enforcing the pretreatment

program requirements for each such Outside District. Finally, Table #6, below, also reflects the most recent contractual revision that the Authority has entered into with respect to each service contract.

Table #6  
Service Contracts with the Outside Districts

| Service Contracts with the Outside Districts:              | Original Contract Date: | Pretreatment Program Amendment: | Most Recent Revision: |
|--|-------------------------|---------------------------------|-----------------------|
| County of Erie Sewer District No. 1                        | 1962                    | 1984                            | 1996                  |
| County of Erie Sewer District No. 4                        | 1972                    | 1984                            | 1996                  |
| Town of Cheektowaga  | 1977                    | 1984                            | 1996                  |
| Town of West Seneca Sewer District Nos. 5, 13 & 14         | 1960                    | 1986                            | 1996                  |
| Town of West Seneca Sewer District Nos. 1, 2, 3, 4, 9 & 10 | 1979                    | 1986                            | 1996                  |
| Town of West Seneca Sewer District No. 15                  | 1979                    | 1986                            | 1996                  |
| Village of Sloan   | 1979                    | 1984                            | 1996                  |

See also, “THE AUTHORITY’S SERVICE AREA – Authority Service Contracts with the Outside Districts” below.

The provision of sewage treatment services by the Authority to Erie County Sewer District No. 4 and the Town of Cheektowaga, in part, is pursuant to the conclusions reached in the modified “Regional Sanitary Sewage Plan Program” (the “Regional Program”), adopted by the Erie-Niagara Counties Regional Planning Board and thereafter approved by the NYSDEC. Pursuant to the terms of the Regional Program, the Authority has responsibility for sewage treatment in the Central Region of Erie County (i.e., Erie County Sewer District No. 4 and the Town of Cheektowaga), with service provided in the three other designated regions within Erie County by non-Authority major facilities located in the Towns of Amherst and Tonawanda (Northern Region), Hamburg (Southwestern Region) and at a location in the Southern Region.

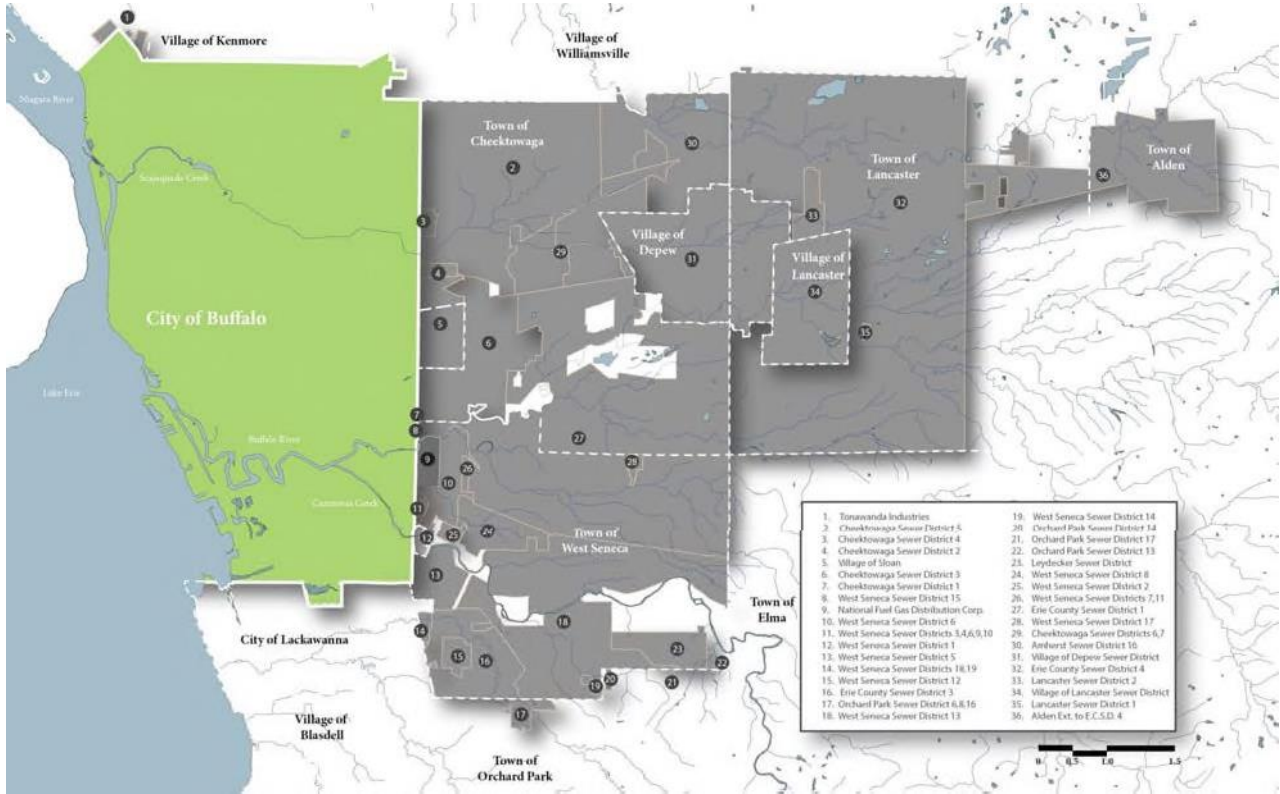
The Regional Program consists only of guidelines, and the Authority provides sewage treatment services within the Central Region on a contractual basis, as described above. There can be no assurance that the Regional Program will not be modified in the future. However, the Central Region governmental units (i.e., Erie County Sewer District No. 4 and the Town of Cheektowaga) remain under contract with the Authority as and to the extent described above. The Authority currently has contractual arrangements with all of the governmental units having jurisdiction over the populated areas in the Central Region. Therefore, the Authority currently projects that additional future sewage flow from the Central Region will result from increasing population in the areas currently under service contracts rather than as the result of the execution of additional service contracts with additional government units.

Since the establishment of the Authority, but excluding the ninety-six (96) properties described below (under the subheading, “Non-City Direct Sewer Connections: Retail Service to Portions of Certain Contiguous Municipalities”), the twelve (12) sewer districts and two (2) municipalities that constitute the Outside Districts, as described above, are the only districts and municipalities outside of the City to which the Authority has provided sewage treatment services and with which the Authority has entered into a service contract. Therefore, the Authority has not had an experience in which a sewer district or municipality to which it had provided sewage treatment services and/or entered into a service contract thereafter terminated such services and/or service contract. The composition of the Service Area, therefore, has remained consistent since the establishment of the Authority.

See also the subheading, below, “Non-City Direct Sewer Connections: Retail Service to Portions of Certain Contiguous Municipalities” for a description of the provision by the Authority of full sewer service (collection and treatment) to ninety-six (96) properties that are located outside the City, in municipalities that are contiguous to the City. In addition to the above-described sanitary sewer connections to the Outside Districts, there also are Municipal Separate Storm Sewer System (“MS4”) connections between the Authority’s MS4 collection system and certain municipalities, other than the City, which service is not the subject of the service agreements with the Outside Districts and which service does not generate revenue for the Authority. For a discussion of such MS4 connections, please see “THE AUTHORITY SYSTEM – Description of the Authority’s Collection System – MS4 Connections to Certain Municipalities.”

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Map #1: The Service Area of the Authority, which includes the Outside Districts.



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**The Authority’s Customer Base within the City**

Table #7, below, identifies the number of Authority customers by type (residential versus commercial) in each of the last ten (10) fiscal years.

Table #7  
Number of Sewer Customers by Type Last  
Ten Fiscal Years

| Fiscal Year | Customers   |            |
|-------------|-------------|------------|
|             | Residential | Commercial |
| 2015        | 104,327     | 684        |
| 2016        | 104,920     | 760        |
| 2017        | 105,148     | 992        |
| 2018        | 105,633     | 1,072      |
| 2019        | 107,278     | 1,081      |
| 2020        | 107,689     | 1,177      |
| 2021        | 107,945     | 1,182      |
| 2022        | 108,051     | 1,295      |
| 2023        | 108,155     | 1,306      |
| 2024        | 108,269     | 1,326      |

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Table #8, below, identifies the ten (10) largest Authority customers, located within the City, as of June 30, 2024, based upon total sewer rent and industrial waste surcharge paid by each. These ten (10) largest Authority customers represent 6.00% of total System revenue.

Table #8  
Ten Largest Authority Customers  
June 30, 2024

|    | Authority Customer:         | Type of Business: | Sewer Rent Based upon Assessed Valuation: | Sewer Rent Based upon Water Use: | Industrial Waste Surcharge: | Total Sewer Rent and Industrial Waste Surcharge: | Percentage of Total System Revenue: |
|----|-----------------------------|-------------------|---|----------------------------------|-----------------------------|--|-------------------------------------|
| 1  | BUFFALO HOUSING AUTHORITY   | Municipal Housing | \$241,812.39                              | \$608,681.85                     |                             | \$850,494.24                                     | 1.23%                               |
| 2  | GALBANI (SORRENTO-LACTALIS) | Consumer Foods    | \$12,550.74                               | \$261,697.93                     | \$261,412                   | \$535,660.62                                     | 0.78%                               |
| 3  | NATIONAL GRID               | Utility           | \$327,162.59                              | \$10,708.82                      |                             | \$337,871.41                                     | 0.49%                               |
| 4  | VA MEDICAL CENTER           | Hospital          |   | \$288,045.20                     |                             | \$288,045.20                                     | 0.42%                               |
| 5  | AURUBIS BUFFALO INC         | Copper Mill       | \$10,576.22                               | \$263,468.24                     |                             | \$274,044.46                                     | 0.40%                               |
| 6  | ERIE COUNTY MEDICAL CENTER  | Hospital          |   | \$223,584.49                     |                             | \$223,584.49                                     | 0.32%                               |
| 7  | DOUGLAS DEVELOPMENT         | Real Estate       | \$143,989.42                              | \$65,733.21                      |                             | \$209,722.63                                     | 0.30%                               |
| 8  | BUFFALO BOARD OF EDUCATION  | School District   |   | \$180,594.49                     |                             | \$180,594.49                                     | 0.26%                               |
| 9  | KALEIDA HEALTH              | Hospital          |   | \$163,644.74                     | \$279.46                    | \$163,924.20                                     | 0.24%                               |
| 10 | GOLD WYNN                   | Real Estate       | \$69,985.95                               | \$78,711.92                      |                             | \$148,697.87                                     | 0.22%                               |
|    | <b>TOTAL:</b>               |                   | \$806,077.31                              | \$2,144,870.89                   | \$261,691.46                | \$3,212,639.61                                   | 4.65%                               |

**Non-City Direct Sewer Connections: Retail Service to Portions of Certain Contiguous Municipalities**

Notwithstanding the above description of the Service Area as consisting of the City and the Outside Districts, the Authority additionally provides full sewer service (collection and treatment) to ninety-six (96) properties that are located outside the City, in municipalities that are contiguous to the City (the “Non-City Direct Sewer Connections”); however, such service is not provided pursuant to any of the Outside District service agreements. Of these ninety-six (96) Non-City Direct Sewer Connection properties: (i) seventy-one (71) are located in the Town of Cheektowaga; (ii) twelve (12) are located in the Town of West Seneca; (iii) twelve (12) are located in the Town of Tonawanda; and (iv) one (1) is located in the City of Lackawanna. In each case, these Non-City Direct Sewer Connection properties that receive sewer service from the Authority are immediately adjacent to the municipal border; their receipt of sewer service from the Authority is a result of such proximity to the municipal border and the functional practicality of receiving such sewer service from the Authority notwithstanding the fact that such properties are located just outside the City.

**Authority Service Contracts with the Outside Districts**

There currently are seven (7) service contracts that the Authority has entered into relating to the provision of sewage treatment services by the Authority to the Outside Districts. See “THE AUTHORITY’S SERVICE AREA – Description of the Service Area of the Authority: The City and the Outside Districts.” The Authority's service contracts with the Outside Districts do not include a stated termination date, but are terminable at any time at the option of the respective Outside District. Any Outside District that might

terminate its service contract with the Authority would be required to incur material capital expenses in order to develop its own treatment facilities as an alternative to the provision of sewage treatment services by the Authority. For this reason and as a result of the USEPA and NYSDEC mandate relating to the provisions of sewage treatment services by the Authority to the Outside Districts, the Authority anticipates the indefinite continuation of each of its existing service contracts.

Pursuant to the terms of each service contract, the respective Outside District is subject to an annual service fee. An independent auditor is retained by the Authority to assist the Authority in producing a “Cost Allocation Report” with respect to the calculation of each Outside District’s annual service fee. Such calculation is based upon a complex formula consisting of prescribed charges and percentages that are defined in the “Manual of Sanitary Sewer Charges” that is included as part of each service contract. The annual service fee is manually calculated in reliance upon (i) an empirical measure of Authority costs (as audited) allocable to each Outside District (reflective of the following cost categories: the Bird Island Plant; general administration; sewer maintenance; miscellaneous City services; Authority debt service; and general project costs), (ii) individually specified rates for each Outside District (predetermined in the Manual of Sanitary Sewer Service Charges), (iii) each Outside District’s allocable share of the total annual flow of sewage that is treated at the Bird Island Plant, (iv) the number of permitted industrial waste users, and (v) an allocable share of Authority debt service. Pursuant to the calculations set forth in the “Cost Allocation Report,” the Outside Districts are billed by the Authority twice each year: (i) prior to June 1 of each year, each Outside District is billed 80% of its total annual service fee as calculated for the preceding year, with payment due on July 1 of each year (or within 30 days of the date of the bill, if billed after June 1); and (ii) on approximately October 15 of each year, each Outside District is billed 20% of its total annual service fee as calculated for the preceding year, with payment due within forty-five (45) days of the date of the bill. The service contracts establish arbitration as the method for any dispute resolution between the parties with respect to the calculation of the annual service fee.

Table #9, below, identifies, for each of the last ten (10) fiscal years, the revenue derived by the Authority from each Outside District, pursuant to its respective service contract, as a percentage of total annual Authority revenue.

**Table #9**  
**Percentage of Authority Revenue Derived from the Outside Districts**  
**Last Ten Fiscal Years**

| Outside District  | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 | 6/30/2023 | 6/30/2024 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| County of Erie Sewer District No. 1                               | 3.381 %   | 3.480 %   | 3.651 %   | 3.467 %   | 3.132 %   | 3.799 %   | 2.95%     | 3.57%     | 3.30%     | 3.01%     |
| County of Erie Sewer District No. 4                               | 7.589 %   | 7.535 %   | 8.698 %   | 8.053 %   | 7.258 %   | 8.968 %   | 7.26%     | 9.41%     | 6.59%     | 5.88%     |
| Town of Cheektowaga   | 5.175 %   | 5.042 %   | 5.541 %   | 5.453 %   | 5.136 %   | 4.321 %   | 4.64%     | 5.61%     | 5.49%     | 5.39%     |
| Town of West Seneca Sewer District Nos. 5, 13 & 14                | 4.295 %   | 4.325 %   | 4.122 %   | 4.542 %   | 4.391 %   | 4.943 %   | 4.44%     | 4.68%     | 4.05%     | 4.20%     |
| Town of West Seneca Sewer District Nos. 1, 2, 3, 4, 9 & 10        | 0.230 %   | 0.220 %   | 0.242 %   | 0.275 %   | 0.273 %   | 0.319 %   | 0.23%     | 0.25%     | 0.25%     | 0.25%     |
| Town of West Seneca Sewer District No. 15                         | 0.001 %   | 0.002 %   | 0.002 %   | 0.002 %   | 0.002 %   | 0.003 %   | 0.003 %   | 0.004 %   | 0.004 %   | 0.004 %   |
| Village of Sloan  | 0.338 %   | 0.319 %   | 0.367 %   | 0.355 %   | 0.303 %   | 0.382 %   | 0.24%     | 0.23%     | 0.26%     | 0.30%     |
| Percentage of Total System Revenue Derived from Outside Districts | 21.010 %  | 20.923 %  | 22.623 %  | 22.148 %  | 20.495 %  | 22.734 %  | 19.76 %   | 23.75 %   | 19.95 %   | 19.04 %   |

Table #10, below, identifies, for each of the last ten (10) fiscal years, the revenue derived by the Authority from each Outside District, pursuant to its respective service contract.

**Table #10**  
**Authority Revenue Derived from the Outside Districts Last**  
**Ten Fiscal Years**

| Outside District:  | 6/30/2015    | 6/30/2016    | 6/30/2017    | 6/30/2018    | 6/30/2019    | 6/30/2020    | 6/30/2021    | 6/30/2022    | 6/30/2023    | 6/30/2024    |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| County of Erie Sewer District No. 1                        | \$ 2,090,357 | \$ 1,979,372 | \$2,261,461  | \$2,178,158  | \$1,824,880  | \$2,105,051  | \$1,925,714  | \$2,101,976  | \$2,179,667  | \$2,689,098  |
| County of Erie Sewer District No. 4                        | \$ 4,692,388 | \$ 4,285,434 | \$5,388,601  | \$5,058,906  | \$4,229,320  | \$4,968,835  | \$4,746,661  | \$5,534,565  | \$4,360,577  | \$5,247,868  |
| Town of Cheektowaga  | \$ 3,199,783 | \$ 2,867,479 | \$3,432,611  | \$3,425,153  | \$2,992,427  | \$2,393,942  | \$3,034,999  | \$3,303,853  | \$3,633,130  | \$4,806,135  |
| Town of West Seneca Sewer District Nos. 5, 13 & 14         | \$ 2,655,605 | \$ 2,459,505 | \$2,553,715  | \$2,853,319  | \$2,558,418  | \$2,738,558  | \$2,900,165  | \$2,751,905  | \$2,680,350  | \$3,749,132  |
| Town of West Seneca Sewer District Nos. 1, 2, 3, 4, 9 & 10 | \$142,267    | \$125,310    | \$150,119    | \$172,658    | \$158,940    | \$176,918    | \$148,104    | \$148,199    | \$166,754    | \$220,771    |
| Town of West Seneca Sewer District No. 15                  | \$883        | \$876        | \$942        | \$1,422      | \$1,375      | \$1,435      | \$1,920      | \$2,524      | \$2,569      | \$3,547      |
| Village of Sloan   | \$182,812    | \$181,532    | \$227,240    | \$222,784    | \$176,589    | \$211,525    | \$156,647    | \$133,484    | \$172,910    | \$266,815    |
| Total Revenue Derived from Outside Districts:              | \$12,964,095 | \$11,899,508 | \$14,014,689 | \$13,912,400 | \$11,941,949 | \$12,596,264 | \$12,914,210 | \$13,976,506 | \$13,195,957 | \$16,983,366 |

## THE AUTHORITY SYSTEM

### Introduction

The Authority owns and operates one of the largest wastewater treatment facilities in the State and a collection system that includes components that were constructed in the 1800s. A diverse staff of operators, chemists, laborers, maintenance personnel, supervisors and management are required to operate and maintain the Authority’s collection system and its wastewater treatment facilities in order to ensure the protection of both the public health and the environment. See Appendix B hereto, “2024-2025 Annual Engineer’s Certification Report,” for a detailed description of the Authority System.

### Historic Evolution of the Authority’s Collection System

The earliest section of the CSS within the City was laid in the 1840s and the 1850s as part of a comprehensive plan to sewer what is now the downtown core of the City. During the late nineteenth and early twentieth centuries, sewers were installed throughout the vast majority of the City, but, as with the earlier sewers, they discharged directly to the nearest waterbody. In the 1930s, interceptor sewers were installed to collect the dry weather flow and the first flush of wet weather flows and convey them to the Authority’s Bird Island Plant and, at the same time, allow additional flows to overflow into the nearest waterbodies. Since the 1930s, the Authority has upgraded its collection system to (i) provide better flood protection for residents, (ii) convey a greater portion of the wet weather flows to the Bird Island Plant, and (iii) bring sanitary wastewater from Service Area districts outside of the City (i.e., the Outside Districts) to the Bird Island Plant. In the 1970s, the Authority oversaw the extension of force mains and pumping stations to Kelly Island (located in the Buffalo River) and the construction of the Scajaquada Tunnel to divert combined sewer overflows from Scajaquada Creek.

The infrastructure connections to each of the Outside Districts (and the wastewater collection infrastructure thereof), pursuant to which the Authority provides sanitary sewage treatment services to such Outside Districts, were constructed prior to the statutory establishment of the Authority.

## **Historic Evolution of the Authority's Treatment System**

Immediately after the establishment of the Authority in 1935, the Bird Island Plant was constructed by the Authority and began operation on July 1, 1938. With the financial support of federal and State grants, secondary treatment facilities, which provide for additional treatment and disinfection of wastewater, were added by the Authority at the Bird Island Plant between 1975 and 1979, and placed in service in 1981. In 2005, a new grit removal facility was brought online at the Bird Island Plant, replacing the original grit removal system.

## **Description of the Authority's Collection System**

Introduction. The Authority's collection system currently consists of approximately 850 miles of sewer lines: (i) approximately 790 miles of combined sewer (the CSS) lines; and (ii) approximately 60 miles of storm sewer lines. The Service Area of the Authority within the City is served primarily by the Authority's CSS. As of 2024, there were approximately 108,269 residential connections and approximately 1,326 commercial and industrial connections to the Authority's collection system.

The CSO Outfalls. The CSS was constructed with 65 permitted CSOs outfalls to relieve the CSS during wet weather events in order to protect downstream treatment facilities (the Bird Island Plant) and to prevent basement flooding. In recent years, the Authority has completed numerous CSS capital improvement projects resulting in the elimination of seven (7) CSO outfalls. Currently, the Authority's collection system consists of 52 permitted CSO outfalls. These CSO outfalls discharge to the Niagara River, the Buffalo River, the Black Rock Canal, Erie Basin Marina, Cazenovia Creek, Scajaquada Creek and Cornelius Creek (an underground waterbody near Hertel Avenue). Both the CSO outfalls and the upstream collection system are regulated by the USEPA and the NYSDEC pursuant to the Authority's SPDES permit. See the subsection below, "Description of Combined Sewer Overflows."

MS4 Outfalls. In addition to conveying CSO events to the above-described receiving waterbodies, many of these CSO outfalls also convey Municipal Separate Storm Sewer System ("MS4") flows to these receiving waterbodies. In addition, the seven (7) recently decommissioned CSO outfalls continue to discharge MS4 flows to the receiving waterbodies. Finally, there also are several "purpose-built" MS4 outfalls in the Authority's collection system that collect MS4 storm water flow for discharge to receiving waterbodies. In total, there are forty-one (41) MS4 outfalls within the Authority's collection system. These MS4 outfalls and all areas of the collection system that collect, convey and discharge storm water directly to the waterbodies downstream of any CSO regulators are permitted and regulated pursuant to New York State's General Permit for MS4s. This permit requires that all developments of one acre or more obtain a permit pursuant to New York State's "General Permit for Stormwater Permit for Construction Activity" and provide mitigation throughout construction for (i) volume and water quality contamination of new stormwater flows and (ii) erosion and sediment controls.

In addition to the above State regulations, the Authority has imposed local regulations requiring erosion and sediment controls for all construction projects of ten thousand square feet or more of land disturbance regardless of whether the projects drain to the CSS or the MS4s. Additionally, the water quality and volume controls that the New York State permit imposes upon development sites of one acre or more have been extended to these smaller projects for those that drain to the MS4s while separate flow mitigation regulations have been imposed on sites with ten thousand square feet or more of soil disturbance that drain to the CSS.

Sanitary Sewer Connections to the Outside Districts. The Authority does not own, operate or maintain the wastewater collection infrastructure within the Outside Districts. The Authority provides sanitary sewage treatment services to such Outside Districts through infrastructure connections to the wastewater collection

infrastructure thereof. The Authority's infrastructure connections to the wastewater collection infrastructure of each Outside District are described below:

- Erie County Sewer District #1 connects to the Authority's collection system through a 36-inch main on Mineral Springs Road at the City line. Flows from Erie County Sewer District #1 are measured through a metering station located just to the east of the I-90 highway overpass of Mineral Springs Road.
- Erie County Sewer District #4 connects to the Authority's Interceptor System through a 66-inch main at Bailey and Seneca Streets. There is one upstream Authority connection to this line at Cable Street and the Buffalo River through a 10-inch combined sewer. The flows from Erie County Sewer District #4 are measured at a metering station located at 75 South Pierce Street.
- The Town of Cheektowaga discharges to the Authority's collection system through a 48-inch connection to the Scajaquada Tunnel in Schiller Park at the City line. The flows are measured through a metering station at the point of interconnection.
- The Village of Sloan connects to the Authority collection system through three distinct connections: (i) an 18-inch sanitary sewer connection to a 20-inch combined sewer on Vanderbilt Street at the City line; (ii) an 8-inch sanitary sewer connection to the 15-inch combined sewer at the intersection of Richard Drive and Cambria Street; and (iii) a 12-inch sanitary sewer connection to a 15-inch combined sewer at Richard Drive and the City line. The Village of Sloan is required to operate and maintain flow metering devices.
- Town of West Seneca Sewer District Nos. 1, 2, and 10 connect to the Authority's collection system through a 20-inch sanitary sewer that discharges to a 20-inch combined sewer at Wildwood Avenue and Beyer Place.
- Town of West Seneca Sewer District No. 3 discharges through a 10-inch sanitary sewer connection to a 10-inch combined sewer at Edson Street at the City line.
- Town of West Seneca Sewer District No. 4 discharges to the Authority's collection system through a 10-inch combined sewer connection at Duerstein Street and the City line.
- Town of West Seneca Sewer District No. 9 discharges to the Authority's collection system through a 12-inch sanitary sewer connection to a 12-inch combined sewer at Burch Street at the City line.
- Town of West Seneca Sewer District Nos. 5, 13, and 14 discharge to the Authority's collection system through a 36-inch sanitary sewer connection to a 42-inch main in Cazenovia Park approximately 300 feet southeast of Cazenovia Parkway.
- Town of West Seneca Sewer District No. 15 connects to the Authority's collection system through a 10-inch sanitary sewer connection at Pierce and Casimir Streets. The Town of West Seneca is required to operate and maintain flow metering devices for all of these points of interconnection relating to each of the above-described Town of West Seneca Sewer Districts.

MS4 Connections to Certain Municipalities. In addition to the above-described sanitary sewer connections to the Outside Districts, there also are MS4 connections between the Authority's MS4 collection system and certain municipalities, other than the City, which service is not the subject of the service agreements with the Outside Districts. These MS4 connections include: (i) the 72-inch Sloan Drain at Vanderbilt and Schiller Streets in the City that serves as an MS4 connection to the Village of Sloan; (ii) the 48-inch Genesee Street

MS4 connection to the Town of Cheektowaga; (iii) the 72-inch and the 48-inch MS4 connections at Calais Street to the Town of West Seneca; and (iv) the 30 foot by 14 foot arch Scajaquada Drain that serves as an MS4 connection to the Town of Cheektowaga. Unlike the sanitary sewer connections to the Outside Districts, these MS4 connections are not the subject of a service agreement between the Authority and the respective municipality, because such service by the Authority does not generate revenue as the Authority does not provide treatment services in connection with the collection via the MS4 collection system of such stormwater.

Pressurized Conveyance and Other Collection System Infrastructure. In addition to the gravity CSS and MS4 collection infrastructure as described above, the Authority's collection system also includes the following infrastructure:

- Various pump stations intended to assist in conveying flow through the Authority's collection system to the Bird Island Plant by providing pressurized conveyance of flows from low lying and isolated areas of the collection system:
  - South Buffalo Pump Station;
  - Hamburg Pump Station;
  - East Amherst Street Pump Station;
  - Babcock Pump Station;
  - Walden Heights;
  - Waterfront Village;
  - Tiff Farms;
  - Kelly Island Pump Stations: Ohio-Ganson Pump Station KX; Fuhrmann Pump Station KF; and Skyway Pump Station KS.
- The Hamburg Drain Screening Facility: Constructed to address the aesthetic concerns of the Hamburg Drain CSO outlet at the terminus of the Erie Canal.
- The Amherst Quarry: A retention tank used during rain events.
- The Niagara Street Metering Station: Once used to monitor flows through the Scajaquada Tunnel, but not currently operational.

## **Description of the Authority's Treatment System**

The Bird Island Plant. The Authority's Bird Island Plant, placed into service in 1938, is a Class A Special Wastewater Treatment Facility that discharges into the international boundary water of the Niagara River. The Authority treats approximately 60 billion gallons of wastewater annually (164 million gallons per day (MGD)) at the Bird Island Plant. The Bird Island Plant was designed around an average flow of 180 MGD, with a peak flow of 563 MGD and a peak secondary flow of 360 MGD. Wastewater treatment at the Bird Island Plant is accomplished via the following processes: influent screening with coarse bar screens (2 screens); raw wastewater pumping (6 pumps); screening with fine bar screens (6 screens); grit removal (8 chambers); primary sedimentation (4 tanks); primary settled wastewater pumping (5 pumps); conventional activated sludge treatment (16 tanks); final clarification (16 tanks); and disinfection (4 tanks). Waste activated sludge and primary sludge is pumped to the solids handling facilities. Sludge processing at the Bird Island Plant includes dissolved air flotation thickeners, sludge digestion, sludge mixing tanks, centrifuges for sludge dewatering and sewage sludge incineration.

Sludge processing at the Bird Island Plant includes dissolved air floatation thickeners (7 tanks), sludge digestion (6 digesters), sludge mixing tanks (2 tanks), centrifuges for sludge dewatering (3 units), and sewage

sludge incineration (2 active incinerator units). The Authority also receives undigested sewage sludge from the Outside Districts for disposal through incineration at the Bird Island Plant. Screenings collected by the course and fine bar screens as well as grit collected by the grit chambers are sent to off-site landfills for disposal. Incinerator ash also is disposed of via off-site landfilling.

Completed and current upgrades to the Bird Island Plant will enable improved treatment of up to 320 million gallons per day (MGD) of flow through the secondary treatment system and, following completion of currently anticipated future upgrades to the Bird Island Plant, improved treatment of up to 400 MGD through the secondary treatment system.

With the financial support of federal and State grants, secondary treatment facilities, which provide for additional treatment and disinfection of wastewater, were added by the Authority at the Bird Island Plant between 1975 and 1979, and placed in service in 1981.

All treated flows are discharged by the Bird Island Plant to the Niagara River via two permitted outfalls. The Bird Island Plant also is equipped with a third emergency outfall that is used to protect the Bird Island Plant in the event of extreme precipitation events or equipment malfunction in order to prevent the plant influent flow from exceeding the Bird Island Plant's treatment capacity.

*The Industrial Pretreatment Program.* The primary objective of the Authority's industrial pretreatment program is to monitor and control industrial discharges in order for the Authority to comply with the federal Clean Water Act. More specifically, the goals of the industrial pretreatment program include the following:

- Protect both Authority workforce safety and public health;
- Protect the physical integrity of the Bird Island Plant and its treatment processes;
- Enable the Authority to comply with the wastewater discharge requirements and incinerator air emission standards as set forth in its SPDES Permit;
- Prevent limitations upon sludge disposal options; and
- Administer the Authority's surcharge program for industrial users.

The control and enforcement mechanisms that the Authority employs with businesses in order to monitor and regulate discharges into the System are discharge permits. The Authority's discharge permits are referred to as "Buffalo Pollutant Discharge Elimination Permits" ("BPDES"). Any business that satisfies at least one of the following four (4) criteria, as required by USEPA, must obtain a BPDES permit from the Authority:

- Defined by the USEPA as a categorical discharger;
- Discharges more than 25,000 gallons per day of process wastewater;
- Discharges 5% of a publicly owned treatment work's average daily flow; and
- Designated by the publicly owned treatment work as having a reasonable potential to adversely affect the publicly owned treatment work's operations or violate any pretreatment standard.

The types of industries that may require BPDES permits include: (i) food manufacturers; (ii) metal finishers;

(iii) metal molding and casting enterprises; (iv) paper manufacturers; (v) chemical manufacturers; and (vi) industrial laundries. The USEPA has defined over thirty (30) categories of industries that may require receipt of BPDES permits.

A BPDES permits is issued by the Authority for a three-year term. Pursuant to its BPDES permit, a business is required to sample and analyze its wastewater at various frequencies per year. If a business is in violation of its BPDES permit, it is required to investigate, resample and take any corrective actions that are necessary to remedy the violation and prevent the violation from reoccurring. If the violation is significant, as defined by USEPA (i.e., “Significant Non-Compliance”), then the Authority is required to publish in the largest circulating newspaper in the area: (i) information concerning the violation; (ii) action taken by the business; (iii) any fines incurred by the business; and (iv) the business’s compliance status.

The Authority issues three types of discharge permits: (i) BPDES discharge permits, as discussed above; (ii) trucker discharge permits; and (iii) temporary discharge permits.

- The trucker discharge permit is a one-year permit. The Authority accepts at the Bird Island Plant septic, porta-potty waste, leachate, grease (food grade) and sludges pursuant to a trucker discharge permit.
- The temporary discharge permit is also a one-year permit. Temporary discharge permits primarily are issued to construction and remediation sites.

Authority Discharge Permits Issued and Outstanding as of June 30, 2024:

- BPDES discharge permits: 44
- Outside City Permitted Industries: 39
- Trucker discharge permits: 60
- Temporary discharge permits: 13

The National Pretreatment Program was created pursuant to the federal Clean Water Act, with applicable regulations adopted pursuant to the federal Clean Water Act. These regulations require publicly owned treatment works to implement approved pretreatment programs if they regulatorily qualify for the program. The USEPA approves the pretreatment programs, audits the pretreatment programs once every five years, assists the pretreatment programs when new regulations are implemented and when questions arise, and offers training with respect to the operation of pretreatment programs. See “THE AUTHORITY SYSTEM – Permits, Licenses and Approvals Relating to the Operation of the System.”

### **Treatment Data**

The Authority is required, pursuant to its SPDES permit, to meet 85% removals of Biochemical Oxygen Demand and Total Suspended Solids, as well as other permit parameters. Digested sludge solids dewatering regularly reaches 25% solids. Yearly average of 34 dry tons per day are incinerated. See “THE AUTHORITY SYSTEM – Permits, Licenses and Approvals Relating to the Operation of the System.”



Table #11, below, identifies the volume of sewage treated by the Authority at the Bird Island Plant in each of the last ten (10) fiscal years.

Table #11  
Wastewater Treated at the Bird Island Plant Last  
Ten Fiscal Years

| Fiscal Year | Million Gallons of<br>Wastewater Treated |
|-------------|--|
| 2015        | 44,129                                   |
| 2016        | 41,829                                   |
| 2017        | 45,625                                   |
| 2018        | 47,925                                   |
| 2019        | 49,786                                   |
| 2020        | 52,265                                   |
| 2021        | 43,472                                   |
| 2022        | 50,735                                   |
| 2023        | 47,450                                   |
| 2024        | 42,743                                   |

**Description of Combined Sewer Overflows**

The Authority sewer system that serves the City is a combined sewer system (the CSS) that combines (i) the collection of sanitary sewage and (ii) the collection of stormwater, via the same network of collection pipes. During dry weather, sewage can successfully flow through the collection pipes of the CSS and be treated at the Bird Island Plant prior release into the Niagara River. However, during moderate or severe precipitation events, both stormwater and sewage are collected by, and flow through, the collection pipes of the CSS in a volume that could overwhelm the Bird Island Plant and also result in basement flooding. As a result, mixed stormwater and sewage must be released through “outfalls” along the Niagara River and Lake Erie, as well as other local water bodies, in order to relieve the capacity pressure on the CSS, including the Bird Island Plant.

The CSS was constructed with 65 permitted CSO outfalls designed to relieve capacity pressure on the CSS during precipitation events and, thereby, protect the downstream treatment facilities of the Bird Island Plant and also prevent basement flooding. Since the original construction of the CSS, the Authority has completed a number of CSS improvement projects resulting in the reduction of the number of CSO outfalls that are required. Currently, the CSS includes 52 permitted CSO outfalls.

In 2023, the CSO outfalls were activated a total of 49 times, discharging a total of 2,922 million gallons of combined sewage into the waterbodies that surround and traverse the City: the Niagara River, the Buffalo River, the Black Rock Canal, Erie Basin Marina, Cazenovia Creek, Scajaquada Creek and Cornelius Creek (an underground waterbody near Hertel Avenue). The number of CSO outfall activations has been declining in recent years as the Authority LTCP (as defined below under “—Development by the Authority of the Authority LTCP”) projects are undertaken, completed and brought online; however, the volume of CSO outfall discharges varies depending on the frequency and intensity of precipitation events.

**Preparations for Climate Change**

The City is not expected to experience the more profound challenges that many other communities will experience as a result of climate change. Nevertheless, the City has been forecast to receive more extreme

weather events and an overall warmer climate. Average precipitation in the City is anticipated to increase, with annual increases of up to four (4) inches on average by mid-century and annual increases of up to seven (7) inches on average by the end of the century. Precipitation events greater than one (1) inch are expected to increase by up to two (2) days by 2050 and by two (2) to four (4) days by 2100. This increased precipitation is expected by the Authority to increase the risk of flooding, particularly in certain low elevation neighborhoods, and put additional strain on the Authority's current CSS infrastructure within the City thereby increasing the frequency and severity of CSO events. Additional challenges include increased health risks, especially in areas with disproportionate levels of asphalt which can contribute to the heat island effect. Pursuant to the heat island effect urban areas trap and retain more heat than the surrounding rural and suburban areas, due to the high concentration of structures and corresponding lower concentration of natural landscapes. Neighborhoods with lower vegetation density can be hotter, affecting both human health and cooling costs.

As part of its preparations for climate change, implementation of green infrastructure pursuant to the Authority LTCP and the GI Master Plan (as defined below under “—Development by the Authority of the Authority LTCP”) is critical both to decrease flash flooding in low elevations and to decrease the heat island effect. By capturing additional stormwater, green infrastructure projects will mitigate the likely capacity strain that increased precipitation will have on the City's current CSS stormwater infrastructure.

### **Development by the Authority of the Authority LTCP**

In July of 2004, the Authority submitted its LTCP for CSO abatement (the “2004 LTCP”) to the NYSDEC. In 2008, the Authority commenced additional work to update its 2004 LTCP (i) to respond to comments that it received from the NYSDEC and (ii) to address additional evaluations conducted by the Authority at the request of the NYSDEC and the USEPA (collectively, the “Regulatory Agencies”). From 2008 through early 2012, the Authority and the Regulatory Agencies discussed revisions to the 2004 LTCP. On March 15, 2012, the USEPA, pursuant to an Administrative Order, directed the Authority to submit an updated LTCP to the Regulatory Agencies no later than April 30, 2012. Following completion and submission of the April 2012 LTCP, the Regulatory Agencies provided comments. In response to the comments that were received by the Authority from the Regulatory Agencies, the Authority developed a “Green Infrastructure Master Plan” (the “GI Master Plan”). In response to Regulatory Agency comments to the GI Master Plan, the 2004 LTCP has been revised and updated to incorporate the findings as set forth in the “GI Master Plan” and was finalized in January of 2014 (the 2004 LTCP, as revised, updated and finalized in 2014, is referred to herein as the “Authority LTCP”).

### **Environmental Regulation of the Authority Relating to the Operation of the System**

Sources of environmental oversight and regulation of the Authority relating to its operation of the System include (i) Title V of the federal Clean Air Act, (ii) both the municipal separate storm sewer system provisions and the municipal wastewater provisions of the federal Clean Water Act, and (iii) New York State Environmental Conservation Law.

- With respect to the Bird Island Plant, the CSS, and the MS4, the Authority is required, pursuant to the Federal Clean Water Act, to conduct monitoring, sampling, reporting, record keeping, inspections, and training, and to employ licensed operators.
- Title V of the federal Clean Air Act regulates emissions, sampling, monitoring, training and record keeping for the sludge incinerators that the Authority operates at the Bird Island Plant for the purpose of the disposal of wastewater solids.

- Pursuant to the New York State Environmental Conservation Law and NYSDEC regulations, the Authority must comply with its State Pollutant Discharge Elimination System (SPDES) permit and comply with air quality standards and bulk storage regulations.

The USEPA oversees compliance with the above-described federal statutes. The USEPA has delegated to the NYSDEC regulatory authority to manage compliance with federal environmental statutory and regulatory obligations within New York State. The NYSDEC also monitors compliance with, and enforces, New York State Environmental Law, including those that are not addressed by, or that exceed, federal statutes and regulation.

### **Environmental Regulation of the Authority Relating to the Authority LTCP: The USEPA Administrative Order**

Authority LTCP. The development and implementation by the Authority of the Authority LTCP, as an abatement plan for CSOs, is required pursuant to the terms of the State Pollutant Discharge Elimination System (SPDES) permit issued by the State to the Authority. In addition, the enforcement of the Authority LTCP is the subject of the USEPA Administrative Order. The USEPA Administrative Order requires (i) the phased completion of projects for purposes of achieving implementation by the Authority of its Authority LTCP and (ii) completion of such implementation pursuant to an established schedule.

The Authority LTCP identifies eighty-six (86) projects, as described below, that reflect green, smart and gray solutions:

- *Phase I Projects:* These are an initial series of projects identified during the development of the 2004 LTCP. Recognizing that these projects would likely be constructed regardless of the manner in which the Authority LTCP might be finalized, the Authority, with the concurrence of the Regulatory Agencies, chose to undertake these projects. They include a mix of sewer separation, CSO regulator optimizations (for example, raising weirs and/or removing orifice plates), and supplemental sewer system capacity projects. As the implementation of these projects evolved, several were modified to include RTC and green infrastructure elements.
- *Green Infrastructure:* Manage 1,315 acres of impervious surface area within the City with green infrastructure, pursuant to the Authority's GI Master Plan.
- *Real Time Control Program:* Implement sixteen (16) RTC projects that use the existing excess capacity of large diameter sewer pipes and advanced computer logic to help control CSO discharges into local waterways and local flooding.
- *Additional Sewer Patrol Point Optimizations:* Implement twenty (20) optimization projects that include optimizing weir elevations and orifice plate openings, increasing underflow pipe capacity, and flow redirection.
- *Additional Storage Projects:* Implement three (3) projects that will provide underground storage and pumping facilities to store precipitation event flows and thereafter release them into the CSS after a precipitation event has subsided.
- *Bird Island Plant:* Implement improvements to the Bird Island Plant that will result in additional treatment capacity for precipitation event flows.

In general, the Authority LTCP represents a shift in management philosophy by the Authority away from sewer separation as a primary CSO control technology to a combination of low-cost system optimizations,

cost-effective RTC projects and selected green infrastructure projects. While some sewer separation projects are carried forward in the current Authority LTCP, the extent of the areas to be separated has been reduced and replaced in favor of alternative technologies.

See “—Development by the Authority of the Authority LTCP” above for a discussion of the process and timeline pursuant to which the current Authority LTCP evolved and developed pursuant to (i) the regulatory oversight of the Regulatory Agencies and (ii) specifically, enforcement action by the USEPA that culminated in the issuance of the USEPA Administrative Order, which order, as amended, was issued by the USEPA on April 11, 2014 (as described below).

USEPA Administrative Order. The USEPA Administrative Order memorializes the various processes pursuant to which the 2004 LTCP was reviewed and modified (including, without limitation, for the purpose of the incorporation of the GI Master Plan), culminating in the finalization of the current Authority LTCP. By way of example, without the intent of setting forth the provisions of the USEPA Administrative Order in their entirety, the USEPA Administrative Order mandates the following features that have been included in the current Authority LTCP:

- An evaluation of a range of “sizes” of each system-wide alternative that will, for the typical year, achieve an average volume of wet weather percent capture from 75% to 100% and reduce the average number of untreated CSO outfall events to 0, 1 to 3, 4 to 7 and 8 to 12 per year.
- A determination of the estimated cost of the implementation of the Authority LTCP, including a Financial Capability Analysis.
- An evaluation, using water quality models, of the expected water quality improvements in the receiving waters that will result from implementation of the Authority LTCP.
- The use of green infrastructure wherever feasible, with encouragement by the USEPA to utilize green infrastructure projects, as appropriate, to reduce or replace gray infrastructure projects, provided that any green infrastructure project proposed is anticipated to provide substantially the same or a greater level of control as the alternative gray infrastructure project.
- Green infrastructure projects shall be consistent with the terms of the USEPA Administrative Order and shall achieve the minimum standards identified therein.
- In the event that the Authority implements an approved green infrastructure project that fails to meet the specified performance criteria as set forth in the Authority LTCP, the Authority shall propose, within 180 days after the submittal of the applicable post-construction monitoring report documenting such failure, an additional green or gray infrastructure project.
- The Authority shall implement the Authority LTCP (including each of the projects identified therein) in accordance with the schedule set forth therein, including, without limitation, certain milestones as set forth in the Appendix to the USEPA Administrative Order entitled, “BSA Approved CSO LTCP Implementation Schedule,” and shall complete the implementation of the Authority LTCP (including each of the projects identified therein) by not later than March 18, 2034.

The USEPA Administrative Order requires the submission by the Authority of the following reports with respect to the completion of the Authority LTCP: a Post-Construction Monitoring Plan; a Final Post-Construction Monitoring Report; Semi-Annual Status Reports; and Annual Post-Construction Monitoring Reports. The Authority currently intends to continue its practice of providing public access to these reports, promptly following submission to the USEPA, via the Authority’s publicly accessible website

(buffalosewer.org/about/transparency). See the Authority's publicly accessible website for each of the following that currently are posted via such website: (i) an Executive Summary of the Authority LTCP; (ii) the USEPA Administrative Order; and (iii) those Semi-Annual Status Reports that have been submitted by the Authority to the USEPA prior to the date hereof pursuant to, and in satisfaction of, the USEPA Administrative Order. The Authority's inclusion of such material via its publicly accessible website is strictly voluntary and may be discontinued at any time in the Authority's sole discretion without the consent of the holders of the Series 2025A Bonds.

*Enforcement of the USEPA Administrative Order.* To the extent that the USEPA commences an action in a United States District Court in connection with a violation of any "Ordered Provision" of the USEPA Administrative Order, the Authority may be subject to (i) civil penalties of up to \$37,500 per day for each day of violation, and/or (ii) injunctive relief, all pursuant to applicable provisions of the federal Clean Water Act, as may be imposed by the United States District Court.

*Implementation of the Authority LTCP.* As noted above, the Authority LTCP establishes a commitment by the Authority to manage 1,315 acres of impervious surface area within the City with green infrastructure. It is possible that additional green infrastructure acreage may exceed this minimum program commitment by the Authority and may be implemented in conjunction with the optimization of gray infrastructure projects to be undertaken by the Authority pursuant to its Authority LTCP. It is estimated by the Authority that approximately 97% of wet weather flows will be captured upon successful implementation by the Authority of the Authority LTCP. See Appendix B hereto: "2024-2025 Annual Engineer's Certification Report," for a discussion of the implementation of the Authority LTCP.

The phased implementation schedule, pursuant to the USEPA Administrative Order, provides for completion of a majority of the large, complex gray infrastructure storage projects in the latter half of the implementation of the Authority LTCP.

For a discussion of considerations relating to the successful implementation by the Authority of its Authority LTCP, see "FINANCIAL OPERATIONS OF THE AUTHORITY – Forecasted Capital Improvement Initiatives and Investments" and "—Factors Impacting Successful Implementation of Capital Projects" below.

*Proposed Modification to the USEPA Administrative Order.* Pursuant to the Authority LTCP and the USEPA Administrative Order relating thereto, the initiatives identified in the Authority LTCP are required to be completed by the Authority by March 18, 2034. However, on January 7, 2021, the Authority submitted to the USEPA and the NYSDEC an update to its Financial Capability Analysis. In such update, the Authority demonstrated that an extension of the schedule for the implementation of the initiatives identified in the Authority LTCP would be required in order to relieve the residents of the Service Area of the unaffordable rates that were then forecast by the Authority in order to achieve the then-current Authority LTCP implementation schedule. Therefore, as part of its submission to the USEPA and the NYSDEC, the Authority requested that the USEPA Administrative Order be modified in order to extend the current March 18, 2034 Authority LTCP implementation completion date. Currently, the Authority anticipates that discussions among the Authority, the USEPA and the NYSDEC regarding this request will commence once the USEPA and the NYSDEC have completed their respective reviews of the updated Financial Capability Analysis, as submitted on January 7, 2021. The Authority is unable to project the response of the USEPA and the NYSDEC to its request that the USEPA Administrative Order be modified in order to extend the current March 18, 2034 Authority LTCP implementation completion date, including, without limitation, any alternative Authority LTCP implementation completion date that might be considered and approved for inclusion in any modification to the USEPA Administrative Order. See "RATES AND CHARGES – Projected Future Rates and Charges" herein.

## **Permits, Licenses and Approvals Relating to the Operation of the System**

*Bird Island Plant and CSS SPDES Permit.* The Authority possesses the permit required to own and operate the Bird Island Plant and the CSS within the City, pursuant to its State Pollutant Discharge Elimination System (SPDES) Permit Number NY0028410 (<https://buffalosewer.org/app/uploads/2017/08/BSA-SPDES-PERMIT.pdf>) (the “SPDES Permit”). This current SPDES Permit was issued via letter from the NYSDEC to the Authority in 2014 with an expiration date of June 20, 2019. Filings were completed by the Authority on December 6, 2018 for the purpose of renewing this SPDES permit. In accordance with the State Administrative Procedures Act, the current SPDES Permit shall remain in effect until the NYSDEC makes a final determination with respect to the renewal application of the Authority. On August 30, 2023, the Authority submitted the SPDES renewal application to the NYSDEC. Permit technical review is ongoing.

The SPDES Permit is issued pursuant to Title 8 of Article 17 of the State Environmental Conservation Law and in compliance with the federal Clean Water Act, and sets forth effluent limitations, monitoring and reporting requirements, and other requirements and conditions. Table #12, below, identifies the permit parameters of the SPDES Permit for which a reportable noncompliance occurred during each of the past four years.

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Table #12  
 SPDES Permit Parameters for which a  
 Reportable Noncompliance Event Occurred  
 Last Four Years

| SPDES PERMIT PARAMETER            | 2021 | 2022 | 2023 | 2024 |
|-----------------------------------|------|------|------|------|
| Coliform, fecal general           | 1    | 1    | 1    | 0    |
| Phosphorus, total                 | 1    | 1    | 0    | 2    |
| BOD, 5-day, percent removal       | 2    | 8    | 2    | 0    |
| BOD, 5-day, 20 deg. C             | 0    | 0    | 0    | 0    |
| Solids, suspended percent removal | 0    | 1    | 1    | 0    |
| Solids, settleable                | 1    | 1    | 0    | 7    |
| Lab Error                         | 1    | 0    | 0    | 1    |
| pH                                | 1    | 0    | 0    | 0    |
| Sampling Error                    | 2    | 0    | 1    | 2    |

The Authority historically operates pursuant to this SPDES Permit with minimal reported noncompliance events. Of the listed noncompliance events in the above table, most are due to a failure to meet 85% removals of Biochemical Oxygen Demand (“BOD”). This is a byproduct of low influent values and not from excess pounds of BOD in the effluent flows. Effluent BOD results are typically less than 50% of the permitted monthly limit of 45,036 lbs. Other noncompliance events, other than BOD Effluent percent removals, include:

- During calendar year 2021, monthly BOD percent removal was less than 85% for the months of June and July. A 7-day geometric mean was greater than 400 for a week in July resulting from a change in process flows to facilitate construction work. The August monthly phosphorus average was 1.08 mg/l caused by a delay in shipment of treatment chemicals. The August 5 pH sample was 9.4, which was greater than the 9.0pH limit and is considered an outlier sample.
- During calendar year 2022 BOD percent removal was less than 85% for the months of January, February, March, April, May, June, July and August. One weekly fecal coliform geometric mean was above the 400 colonies/100 ml permissible limit. This event ceased after repairs were made to a chemical dosing pump. The monthly phosphorus limit was exceeded for the month of August and returned to expected values the next month after operational conditions were adjusted.
- During calendar year 2023, BOD percent removal was less than 85% for the months of July and August. The monthly percent removal for TSS was <85% for the month of March attributed to a low influent value of 67 mg/l.
- During calendar year 2024, Settleable solids were elevated on 7 separate days attributed in part to elevated solids increased sludge volume index as well as due to isolated mechanical malfunctions. These parameters resumed normal operation after repairs we made and solids handling improved in the subsequent months.

Air Title V Permit. The Authority possesses the permit, effective September 9, 2016, required to own and operate three multiple hearth sewage sludge incinerators at the Bird Island Plant, pursuant to New York State Title V Permit ID# 9-1402-00154/0007 ([https://www.dec.ny.gov/dardata/boss/afs/permits/914020015400007\\_r2.pdf](https://www.dec.ny.gov/dardata/boss/afs/permits/914020015400007_r2.pdf)) (the “Air Title V Permit”). This Air Title V Permit has an expiration date of five years after the issuance date thereof and, therefore, is active until September 9, 2021. A renewal application

was submitted by the Authority to the NYSDEC by the March 12, 2021 deadline, and currently is under review by the NYSDEC. On March 15, 2024, a control plan and petition was submitted to the USEPA and is currently awaiting comments. There is no applicable timeline or deadline date for a final determination by the NYSDEC in response to the renewal application by the Authority with respect to its Air Title V Permit.

Pursuant to the Air Title V Permit, the Authority is required to submit a semiannual deviation report to the NYSDEC at least every six months, reporting permit deviations and incidences of noncompliance, stating the probable cause of such deviations, and identifying any corrective actions or preventive measures taken. The NYSDEC has determined that previously submitted reports lack specific detail and the NYSDEC has requested updated reports to be resubmitted by the Authority with more explicit detail. All semiannual and annual compliance reports are submitted via the NYSDEC online ACE reporting portal.

The MS4 Permit. The 60 miles of municipal separate storm sewers that the Authority operates within the City are regulated pursuant to State and federal municipal separate storm sewer system (MS4) regulations. In New York State, these regulations are enforced under a general permit (GP-0-15-003 [https://www.dec.ny.gov/docs/water\\_pdf/ms4permit.pdf](https://www.dec.ny.gov/docs/water_pdf/ms4permit.pdf)). The Authority holds SPDES ID Number NYR20A461 pursuant to this permit.

The Industrial Pretreatment Program and Compliance with the SPDES Permit. Please see “THE AUTHORITY SYSTEM - Description of the Authority’s Treatment System – *The Industrial Pretreatment Program.*” The USEPA, Region 2, audits Authority’s industrial pretreatment program every five years. The most recent audit in occurred in June 2019, and consisted of, among other things, visiting and inspecting industries that are permitted by the Authority’s industrial pretreatment program, reviewing the permitted industry files maintained by the Authority, and reviewing the monitoring conducted by the industry and by the Authority. The Authority received the results of this audit in March 2021, and responded to this audit in May 2021. No further action by the Authority was required. A subsequent audit has not been scheduled by the USEPA.

### **Consent Decrees**

While the Authority is subject to the USEPA Administrative Order, the Authority is not currently subject to any consent decrees.

### **Security and Emergency Preparedness**

In 2019, the Authority engaged Ernst & Young to assist it in developing an “Emergency Response Plan” (the “ERP”) to establish a collaborative and systematic approach to improve capabilities in order to properly prepare for and respond to hazards that may affect the Authority. The ERP has been completed and fully implemented by the Authority. Pursuant to the terms of the ERP, the Authority has committed to each of the following:

- Support the ERP concept of operations and carry out assigned functional roles and responsibilities to ensure the effective, orderly, cost-effective and timely delivery of emergency functions;
- Continue to develop, refine and implement Authority planning and exercise and training activities to maintain necessary operational capabilities and corroborate the support of City and County emergency plans;
- Cooperate with City and State senior leadership to provide effective oversight of disaster operations; and



- Make maximum use of existing authorities, organizations, resources, systems and programs to reduce disaster relief costs.

The ERP provides guidance as to how the Authority responds to disasters, with the goal of protecting life and property and ensuring public safety. In addition, the ERP organizes Authority positions that are involved in emergency management into the Incident Command System (the “ICS”) according to capabilities, skills, resources and authorities. Using the ICS organization, the ERP outlines how resources will be leveraged and implemented, and how City and County partners will be engaged for support as incident conditions warrant.

## **Cybersecurity**

In order to address cybersecurity, the Authority, through its Information Technology Department, uses firewalls, advanced malware protection, system anti-virus software, endpoint protection, and advanced security and compliance software. Multi-factor authentication is required when accessing the Authority’s network remotely. Backups, in a virtual environment, are conducted daily to take a daily snapshot of the environment. In addition, the Authority’s Information Technology Department provides training programming in order to educate Authority staff concerning cyber threats, and regularly sends emails to test compliance by Authority staff and keep Authority staff alert and aware concerning malicious phishing attempts that are received via email.

### **Prior Cybersecurity Breaches**

To date, the Authority has not experienced any external breaches of its information technology systems.

### **Litigation Relating to the System and the Operations of the System**

As of February 6, 2025, there are a total of sixteen (16) active lawsuits against the Authority for personal injuries or property damage. Additionally, the Authority anticipates that it may be named in a litigation complaint arising from thirteen (13) additional incidents, although no suit against the Authority has yet been filed in connection with these incidents.

The Authority does not anticipate that any of the sixteen (16) active lawsuits or any litigation that may arise in connection with the thirteen (13) additional incidents, either individually or in the aggregate, if adversely decided, would have a material adverse effect upon the current financial condition of the Authority.

### **Insurance Relating to the System and Operations of the System**

Through its “Liability and Casualty Fund,” the Authority is self-insured with respect to property insurance, automobile insurance, comprehensive liability insurance, and workers’ compensation claims. In July 1985, the Authority established its Liability and Casualty Fund with an initial budgeted appropriation of \$200,000. As of June 30, 2024, the Liability and Casualty Fund had achieved a balance of \$1 million. All interest earned on monies on deposit in the Liability and Casualty Fund is retained therein. The Liability and Casualty Fund is managed by the Authority’s General Counsel and is reviewed by the Authority’s Board of Directors biannually.

In addition to its Liability and Casualty Fund, the Authority purchases insurance policies for property, crime and cyber liabilities, as follows:

- The Authority purchases property insurance coverage through Affiliated FM. This property insurance policy provides coverage for all of the Authority’s facilities against all risks of physical loss or damage, up to a policy limit of \$500,000,000.

- The Authority’s crime policy through Zurich Insurance covers the Authority for losses due to theft, forgery, funds transfer fraud, and faithful performance of duty, up to a policy limit of \$1,000,000.
- The Authority’s cyber policy through Coalition Insurance covers the Authority for losses due to business interruption, extortion or ransom, regulatory fines, and theft or unauthorized use of personal or confidential information, up to a policy limit of \$3,000,000.

### **Recent Awards Received by the Authority**

The following awards and recognition have been received (i) in connection with the planning and operational work of the Authority, (ii) as a result of specific projects successfully implemented by the Authority, and (iii) by the administrative leadership of the Authority.

- For each of the last thirty-seven (37) consecutive years, the Government Finance Officers Association of the United States and Canada has awarded a “Certificate of Achievement for Excellence in Financial Reporting” to the Authority for its Comprehensive Annual Financial Report.
- The Authority’s Principal Sanitary Engineer, Rosaleen Nogle, P.E., received the 2020 John Chester Bringham Award in recognition of extraordinary service from the New York Water Environment Association.
- The Authority was awarded the “Public Education Award” in recognition of outstanding contributions to public education from the New York Water Environment Association in February 2020.
- The Authority was awarded the “2021 Small Issuer Deal of the Year” from The Bond Buyer for the Authority’s issuance of its 2021 Environmental Impact Bonds.
- The Authority was awarded the 2021 Utilities Helping Utilities Award by the New York Section of the American Water Works Association.
- The Hertel at Deer Real Time Control Project received the 2022 “Diamond Award” from the American Council of Engineering Companies.
- The Authority received the 2022 “National Recognition Award” in demonstrating exemplary engineering excellence for the Hertel at Deer Real Time Control Project from the American Council of Engineering Companies.
- The Authority was the “Smart Systems and Digital Water Economy” Gold Winner at the International Water Association’s 2022 Project Innovation Awards.
- The Authority was awarded Green Bond of the Year, 2022 – US Muni Bond by Environmental Finance in connection with the Authority’s issuance of its 2021 Environmental Impact Bonds.
- The Swan Sewer Emergency Repair Project received the 2023 “Emergency Repair Project of the Year Award” from the Western Branch of the New York Chapter of the American Public Works Association.
- The Swan Sewer Emergency Repair Project received the 2023 “Disaster Relief/Emergency Preparedness Project of the Year Less Than \$5 Million” award from the New York Chapter of the American Public Works Association.

- The Niagara Street Highway Rehabilitation & Reconfiguration Project received the 2023 “Platinum Award” from the American Council of Engineering Companies.
- The Authority’s Principal Sanitary Engineer, Rosaleen Nogle, P.E., received the 2024 “Collection System Operator Award” in recognition of her outstanding contribution to the evaluation, rehabilitation, design or construction of collection facilities from the New York Water Environment Association.

## **RATES AND CHARGES**

### **Statutory Authority Regarding Rates and Charges; Establishment of Rates and Charges**

Statutory Authority. Pursuant to the Authority Act, the Authority is authorized to establish a schedule of sewer rents, which consist of rates and charges to be collected from all users served by the System. Sewer rents may be based upon either water consumed on the premises served by the System or upon any other equitable basis determined by the Authority. In adopting or modifying its sewer rent schedule, the Authority must first adopt and publish a notice of a proposed schedule, which is to be open to inspection at the offices of the Authority for a thirty-day period during which any objections may be filed. The Authority must hear and examine all such objections and, within sixty days of the publication of notice, must adopt a final schedule of sewer rents that is uniform for all property falling within the same classification. While the Authority must consider any objections, it remains the final determiner of the sewer rent schedules. From and after the date that sewer rents are due, the sewer rents become a lien upon the real property within the City served by the System, having the same priority and superiority as the lien of the real property general taxing authority of the City.

Establishing Rates and Charges. The sewer rent charged to each customer of the Authority is comprised of a component based upon water use and a component based upon assessed valuation of the premises served. Water use has been established by the Authority as an appropriate measure of the cost of providing sewer service, since it has been determined by the Authority that the level of water use is a reliable indication of sewage quantity. The direct service performed by the Authority is the handling and treatment of sanitary sewage, which is measured by water use. This sewer rent charge is shown as a separate item on the water bill.

The indirect benefit or use which all property throughout the City enjoys by reason of services performed by the Authority includes building and maintaining street receivers, collecting and treating storm water from all City streets, and the general benefit by reason of elimination of pollution from the Niagara River and surrounding waters. This sewer rent charge is entered on a separate bill enclosed with the City tax bill and is based upon assessed valuation.

See “THE AUTHORITY’S SERVICE AREA – Description of the Service Area of the Authority” and “— Authority Service Contracts with the Outside Districts” for a discussion of service charges payable pursuant to service contracts entered into by the Authority.

### **The Billing Methodology Applicable to the Authority Customer Base**

The City: Billing Methodology. There are two methodologies by which the Authority’s customer base within the City is billed by the Authority: (i) sewer rents based upon assessed valuation; and (ii) sewer rents based upon water use.

The City: Sewer Rents Based Upon Assessed Valuation. The City of Buffalo Department of Assessment and Taxation is responsible for generating and disseminating the annual bills for sewer rents that are calculated based upon the assessed value of each property within the City to which service is provided by the Authority. These sewer rent bills are included with the annual tax bills that are sent to each property address by the

Department of Assessment and Taxation. The Authority exempts from liability for this sewer rent real property within the City that is exempt from taxation pursuant to various sections of the New York Real Property Tax Law.

All real property located within the City was reassessed by the Department of Assessment and Taxation in 2019. For the 2025 fiscal year, the total assessed value of real properties in the City is \$12,471,366,590. The Department of Assessment and Taxation is currently reassessing all real properties within the City and the total assessed value of real properties for the 2026 fiscal year is estimated to be \$23.2 billion.

Table #13  
Revenue From Sewer Rents Based on Assessed Valuation Last  
Five Fiscal Years

|   | 6/30/2020    | 6/30/2021    | 6/30/2022    | 6/30/2023    | 6/30/2024    |
|---|--------------|--------------|--------------|--------------|--------------|
| Assessed Value Sewer Rents                                      | \$12,157,349 | \$12,127,418 | \$12,052,518 | \$12,106,289 | \$19,640,080 |
| Interest and Penalties on Delinquent Assessed Value Sewer Rents | \$155,361    | \$157,948    | \$147,996    | \$502,969    | \$189,858    |

*The City: Sewer Rents Based Upon Water Use.* In addition to the annual sewer rents that are based upon the assessed value of real property within the City to which service is provided by the Authority, quarterly sewer rents are levied upon all real property within the City, which quarterly sewer rents are calculated on the basis of water usage by customers. As of June 30, 2024, there were 75,713 active water accounts within the City that are billed for sewer rent based upon water use.

Table #14  
Revenue from Sewer Rents Based on Water Use  
Last Five Fiscal Years

|           | 6/30/2020    | 6/30/2021    | 6/30/2022    | 6/30/2023    | 6/30/2024    |
|-----------|--------------|--------------|--------------|--------------|--------------|
| Flat Rate | \$2,290,189  | \$2,090,089  | \$2,003,770  | \$1,946,244  | \$1,813,567  |
| Metered   | \$23,187,593 | \$22,614,558 | \$22,712,988 | \$22,761,999 | \$22,632,270 |

*The Outside Districts: Billing Methodology.* See “THE AUTHORITY’S SERVICE AREA – Description of the Service Area of the Authority” and “—Authority Service Contracts with the Outside Districts” for a discussion of service charges payable by each Outside District pursuant to service contracts entered into with the Authority.

*The Non-City Direct Sewer Connections.* The property owners with respect to the ninety-six (96) Non-City Direct Sewer Connections are billed (i) annually for sewer rent based upon the assessed value of the property and (ii) quarterly for sewer rent based upon water use. All such property owners are billed directly by the Authority, with the exception of the twenty-two (22) Non-City Direct Sewer Connection properties that are located within Town of Cheektowaga; the Town of Cheektowaga is billed directly with respect to these twenty-two (22) Non-City Direct Sewer Connection properties.

For the fiscal year ending June 30, 2024, these Non-City Direct Sewer Connection properties were charged \$2.71 per \$1,000 of assessed value. Rates for sewer rents based upon water use are the same as the rates for properties within the City: \$48.30 for 0 to 4,000 cubic feet of water used per quarter, and \$11.09 per thousand

cubic feet of water thereafter. All Non-City Direct Sewer Connection properties billed for sewer rents based upon water use also are charged a \$6.00 per month connection fee. The Authority revenue generated from these Non-City Direct Sewer Connection properties is less than \$75,000 per year.

### **Billing and Collection Procedures with Respect to Rates and Charges**

All sewer rents based upon water use that are imposed by the Authority are billed and collected by Veolia through the use of City employees on behalf of the Authority in conjunction with the City's own billing and collection procedures. Sewer rent bills based upon water use are mailed to each customer quarterly as part of the City's water bill. The amount of each bill is determined by the volume of water used by the customer in the three months preceding the bill date. Payment is due on sewer rent bills based upon water use within three months of their receipt, and such bills are thereafter considered delinquent. Sewer rent bills based upon assessed valuation are mailed to each customer annually in July, together with the City's property tax bill, for service provided in the fiscal year beginning in such month and are payable by September 30 each year.

Veolia deposits all payments on sewer rents based on water use on the day following their receipt into the Authority's Operating Fund and delivers a daily report on receipts and deposits to the Authority's accounting office. The City's Treasury Department deposits all payments on sewer rents based on assessed value on the day following their receipt into the Authority's Operating Fund and delivers a monthly report on receipts and deposits, to the Authority's accounting office.

### **Statutory Powers of Enforcement with Respect to the Collection of Rates and Charges**

The Authority Act provides that, in the event that any sewer rents based upon assessed valuation remain unpaid for a period of ninety days, the Authority may bring an action to foreclose the sewer rent lien in the same manner as the City enforces the general real property tax lien. The City's Corporation Counsel enforces the Authority's liens since a delinquency on the tax bill is generally accompanied by a delinquency on the sewer bill. The current policy of the Corporation Counsel is to commence foreclosure proceedings when payments due the City and Authority are one year in arrears, attempting in the interim to secure payment by repeated notification. The Authority Act further provides for the City's Division of Water to shut off the supply of water to any premises served by the Authority if the Authority certifies to the Division of Water that sewer rents, based on water use at such premises, remain unpaid for a period of more than one year and that written notice and demand for payment have been given in accordance with the Authority Act to the owner or occupant of the premises. Pursuant to the Authority's Schedule of Sewer Rents and Other Charges, delinquent sewer accounts currently are assessed a 4.5% penalty rate for each ninety days they are past due.

Notwithstanding the Authority's statutory powers of enforcement with respect to the collection of rates and charges, several initiatives have been implemented in order to provide assistance to low-income customers. Beginning in July 2023, the Authority implemented a "Residential Affordable Sewer Program" and a "Senior Citizen Affordable Sewer Program". These programs offer low-income residents discounts up to \$22.60 per quarter on sewer rents based on water use. Eligibility for participation in these programs is based upon household income relative to federal low-income guidelines. Households that receive supplemental security income, public assistance, supplemental nutrition assistance or home energy assistance program benefits are automatically eligible to participate. In addition, an amnesty program is available pursuant to which a customer can enter into a deferred payment agreement (with \$0 down) that (i) establishes monthly payments that are within the customer's financial resources and capabilities, and (ii) waives interest, penalties and certain fees.

**Overview of Rates and Charges**

The Authority increased the levy of sewer rates and charges, based upon the assessed value of real properties effective July 1, 2023 and again effective July 1, 2024. These are the first increases to the levy of sewer charges based upon the assessed value of real properties since the Authority’s 2003 fiscal year. Effective July 1, 2024, sewer rates and charges based upon the use of water increased by three percent (3%). This is the first increase by the Authority since its 2006 fiscal year.

Table #15  
Quarterly Sewer Rents Based on Water Use  
Last Five and Current Fiscal Years

|                           | 6/30/2020 | 6/30/2021 | 6/30/2022 | 6/30/2023 | 6/30/2024 | 6/30/2025 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| First 4,000 CF:           | \$48.30   | \$48.30   | \$48.30   | \$48.30   | \$48.30   | \$49.75   |
| Each Additional 1,000 CF: | \$11.09   | \$11.09   | \$11.09   | \$11.09   | \$11.09   | \$11.42   |
| Connection Fee:           | \$18.00   | \$18.00   | \$18.00   | \$18.00   | \$18.00   | \$18.54   |
| Percentage Increase:      | 0%        | 0%        | 0%        | 0%        | 0%        | 3%        |

Table #16  
Annual Sewer Rents Based on Assessed Value  
Last Five and Current Fiscal Years

|                                     | 6/30/2020    | 6/30/2021    | 6/30/2022    | 6/30/2023    | 6/30/2024    | 6/30/2025    |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Levy:                               | \$12,050,000 | \$12,050,000 | \$12,050,000 | \$12,050,000 | \$19,800,000 | \$24,900,000 |
| Rate per \$1,000 of Assessed Value: | 1.6365       | 0.9455       | 0.9500       | 0.9530       | 1.5708       | 1.9966       |
| Percentage Increase in Levy:        | 0%           | 0%           | 0%           | 0%           | 64%          | 26%          |

**Projected Future Rates and Charges**

No increase in rates and charges for the 2025 fiscal year concluding on June 30, 2026, or for any fiscal year thereafter, has been approved by the Board of Directors of the Authority. However, see “FINANCIAL OPERATIONS OF THE AUTHORITY – Five Year Pro Forma Projections, Including Assumptions and Disclaimers” herein for a discussion of the Authority’s intended comprehensive rate review initiative.

**A Comparison of Rates and Charges to Peer Systems**

Rates for the City and other municipalities are regularly compared by the Authority as part of the rate process. For purposes of comparison, residential user charges are based upon information provided by the identified cities and standardized assumptions regarding water consumption. Table #17, below, presents this comparison for fiscal year 2024.

Table #17 Regional Rate Comparison

| City:                 | Residential User Charges: |
|-----------------------|---------------------------|
| Rochester, New York   | \$496.41                  |
| Cheektowaga, New York | \$521.84                  |
| Amherst, New York     | \$589.00                  |
| Buffalo, New York     | \$543.87                  |
| Lackawanna, New York  | \$665.32                  |

See Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report” for a detailed discussion of the rate comparisons to peer systems.

**Annual Operational Experience of the Authority with Respect to the Collection of Rates and Charges in Arrears/Default, Including the Exercise of Statutory Enforcement Powers**

While the Authority Act provides that the Authority may foreclose on property in the event that sewer rents based upon assessed valuation remain unpaid for a period of ninety (90) days, recent Authority policy has been to commence foreclosure proceedings when payments due to the City and Authority are one year in arrears. However, as a result of the COVID-19 pandemic and the impact thereof upon the Authority’s ratepayers, the City’s Corporation Counsel has ceased foreclosing upon properties due to delinquent sewer rents based on assessed valuation.

While the Authority Act provides that the supply of water to any premises maybe shut off if sewer rents based upon water use remain unpaid for a period of more than one year, the City and the Authority have not relied upon this measure of enforcement in recent years.

With respect to nonpayment of sewer rents based upon assessed valuations or water use, the City and the Authority work with individual ratepayers to establish payments plans when such ratepayers become delinquent with respect to their sewer rents.

Nevertheless, the Authority reserves the right to employ any enforcement procedure granted to it pursuant to the terms of the Authority Act.

See “RATES AND CHARGES – Annual Operational Experience of the Authority with Respect to the Collection of Rates and Charges in Arrears/Default, Including the Exercise of Statutory Enforcement Powers,” above.

**Other Sources of Revenue**

In addition to rates and charges (sewer rents based on water use, sewer rents based on the assessed value of property and payments pursuant to service agreements by the Outside Districts) received by the Authority, other significant sources of revenue for the Authority are (i) industrial waste surcharges, (ii) industrial waste haulers and (iii) interest earnings on investments.

Industrial Waste Surcharges. The Authority charges industrial users for discharging sewage or waste exhibiting a strength of sewage or waste greater than normal domestic sewage. Revenue from these industrial waste surcharges during the last five fiscal years are as follows:

Table #18  
Revenue from Industrial Waste Surcharges  
Last Five Fiscal Years

| 6/30/2020   | 6/30/2021   | 6/30/2022   | 6/30/2023   | 6/30/2024   |
|-------------|-------------|-------------|-------------|-------------|
| \$1,344,269 | \$1,465,900 | \$1,699,055 | \$1,836,200 | \$1,408,089 |

Industrial Waste Haulers. The Authority accepts trucked-in waste from industrial waste haulers at its treatment facilities. This waste includes (i) septage (septic tank waste) and portable toilet wastes, (ii) grease trap wastes and (iii) sludge wastes. Revenue from industrial waste haulers during the last five fiscal years are as follows:

Table #19  
Revenue from Industrial Waste Haulers  
Last Five Fiscal Years

| 6/30/2020   | 6/30/2021   | 6/30/2022   | 6/30/2023   | 6/30/2024   |
|-------------|-------------|-------------|-------------|-------------|
| \$2,601,182 | \$2,115,381 | \$2,761,415 | \$3,272,317 | \$2,999,838 |

Interest Earnings on Investments. Another significant source of revenue for the Authority is interest on investments. Interest on investments during the last five fiscal years is as follows:

Table #20  
Revenue from Interest Earnings on Investments  
Last Five Fiscal Years

| 6/30/2020   | 6/30/2021 | 6/30/2022 | 6/30/2023   | 6/30/2024   |
|-------------|-----------|-----------|-------------|-------------|
| \$1,943,174 | \$256,320 | \$148,076 | \$3,759,418 | \$5,680,595 |

## FINANCIAL OPERATIONS OF THE AUTHORITY

### **Agreements and Service Arrangements Relating to the Management and Oversight of the Authority**

Pursuant to provisions of the Authority Act and via agreement with the City, the Authority makes use of the facilities and services of various City departments in connection with the management of certain Authority operations. In addition, the Authority has entered into service arrangements with the City, the Buffalo Water Board and Veolia in connection with the management of certain Authority operations. See “BUFFALO SEWER AUTHORITY – Organization and Management of the Authority” herein for a discussion of (i) the role of the City in the management of certain Authority operations and (ii) the service arrangements that the Authority has entered into with the City, the Buffalo Water Board and Veolia relating to the management of certain Authority operations. See also, the below subheadings relating to the role of the City with respect to the operational and fiscal management and oversight of the Authority.

City of Buffalo Comptroller’s Office. The Comptroller’s Office of the City (the “Comptroller”) serves as the comptroller and internal auditor for the Authority. The Comptroller (i) approves all Authority contracts, (ii)



approves and audits all Authority payments made pursuant to its contracts, (iii) issues all Authority checks, and (iv) operates and maintains Munis, the primary accounting system utilized by the City (including with respect to the Authority). The Comptroller's internal audit function with respect to the Authority consists of a review of all requisite documents, including, but not limited to, purchase orders, blanket orders, invoices, credit memos, packing slips and authorizing signatures for the payment of any good or service. The Comptroller also processes the Authority's payroll and issues all payroll checks. The Comptroller verifies and audits the Authority's time and attendance records, as well as the approval signatures in connection with the "Timekeeper" payroll system. The Comptroller performs internal audits of the Authority's processes and procedures.

The Comptroller also is responsible for calculating and determining the amount owed by the Authority to the ERS. Monthly and annual payments to the ERS by the Authority are reviewed and audited by the Comptroller. Bi-annually, the Authority engages an independent actuarial valuation, pursuant to and in satisfaction of GASB 75, of the potential liability due to postemployment pension benefits and other postemployment benefits other than pensions. See "BUFFALO SEWER AUTHORITY – Pension and Insurance Liabilities of the Authority" herein for a discussion of pension and insurance programs of the Authority.

City of Buffalo Law Department. The City of Buffalo Law Department (the "Law Department") conducts an independent review of all Authority contracts. Approval by the Law Department of each contract is requisite prior to execution and performance thereof by the Authority, and approval of payment thereunder by the Comptroller. Contract review by the Law Department (i) is intended to verify compliance with all applicable State and local laws, and (ii) includes, but is not limited to, inspection of contract terms and provisions, signatures and approvals, proper insurance coverage, and proper proposal, performance, and maintenance bonds.

The Role of the City of Buffalo Department of Treasury in the Collection of Annual Sewer Rents that are Calculated Based Upon Assessed Valuation. The City of Buffalo Department of Treasury ("Department of Treasury" or "Treasury") receives all payments (cash and checks) of annual sewer rents, payable to, and on behalf of, the Authority, that are calculated based upon the assessed value of each property to which service is provided by the Authority. These sewer rents, as collected by Treasury on behalf of the Authority, are generated by an annual sewer rent bill that is calculated by the City's Department of Assessment and Taxation based upon the assessed value of each property to which service is provided by the Authority, which sewer rent bill is included with the annual tax bill that is sent to each property address by the Department of Assessment and Taxation. The remit address reflected on each sewer rent bill is an M&T Bank lockbox. Details of payments received via the M&T Bank lockbox are forwarded to Treasury by M&T Bank on a daily basis. Customers also can pay directly at Treasury in City Hall in person or via mail. Treasury enters all payment information received from M&T Bank into the Munis system on a daily basis. The Authority Accounting Department receives a daily report from Treasury and compares this report to what has been entered in the Munis system. The payments received are transferred from the M&T Bank lockbox directly to the Authority's bank account. Any discrepancies among (i) the daily report from Treasury to the Authority's Accounting Department, (ii) payments received as reflected by the Munis system, and (iii) the balance on account in the Authority's bank accounts following the transfer thereto by M&T Bank are investigated and reconciled by Treasury and the Authority's Accounting Department.

See "THE AUTHORITY'S SERVICE AREA – Description of the Service Area of the Authority: The City and the Outside Districts" and "—Authority Service Contracts with the Outside Districts" for a discussion of service charges payable pursuant to service contracts entered into by the Authority.

The Authority also issues invoices through the Munis system for certain services and sewer rents that are directly remitted to the Authority and processed for deposit by Authority personnel in the Accounting Department. These payments are applied against the outstanding invoices as reflected on the Munis system

and are deposited the day they are received. All payments received directly by the Authority are logged in by a clerk and are reconciled by a Senior Accountant to payments deposited into the Authority bank accounts.

*The City of Buffalo Department of Assessment and Taxation.* The City of Buffalo Department of Assessment and Taxation is responsible for generating and disseminating the annual bills for sewer rents that are calculated based upon the assessed value of each property to which service is provided by the Authority. These sewer rent bills are included with the annual tax bills that are sent to each property address by the Department of Assessment and Taxation. The Department of Assessment and Taxation enters accounts receivable information on the Munis system annually, and enters adjustments daily. The Authority exempts from liability for this sewer rent, real property within the City that is exempt from taxation pursuant to various sections of the New York Real Property Tax Law.

All real property located within the City was last reassessed by the Department of Assessment and Taxation in 2019. For the 2025 fiscal year, the total assessed value of the real properties within the City is \$12,471,366,590. The Department of Assessment and Taxation is currently reassessing all real properties within the City and the total assessed value of real properties for the 2026 fiscal year is estimated to be \$23.2 billion.

*The Role of the Buffalo Water Board, as Managed by Veolia, in the Collection of Quarterly Sewer Rents that are Calculated Based Upon Water Usage.* Veolia is responsible for the billing and collection of quarterly sewer rents that are calculated on the basis of water usage by customers. As of June 30, 2024, there were 75,713 active water accounts that are billed for sewer rent based upon water use. The remit address on these quarterly customer sewer rent bills, based upon water usage, is an M&T Bank lockbox. In addition, customers can utilize Western Union and online payment services, mail in payments, or pay directly at either Buffalo Water Board's customer service center located at 281 Exchange Street or the Treasury Department in City Hall. Payments received via the M&T lockbox are forwarded to Veolia by M&T Bank on a daily basis. Walk-in payments and payments mailed directly to Veolia are forwarded to Treasury on a daily basis.

## **Operational and Fiscal Management and Oversight by Authority Departments**

*Authority Accounting Department.* Miscellaneous payments received directly by the Authority are deposited with the Department of Treasury the day that such payments are received. No cash, other than petty cash, is held in the offices of the Authority. The Authority Accounting Department reconciles the data on the Munis system to reports received from Treasury and the Buffalo Water Board on a daily basis, and reconciles the data on the Munis system to Authority bank statements on a monthly basis. The Authority Accounting Department is responsible for all wire and bank transfers. All wire and bank transfers are processed by a Supervising Accountant or Senior Accountant and approved by the Executive Secretary or the General Manager of the Authority.

*Authority Purchasing Department.* Purchase requisitions are issued by an Authority department head and approved with his or her signature. Thereafter, the requisition is forwarded to the Assistant Supervisor of Fixed Assets within the Authority Purchasing Department. The Authority's Assistant Supervisor of Fixed Assets is responsible for the competitive bidding process for commodity and service purchases.

Purchase requisitions for construction contract payments follow a more rigorous series of approvals, with additional approvals required from a project manager, the Principal Sanitary Engineer, and the General Manager. Once the purchase is received, a Senior Clerk in the Authority's Accounts Payable Division reviews the packing slip, the purchase order, and the vendor invoice. Any discrepancies are reconciled at this time. The Senior Clerk enters the vendor invoice on the Munis system and the Executive Secretary signs the invoice. The invoice is then sent to the City's Comptroller (Audit Division) for an additional audit, review, approval and payment processing.

The Authority Purchasing Department also oversees the Authority stockroom. All materials and supplies purchased by the Authority are delivered to the stockroom, received and inventoried. The inventory is maintained on the IBM Maximo asset management system.

Authority Payroll Department. On a daily basis, the Authority Payroll Department enters information regarding employee hours worked (including overtime and acting time) and information regarding vacation and sick time into the Timekeeper system. At the end of a pay period, each Authority department head receives a summary report from the Timekeeper system that demonstrates total hours worked, overtime, acting time and vacation used by each employee. Each Authority department head verifies the information by signing the summary report and returning it to the Authority Payroll Department.

The General Manager approves the total Authority payroll, and the Authority payroll information is then imported into the Munis system by the City’s Comptroller. The Comptroller audits the Authority payroll for the period, and any discrepancies are reconciled and updated. A Senior Accountant from the Authority Accounting Department reviews the Munis general ledger payroll accounts for accuracy.

A Supervising Accountant or Senior Accountant from the Authority Accounting Department transfers the funds to the disbursement account to fund the payroll for the period. The disbursement account is reconciled by a Senior Accountant and the reconciliation is reviewed by the Supervising Accountant.

FutureComp Claims Administration. FutureComp Claims Administration is the Authority’s independent, outside agent that reviews, assesses and verifies all workers’ compensation claims and disbursements. The Authority internally receives claims from employees and electronically submits all claims data to FutureComp. FutureComp then reviews and submits all claims information to the New York State Workers’ Compensation Board, and monitors the Workers’ Compensation Board’s determination. FutureComp subsequently forwards all periodic claims payments to the Authority. The information received from FutureComp is reviewed by a Payroll Clerk and audited by a Senior Accountant and the City’s Comptroller before payment is issued. Bi-annually, the Authority engages in an independent actuarial valuation of the potential liability due to workers’ compensation exposures.

Table #21  
Operating Revenues: Charges for Services by Source Last  
Ten Fiscal Years

| Year Ended June 30, | Operating Revenue – Charges for Services |                     |                  |                  |                                |                                |                             |
|---------------------|--|---------------------|------------------|------------------|--------------------------------|--------------------------------|-----------------------------|
|                     | Total                                    | Assessed Sewer Rent | Water Sewer Rent | Industrial Waste | Connection Privileges O/S City | Delinquent Assessed Sewer Rent | Delinquent Water Sewer Rent |
| 2015                | 57,473,938                               | 12,254,685          | 27,065,019       | 2,081,615        | 14,993,203                     | 210,573                        | 868,843                     |
| 2016                | 54,155,310                               | 12,247,660          | 27,177,999       | 2,425,996        | 11,049,188                     | 281,832                        | 972,635                     |
| 2017                | 57,883,355                               | 12,108,674          | 26,993,253       | 1,944,290        | 15,708,267                     | 197,398                        | 931,473                     |
| 2018                | 57,280,969                               | 12,217,483          | 27,173,917       | 3,030,640        | 13,832,219                     | 211,588                        | 815,122                     |
| 2019                | 54,353,821                               | 12,178,851          | 27,081,589       | 3,699,578        | 10,367,269                     | 207,607                        | 818,927                     |
| 2020                | 51,083,531                               | 12,157,349          | 25,477,782       | 4,039,805        | 8,576,622                      | 155,361                        | 676,612                     |
| 2021                | 59,681,672                               | 12,127,418          | 24,704,647       | 3,561,369        | 18,827,354                     | 157,948                        | 302,936                     |
| 2022                | 56,746,834                               | 12,052,518          | 24,716,758       | 4,505,575        | 14,874,382                     | 147,996                        | 449,605                     |
| 2023                | 57,120,476                               | 12,106,289          | 26,044,993       | 5,133,775        | 12,665,958                     | 502,969                        | 666,492                     |
| 2024                | 69,789,799                               | 19,640,080          | 24,445,837       | 4,926,821        | 20,003,617                     | 189,858                        | 583,586                     |

**The Historic Revenues, Expenses and Fund Deposits of the Authority for the Last Ten Fiscal Years**

Table #22  
Changes in Fund Balance, Governmental Funds Last  
Ten Fiscal Years

|  | <u>2015</u>       | <u>2016</u>        | <u>2017</u>        | <u>2018</u>       | <u>2019</u>        | <u>2020</u>        | <u>2021</u>       | <u>2022</u>        | <u>2023</u>         | <u>2024</u>        |
|--|-------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|---------------------|--------------------|
| <b>REVENUES</b>                                      |                   |                    |                    |                   |                    |                    |                   |                    |                     |                    |
| Sewer rents—general consumers                        | \$ 56,394,522     | \$ 52,900,843      | \$ 56,754,484      | \$ 56,254,259     | \$ 53,327,287      | \$ 50,251,558      | \$29,220,788      | \$56,149,233       | \$55,951,015        | \$69,016,355       |
| Interest on delinquent sewer rents                   | 1,079,416         | 1,254,467          | 1,128,871          | 1,026,710         | 1,026,534          | 831,973            | 460,884           | 597,601            | 1,169,461           | 773,444            |
| Interest on cash and investments                     | 259,373           | 343,483            | 809,462            | 2,455,992         | 2,297,237          | 2,070,426          | 367,760           | 410,703            | 4,264,453           | 5,876,888          |
| Miscellaneous  | 1,657,804         | 1,736,771          | 2,384,830          | 1,486,448         | 1,259,938          | 1,852,243          | 1,001,110         | 1,286,125          | 1,427,067           | 3,059,086          |
| State aid  | 2,439,183         | 255,616            | 128,554            | 265,565           | -                  | -                  | -                 | -                  | 3,327,391           | 9,641,039          |
| Federal aid  | -                 | 380,907            | 742,768            | 1,327,806         | 357,050            | 400,000            | 4,304,733         | 403,318            | 0                   | 850,000            |
| Total revenues                                       | <u>61,830,298</u> | <u>56,872,087</u>  | <u>61,948,969</u>  | <u>62,816,780</u> | <u>58,268,046</u>  | <u>55,406,200</u>  | <u>65,355,275</u> | <u>58,846,980</u>  | <u>66,139,387</u>   | <u>89,216,812</u>  |
| <b>EXPENDITURES</b>                                  |                   |                    |                    |                   |                    |                    |                   |                    |                     |                    |
| <b>Current:</b>                                      |                   |                    |                    |                   |                    |                    |                   |                    |                     |                    |
| General administration                               | 1,148,367         | 1,246,161          | 1,420,367          | 1,457,672         | 1,729,238          | 1,944,811          | 1,678,422         | 1,728,515          | 1,824,940           | 1,950,787          |
| Wastewater treatment facilities                      | 17,015,818        | 16,698,109         | 16,607,884         | 17,882,344        | 18,743,263         | 19,781,028         | 21,680,194        | 23,179,049         | 27,151,593          | 30,193,647         |
| Industrial waste                                     | 428,252           | 426,198            | 529,169            | 538,868           | 543,915            | 651,492            | 762,230           | 774,338            | 713,800             | 1,097,544          |
| Engineering  | 888,776           | 1,145,216          | 874,016            | 1,030,200         | 1,014,803          | 1,134,576          | 1,034,147         | 1,206,647          | 1,113,334           | 1,289,895          |
| Sewer maintenance                                    | 2,918,739         | 4,135,460          | 3,103,108          | 4,194,931         | 3,787,045          | 3,778,964          | 4,532,469         | 4,751,684          | 3,934,133           | 5,125,090          |
| Miscellaneous  | 4,500,706         | 4,138,690          | 4,990,868          | 4,208,439         | 4,104,067          | 4,026,708          | 4,384,880         | 4,102,332          | 5,197,275           | 4,604,761          |
| Employee benefits                                    | 8,601,974         | 8,564,882          | 9,128,640          | 9,325,229         | 9,318,973          | 9,850,818          | 10,300,069        | 10,025,523         | 10,092,292          | 10,533,431         |
| <b>Debt service:</b>                                 |                   |                    |                    |                   |                    |                    |                   |                    |                     |                    |
| Principal  | 1,580,000         | 2,032,438          | 1,640,000          | 1,680,000         | 1,725,000          | 1,770,000          | 1,810,000         | 3,226,649          | 3,310,298           | 3,408,948          |
| Interest and fiscal charges                          | 1,966,969         | 2,212,115          | 1,867,989          | 1,805,638         | 1,739,476          | 1,670,332          | 2,634,715         | 3,038,300          | 2,936,011           | 2,794,390          |
| Capital outlay:                                      | <u>10,372,920</u> | <u>21,846,324</u>  | <u>24,929,531</u>  | <u>20,009,484</u> | <u>24,302,701</u>  | <u>19,426,726</u>  | <u>13,479,119</u> | <u>12,937,417</u>  | <u>22,196,344</u>   | <u>38,009,552</u>  |
| Total expenditures                                   | <u>49,422,521</u> | <u>62,445,593</u>  | <u>65,091,572</u>  | <u>62,132,805</u> | <u>67,008,481</u>  | <u>64,035,455</u>  | <u>62,296,245</u> | <u>64,970,454</u>  | <u>78,470,020</u>   | <u>99,008,045</u>  |
| Excess (deficiency) of revenues<br>over expenditures | <u>12,407,777</u> | <u>(5,573,506)</u> | <u>(3,142,603)</u> | <u>683,975</u>    | <u>(8,740,435)</u> | <u>(8,629,255)</u> | <u>3,059,030</u>  | <u>(6,123,474)</u> | <u>(12,330,633)</u> | <u>(9,791,233)</u> |

Changes in Fund Balance, Governmental Funds Last  
Ten Fiscal Years

(concluded)

|   | <u>2015</u>          | <u>2016</u>           | <u>2017</u>           | <u>2018</u>       | <u>2019</u>           | <u>2020</u>           | <u>2021</u>          | <u>2022</u>           | <u>2023</u>            | <u>2024</u>           |
|---|----------------------|-----------------------|-----------------------|-------------------|-----------------------|-----------------------|----------------------|-----------------------|------------------------|-----------------------|
| OTHER FINANCING SOURCES (USES)                                      |                      |                       |                       |                   |                       |                       |                      |                       |                        |                       |
| Transfers in  | \$ 28,448,228        | \$ 24,194,609         | \$ 21,597,825         | \$ 23,809,426     | \$ 19,599,200         | \$ 16,825,027         | \$ 12,282,014        | \$ 17,192,066         | \$ 11,665,967          | \$ 16,982,777         |
| Transfers out   | (28,448,228)         | (24,194,609)          | (21,597,825)          | (23,809,426)      | (19,599,200)          | (16,825,027)          | (12,282,014)         | (17,192,066)          | (11,665,967)           | (16,982,777)          |
| Long-term conversion of EFC loans payable expected to be refinanced | -                    | -                     | -                     | -                 | -                     | -                     | 57,096,860           | -                     | -                      | -                     |
| Proceeds of issuance of debt  | 2,422,054            | -                     | -                     | -                 | -                     | -                     | -                    | -                     | -                      | -                     |
| Proceeds of refunding bonds   | 8,967,268            | 7,094,679             | -                     | -                 | -                     | -                     | -                    | -                     | -                      | -                     |
| Payment to refunded bond escrow agent                               | <u>(8,967,268)</u>   | <u>(7,094,679)</u>    | -                     | -                 | -                     | -                     | -                    | -                     | -                      | -                     |
| Premium on issuance of long-term debt                               | -                    | -                     | -                     | -                 | -                     | -                     | <u>4,853,394</u>     | -                     | -                      | -                     |
| Total other financing sources (uses)                                | <u>2,422,054</u>     | -                     | -                     | -                 | -                     | -                     | <u>61,950,254</u>    | -                     | -                      | -                     |
| Net change in fund balances   | <u>\$ 14,829,831</u> | <u>\$ (5,573,506)</u> | <u>\$ (3,142,603)</u> | <u>\$ 683,975</u> | <u>\$ (8,740,435)</u> | <u>\$ (8,629,255)</u> | <u>\$ 65,009,284</u> | <u>\$ (6,123,474)</u> | <u>\$ (12,330,633)</u> | <u>\$ (9,791,233)</u> |
| Debt service as a percentage of noncapital expenditures             | 9.54%                | 10.97%                | 8.93%                 | 8.48%             | 5.17%                 | 7.87%                 | 9.25%                | 12.37%                | 11.04%                 | 10.22%                |

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## The Historic Coverage Ratio Calculations of the Authority for the Last Ten Fiscal Years

Table #23 Coverage Ratio  
Calculations Last Ten Fiscal  
Years

| Year Ended June 30, | Revenues     | Direct Operating Expenditures <sup>1</sup> | Net Revenue Available for Debt Service | Debt Service Requirements |             |             | Coverage |
|---------------------|--------------|--|--|---------------------------|-------------|-------------|----------|
|                     |              |  |  | Principal                 | Interest    | Total       |          |
| 2015                | \$61,830,298 | \$35,502,632                               | \$26,327,666                           | \$1,580,000               | \$1,966,969 | \$3,546,969 | 7.42     |
| 2016                | \$56,872,087 | \$36,354,716                               | \$20,517,371                           | \$2,032,438               | \$2,212,115 | \$4,244,553 | 4.83     |
| 2017                | \$61,948,969 | \$36,654,052                               | \$25,294,917                           | \$1,640,000               | \$1,867,989 | \$3,507,989 | 7.21     |
| 2018                | \$62,816,780 | \$38,637,683                               | \$24,179,097                           | \$1,680,000               | \$1,805,638 | \$3,485,638 | 6.94     |
| 2019                | \$58,268,046 | \$39,241,304                               | \$19,026,742                           | \$1,725,000               | \$1,739,476 | \$3,464,476 | 5.49     |
| 2020                | \$55,406,200 | \$41,168,397                               | \$14,237,803                           | \$1,770,000               | \$1,670,332 | \$3,440,332 | 4.14     |
| 2021                | \$65,355,275 | \$44,372,411                               | \$20,982,864                           | \$1,810,000               | \$2,634,715 | \$4,444,715 | 4.72     |
| 2022                | \$58,846,980 | \$45,768,088                               | \$13,078,892                           | \$3,226,649               | \$3,038,300 | \$6,264,949 | 2.09     |
| 2023                | \$71,477,701 | \$50,027,367                               | \$21,450,334                           | \$3,310,298               | \$2,936,011 | \$6,246,309 | 3.43     |
| 2024                | \$93,557,563 | \$54,795,155                               | \$38,762,408                           | \$3,408,948               | \$2,794,390 | \$6,203,338 | 6.25     |

Note: <sup>1</sup> Direct operating expenditures exclude all debt service requirements, capital outlay and other financing uses.

## Authority Days Cash On Hand Calculation

Table #24 Days  
Cash on Hand  
Last Ten Fiscal Years and  
Through June 30, 2024

|                          | 6/30/2015          | 6/30/2016           | 6/30/2017           | 6/30/2018           | 6/30/2019           | 6/30/2020           | 6/30/2021           | 6/30/2022           | 6/30/2023          | 6/30/2024           |
|--------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| Capital Improvement Fund | \$58,679,085       | \$59,496,626        | \$54,619,752        | \$54,420,264        | \$38,112,306        | \$43,582,815        | \$40,717,959        | \$47,652,237        | \$36,826,452       | \$17,849,407        |
| Liability Fund           | \$1,094,157        | \$1,077,115         | \$1,097,489         | \$1,003,643         | \$1,010,703         | \$1,019,399         | \$1,017,263         | \$1,002,042         | \$1,018,490        | \$864,207           |
| Operating Fund           | \$8,353,525        | \$2,949,742         | \$5,139,194         | \$3,069,457         | \$7,678,608         | \$2,483,163         | \$6,553,643         | \$3,320,859         | \$6,367,088        | \$3,706,083         |
| Surplus Fund             | \$10,001,333       | \$10,008,870        | \$10,082,200        | \$10,000,586        | \$10,008,886        | \$10,006,266        | \$10,005,050        | \$10,016,086        | \$10,049,584       | \$10,051,844        |
| Net Revenue Fund         | <u>\$7,012,418</u> | <u>\$10,897,544</u> | <u>\$12,314,950</u> | <u>\$11,128,576</u> | <u>\$27,621,867</u> | <u>\$20,988,002</u> | <u>\$25,491,746</u> | <u>\$10,091,019</u> | <u>\$6,997,312</u> | <u>\$16,771,031</u> |
| Total Cash on Hand       | \$85,140,518       | \$84,429,896        | \$83,253,585        | \$79,622,525        | \$84,432,370        | \$78,079,647        | \$83,785,661        | \$72,082,241        | \$61,258,927       | \$49,242,572        |
| Expenses                 | \$49,422,521       | \$62,445,593        | \$65,091,572        | \$62,132,805        | \$67,008,481        | \$64,035,455        | \$62,296,245        | \$64,970,454        | \$78,470,020       | \$99,008,045        |
| Days Cash on Hand        | 629                | 494                 | 467                 | 468                 | 460                 | 445                 | 491                 | 405                 | 285                | 182                 |

## An Overview of the Operating Budget of the Authority

Table #25  
Operating Expenses  
Last Ten Fiscal Years

| Year Ended June 30, | Total        | General Administration | Wastewater Treatment Facilities | Industrial Waste | Engineering | Sewer Maintenance |
|---------------------|--------------|------------------------|---------------------------------|------------------|-------------|-------------------|
| 2015                | \$44,831,768 | \$2,376,046            | \$34,608,043                    | \$766,238        | \$1,918,665 | \$5,162,776       |
| 2016                | \$44,955,404 | \$2,532,347            | \$34,482,810                    | \$777,510        | \$2,123,261 | \$5,039,476       |
| 2017                | \$48,085,232 | \$2,472,798            | \$37,671,328                    | \$921,260        | \$1,521,624 | \$5,498,222       |
| 2018                | \$51,218,181 | \$2,460,476            | \$39,600,755                    | \$909,582        | \$1,738,925 | \$6,508,443       |
| 2019                | \$47,095,007 | \$2,524,153            | \$37,456,299                    | \$793,948        | \$1,481,299 | \$4,839,308       |
| 2020                | \$49,265,878 | \$2,809,113            | \$39,206,343                    | \$941,024        | \$1,638,798 | \$4,670,600       |
| 2021                | \$55,299,452 | \$2,525,271            | \$43,093,375                    | \$1,146,814      | \$1,555,927 | \$6,978,065       |
| 2022                | \$54,156,691 | \$2,388,226            | \$42,880,940                    | \$1,069,875      | \$1,667,180 | \$6,150,470       |
| 2023                | \$59,836,347 | \$2,503,727            | \$48,369,983                    | \$979,298        | \$1,527,438 | \$6,455,901       |
| 2024                | \$65,732,194 | \$2,652,735            | \$52,271,081                    | \$1,492,471      | \$1,754,036 | \$7,591,871       |

Table #26  
Fiscal Year 2024 Operating Budget Performance as  
of December 31, 2024

|   | Actual<br>12/31/2023 | Actual<br>12/31/2024 | Estimated<br>6/30/2025 | Budget<br>6/30/2025 | Budget<br>Variance    |
|---|----------------------|----------------------|------------------------|---------------------|-----------------------|
| <b>REVENUE</b>                              |                      |                      |                        |                     |                       |
| Assessed sewer rents                        | \$16,659,655         | \$24,920,321         | \$24,920,321           | \$24,957,600        | \$(37,279.00)         |
| Metered water use sewer rents               | 11,738,835           | 12,644,794           | 25,289,588             | 23,199,300          | 2,090,288.00          |
| Flat rate water use sewer rents             | 985,618              | 1,050,984            | 2,101,968              | 1,937,600           | 164,368.00            |
| Industrial Waste                            | 1,693,192            | 2,914,250            | 5,828,500              | 3,875,000           | 1,953,500.00          |
| Outside district connections                | -                    | -                    | 15,000,000             | 15,000,000          | -                     |
| Interest on Investments                     | 3,025,286            | 2,923,201            | 4,384,802              | 3,510,000           | 874,801.50            |
| Interest on delinquent assessed sewer rent  | 78,956               | 89,131               | 178,262                | 150,000             | 28,262.00             |
| Interest on delinquent water use sewer rent | 268,860              | 322,306              | 644,612                | 465,000             | 179,612.00            |
| Miscellaneous                               | 402,984              | 360,805              | 721,610                | 1,305,500           | (583,890.00)          |
| <b>Total Revenues</b>                       | <b>\$ 34,853,386</b> | <b>\$45,225,792</b>  | <b>\$79,069,663</b>    | <b>\$74,400,000</b> | <b>\$4,669,662.50</b> |
| <b>EXPENDITURES</b>                         |                      |                      |                        |                     |                       |
| Salaries and wages                          | \$7,543,315          | \$7,109,832          | \$14,219,664           | \$17,731,441        | \$3,511,777           |
| Other employee benefits                     | 6,230,224            | 6,792,788            | 13,585,576             | 12,296,500          | (1,289,076)           |
| Professional services contracts             | 4,475,380            | 5,744,821            | 11,489,642             | 17,902,576          | 6,412,934             |
| Supplies and materials                      | 5,752,723            | 5,415,767            | 10,831,534             | 13,958,767          | 3,127,233             |
| Other operating expenditures                | 449,442              | 282,893              | 565,786                | 649,500             | 83,714                |
| Capital outlay                              | 472,387              | 2,077,123            | 3,100,000              | 1,500,960           | (1,599,040)           |
| Debt Service                                | 2,544,769            | 2,508,259            | 6,175,212.00           | 10,360,256          | 4,185,044             |
| <b>Total Expenditures</b>                   | <b>\$27,468,240</b>  | <b>\$29,931,483</b>  | <b>\$59,967,414</b>    | <b>\$74,400,000</b> | <b>\$14,432,586</b>   |

## Capital Improvement Program

On an annual basis, the Authority revises its five-year capital projects plan. Additionally, the Authority LTCP identifies a twenty-year timeline, commencing on March 18, 2014, for upgrades to both the CSS and the Bird Island Plant with the objective of reducing the frequency and severity of CSO events.

As part of its Authority LTCP, the Authority has developed its GI Master Plan. This GI Master Plan identifies how many acres of impervious acreage are expected to be managed by new green infrastructure initiatives each year, and how much funding is expected to be expended on these projects during that time. Together with the balance of the Authority LTCP, these timelines and cost estimates, as set forth in the GI Master Plan, are incorporated into the Authority’s five-year capital projects plan. See also “THE AUTHORITY SYSTEM—Development by the Authority of the Authority LTCP” and “—Environmental Regulation of the Authority Relating to the Authority LTCP: The USEPA Administrative Order” and Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report”.

## Historic Capital Improvement Initiatives and Investments

On June 8, 1882, the City created a five-person Board of Commissioners of Sewers to construct sewers throughout the City and convey flows from heavily polluted canals and other more inland waterways to the Niagara River. Between 1882 and 1900, the majority of the sewers were laid in the City. In 1935, the Authority was created with the express purpose of constructing the primary treatment facility and interceptor sewers to convey dry weather flows to that facility. In the 1970s, the Authority oversaw the extension of force mains and pumping stations to Kelly Island (located in the Buffalo River), the construction of the secondary treatment system, upgrades of the primary treatment system, and the construction of the Scajaquada Tunnel to divert combined sewer overflows from Scajaquada Creek. The investment by the Authority in capital improvements to the Authority System is summarized in Table #27, below, relating to total capital expenditures during the last five (5) fiscal years.

Table #27  
Total Capital Expenditures Last  
Five Fiscal Years

| Fiscal Year | Total Capital Expenditures |
|-------------|----------------------------|
| 2020        | \$19,426,726               |
| 2021        | \$13,479,726               |
| 2022        | \$12,937,417               |
| 2023        | \$22,196,344               |
| 2024        | \$38,009,552               |

See “THE AUTHORITY SYSTEM – Historic Evolution of the Authority’s Collection System,” “Historic Evolution of the Authority’s Treatment System,” “Description of the Authority’s Collection System” and “Description of the Authority’s Treatment System” herein. See also, “FINANCIAL OPERATIONS OF THE AUTHORITY – An Overview of the Participation of the Authority in the Clean Water State Revolving Fund Programs of the New York State Environmental Facilities Corporation.”

## Current Fiscal Year Capital Improvement Initiatives and Investments

Over the last five fiscal years, the Authority has averaged over \$21 million per fiscal year in capital expenditures. The Authority currently estimates that its capital expenditures for the current fiscal year ending June 30, 2025 will be approximately \$40 million. Major capital projects currently underway during the current fiscal year include each of the following:



- Primary treatment rehabilitation.
- Secondary treatment rehabilitation.
- Waste heat boiler rehabilitation.
- Scajaquada Blackrock Real Time Control.
- Jefferson Avenue Real Time Control.

### **Forecasted Capital Improvement Initiatives and Investments**

*The Authority LTCP and Funding the Authority LTCP.* The projected cost to complete the current Authority LTCP is \$537,000,000, with projected required indebtedness of \$510,000,000, in order to achieve the current implementation schedule of 20 years; if a 2.8% construction inflationary factor is applied to Authority LTCP project costs per year to coincide with the current completion requirement of 2034, such projected costs increase to \$636,000,000. The current Authority LTCP implementation schedule anticipates exceeding the Authority’s current statutory debt limit of \$500,000,000, requiring a revised statutory debt limit by 2032. See the subheading, below, entitled “An Overview of Applicable Statutory Debt Limits.” See also, Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report” for a detailed discussion of the CIP, the funding of the CIP, the CIP funding gap and methods of addressing the CIP funding gap, and for a detailed discussion of the financial burden of a 20-year implementation schedule upon the Authority System ratepayers.

*The Authority’s Five-Year Capital Improvement Program and Funding the Authority’s Five-Year Capital Improvement Program.* The Authority’s current 5-year Capital Improvement Program (the “CIP”) includes both Authority LTCP projects and non-Authority LTCP projects, and is summarized in the table, below.

The Authority applied to EFC for \$39 million in funding (the “EFC 2024 Financing”) for upgrades and rehabilitation to the secondary treatment system at the Bird Island Plant as part of the CIP. The work is expected to be completed by summer 2026.

The Authority issued a bond anticipation note to EFC (the “EFC 2024 BAN”) in 2024 in the amount of \$36.7 million for upgrades and rehabilitation of the Breckenridge Street Combined Sewer Overflow project as part of the CIP. The work is expected to be completed in 2026.

The Authority anticipates applying to EFC for \$70 million in funding (the “EFC 2026 Financing”) for upgrades and rehabilitation to the primary treatment system as part of the CIP. The work is anticipated to be completed in 2027.

Currently, the CIP is projected to cost \$777,941,000. The projected five-year amount available to the Authority to fund this CIP is approximately \$283,737,749. More specifically, the sources of funding available to the Authority for the costs of the CIP consist of the following: (i) the proceeds of the Series 2021 Bonds, (ii) the EFC 2024 Financing, (iii) the anticipated EFC 2026 Financing, (iv) the EFC 2024 BAN, (v) capital available from reserves (\$6,000,000 per year from fiscal year 2026 through 2029 for a total of \$24,000,000), and (vi) capital contributions available from operations in the amount of approximately \$66,337,749. The resulting currently projected 5-year CIP results in a funding gap.

The options available to the Authority for purposes of addressing this CIP funding gap include the following:

- Extending the Authority LTCP implementation schedule to stretch out annual capital needs (as discussed above).

- Increasing capital contributions from reserves.
- Scheduling “stretch outs” for non-Authority LTCP projects.
- Issuing additional bonds.
- Increasing rates and charges above those currently forecasted.
- Receiving yields from rate structure review, tied to property valuations.

See Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report” for a detailed discussion of the CIP, the funding of the CIP, the CIP funding gap and methods of addressing the CIP funding gap.

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Table #28  
Five Year Capital Plan

| IT<br>E<br>M | PROJECT TITLE:   | BUDGET     |           |            |            |            |
|--------------|--|------------|-----------|------------|------------|------------|
|              |  | 2024-2025  | 2025-2026 | 2026-2027  | 2027-2028  | 2028-2029  |
|              | <b><u>TREATMENT PLANT:</u></b>                                     |            |           |            |            |            |
| 1            | RWW/SWW Pump/Motor Rehab (Includes Discharge Valve/Controls)       | 20,000,000 |           |            |            |            |
| 2            | Primary System Engineering CA/CI                                   | 5,500,000  |           |            |            |            |
| 3            | Primary System Rehabilitation                                      | 80,000,000 |           |            |            |            |
| 4            | Secondary Treatment Rehabilitation                                 | 60,000,000 |           |            |            |            |
| 5            | Waste Heat Boilers   | 3,500,000  |           |            |            |            |
| 6            | Ash Exhauster/Silo/Ancillary Ductwork                              | 2,500,000  |           |            |            |            |
| 7            | Replace Gas Compressors/Building & Piping                          | 500,000    |           |            |            |            |
| 8            | SWW Building Roof Replacement                                      | 1,250,000  |           |            |            |            |
| 9            | Engineering Term Contracts   | 2,000,000  |           | 2,000,000  |            |            |
| 10           | South Buffalo HVAC Exhaust Fans, Boilers And Controls              | 750,000    |           |            | ..         |            |
| 11           | Digester Cleaning  |            | 500,000   |            | 500,000    |            |
| 12           | Replace AUH 7-14/Blower Building                                   |            | 1,000,000 | 8,000,000  |            |            |
| 13           | Facility Controls -Ovation Hardware Upgrade                        |            | 2,500,000 |            |            |            |
| 14           | Blower Air Supply Line Evaluation & Replacement                    |            | 300,000   | 3,000,000  |            |            |
| 15           | IWS Waste Hauler Facilities - Including South Buffalo Pump Station |            | 300,000   | 4,000,000  |            |            |
| 16           | Seepage And Subsidence Phase 2                                     |            |           | 5,000,000  | 5,000,000  | 5,000,000  |
| 17           | Duct Cleaning of all Building AHUs                                 |            |           | 750,000    |            |            |
| 18           | Treatment Plant Interiors Renovation                               |            |           | 5,000,000  | 5,000,000  |            |
| 19           | Interior/Exterior Lighting   |            |           | 3,000,000  |            | 3,000,000  |
| 20           | Protected Water Secondary Sand Filter System                       |            |           | 750,000    |            |            |
| 21           | Fine Screen Room Rehab   |            |           | 1,000,000  | 11,000,000 |            |
| 22           | Incinerator #1/ WHRB #1 Upgrade (Biosolids)                        |            |           | 1,500,000  | 12,000,000 |            |
| 23           | SCRS Rehabilitation/Rewet/Holding Tank (Biosolids)                 |            |           | 2,000,000  | 3,500,000  | 3,500,000  |
| 24           | Power System Survey and Implementation                             |            |           | 15,000,000 | 15,000,000 | 15,000,000 |
| 25           | Plant Wide Pipe Evaluation   |            |           | 500,000    | 500,000    | 500,000    |
| 26           | Laboratory Rehabilitation  |            |           |            | 1,500,000  |            |
| 27           | Electrical Sub-Metering and Distribution Modifications             |            |           |            | 1,000,000  |            |

|    |  |            |            |            |           |            |
|----|--|------------|------------|------------|-----------|------------|
| 28 | Structural Phase 3-Megastructure Additional Stairways              |            |            |            | 1,000,000 |            |
| 29 | Truck Scale Repair/Additional Scales                               |            |            |            |           | 1,500,000  |
| 30 | Enclosed Bulk Oil Storage Area                                     |            |            |            |           | 250,000    |
| 31 | Paving Phase 3 - Roads   |            |            |            |           | 2,750,000  |
| 32 | Diversion Channel Rehab  |            |            |            |           | 1,500,000  |
| 33 | Combined Heat and Power  |            |            |            |           | 20,000,000 |
| 34 | Centrifuge #4 Installation   |            |            |            |           | 2,750,000  |
| 35 | Digas Fleet Vehicles And Filling Station                           |            |            |            |           | 5,000,000  |
| 36 | Extension Of New Final Effluent Line                               |            |            |            |           | 350,000    |
| 37 | Outlying Station AHU   |            |            |            |           | 750,000    |
| 38 | Pipe Removal and Replacement                                       |            |            |            |           | 250,000    |
| 39 | Thickener Rehab  |            |            |            |           | 250,000    |
| 40 | A-Side Thickener Repurpose (Relocate Chemical Handling, Biosolids) |            |            |            |           | 2,500,000  |
| 41 | Paving Phase 4 - Landscape   |            |            |            |           | 1,200,000  |
| 42 | Plant Air Compressor Cooling System                                |            |            |            |           | 1,200,000  |
| 43 | Administration Building Repair                                     |            |            |            |           | 750,000    |
|    |  |            |            |            |           |            |
|    | <b><u>COLLECTION SYSTEM:</u></b>                                   |            |            |            |           |            |
| 44 | CSO 053_11 Canisius/Jefferson Delavan OLS                          | 45,000,000 |            |            |           |            |
| 45 | Raincheck 2.0 GI Opportunity Projects                              | 10,000,000 | 20,000,000 | 20,000,000 |           |            |
| 46 | CSO 006_2 Scajaquada Creek and Black Rock Canal RTC                | 7,000,000  |            |            |           |            |
| 47 | Program Management   | 6,000,000  | 6,000,000  | 6,000,000  | 6,000,000 | 6,000,000  |
| 48 | Hertel & Smith Backwater Prevention                                | 5,000,000  |            |            |           |            |
| 49 | CSO 0010_1 Breckenridge  | 5,000,000  |            |            |           |            |
| 50 | Fruit Belt   | 4,500,000  |            |            |           |            |
| 51 | CSO053_1.4 SPP336B OLS (Sidney OLS)                                | 3,000,000  |            | 25,000,000 |           |            |
| 52 | CSO053_5.2 Edison Martha OLS                                       | 3,000,000  |            | 35,000,000 |           |            |
| 53 | Wet Weather Optimization   | 2,000,000  |            |            | 2,000,000 |            |
| 54 | Permeable Pavement Restoration                                     | 575,000    |            |            |           |            |
| 55 | Green Infrastructure Grant Program                                 | 500,000    | 500,000    | 500,000    | 500,000   | 500,000    |
| 56 | Water Quality Monitoring   | 466,000    |            |            |           |            |
| 57 | Syphon Resiliency Project  | 250,000    | 2,000,000  |            |           |            |

|    |   |               |              |               |               |               |
|----|---|---------------|--------------|---------------|---------------|---------------|
| 58 | System_2 Schiller Park OLS                              |               | 8,000,000    |               | 80,000,000    |               |
| 59 | CSO014_1.2 Erie Basin Marina OLS                        |               | 6,000,000    |               |               | 60,000,000    |
| 60 | Jefferson Avenue GI                                     |               | 5,000,000    |               |               |               |
| 61 | CSO 053_3.2 Amherst Quarry Upgrade RTC                  |               | 2,000,000    |               |               |               |
| 62 | Swan Trunk Cleaning                                     |               | 2,000,000    |               |               |               |
| 63 | Flood Mitigation and Back Flow Prevention Buffalo River |               | 2,000,000    |               |               |               |
| 64 | Engineering Term Contracts                              |               | 1,000,000    |               | 1,000,000     |               |
| 65 | CSO053_2.5 SPP337 Modification                          |               | 150,000      |               |               |               |
| 66 | CSO053_8 SPP341A Modification                           |               | 150,000      |               |               |               |
| 67 | CSO053_1.5 Schiller Park OLS SPP336B Modification       |               | 150,000      |               |               |               |
| 68 | CSO053_13 SPP165B Modification                          |               | 150,000      |               |               |               |
| 69 | CSO053_14 SPP175 Modification                           |               | 150,000      |               |               |               |
| 70 | CSO053_3.1 South Bailey DUC/ILS                         |               |              | 4,000,000     |               |               |
| 71 | CSO026_1.3 Collins Park OLS                             |               |              | 3,000,000     |               |               |
| 72 | System_2_3 Schiller Park OLS SPP339 Modification        |               |              | 150,000       |               |               |
| 73 | System_2_4 Schiller Park OLS SPP340 Modification        |               |              | 150,000       |               |               |
| 74 | CSO055_1.5 Military Rd OLS                              |               |              |               | 9,500,000     |               |
| 75 | System_1 Northern Relief Tunnel                         |               |              |               | 6,600,000     |               |
| 76 | CSO014_1.1 SPP206A&B ILS Optimization/206 A&B RTC       |               |              |               | 4,000,000     |               |
| 77 | Swan Trunk Lining/Repairs                               |               |              |               | 2,000,000     |               |
| 78 | CSO013_1 SPP304 Modification                            |               |              |               | 150,000       |               |
| 79 | CSO017_8 SPP326 modification                            |               |              |               | 150,000       |               |
| 80 | CSO011_1.2 SPP024 Modification                          |               |              |               | 150,000       |               |
| 81 | CSO012_1.2 SPP023 Modification                          |               |              |               | 150,000       |               |
| 82 | CSO012_2.1 SPP296 Modification                          |               |              |               | 1,500,000     |               |
| 83 | CSO027_1 Weir #35, SPP 317 modification                 |               |              |               |               | 150,000       |
| 84 | CSO027_2 Babcock PS WEIR#42 modification                |               |              |               |               | 150,000       |
|    |   | \$268,291,000 | \$59,850,000 | \$145,300,000 | \$169,700,000 | \$134,800,000 |
|    | TOTAL   | \$777,941,000 |              |               |               |               |

### Factors Impacting Successful Implementation of Capital Projects

*General Considerations as to Successful Implementation.* In addition to financial capability considerations and the Authority's objective to avoid undue burdens upon the most vulnerable residents of the City, as one

of the poorest cities in the nation, the successful and timely implementation of capital projects generally is adversely impacted by: (i) debt limits; (ii) adequate staffing to oversee projects; (iii) government contract bidding regulations; and (iv) permitting requirements.

Successful Implementation of the Authority LTCP. On January 7, 2021, the Authority submitted to the USEPA and the NYSDEC an update to its Financial Capability Analysis. In such update, the Authority demonstrates that an extension of the schedule for the implementation of the initiatives identified in the Authority LTCP will be required in order to relieve the residents of the Service Area of the unaffordable rates that currently are forecast by the Authority in order to achieve the current Authority LTCP implementation schedule. Therefore, as part of its submission to the USEPA and the NYSDEC, the Authority has requested that the USEPA Administrative Order be modified in order to extend the current March 18, 2034 Authority LTCP implementation completion date. Currently, the Authority anticipates that discussions among the Authority, the USEPA and the NYSDEC regarding this request will commence once the USEPA and the NYSDEC have completed their respective reviews of the updated Financial Capability Analysis, as submitted on January 7, 2021. The Authority is unable to project the response of the USEPA and the NYSDEC to its request that the USEPA Administrative Order be modified in order to extend the current March 18, 2034 Authority LTCP implementation completion date, including, without limitation, any alternative Authority LTCP implementation completion date that might be considered and approved for inclusion in any modification to the USEPA Administrative Order. See “FINANCIAL OPERATIONS OF THE AUTHORITY – Forecasted Capital Improvement Initiatives and Investments” and Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report” for a detailed discussion of the schedule for the implementation of the Authority LTCP.

Successful Implementation of the CIP. With respect to the successful implementation of the CIP, see “FINANCIAL OPERATIONS OF THE AUTHORITY – Forecasted Capital Improvement Initiatives and Investments” and Appendix B hereto: “2024-2025 Annual Engineer’s Certification Report” for a discussion of the availability of sufficient funding for the CIP, the existence of a funding gap and options available to the Authority for purposes of addressing the CIP funding gap.

### **MWBE and SDVOB Initiatives**

The Authority has implemented operational policies to improve opportunities for minority-owned businesses, women-owned businesses, service-disabled veteran-owned business, and small businesses to work with the Authority with respect to Authority projects.

In September, 2020, the Authority Board of Directors approved revised purchasing guidelines that, in accordance with State law, provide that the Authority may use a best value determination when awarding purchase contracts and service contracts. As part of this initiative, bids submitted by businesses that are certified as minority or woman-owned businesses (“M/WBEs”) and/or are certified as service-disabled veteran-owned businesses (“SDVOBs”) will be evaluated as if their bid price is 10-20% lower than their actual bid. The Authority focused upon M/WBEs and SDVOBs because there are existing State and county certification processes for these businesses that can be relied upon by the Authority. However, the Authority additionally is considering implementation of specific criteria for a business to qualify as a small business, and thereby establish a price preference for such small businesses. These initiatives would provide the Authority with opportunities to diversify the base of businesses with which it contracts and seek contracts that will provide the best value to the Authority, in addition to providing certain traditionally disadvantaged businesses with greater opportunities.

Further, the Authority is advocating State legislation that will provide greater opportunities for small businesses and “M/WBEs”. Among these efforts are (i) a proposal to provide greater flexibility in how construction contracts are awarded so that the Authority could consider a business’s status as a M/WBE or a small business, and (ii) a proposal to establish a program pursuant to which certain selected construction contracts could be designated for small businesses.

## The Outstanding Indebtedness of the Authority

Table #29  
DEBT SERVICE SCHEDULE\*  
as of July 1, 2024

| Bond Year<br>Ending<br>June 30 | Principal            | Interest             | Total Debt Service   |
|--------------------------------|----------------------|----------------------|----------------------|
| 2025                           | \$ 3,517,597         | \$ 2,651,306         | \$ 6,168,903         |
| 2026                           | \$ 3,626,231         | \$ 2,494,379         | \$ 6,120,610         |
| 2027                           | \$ 3,744,895         | \$ 2,345,776         | \$ 6,090,671         |
| 2028                           | \$ 3,868,544         | \$ 2,177,535         | \$ 6,046,079         |
| 2029                           | \$ 3,837,193         | \$ 2,179,953         | \$ 6,017,146         |
| 2030                           | \$ 3,975,842         | \$ 2,006,396         | \$ 5,982,238         |
| 2031                           | \$ 4,109,491         | \$ 1,825,594         | \$ 5,935,085         |
| 2032                           | \$ 6,024,704         | \$ 1,874,280         | \$ 7,898,984         |
| 2033                           | \$ 2,820,933         | \$ 1,592,491         | \$ 4,413,424         |
| 2034                           | \$ 2,683,565         | \$ 1,460,609         | \$ 4,144,174         |
| 2035                           | \$ 2,439,088         | \$ 1,366,554         | \$ 3,805,642         |
| 2036                           | \$ 3,219,618         | \$ 1,258,649         | \$ 4,478,267         |
| 2037                           | \$ 1,961,386         | \$ 1,393,596         | \$ 3,354,982         |
| 2038                           | \$ 2,030,035         | \$ 1,318,183         | \$ 3,348,218         |
| 2039                           | \$ 2,103,684         | \$ 1,239,861         | \$ 3,343,545         |
| 2040                           | \$ 2,182,333         | \$ 1,158,389         | \$ 3,340,722         |
| 2041                           | \$ 2,265,983         | \$ 1,073,297         | \$ 3,339,280         |
| 2042                           | \$ 2,269,632         | \$ 1,064,340         | \$ 3,333,972         |
| 2043                           | \$ 2,358,281         | \$ 967,318           | \$ 3,325,599         |
| 2044                           | \$ 3,036,930         | \$ 866,047           | \$ 3,902,977         |
| 2045                           | \$ 2,230,579         | \$ 735,200           | \$ 2,965,779         |
| 2046                           | \$ 2,329,228         | \$ 638,450           | \$ 2,967,678         |
| 2047                           | \$ 2,432,877         | \$ 536,950           | \$ 2,969,827         |
| 2048                           | \$ 2,541,526         | \$ 430,450           | \$ 2,971,976         |
| 2049                           | \$ 2,660,175         | \$ 318,700           | \$ 2,978,875         |
| 2050                           | \$ 2,778,825         | \$ 201,200           | \$ 2,980,025         |
| 2051                           | <u>\$ 2,882,474</u>  | <u>\$ 102,600</u>    | <u>\$ 2,985,074</u>  |
| Total                          | <u>\$ 79,931,649</u> | <u>\$ 35,278,103</u> | <u>\$ 94,390,518</u> |

Note: \* This debt service schedule does not reflect the Series 2025A Bonds.

See “FINANCIAL OPERATIONS OF THE AUTHORITY – Forecasted Capital Improvement Initiatives and Investments.”

### **No Liability of the State of New York or the City of Buffalo with Respect to Debt Issued by the Authority**

The bonds, notes and other obligations of the Authority are neither a debt of the State of New York nor a debt of the City of Buffalo, and neither the State nor the City is liable thereon.

### **An Overview of Applicable Statutory Debt Limits**

The Authority Act establishes a debt limit that is applicable to the bonds, notes and other obligations of the Authority. The original debt limit established pursuant to the terms of the Authority Act upon its original enactment and the statutory establishment of the Authority was \$15,000,000. The Authority Act has been amended several times to increase the applicable debt limit to facilitate system expansion and improvements. The most recent amendment to the Authority Act occurred in 2023 to increase the debt limit to \$500,000,000.

### **An Overview of the Participation of the Authority in the Clean Water State Revolving Fund Programs of the New York State Environmental Facilities Corporation**

The EFC is a public benefit corporation that provides financial and technical assistance to local government entities located throughout the State.

The Authority receives funding through the EFC’s Clean Water State Revolving Fund (the “CWSRF”), which provides interest-free and low-interest rate financing for wastewater and water quality improvement projects to local government entities throughout the State. A variety of point source, non-point source, and national estuary projects are eligible for financing from the EFC through its CWSRF, including construction or restoration of sewers and wastewater treatment facilities, stormwater management, landfill closures, as well as habitat restoration and protection projects.

The USEPA annually provides a grant to the State to capitalize the EFC’s CWSRF program. EFC uses this federal grant money, along with the required State match funds equal to 20% of the federal grant, to fund CWSRF-eligible projects for the purpose of preserving, protecting or improving water quality. As CWSRF borrowers repay their loans, repayments of principal and interest are recycled back into the CWSRF to finance new CWSRF-eligible projects and allow the CWSRF funds to “revolve” over time.

There are several different types of financings available to CWSRF applicants from the EFC. The EFC provides both short and long-term financings, at zero-interest or low-interest, to accommodate municipalities and other local governments of all population sizes with varying project and financial needs.

As a result of the participation of the Authority in the CWSRF programs of the EFC, \$34,331,649 in aggregate principal amount of Authority long-term indebtedness to the EFC is outstanding as of June 30, 2024. As of June 30, 2024 the Authority has \$8,682,641 of short-term indebtedness to the EFC that is outstanding.

All of the Authority’s currently outstanding long-term indebtedness is an obligation of the Authority to the EFC through the CWSRF programs of the EFC, and represents seven (7) separate long-term loans that have been made by the EFC to the Authority during the period from 2003 through 2021. Such outstanding long-term indebtedness relates to various capital improvement projects of the Authority, including a grit collection system, various storm sewer improvement projects, primary digester cleaning and repair, improvements to the Hamburg drain floatables control facility, improvements to CSO Basin 029, and Willert Park green infrastructure improvements.



In addition, the Authority has several current projects (as indicated below) in design, preparation for construction, or under construction that are listed on EFC's CWSRF Annual Utilization Plan and, therefore, financing for which through EFC is anticipated in the future.

Table #30  
 Authority Projects in Design, Preparation for Construction, or  
 Under Construction for Which EFC Financing is Anticipated

| Project Description:                                   | Project Number: | Project Cost: |
|--|-----------------|---------------|
| Bird Island WWTP Secondary System Rehabilitation       | C9-6602-28-00   | \$71,980,727  |
| Scajaquada Blackrock RTC                               | C9-6602-32-00   | \$6,666,000   |
| Bird Island WWTP Primary System Rehabilitation Phase 1 | C9-6602-32-01   | \$90,000,000  |
| Bird Island WWTP Primary System Rehabilitation Phase 2 | C9-6602-32-02   | \$72,417,000  |
| Jefferson Avenue RTC                                   | C9-6602-32-03   | \$105,445,000 |
| Breckenridge CSO                                       | C9-6602-32-04   | \$21,518,000  |
| Bird Island WWTP Primary System Rehabilitation Phase 3 | C9-6602-32-05   | \$158,162,000 |
| Edison Martha Storage                                  | C9-6602-32-06   | \$86,055,000  |
| Sidney Offline Storage                                 | C9-6602-32-07   | \$45,450,000  |
| Sewer Patrol Points                                    | C9-6602-32-08   | \$32,793,000  |

**Five Year Pro Forma Projections, Including Assumptions and Disclaimers**

The Authority conducted a comprehensive rate review with the objective of increasing water equity and rate resilience by increasing the percentage of revenues from assessments (see Appendix A) and water use based sources, as detailed in the referenced narrative. These rate adjustments will increase revenues, respectively, by \$5.0 million (6.4% increase) in fiscal year 2026, \$6.0 million (7.0% increase) in fiscal year 2027, \$7.0 million (8.0% increase) in fiscal year 2028, and \$6.0 million (7.0% increase) in fiscal year 2029.

Table #31  
Consulting Engineer's Projected Pro Formas Five  
Fiscal Years

|  | (1) 2024 (Actual)   | (2) 2025            | 2026                | 2027                | 2028                | 2029                 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|  | 6/30/2024           | 6/30/2025           | 6/30/2026           | 6/30/2027           | 6/30/2028           | 6/30/2029            |
| <b>Operating Revenues (Note number in parenthesis)</b> |                     |                     |                     |                     |                     |                      |
| (3) Assessed sewer rents                               | \$19,640,080        | \$24,957,600        | \$27,203,784        | \$29,652,125        | \$32,320,816        | \$35,229,689         |
| (4) Metered water use sewer rents                      | \$24,445,837        | \$23,199,300        | \$25,287,237        | \$27,563,088        | \$30,043,766        | \$32,747,705         |
| (5) Flat rate water use sewer rents                    |                     | \$1,937,600         | \$2,111,984         | \$2,302,063         | \$2,509,248         | \$2,735,081          |
| (6) Industrial Waste                                   | \$4,926,821         | \$4,100,000         | \$4,305,000         | \$4,520,250         | \$4,746,263         | \$4,983,576          |
| (7) Outside district connections                       | \$20,003,617        | \$17,500,000        | \$18,025,000        | \$18,565,750        | \$19,122,723        | \$19,696,404         |
| (8) Miscellaneous revenues                             | \$3,059,086         | \$2,000,000         | \$1,900,000         | \$1,800,000         | \$1,700,000         | \$1,600,000          |
| (9) State aid and Federal aid                          | \$10,491,039        | -                   | -                   |                     |                     |                      |
| (10) % new debt allocable to O/S districts             |                     |                     | \$800,726           | \$1,429,766         | \$2,570,066         | \$2,569,973          |
| <b>Total Operating Revenues</b>                        | <b>\$82,566,480</b> | <b>\$73,694,500</b> | <b>\$79,633,731</b> | <b>\$85,833,042</b> | <b>\$93,012,882</b> | <b>\$99,562,427</b>  |
| <b>Nonoperating Revenues</b>                           |                     |                     |                     |                     |                     |                      |
| (11) Interest on Cash and Investments                  | \$5,876,888         | \$3,510,000         | \$2,500,000         | \$2,200,000         | \$1,900,000         | \$1,900,000          |
| (12) Interest on delinquent sewer rents                | \$773,444           | \$675,000           | \$742,500           | \$816,750           | \$898,425           | \$988,268            |
| <b>Total Revenues</b>                                  | <b>\$89,216,812</b> | <b>\$77,879,500</b> | <b>\$82,876,231</b> | <b>\$88,849,792</b> | <b>\$95,811,307</b> | <b>\$102,450,695</b> |
| <b>EXPENDITURES</b>                                    |                     |                     |                     |                     |                     |                      |
| (13) Salaries and wages                                | \$16,621,141        | \$17,731,441        | \$18,086,070        | \$18,447,791        | \$18,816,747        | \$19,193,082         |
| (14) Other employee benefits                           | \$10,199,630        | \$12,296,500        | \$12,542,430        | \$12,793,279        | \$13,049,144        | \$13,310,127         |
| (15) Professional services contracts                   | \$13,550,858        | \$17,681,274        | \$18,211,712        | \$18,758,064        | \$19,320,805        | \$19,900,430         |
| (16) Supplies and materials                            | \$6,232,140         | \$13,958,767        | \$14,377,530        | \$14,808,856        | \$15,253,122        | \$15,710,715         |
| (17) Other operating expenditures                      | \$8,191,385         | \$3,721,762         | \$3,768,000         | \$3,735,360         | \$3,702,067         | \$3,702,000          |
| (18) Capital Outlays                                   |                     | \$1,600,000         | \$1,632,000         | \$1,664,640         | \$1,697,933         | \$1,731,891          |
| <b>Total Operating Expenditures</b>                    | <b>\$54,795,155</b> | <b>\$66,989,744</b> | <b>\$68,617,742</b> | <b>\$70,207,989</b> | <b>\$71,839,818</b> | <b>\$73,548,245</b>  |
| <b>Net Revenues Available for Debt Service</b>         | <b>\$34,421,657</b> | <b>\$10,889,756</b> | <b>\$14,258,489</b> | <b>\$18,641,803</b> | <b>\$23,971,489</b> | <b>\$28,902,449</b>  |
| <b>Nonoperating Expenditures</b>                       |                     |                     |                     |                     |                     |                      |
| Series J   | \$417,781           | \$409,801           | \$396,354           | \$398,147           | \$384,362           | \$385,577            |
| Series K   | \$281,725           | \$224,267           | \$271,495           | \$267,351           | \$262,953           | \$258,301            |
| Series L   | \$521,963           | \$513,424           | \$504,574           | \$500,297           | \$495,483           | \$490,143            |
| Series M   | \$494,093           | \$492,688           | \$486,022           | \$483,668           | \$475,627           | \$472,045            |
| Series N   | \$1,599,340         | \$1,581,570         | \$1,566,848         | \$1,545,427         | \$1,527,224         | \$1,507,313          |
| Series O   | \$218,948           | \$222,597           | \$226,231           | \$229,895           | \$233,544           | \$237,193            |
| 2021 EIB   | \$2,669,488         | \$2,670,288         | \$2,669,088         | \$2,665,888         | \$2,666,888         | \$2,666,575          |
| (19) 2024 EFC \$39M                                    |                     |                     |                     | \$2,100,000         | \$2,100,000         | \$2,100,000          |
| Proposed 2026 EFC \$70M                                |                     |                     |                     |                     | \$3,800,000         | \$3,800,000          |
| <b>Total Debt Service</b>                              | <b>\$6,203,338</b>  | <b>\$6,114,635</b>  | <b>\$6,120,612</b>  | <b>\$8,190,673</b>  | <b>\$11,946,081</b> | <b>\$11,917,147</b>  |
| (20) Debt Service Coverage                             | 5.55                | 1.78                | 2.33                | 2.28                | 2.01                | 2.43                 |
| 20% Debt Service Reserve                               | \$1,240,668         | \$1,222,927         | \$1,224,122         | \$1,638,135         | \$2,389,216         | \$2,383,429          |
| <b>(21) Capital Contributions from Operations</b>      | <b>\$10,670,400</b> | <b>\$20,507,711</b> | <b>\$28,307,022</b> | <b>\$4,769,144</b>  | <b>\$6,067,816</b>  | <b>\$6,695,722</b>   |
| <b>(22) Capital Contributions from Reserves</b>        |                     |                     | <b>\$6,000,000</b>  | <b>\$6,000,000</b>  | <b>\$6,000,000</b>  | <b>\$6,000,000</b>   |
| <b>Capital Contributions EIB debt proceeds</b>         | <b>\$4,500,000</b>  | <b>\$4,500,000</b>  | <b>\$8,700,000</b>  | <b>\$10,600,000</b> | <b>\$10,600,000</b> | <b>\$10,000,000</b>  |
| <b>Capital Contributions 2024 EFC debt proceeds</b>    |                     |                     |                     | <b>\$39,000,000</b> |                     |                      |
| <b>Capital Contributions 2026 EFC debt proceeds</b>    |                     |                     |                     |                     | <b>\$70,000,000</b> |                      |
| <b>Total Capital Contributions (FY 25-29)</b>          |                     | <b>\$25,007,711</b> | <b>\$43,007,022</b> | <b>\$60,369,144</b> | <b>\$92,667,816</b> | <b>\$22,695,722</b>  |

## **SECONDARY MARKET DISCLOSURE AND REPORTS**

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 will undertake, in a written agreement for the benefit of the holders and beneficial owners of the Series 2025A 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 210 business days after the end of each respective fiscal year of the Authority, commencing with the fiscal year ending June 30, 2025, certain financial and operating data concerning the Authority of the type included in this Official Statement and as specified in the Continuing Disclosure Agreement. In addition, the Authority will undertake, for the benefit of the holders and beneficial owners of the Series 2025A 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 E - FORM OF CONTINUING DISCLOSURE AGREEMENT” for additional information regarding secondary market disclosure.

### **ENGINEERING REPORT**

Attached here to as Appendix B is the 2024-2025 Annual Engineer’s Certification Report of Greeley and Hansen, the Authority’s consulting engineer (the “Consulting Engineer”), which Engineering Report sets forth the analysis of the Authority System by the Consulting Engineer and the opinions thereof, including, without limitation, the opinion thereof, as and to the extent set forth therein, that the Authority is in compliance with the Bond Resolution and the conditions precedent set forth therein with respect to the issuance of the Series 2025A Bonds.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC, Orchard Park, New York, has acted as registered Municipal Advisor to the Authority in connection with the offer and sale of the Series 2025A Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon government officials and other sources, who have access to relevant data, to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and, therefore, will not participate in the underwriting of the Series 2025A Bonds.

### **ABSENCE OF MATERIAL LITIGATION**

There is no litigation or controversy now pending (i) concerning the issuance, sale or delivery of the Series 2025A Bonds, (ii) in any way contesting or affecting the validity of the Authority Act, the Series 2025A Bonds or the proceedings of the Authority taken with respect to the issuance and sale thereof, including, without limitation, the approval by the Authority of the Bond Resolution, or (iii) the pledge by the Authority of the revenues and other monies pursuant to the terms of the Bond Resolution.

## **LEGALITY FOR INVESTMENT**

The Authority Act provides that all public officers and bodies of the State, and all municipalities and municipal subdivisions thereof, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees and other fiduciaries in the State may properly and legally invest funds belonging to them or within their control in any bonds or notes, including, without limitation, the Series 2025A Bonds, issued pursuant to the Authority Act, and such bonds or notes shall be authorized security for any and all public deposits.

## **CERTAIN LEGAL MATTERS**

Legal matters related to the authorization, issuance and delivery of the Series 2025A Bonds are subject to the receipt of the approving legal opinion of Barclay Damon LLP, Buffalo, New York, Bond Counsel to the Authority (“Bond Counsel”). The opinion of Bond Counsel will be delivered with the Series 2025A Bonds in substantially the form included in Appendix D to this Official Statement.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Barclay Damon LLP, Bond Counsel to the Authority, under existing law and assuming compliance with certain covenants described herein, and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by the Authority, interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is further of the opinion that interest on the Series 2025A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; however, interest on the Series 2025A Bonds that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2025A 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 regarding any other federal, state or local tax consequences with respect to the Series 2025A Bonds. The opinion of Bond Counsel speaks as of its issue date and does not contain or provide any opinion or assurance regarding the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (“IRS”). 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, the exclusion of interest on the Series 2025A Bonds from gross income for federal income tax purposes. See “Appendix D – Form of Approving Opinion of Bond Counsel.”

### **General**

The Code imposes various requirements that must be met at and subsequent to the issuance and delivery of the Series 2025A Bonds in order that interest on the Series 2025A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the use of proceeds of the Series 2025A Bonds and the facilities financed by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate of certain earnings in respect of such investments

to the United States, and required ownership by a governmental unit of the facilities financed by the Series 2025A Bonds. Failure to comply with such requirements may cause interest on the Series 2025A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority and others have made certain representations, certifications of fact, and statements of reasonable expectations and the Authority has given certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2025A Bonds from gross income under Section 103 of the Code. The opinion of Bond Counsel assumes continuing compliance with such covenants as well as the accuracy and completeness of such representations, certifications of fact, and statements of reasonable expectations. In the event of the inaccuracy or incompleteness of any such representation, certifications of fact or statements of reasonable expectations, or of the failure by the Authority to comply with any such covenants, the interest on the Series 2025A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance and delivery of the Series 2025A Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Series 2025A Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a Beneficial Owner of a Series 2025A Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a Beneficial Owner of a Series 2025A Bond and such Beneficial Owner's other items of income, deduction or credit. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2025A Bonds.

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

Prospective purchasers of the Series 2025A Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2025A Bonds may have collateral federal income tax consequences for certain taxpayers, including financial corporations, insurance companies, Subchapter S corporations, certain foreign corporations, individual recipients of social security or railroad retirement benefits, individuals benefiting from the earned income credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their own tax advisors as to any possible collateral consequences of their ownership of, accrual or receipt of interest on, or disposition of the Series 2025A Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

### **Original Issue Discount**

The excess of the principal amount of a maturity of a Series 2025A Bond over the issue price of such maturity of a Series 2025A Bond (a "Discount Bond") constitutes "original issue discount," the accrual of which, to the extent properly allocable to the Beneficial Owner thereof, constitutes "original issue discount" which is excluded from gross income for federal income tax purposes to the same extent as interest on such Discount Bond. For this purpose, the issue price of a maturity of Series 2025A Bonds is the first price at which a substantial amount of such maturity of Series 2025A Bonds is sold to the public. Further, such original issue discount accrues actuarially on a constant yield basis over the term of each Discount Bond and the basis of such Discount Bond acquired at such initial offering price by an initial purchaser of each Discount Bond will be increased by the amount of such accrued discount. Beneficial Owners of Discount Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Discount Bonds.

### **Bond Premium**

The Series 2025A Bonds purchased, whether at original issuance or otherwise, at prices greater than the stated principal amount thereof are "Premium Bonds." Premium Bonds will be subject to requirements under the Code relating to tax cost reduction associated with the amortization of bond premium and, under certain

circumstances, the Beneficial Owner of Premium Bonds may realize taxable gain upon disposition of such Premium Bonds even though sold or redeemed for an amount less than or equal to such owner's original cost of acquiring Premium Bonds. The amortization requirements may also result in the reduction of the amount of stated interest that a Beneficial Owner of Premium Bonds is treated as having received for federal tax purposes (and an adjustment to basis). Beneficial Owners of Premium Bonds are advised to consult with their own tax advisors with respect to the tax consequences of ownership of Premium Bonds.

### **Backup Withholding and Information Reporting**

Interest paid on tax-exempt obligations is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. Interest on the Series 2025A Bonds may be subject to backup withholding if such interest is paid to a registered owner who or which (i) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (ii) has been identified by the IRS as being subject to backup withholding. Amounts withheld under the backup withholding rules will be paid to the IRS as federal income tax withheld on behalf of the registered owner of the Series 2025A Bonds and would be allowed as a refund or credit against such owner's federal income tax liability (or the federal income tax liability of the beneficial owner of the Series 2025A Bonds, if other than the registered owner).

### **Legislation**

Current and future legislative proposals, if enacted into law, administrative actions or court decisions, at either the federal or state level, may cause interest on the Series 2025A Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to state income taxation, or otherwise have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2025A Bonds for federal or state income tax purposes. The introduction or enactment of any such legislative proposals, administrative actions or court decisions may also affect, perhaps significantly, the value or marketability of the Series 2025A Bonds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of Beneficial Owners of the Series 2025A Bonds may occur. Prospective purchasers of the Series 2025A Bonds should consult their own advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authority and represents the judgment of Bond Counsel as to the proper treatment of the Series 2025A Bonds for federal income tax purposes. It is not binding on the IRS or the courts.

### **Post Issuance Events**

Bond Counsel's engagement with respect to the Series 2025A Bonds ends with the issuance of the Series 2025A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of interest on the Series 2025A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2025A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2025A Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Prospective purchasers of the Series 2025A Bonds should consult their own tax advisors regarding the foregoing matters.

## **RATING**

Moody's Investors Service ("Moody's") has assigned a long-term debt rating of "\_\_\_" to the Series 2025A Bonds. This rating reflects only the view of Moody's, and an explanation thereof may be obtained from Moody's. Such rating is not a recommendation to buy, sell or hold the Series 2025A Bonds. There is no assurance that this rating will remain in effect for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating on the Series 2025A Bonds may have an adverse effect on the market price of such Series 2025A Bonds.

## **UNDERWRITING**

The Series 2025A Bonds are being purchased by Samuel A. Ramirez & Co., Inc. (the "Senior Managing Underwriter") on behalf of itself and FHN Financial Capital Markets as Co-Managing Underwriter (collectively, the "Underwriters"). The purchase contract for the Series 2025A Bonds (the "Bond Purchase Agreement") sets forth the obligation of the Underwriters to purchase the Series 2025A Bonds at a price equal to \$\_\_\_\_\_ (which reflects the par amount of the Series 2025A Bonds plus/minus net original issue premium/discount of \$\_\_\_\_\_ and less an underwriting discount of \$\_\_\_\_\_) and is subject to certain terms and conditions, including, without limitation, the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2025A Bonds if any are purchased. The Underwriters may offer and sell the Series 2025A Bonds to certain dealers (including dealers depositing the Series 2025A Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Senior Managing Underwriter.

## **AUDITED FINANCIAL STATEMENTS**

The financial statements of the Authority for the fiscal year of the Authority ended June 30, 2024 (the "Audited Financial Statements"), included in Appendix A to this Official Statement, have been audited by Drescher & Malecki LLP, independent certified public accountants that have been engaged by the Authority (the "Auditor"), as stated in their report appearing in Appendix A to this Official Statement.

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**MISCELLANEOUS**

This Official Statement is distributed in connection with the sale and issuance of the Series 2025A Bonds, and may not be reproduced or used in whole or in part for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on its behalf by the official signing below. Any statements in this Official Statement involving matters of opinion, projections or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. The agreements of the Authority are fully set forth in the Bond Resolution in accordance with the Authority Act, and this Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2025A Bonds.

**BUFFALO SEWER AUTHORITY**

By: \_\_\_\_\_

DATED: \_\_\_\_\_, 2025







**CERTAIN INFORMATION CONCERNING THE CITY OF BUFFALO**  
**ECONOMIC AND DEMOGRAPHIC FACTORS**

**Major Taxpayers**

The following table of the fifteen largest taxpayers indicates the distribution of taxable properties in the City. As indicated, two utilities are liable for approximately 5.8% and 1.6%, respectively, of the total tax levy for fiscal year 2023-24 and no other taxpayer individually accounts for more than 1.0% of the tax levy.

**CITY OF BUFFALO**  
**FIFTEEN LARGEST PAYERS OF CITY REAL PROPERTY TAXES<sup>(1)(2)(3)</sup>**  
**Fiscal Year Ending June 30, 2024**

| <b>Rank</b>                   | <b>Taxpayer</b>                    | <b>Nature of Business</b> | <b>Net Assessed<br/>Valuation</b> | <b>Real Property<br/>Tax Levied</b> | <b>Ratio of<br/>Tax to<br/>Tax Levy</b> |
|-------------------------------|------------------------------------|---------------------------|-----------------------------------|-------------------------------------|---|
| 1                             | National Grid, PLC(5)              | Utility                   | \$494,434,043                     | \$9,257,479                         | 5.83%                                   |
| 2                             | National Fuel Fas Corporation(5)   | Utility                   | 137,574,738                       | 2,575,865                           | 1.62%                                   |
| 3                             | Gold Wynn Residential USA          | Commercial Real Estate    | 59,487,865                        | 1,092,757                           | 0.69%                                   |
| 4                             | EGP 130 Buffalo, LLC               | Commercial Real Estate    | 50,000,000                        | 936,169                             | 0.59%                                   |
| 5                             | Manufacturers and Trust Company(4) | Bank                      | 49,961,000                        | 935,439                             | 0.59%                                   |
| 6                             | Consolidated Rail Corporation(5)   | Shipping/Transportation   | 49,598,100                        | 858,998                             | 0.54%                                   |
| 7                             | Douglas Development Corporation    | Commercial Real Estate    | 94,923,000                        | 847,314                             | 0.53%                                   |
| 8                             | LCO Building, LLC                  | Commercial Real Estate    | 41,044,800                        | 768,498                             | 0.48%                                   |
| 9                             | Uniquist Delaware, LLC             | Condominium/Hotel         | 38,000,000                        | 711,489                             | 0.45%                                   |
| 10                            | CSX Transportation                 | Shipping/Transportation   | 36,476,145                        | 633,035                             | 0.40%                                   |
| 11                            | Verizon Communication, Inc.(5)     | Telecommunications        | 32,682,301                        | 611,923                             | 0.39%                                   |
| 12                            | KEY Success, LLC                   | Commercial Real Estate    | 30,570,000                        | 572,374                             | 0.36%                                   |
| 13                            | Seneca-Larkin Holdings, LLC        | Commercial Real Estate    | 19,671,800                        | 368,323                             | 0.23%                                   |
| 14                            | Fort Schuyler Management           | SUNY Private Corp.        | 18,496,000                        | 346,308                             | 0.22%                                   |
| 15                            | Iskalo Development Corporation     | Commercial Real Estate    | 20,488,000                        | 339,705                             | 0.21%                                   |
| Total: Top Fifteen Taxpayers  |                                    |                           |                                   | <u>20,855,675</u>                   | <u>13.13%</u>                           |
| Total: Real Property Tax Levy |                                    |                           |                                   | <u>\$ 158,900,000</u>               | <u>100.00%</u>                          |

Source: City of Buffalo, Department of Audit & Control, Division of Investment & Debt Management

<sup>(1)</sup>Based on assessed values greater than \$100,000

<sup>(2)</sup>Does not include those properties which are exempt from taxes and are making Payments In-Lieu of Taxes (PILOT)

<sup>(3)</sup>Based on a 2023-24 non-homestead tax rate of \$18.72 per thousand

<sup>(4)</sup>Taxes on bank property only. Does not include taxes paid as mortgagee.

<sup>(5)</sup>Includes Special Franchise Fees/Tax

**Employment**

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.

Statistically, the Buffalo area's job categories compare well with the U.S. average with slight variances in two categories – finance/insurance and mining/construction.

The City remains committed to its downtown development strategy as a means of further diversifying its employment base. (See “ECONOMIC AND DEMOGRAPHIC FACTORS – Development Activity” herein.)

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>**  
**2010-2023**  
(000's Omitted)

| Category                          | 2010         |                  | 2020         |                  | 2022         |                  | 2023         |                  |
|-----------------------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
|                                   | Buffalo MSA  | United States    | Buffalo MSA  | United States    | Buffalo MSA  | United States    | Buffalo MSA  | United States    |
| Manufacturing                     | 49.6         | 11,528.0         | 49.2         | 12,179.1         | 52.0         | 12,824.8         | 54.5         | 12,938.9         |
| Trade, Transportation & Utilities | 97.8         | 24,636.0         | 91.6         | 26,589.9         | 100.5        | 28,642.5         | 96.5         | 28,847.4         |
| Retail Trade                      | 60.8         | 14,440.4         | 54.0         | 14,853.1         | 57.3         | 15,475.1         | 55.6         | 15,590.5         |
| Wholesale Trade                   | 21.1         | 5,452.1          | 20.0         | 5,639.9          | 19.8         | 5,962.6          | 20.5         | 6,116.2          |
| Government                        | 95.0         | 22,490.0         | 85.3         | 21,908.5         | 83.4         | 22,171.3         | 87.3         | 22,781.3         |
| Service Providing                 | 469.7        | 112,166.0        | 440.6        | 122,117.3        | 465.5        | 131,397.3        | 475.8        | 134,452.8        |
| Other Services                    | 23.4         | 5,331.0          | 21.3         | 5,393.8          | 24.2         | 5,707.8          | 24.7         | 5,825.7          |
| Finance & Insurance               | 24.2         | 5,761.0          | 28.8         | 6,499.6          | 26.3         | 6,672.2          | 25.8         | 6,731.1          |
| Mining & Logging                  | 18.9         | 705.0            | 19.6         | 619.0            | 21.4         | 604.9            | 21.5         | 1,244.7          |
|                                   | <u>860.5</u> | <u>202,509.5</u> | <u>810.4</u> | <u>215,800.1</u> | <u>850.4</u> | <u>229,458.6</u> | <u>862.2</u> | <u>234,528.6</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>**  
**2010-2023**  
(000's Omitted)

| Category                          | 2010        |               | 2020        |               | 2022        |               | 2023        |               |
|-----------------------------------|-------------|---------------|-------------|---------------|-------------|---------------|-------------|---------------|
|                                   | Buffalo MSA | United States | Buffalo MSA | United States | Buffalo MSA | United States | Buffalo MSA | United States |
| Manufacturing                     | 5.8%        | 5.7%          | 6.1%        | 5.6%          | 6.1%        | 5.6%          | 6.3%        | 5.5%          |
| Trade, Transportation & Utilities | 11.4%       | 12.2%         | 11.3%       | 12.3%         | 11.8%       | 12.5%         | 11.2%       | 12.3%         |
| Retail Trade                      | 7.1%        | 7.1%          | 6.7%        | 6.9%          | 6.7%        | 6.7%          | 6.4%        | 6.7%          |
| Wholesale Trade                   | 2.5%        | 2.7%          | 2.5%        | 2.6%          | 2.3%        | 2.6%          | 2.4%        | 2.6%          |
| Government                        | 11.0%       | 11.1%         | 10.5%       | 10.2%         | 9.8%        | 9.6%          | 10.1%       | 9.7%          |
| Service Providing                 | 54.6%       | 55.4%         | 54.4%       | 56.6%         | 54.7%       | 57.3%         | 55.2%       | 57.3%         |
| Other Services                    | 2.7%        | 2.6%          | 2.6%        | 2.5%          | 2.9%        | 2.5%          | 2.9%        | 2.5%          |
| Finance & Insurance               | 2.8%        | 2.8%          | 3.6%        | 3.0%          | 3.1%        | 2.9%          | 3.0%        | 2.9%          |
| Mining & Logging                  | 2.2%        | 0.3%          | 2.4%        | 0.3%          | 2.5%        | 0.3%          | 2.5%        | 0.5%          |
|                                   | <u>100%</u> | <u>100%</u>   | <u>100%</u> | <u>100%</u>   | <u>100%</u> | <u>100%</u>   | <u>100%</u> | <u>100%</u>   |

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. 2014-2023 data for the City is based on the 2020 Census.

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

| <u>Year</u> | <u>City</u> | <u>Buffalo<br/>MSA</u> | <u>NY State <sup>(2)</sup></u> | <u>United<br/>States</u> |
|-------------|-------------|------------------------|--------------------------------|--------------------------|
| 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%                     |
| 2021        | 7.9%        | 5.7%                   | 7.2%                           | 5.4%                     |
| 2022        | 5.0%        | 3.6%                   | 7.0%                           | 3.6%                     |
| 2023        | 4.9%        | 3.6%                   | 4.1%                           | 3.6%                     |

Source: U.S. Department of Labor, Bureau of Labor Statistics

<sup>(1)</sup>Total employment by place of residence

<sup>(2)</sup>Figures from 2014-2019 reflect revised population controls and model re-estimation

#### Population

The 2020 Census revealed that the City's population increased from 261,310 in 2010 to 278,349 in 2020.

#### 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 |

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 Household    | 2.33        | 2.29        | 2.26        | 2.24        |

Source: U.S. Department of Commerce, Bureau of the Census

## Development Demographics

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.

Canalside, 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. the \$27.0 million Explore & More - Ralph C. Wilson, Jr. Children's Museum. 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.

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 opened in 2023.

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.

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.

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 major economic impact, exceeding \$3.2 billion.

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. In addition, 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, Rich Products, Labatt USA, the New Era Cap Company, ACV Auctions and Lactalis American Group.

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. With Canadian/American border closed there were no Canadians travelling from Buffalo Niagara International Airport.

The City is in the center of a transportation network of truck, rail, highway, water and air facilities.

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. Foreign Trade Zone (the "FTZ") operation was enacted 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 over 100 flights per day.

#### **Buffalo-Niagara International Airport Passenger Volume Trend**

| <u>Year</u> | <u>Passenger<br/>Volume</u> | <u>% Change<br/>from<br/>Prior Year</u> |
|-------------|-----------------------------|---|
| 2018        | 5,014,000                   | -                                       |
| 2019        | 4,892,000                   | -2.4%                                   |
| 2020        | 1,412,000                   | -71.1%                                  |
| 2021        | 2,875,000                   | 103.6%                                  |
| 2022        | 3,990,000                   | 38.8%                                   |
| 2023        | 4,555,000                   | 14.2%                                   |

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Source: U.S. Dept of Transportation Bureau of Transportation Statistics  
As of December 2023

#### **Development Activity**

##### *Completed Projects*

57 Howard - WNY Housing Coalition

\$30.0 million

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Redevelopment of a former Public School (PS 75) and the construction of 12 homes. The former school was transformed into a mix of 47 Studio Apartments, residential common space and commercial space with the homes will adding an additional 18 rental units. Commercial space is the new corporate offices of the Western New York (WNY) Veteran's Housing Coalition

|   |                 |
|---|-----------------|
| 695 Genesee – Mount Aaron Village   | \$20.3 million  |
| The construction of affordable townhomes and multi-family apartment buildings on nineteen vacant residential lots on Adams, Genesee and Grey Streets. The project consists of 59 units in four multi-family rental buildings. Of the four, one is a three-story building with 16 one-bedroom units and 27 two-bedroom units. The other three buildings have a total of 16 two-story, three-bedroom townhomes. |                 |
| 253-269 Virginia - Hispanos Unidos de Buffalo Inc.  | \$16.6 million  |
| A supportive housing project which contains forty-six 1-bedroom rental units for low-income senior citizens ages 55 and older. La Plaza also includes a restaurant/café, laundry room, community room, space for a senior recreational program, social day care and other senior service programs, as well as office space for other not for profits.   |                 |
| Albright Knox Gundlach Museum   | \$195.0 million |
| The expansion and renovation of the former Albright-Knox Museum of Art.   |                 |
| Barcalo Manufacturing Complex - Barcalo Buffalo LLC   | \$35.0 million  |
| The former Barcalo Manufacturing Complex in Buffalo's Old First Ward will be converted into 119 apartments and approximately 40,000 square feet of commercial space.  |                 |
| <i>Under-Construction Projects</i>  |                 |
| 101 Swinburne - Community Services for Every1   | \$18.0 million  |
| Conversion of the academic building at the former St. John Kanty Roman Catholic Church into 37 affordable housing units with accessory parking. Additionally, the project will use the existing commercial kitchen, cafeteria and gymnasium to provide a human service facility with an outreach program.   |                 |
| Pilgrim Village - SAA-EVI   | \$92.0 million  |
| Construction of a 132-unit affordable apartment building for families and a 105-unit apartment building for seniors. Additionally, the development will include 4,900 square feet of commercial space.  |                 |
| 791 Washington - Krog Group   | \$105.0 million |
| Former TRICO building at 791 Washington Street will transform a historic factory building into approximately 243 apartments of various sizes, 250 interior parking spaces and approximately 60,000 square feet of commercial space.   |                 |
| Elmwood Crossing Folwell Apartments – People, Inc.  | \$15.0 million  |
| Reuse of a vacant building at the former Women and Children's Hospital into 44 affordable housing units for seniors.  |                 |
| Westside Homes Project – PUSH, Buffalo  | \$21.0 million  |
| The rehabilitation of four units in two buildings and construction of twelve new buildings on various sites consisting of 2-4 family homes and small multi-family buildings.  |                 |
| Rail on Main - McGuire Development, Blackfish Investments   | \$44.0 million  |
| Conversion of a former industrial site into a new residential complex. The development will create 312 housing units, 1,500 square feet of retail, and 3,675 square feet of office space.   |                 |
| 356 Hertel - Kam Cleanup LLC  | \$15.0 million  |
| Renovation and repurposing of the historic John Kam Malt and Kiln House into 82 apartments, a self-storage facility and 14,000 square feet of retail space. Additionally, the project will include amenities such as an onsite dog park, dog wash, pedestrian gathering plaza and permanent and visitor bike storage.   |                 |



|   |                 |
|---|-----------------|
| Cannabis Cultivation/Manufacturing - Zephyr Partners  | \$200.0 million |
| Construction of a cannabis cultivation facility with processing, quality control, extraction, research and shipping/receiving facilities. Roughly 65% of the built structures will house the growing facilities while the other 35% will house the accessory functions.   |                 |
| Silo City - Generation Development  | \$70.0 million  |
| Reuse of the former American Malting Company malthouse for residential and commercial uses. The development will create approximately 158 residential units and approximately 40k square feet of commercial space.  |                 |
| Statler Hotel Project - Douglas Development   | \$150.0 million |
| Renovation of the former Hotel Statler into 334 new residential units, 183 hotel rooms, structured parking, commercial space and event space.   |                 |
| Terminal B - Erie County Harbor Development Corp  | \$12.0 million  |
| Transformation of an existing Terminal B warehouse into a concert and special event venue site, which will include site landscape, new utility service, improved site lighting, construction of two small structures and improvements to the pedestrian walkways.   |                 |
| Heritage Point - Sinatra & Company Real Estate  | \$30.0 million  |
| Construction of two six-story mixed-use buildings on the former Buffalo Memorial Auditorium site. The development will feature 64 apartments, ground floor retail and commercial space for restaurants.   |                 |
| The West End - Ciminelli Real Estate  | \$20.0 million  |
| Located on Buffalo's waterfront near Ralph Wilson Centennial park, building 20 upscale waterfront townhomes creating a dense, urban village setting.  |                 |
| Veteran's Hospital – US Department of Veteran's Affairs   | \$200.0 million |
| Renovation and updating of Veteran's Hospital, which includes, the construction of a 9,000-square-foot laboratory to be built as a second floor atop the research facility, two additional floors will be added to the existing parking ramp, infrastructure improvements across the campus and the renovations to outpatient clinics and inpatient units, including a new men's unit for post-traumatic stress disorder; medical equipment upgrades in operating and procedure rooms; and a new women's wellness unit. |                 |
| Mohawk Ramp – Douglas Development   | \$200.0 million |
| Redevelopment of the city-owned Mohawk Parking Ramp and adjacent properties into 4,500 square feet of commercial space with a restaurant/cafe, an R&D lab and ground-floor retail, 200 residential units and 800 parking spaces.  |                 |
| Ralph C Wilson Centennial Park – Wilson Foundation  | \$110.0 million |
| Transformation of the existing LaSalle/Centennial Park into a regional waterfront destination that will create flexible spaces for strolling, picnicking, sledding, and all kinds of informal activities, which will include upgrades to existing sports fields, expanded pedestrian and bike paths, the planting of 2,000 trees and a new pedestrian bridge across Interstate 190..  |                 |
| Salvation Army Renovation   | \$86.0 million  |
| Redevelopment of their Main Street in Allentown. Three existing buildings would be demolished and replaced by a seven-story, 147-unit apartment building, a three-story, 80-bed shelter and 16 two-story townhouses.  |                 |
| Great Point Studios - Great Point Opportunity Fund B QOZB LLC   | \$50.0 million  |
| Construction of three sound stages – two 5,000 square feet and another 20,000 square foot – plus support facilities including dressing rooms, carpentry shops and set construction space. In all, the project will encompass 65,000 square feet.  |                 |

Sonwil Distribution Center\$55.0 million

Construction of a 328,000 square feet distribution center which includes thirty-five truck bays that allow for weather-protected loading and unloading with dock levelers that are an automated pallet-like system that directly loads into 18-wheelers with technology that allows trucks to be unloaded in 11 minutes, twelve CSX rail docks and 1,500 feet of new track bed installed by Sonwil service, a second-story employee lounge with a fitness center and showers and two lounges with fireplaces for truckers to use.

**APPENDIX D****SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION**

The General Bond Resolution contains various covenants and security provisions certain of which are summarized below. Reference should be made to the General Bond Resolution for a full and complete statement of its provisions. All capitalized terms used in this Summary and not otherwise defined in the Official Statement of which this Summary is a part shall have the meanings set forth in the General Bond Resolution.

**Definitions (Section 102)**

Set forth below are certain terms used in this Summary and defined in the General Bond Resolution:

“Account” means one of the special accounts created and established pursuant to the General Bond Resolution.

“Accountant” means a reputable, experienced and independent certified public accountant (or a firm thereof), selected by the Authority and satisfactory to the Trustee and may be the accountant regularly auditing the books of the Authority

“Accreted Value” means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Resolution authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (a “Periodic Compounding Date”) next preceding the date of computation, or the date of computation if it is a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Resolution authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation is not a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Resolution authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months. “Authorized Officer” means the Chairman, the Vice-Chairman, the Assistant Vice-Chairman, the Treasurer, the Comptroller, the Secretary, the Assistant Secretary, or the General Manager or other chief administrative officer of the Authority, and when used with reference to any act or certificate or other document, also means any person duly authorized to perform such act or sign such document.

“Aggregate Debt Service” means for any period, as of any date of calculation, the sum of the individual amounts of Debt Service for each Series during such period. “Bond Insurance Policy” means a bond insurance policy issued by a Bond Insurer with respect to a Series of Bonds.

“Annual Budget” means the budget or amended budget adopted or in effect as provided in Section 707 of the General Bond Resolution, which is summarized under “Annual Budget” below.

“Arbitrage and Use of Proceeds Certificate” means the Arbitrage and Use of Proceeds Certificate of the Authority executed and delivered on original issuance of any Series of Bonds.

“Authorized Newspaper” means a newspaper 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.

“Balloon Date” means any date of a Principal Installment on Balloon Obligations in a Balloon Year or any date on which a Bondholder may elect to have Balloon Obligations redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid, in a Balloon Year.

“Balloon Obligations” means any Series of Bonds 25% or more of the Principal Installments of which is due or may be required to be paid in any 12-month period; provided that, in calculating the principal amount of such Bonds due or required to be redeemed, prepaid, purchased or otherwise paid in any 12-month period, such principal amount shall be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

“Balloon Year” means any Fiscal Year in which more than 25% of the original principal amount of related Balloon Obligations mature or are subject to mandatory redemption or could, at the option of the holders thereof, be required to be redeemed, prepaid, purchased directly or indirectly by the Authority, or otherwise paid.

“Bond” means any bond authenticated and delivered pursuant to the General Bond Resolution.

“Bond Anticipation Notes” means obligations issued pursuant to Section 208 of the General Bond Resolution, which is summarized under “Bond Anticipation Notes” below.

“Bond Insurer” means an insurance company or association described in clause (b) of the definition of “Credit Facility” that has issued a Bond Insurance Policy with respect to a Series of Bonds.

“Bondholder”, or the term holder or words of similar import, shall mean, when used with reference to a Bond, any person who shall be the bearer of any Bond that is not registered or that is registered to bearer, or the registered owner of any Bond registered otherwise than to bearer.

“Book Entry Bond” means a Bond of a Series authorized to be issued to, and issued to and registered in the name of, a Depository for the participants in such Depository or the beneficial owner of such Bond.

“Capital Appreciation Bonds” mean any Bonds issued under the General Bond Resolution as to which interest is (a) compounded periodically on dates that are specified in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Supplemental Resolution authorizing such Capital Appreciation Bonds.

“Capital Costs” means all costs of acquisition, construction or completion of any part of the Sewer System, including Costs of Issuance of any Bonds issued to provide funds to pay the cost thereof, the costs of any demolitions or relocations necessary in connection therewith and any extensions, renewals, replacements, equipment, alterations, improvements, additions, machinery and equipment, betterments, paving, grading, excavation, blasting or removals and of all or any property, rights, easements and franchises deemed by the Authority to be necessary or useful or convenient therefor and may include, to the extent properly attributable to such acquisition, construction and completion:

- (a) obligations incurred for labor and materials and payments made to contractors, builders and materialmen in connection with construction or acquisition of any part of the Sewer System, and for the restoration of property damaged or destroyed in connection with such construction;

- (b) fees and expenses of the Trustee during construction, the cost of surety bonds to secure moneys in the Capital Improvement Fund, payments, taxes or other governmental charges lawfully levied or assessed during construction or on any property acquired, and premiums on insurance (if any) during such construction or acquisition;
- (c) fees and expenses for studies, surveys and reports, engineering, borings, testings, estimates of costs and revenues, preparation of plans and specifications and inspecting or supervising construction or acquisition, as well as for the performance of all other duties of engineers or architects in connection with the acquisition, construction, extension, renewal or improvement of the Sewer System or required by the General Bond Resolution;
- (d) expenses of administration properly chargeable to the acquisition, construction, reconstruction, renewal, extension, or improvement of the Sewer System, including legal expenses and fees, financing charges, costs of audits and fiscal advice and all other items of expense not elsewhere in this definition specified, incident to the acquisition, construction, reconstruction, renewal, extension or improvement of the Sewer System, including the acquisition of real estate, franchises, easements and rights-of-way therefor, including abstracts of title and title insurance, and including interest accruing on any Series of Bonds to and including a date six months following the completion of any improvement of the Sewer System financed by such Series of Bonds, if so provided in the Supplemental Resolution authorizing such Series, and any charges of the Trustee and Paying Agents with respect to the payment of such interest;
- (e) the cost and expense of acquiring by purchase or condemnation or by leasing such property, lands, rights-of-way, franchises, easements, and other interest in land as may be deemed necessary or convenient for the acquisition, construction or completion of any part of the Sewer System and options and partial payments thereon, and the amount of any damages incident to or consequent upon the same; and
- (f) any obligation or expense heretofore or hereafter expended or incurred by the Authority and any amounts heretofore or hereafter advanced by the Authority for any of the foregoing purposes.

“Capital Improvement Fund” means the Capital Improvement Fund that is established pursuant to Section 502 of the General Bond Resolution, which is summarized under “Establishment of Funds and Accounts” below.

“Certificate” means, as the context indicates, either (a) a signed document attesting to or acknowledging the matters therein stated or setting forth matters to be determined pursuant to the General Bond Resolution, (b) the report of an Accountant as to an audit or compliance called for by the General Bond Resolution, or (c) the report of the Consulting Engineer as to any matter called for by the General Bond Resolution and containing a statement to the effect that such Consulting Engineer has made an investigation sufficient to allow an informed opinion on the subject matter.

“Certified Interest Rate” means, a rate determined by a Financial Advisor as of any date of determination:

- (a) with respect to Bonds that were or will be, at the date of the original issuance thereof, the subject of a Counsel’s Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest

equal to the average of the Variable Rate Tax-Exempt Index for the five (5) years preceding such date of determination; and

- (b) with respect to Bonds that were not and will not be, at the date of the original issuance thereof, the subject of a Counsel's Opinion to the effect that the interest thereon is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, a rate of interest equal to the average of the Variable Rate Taxable Index for the five (5) years preceding such date of determination.

"City" means the City of Buffalo, New York.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means, when used with respect to Balloon Obligations, a binding written commitment from a financial institution, surety or insurance company to refinance such Balloon Obligations on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Balloon Obligations.

"Common Debt Reserve Requirement" means, for all Common Debt Reserve Secured Bonds, the least of: (a) 10% of the aggregate original stated principal amount of all Common Debt Reserve Secured Bonds (provided that if any Common Debt Reserve Secured Bonds have more than a *de minimis* (2%) amount of original issue discount or premium, the issue price of such Common Debt Reserve Secured Bonds (net of pre-issuance accrued interest) is used to measure the 10% limitation in lieu of its stated principal amount); (b) the maximum amount of aggregate principal and interest on all Common Debt Reserve Secured Bonds coming due in any Fiscal Year; or (c) 125% of the average annual aggregate principal and interest on all Common Debt Reserve Secured Bonds.

"Common Debt Reserve Secured Bonds" means any Series of Bonds for which the Supplement Resolution authorizing such Bonds provides for such Bonds to be secured by the Common Debt Reserve Requirement.

"Construction Fund" means the Construction Fund established pursuant to Section 502 of the General Bond Resolution, which is summarized under "Establishment of Funds and Accounts" below.

"Consulting Engineer" means a reputable and experienced engineer or firm of engineers, selected by the Authority and, except with respect to duties to be performed pursuant to Section 714 of the General Bond Resolution, may include a registered professional engineer who is an employee of the Authority.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable and related to the 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 or provider of a Credit Facility or Reserve Fund Facility, 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, premiums for the insurance of the payment of the Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" means an opinion signed by an 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.

"Credit Facility" means, with respect to a Series of Bonds, a Bond Insurance Policy, an irrevocable letter of credit (and any confirming letter of credit), surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement pursuant to which the Authority is entitled to obtain money to pay the

principal and Sinking Fund Installments of and interest on particular Bonds whether or not the Authority is in default under the General Bond Resolution, which is issued or provided by:

- (a) a bank, a trust company, a national banking association, a savings bank, a saving and loan association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by at least one of the Rating Agencies;
- (b) an insurance company or association chartered or organized under the laws of any state of the United States of America, and either (i) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency, or (ii) obligations insured by a surety bond or an insurance policy issued by such insurance company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by at least one of the Rating Agencies;
- (c) the Government National Mortgage Association or any successor thereto;
- (d) the Federal National Mortgage Association or any successor thereto;
- (e) a Federal Home Loan Bank; or
- (f) any other federal agency or instrumentality approved by the Authority.

“Credit Facility Agreement” means an agreement between the Authority and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility.

“Credit Issuer” means any Bond Insurer or other issuer of a Credit Facility then in effect for all or part of the Bonds.

“Debt Reserve Fund” means the Debt Reserve Fund established pursuant to Section 502 of the General Bond Resolution, which is summarized under “Establishment of Funds and Accounts” below.

“Debt Reserve Requirement” means, with respect to any Series of Bonds, at the election of the Authority as set forth in the Supplemental Resolution authorizing such Series, either the Common Debt Reserve Requirement or a Separate Series Debt Reserve Requirement.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series and (ii) that portion of the principal of and Sinking Fund Payments on such Bonds that would accrue during such period if such principal and Sinking Fund Payments were deemed to accrue on the same basis as interest; calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding except by reason of payment on the due date thereof or redemption from Sinking Fund Payments; provided that:

- (a) With respect to any Bonds that bear interest at a Variable Rate and any Bonds secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the

interest coming due in any specified future period shall be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the Authority, either (i) the average of the actual Variable Rates that were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (ii) the Certified Interest Rate.

- (b) With respect to any Bonds that bear interest at a rate that may increase or decrease based upon the satisfaction of or failure to satisfy certain specified criteria, the interest coming due in any future period shall be determined as if the rate of interest in effect at all times during such future period equaled the highest rate to which such Bonds could be subject during such future period.
- (c) For the purpose of calculating Debt Service on Balloon Obligations that: (i) are subject to a Commitment; or (ii) do not have a Balloon Year commencing within 12 months from the date of calculation; or (iii) are issued in anticipation of the issuance of Bonds that are not Balloon Obligations; or (iv) are issued pursuant to a Supplemental Resolution that contemplates that the principal of Bonds tendered for payment at the option of the holder thereof prior to the stated maturity of such Bonds will be paid from the proceeds of the remarketing of such tendered Bonds (or from the issuance of new Bonds authorized by such Supplemental Resolution), at the option of the Authority, the actual principal and interest on such Balloon Obligations shall be included in Debt Service, subject to the other assumptions contained in the General Bond Resolution, or such Balloon Obligations shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 30 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Authority could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Obligations and with a 30-year term). For the purpose of calculating Debt Service on Balloon Obligations not described in the preceding sentence, the principal payable on such Bonds during the Balloon Year shall be calculated as if paid on the Balloon Date.

For purposes of determining the annual amount payable in respect of any Series of Bonds designated by the Authority as a Refundable Principal Installment (including Bond Anticipation Notes), such indebtedness that is or would be a Refundable Principal Installment shall be treated on the date of calculation as if (i) from the date of issuance thereof the principal amount of such indebtedness had been payable as a part of equal annual installments of principal and interest over a period extending from the due date thereof through the 30<sup>th</sup> anniversary of the issue date of such Series, and (ii) interest accrues at a rate equal to the actual fixed rate of interest on such indebtedness or if such indebtedness is Variable Rate indebtedness, interest payable during such Fiscal Year shall be calculated in accordance with subsection (a) above.

- (d) Interest on Bonds shall be excluded from the determination of Debt Service to the extent amounts on deposit in the Capitalized Interest Account of the Construction Fund are scheduled to be applied thereto during such period.
- (e) Scheduled interest payments on EFC Bonds during any period shall be reduced to reflect the amount of any interest subsidy or corpus allocation percentage reasonably anticipated by the Authority to be available under any project financing and/or loan agreement entered into by the Authority and EFC or any successor thereof, or any similar state agency or instrumentality.



- (f) Scheduled interest payments on Tax Credit Bonds during any period shall be reduced to reflect Tax Credit Payments attributable to such scheduled interest payments.

For purposes of calculating the accrual of Principal Installments and interest on the Bonds, (i) Principal Installments of a Series will be deemed to accrue daily in equal amounts from the preceding Principal Installment date for such Series (but in no event shall any accrual be made for any Principal Installment more than one year prior to the due date of such Principal Installment or from the Date of Issuance of Bonds of such Series, whichever date is later); (ii) each fixed payment obligation (other than Principal Installments) will be deemed to accrue daily in equal amounts from the preceding relevant payment obligation date (but in no event more than one year prior to such payment obligation date or the initial incurrence of the payment obligation, whichever is later); and (iii) principal and interest portions of the Accreted Value of Capital Appreciation Bonds shall accrue in the manner provided in Section 210(B) of the General Bond Resolution.

“Debt Service Fund” means the Debt Service Fund established pursuant to Section 502 of the General Bond Resolution, which is summarized under “Establishment of Funds and Accounts” below.

“Depository” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State, or its nominee, or any other person, firm, association or corporation designated in the Supplemental Resolution authorizing a Series of Bonds to serve as securities depository for the Bonds of such Series.

“Depository Bank” means any bank or trust company selected by the Authority as a depository of moneys to be held under the provisions of the General Bond Resolution, and may include the Trustee.

“EFC” means the New York State Environmental Facilities Corporation.

“EFC Bonds” means any Series of Bonds issued by the Authority pursuant to the General Bond Resolution and delivered to EFC as evidence of a loan by EFC to the Authority pursuant to Chapter 565 of the Laws of New York of 1989, as amended.

“Event of Default” means any event specified in Section 1002 of the General Bond Resolution.

“Fiduciary” means the Trustee or any Paying Agent or Depository Bank.

“Financial Adviser” means an investment banking or financial advisory firm, commercial bank or any other person who or which is retained by the Authority for the purpose of passing on questions relating to the availability and terms of specified types of bonds or the financial condition or operation of the Sewer System and is actively engaged in and, in the good faith opinion of the Authority, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

“Fiscal Year” means a twelve month period commencing on the first day of July.

“Fitch” means Fitch Ratings and any assigns and successors thereto.

“Fund” means any fund established pursuant to Section 502 of the General Bond Resolution.

“Interest Payment Date” means any date upon which interest on the Bonds is due and payable in accordance with their terms.

“Investment Securities” means and includes 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:

- (a) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America; *provided*, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (“Direct Obligations”);
- (b) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (“FHLMCs”); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities that are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association (“FNMA”); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; and Resolution Funding Corporation securities;
- (c) Direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by Moody’s and “A” or better by Standard & Poor’s, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, “A” or better by Moody’s and “A” or better by Standard & Poor’s;
- (d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, “P-1” or better by Moody’s and “A-1” or better by Standard & Poor’s;
- (e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term “Bank Deposit” rating of “P-1” or better by Moody’s and a “Short-Term CD” rating of “A-1” or better by Standard & Poor’s;
- (f) Deposits of any bank or savings and loan association that has combined capita. Surplus and undivided profits of not less than \$3,000,000, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (g) Investments in money-market funds rated “AAAm” or “AAAm-G” by Standard & Poor’s;
- (h) Repurchase agreements collateralized by Direct Obligations, GNMA, FNMA or FHLMCs with any registered broker/dealer subject to the Securities Investors’ Protection Corporation jurisdiction or any commercial bank insured by the Federal Deposit Insurance Corporation, if

such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated “P-1” or “A3” or better by Moody’s, and “A-1” or “A-” or better by Standard & Poor’s; provided:

- (i) A master repurchase agreement or specific written repurchase agreement governs the transaction;
- (ii) The securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent (“Agent”) for the Trustee, and such third party is: (A) a Federal Reserve Bank; (B) a bank that is a member of the Federal Deposit Insurance Corporation and that has combined capital, surplus and undivided profits of not less than \$50,000,000; or (C) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee;
- (iii) A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. Part 306, in such securities, is created for the benefit of the Trustee;
- (iv) The repurchase agreement has a term of 10 years or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and
- (v) The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%.

“Moody’s” means Moody’s Investors Service and any assigns and successors thereto.

“Net Revenue Fund” means the Net Revenue Fund established pursuant to Section 502.

“Operating Expenses” means all reasonable or necessary current expenses of maintaining, repairing, operating and managing the Sewer System, including all salaries, administrative, general, commercial, architectural, engineering, advertising, auditing and legal expenses, insurance and surety bond premiums, consultants’ fees and charges, current payments to pension, retirement, health and hospitalization funds or in connection with any other employee benefit program, any taxes that may lawfully be imposed on the Sewer System or the income or operation thereof, payments by the Authority in lieu of taxes, costs of public hearings, ordinary and current rentals of equipment or other property, ordinary lease payments for real property or interest therein, usual expenses of maintenance and repair (including replacements), expenses, liabilities and compensation of any Fiduciary or of any trustee, paying agent or fiduciary for any obligation issued by the Authority other than under the General Bond Resolution, reasonable reserves for maintenance and repair, and all other expenses necessary, incidental or convenient for the efficient operation of the Sewer System, but only to the extent properly attributable to the Sewer System. Operating Expenses shall not include any allowance for depreciation or amortization.

“Operating Fund” means the Operating Fund established pursuant to Section 502 of the General Bond Resolution.

“Operating Reserve Requirement” means an amount equal to 60 days of Operating Expenses based on the Operating Expenses set forth in the Annual Budget for the Fiscal Year during which such Operating Reserve Requirement is calculated.

“Outstanding”, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the General Bond 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 or applicable Redemption Price thereof, together with all accrued interest,
  - (ii) Investment Securities, as described in Section 1201(B) of the General Bond Resolution, or obligations secured by such Investment Securities, 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 or applicable Redemption Price, together with all accrued interest, or
  - (iii) any combination of (b)(i) and (b)(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 of the General Bond 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 1201(B) of the General Bond Resolution.

“Paying Agent” means 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 General Bond Resolution.

“Principal Installment” means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of such Series due on a certain future date, whether at stated maturity or as a result of mandatory redemption requirements, or which may, at the option of the holders thereof, be required to be redeemed, prepaid, purchased or otherwise paid, as set forth in the Supplemental Resolution authorizing such Series.

“Project” means the facilities, improvements and extensions to the Sewer System to be constructed with the proceeds of a Series of Bonds as specified in the Supplemental Resolution authorizing the issuance of such Bonds.

“Rate Consultant” means any nationally recognized 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 Accountant) selected by the Authority.

“Rate Stabilization Fund” means the Rate Stabilization Fund established pursuant to Section 502 of the General Bond Resolution.

“Rating Agencies” means Fitch, Moody’s and Standard & Poor’s.

“Rebate Fund” means the Rebate Fund established pursuant to Section 502 of the General Bond Resolution.

“Redemption Fund” means the Redemption Fund established pursuant to Section 502 of the General Bond Resolution.

“Redemption Price” means, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution.

“Refundable Principal Installment” means the Bond Anticipation Notes or any Series of Bonds, the principal of which the Authority intends to pay with monies that are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series and provided further that such indebtedness shall be a Refundable Principal Installment only through the date that is thirty (30) days prior to the date on which such indebtedness comes due or such earlier time as the Board has determined to pay such indebtedness with moneys that are not Revenues.

“Refunding Bond” means any Bond authenticated and delivered on original issuance pursuant to Section 207 of the General Bond Resolution or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the General Bond Resolution.

“Reimbursement Obligation” means the obligation of the Authority to directly reimburse any Credit Issuer for amounts paid by such Credit Issuer under a Credit Facility, or any Reserve Fund Facility Provider for amounts paid by such Reserve Fund Facility Provider under a Reserve Fund Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer’s fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer’s payments based on such variables.

“Renewal and Extension Requirement” means the amount set forth in the Annual Budget as necessary as a reserve for extraordinary repairs or replacements in connection with the Sewer System and to pay Capital Costs expected to be incurred in the extension, improvement or renewal of the Sewer System, but for which Bonds or other obligations of the Authority are not expected to be issued.

“Reserve Fund Facility” means a surety bond, insurance policy, letter of credit (and any confirming letter of credit) or other financial guaranty or instrument, authorized by or pursuant to a Supplemental Resolution establishing a Series Debt Reserve Account, to be delivered in lieu of or substitution for all or a portion of the moneys otherwise required to be held in such Series Debt Reserve Account.

“Reserve Fund Facility Agreement” means an agreement between the Authority and a Reserve Fund Facility Provider pursuant to which the Reserve Fund Facility Provider provides a Reserve Fund Facility.

“Reserve Fund Facility Provider” means any provider of a Reserve Fund Facility then in effect for all or part of the Bonds.

“Revenues” means all rates, charges, rents, sewer rents, fees, assessments and other realized income derived or to be derived by or for the account of the Authority from or for the ownership, operation, use or services of the Sewer System, including the proceeds of any business interruption insurance, and any amounts paid into and credited to the Net Revenue Fund pursuant to the General Bond Resolution, but shall not include (a) any refundable customer deposit, (b) any amount received or receivable from the United States or the State (or any agency of either thereof) or from any other source as or on account of a contribution for or with respect

to (i) the construction, acquisition, improvement, extension, renewal or other development of any part of the Sewer System, or (ii) the financing or repayment of financing of any of the foregoing, (c) sanitation or other charges that the Authority collects not for services of the Sewer System but solely as a fiscal agent or in another such agency capacity, other than the net revenues of such sanitation or other charges retained by the Authority to the extent allocated to the Sewer System, or (d) any amount received by or paid to the Authority that is required to be charged or collected by or paid to the Authority under the terms of any grant agreement with the United States of America or any agency thereof or the State or any agency thereof and which is received by or paid to the Authority in an agency capacity under such grant agreement. For purposes of determining compliance with the coverage test set forth in Section 709(C) of the General Bond Resolution, the computation of Revenues with respect to any period of time shall be increased (to the extent set forth in Section 709(C) of the General Bond Resolution) by the amount of transfers during such period from the Rate Stabilization Fund to the Net Revenue Fund pursuant to Section 509 of the General Bond Resolution, and decreased by the amount of transfers during such period from the Net Revenue Fund to the Rate Stabilization Fund pursuant to Section 509 of the General Bond Resolution.

“Senior Bonds” means all Bonds of the Authority other than Bonds constituting Subordinated Indebtedness. The Existing Bonds are deemed to be Senior Bonds.

“Separate Series Debt Reserve Requirement” means, for any Series of Bonds for which the Supplemental Resolution authorizes a Separate Series Debt Reserve Requirement, the amount, if any, specified in such Supplemental Resolution as the Separate Series Debt Reserve Requirement; provided, however, that such amount shall not exceed the least of: (a) 10% of the aggregate original stated principal amount of the Bonds of such Series (provided that if such Bonds have more than a *de minimis* (2%) amount of original issue discount or premium, the issue price of such Bonds (net of pre-issuance accrued interest) is used to measure the 10% limitation in lieu of their stated principal amount); (b) the maximum amount of principal and interest on such Bonds coming due in any Fiscal Year; or (c) 125% of the average annual principal and interest on such Bonds.

“Separate Series Debt Reserve Secured Bonds” means any Series of Bonds for which the Supplemental Resolution authorizes said Bonds to be secured by a Separate Series Debt Reserve Requirement. The Existing Bonds are deemed to be Separate Series Debt Reserve Secured Bonds.

“Series” means all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the General Bond Resolution regardless of variations in maturity, interest rate or other provisions.

“Series Debt Reserve Account” means each account in the Debt Reserve Fund related to a particular Series of Common Debt Reserve Secured Bonds or Separate Series Debt Reserve Secured Bonds that is required to be funded as provided in a Supplemental Resolution.

“Series Debt Reserve Requirement” for any Series of Bonds means the Common Debt Reserve Requirement or the Separate Series Debt Reserve Requirement set forth in the Supplemental Resolution authorizing such Series of Bonds.

“Sewer System” means the plants, structures and other real and personal property (including rights or easements therein) acquired, constructed, reconstructed, improved, maintained or operated or to be acquired, constructed, reconstructed, improved, maintained or operated by the Authority or the City for the purposes of the Authority, including sewers, conduits, pipelines, mains, pumping and ventilating stations, sewage treatment or disposal systems, plants and works, connections, outfalls, compensating reservoirs, lateral and outlet sewers, storm water drains, and other plants, structures, boats, conveyances, and other real and personal property, and rights and easements therein, and appurtenances necessary or useful and convenient for the

collection, treatment, purification or disposal in a sanitary manner of any sewage, liquid or solid wastes, night soil or industrial wastes, and for relieving the City from inadequate sanitary and storm water drainage, and also including any Project.

“Sinking Fund Payment” means, as of any particular date of calculation, the amount of money required to be paid at all events by the Authority on a single future date for the retirement of Outstanding Bonds that are expressed to mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

“Standard & Poor’s” or “S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, and any assigns and successors thereto.

“State” means the State of New York.

“Subordinated Indebtedness” means any Bond payable from the Subordinated Indebtedness Fund.

“Subordinated Indebtedness Fund” means the Subordinated Indebtedness Fund established pursuant to Section 502 of the General Bond Resolution.

“Supplemental Resolution” means any resolution supplemental to or amendatory of this Resolution, adopted by the Authority in accordance with Article VIII of the General Bond Resolution.

“Surplus Fund” means the Surplus Fund established pursuant to Section 502 of the General Bond Resolution.

“Tax Credit Bonds” means any Bonds with respect to which the Authority has received a Counsel’s Opinion to the effect that the Authority is entitled to receive payments by the United States Department of the Treasury or other agency of the United States government in offset of the debt service on such Bonds.

“Tax Credit Payments” means any amounts payable to the Authority by the United States Department of the Treasury or other agency of the United States government with respect to Tax Credit Bonds.

“Trustee” means Manufacturers and Traders Trust Company, Buffalo, New York, and its successor or successors and any other person that may at any time be substituted in its place pursuant to the General Bond Resolution.

“Variable Rate” means a rate of interest applicable to the Bonds, other than a fixed rate of interest that applies to a particular maturity of the Bonds so long as that maturity of the Bonds remains Outstanding or a rate of interest that may increase or decrease based upon the satisfaction of or failure to satisfy certain specified criteria.

“Variable Rate Taxable Index” means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is not excluded from gross income for federal income tax purposes, as determined by an Authorized Officer.

“Variable Rate Tax-Exempt Index” means such index as, at the time, is in general use as a proxy for short-term interest rates on debt obligations of state and local governments the interest on which is excluded from gross income for federal income tax purposes, as determined by an Authorized Officer.

**Resolution to Constitute Contract (Section 202)**

In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of the General Bond Resolution shall be a part of the contract of the Authority with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Authority, the Trustee and the holders from time to time of the Bonds and the coupons, if any, appertaining thereto. The pledge thereof and the provisions, covenants and agreements therein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the holders of any and all of such Bonds and coupons, each of which, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other thereof except as expressly provided in the General Bond Resolution.

**Authorization of Bonds (Section 203)**

In order to provide sufficient funds for the Capital Costs of the Sewer System or for the purpose of refunding any of its Bonds, Bonds of the Authority by the General Bond Resolution authorized to be issued from time to time without limitation as to amount except as therein provided or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the General Bond Resolution and in one or more Series as hereinafter provided.

**Conditions Precedent to Delivery of a Series of Bonds (Section 206)**

All (but not less than all) the Bonds of a Series other than Refunding Bonds 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:

(A) a Counsel's Opinion to the effect that (1) the Authority has the right and power to adopt the General Bond Resolution under the Act as amended to the date of such Opinion; (2) the General Bond Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable against the Authority except as such enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally; (3) the General Bond Resolution creates the valid pledge that it purports to create, of all Revenues and proceeds of Bonds on deposit in any of the Funds and Accounts created under the General Bond Resolution, subject to the application thereof to the purposes and on the conditions permitted by the General Bond Resolution; (4) the Bonds of such Series are valid and binding revenue obligations of the Authority, enforceable in accordance with their terms and the terms of the General Bond Resolution except as limited by bankruptcy, insolvency or other laws affecting creditors' rights generally; and (5) upon the execution, authentication and delivery thereof, the Bonds of such Series will have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with the General Bond Resolution;

(B) a written order as to the delivery of such Bonds, signed by an Authorized Officer;

(C) a copy of the Supplemental Resolution authorizing such Series, certified by an Authorized Officer, which shall specify:

- (1) the authorized principal amount and Series designation of such Bonds;
- (2) the purposes for which such Series is being issued, which shall be one or more of the following: (i) the making of deposits into the Construction Fund, (ii) the making of deposits in the amounts, if any, required by in the General Bond Resolution or such



Supplemental Resolution into the Net Revenue Fund or the Debt Reserve Fund, or both, or (iii) the refunding of any Bonds;

- (3) whether a Series Debt Reserve Account is established securing such Series of Bonds, and, if so, the Debt Reserve Requirement (which may be zero) and the terms and conditions upon which a Reserve Fund Facility may be used to fund all or a portion of the Debt Reserve Requirement;
- (4) the date, and the maturity date or dates, of the Bonds of such Series, each of which maturity dates shall fall upon an Interest Payment Date;
- (5) the interest rate or rates of the Bonds of such Series, or the manner of determining such rate or rates, and the Interest Payment Dates therefor;
- (6) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series, but such Bonds (other than EFC Bonds) shall be in the denomination of \$1,000 each or in denominations of such multiple or multiples (including \$1,000) thereof as may be authorized by such Supplemental Resolution;
- (7) if the Bonds of such Series are Book Entry Bonds, a copy of the agreement between the Authority and the Depository for such Bonds (unless the Trustee is a party to such agreement);
- (8) if the Bonds of such Series are to constitute Subordinated Indebtedness, a statement to such effect;
- (9) the Paying Agent and the place or places of payment of the Bonds of such Series or the manner of appointing and designating the same;
- (10) the Redemption Prices, if any, and, subject to the provisions of Article VI of the General Bond Resolution, the redemption terms for the Bonds of such Series;
- (11) the amount and due date of each Sinking Fund Payment, if any, for Bonds of like maturity of such Series, but the due date of any Sinking Fund Payment shall fall upon an Interest Payment Date;
- (12) if so determined by the Authority, provisions for the sale of the Bonds of such Series;
- (13) the forms of the Bonds of such Series, of the coupons to be attached to the coupon Bonds of such Series and of the Trustee's certificate of authentication and whether any Bonds of such Series are to be issued as Book Entry Bonds and the Depository therefor; and
- (14) any other provisions deemed advisable by the Authority as shall not conflict with the provisions hereof;

(D) a Certificate of an Authorized Officer, dated as of the date of such delivery, stating that the Authority has met the requirements of Section 714 of the General Bond Resolution with respect to such Series;

(E) the amount of the proceeds of such Series to be deposited pursuant to Section 401 of the General Bond Resolution in any Fund or Account held by the Trustee;

(F) a Certificate of an Authorized Officer, dated as of the date of such delivery, stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in of the General Bond Resolution; and

(G) if a Credit Facility or Reserve Fund Facility is to be provided in connection with such Bonds, such Credit Facility or Reserve Fund Facility;

(H) such further documents and moneys as are required by the provisions of Article VIII of the General Bond Resolution or any Supplemental Resolution adopted pursuant to Article VIII of the General Bond Resolution.

**Provisions for Refunding Issues (Section 207)**

All Refunding Bonds of a Series 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:

- (1) the documents and moneys, if any, referred to in paragraphs (A), (B), (C) and (F) of the above section entitled "*Conditions Precedent to Delivery of a Series of Bonds*";
- (2) irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;
- (3) if the Bonds to be refunded are not to be redeemed within the next succeeding forty-five days, irrevocable instructions to the Trustee, satisfactory to it, to give notice of redemption of such Bonds, as provided in Article VI of the General Bond Resolution, on a specified date prior to their maturity;
- (4) either (a) 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 at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, or (b) Investment Securities, as described in clause (a) or (b) of the definition thereof in Section 102 of the General Bond Resolution (or obligations secured by such Investment Securities as to the payment of both principal and interest), the principal of and interest on which when due, together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys or Investment Securities shall be held by the Trustee or any one or more of the Paying Agents in a separate account for the Bonds to be refunded irrevocably in trust under of the General Bond Resolution; and
- (5) such further documents and moneys as are required by the provisions of Article VIII of the General Bond Resolution or any Supplemental Resolution adopted pursuant to Article VIII of the General Bond Resolution.

Neither Investment Securities nor moneys deposited with the Trustee pursuant to paragraph (4) above nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, but shall be held in trust for, the payment of the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, and any cash received from such principal or interest payments, if not needed for such purpose, may be applied to the payment of any obligations issued to provide funds for the acquisition of such Investment Securities, but otherwise shall,

to the extent practicable, be reinvested in such Investment Securities as are described in clause (b) of paragraph (4) above maturing at times and in an amount sufficient to pay when due the applicable principal or Redemption Price of such Bonds, together with such accrued interest.

### **Bond Anticipation Notes (Section 208)**

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. 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 General Bond Resolution. The Authority may also pledge the Revenues to the payment of the interest on the principal of such notes.

### **Subordinate Lien Obligations (Section 209)**

Nothing contained in the General Bond Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from authorizing and issuing bonds, notes, certificates, warrants or other evidences or indebtedness for any corporate use or purpose relating to the Sewer System payable as to principal and interest from the Revenues subject and subordinate to the deposits and credits required to be made to the Operating Fund and to the payment of Debt Service on any Senior Bonds, or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on Revenues created in the General Bond Resolution for the payment and security of the Senior Bonds and to the lien and pledge on Revenues created in the General Bond Resolution for the payment of the Trustee's reasonable fee and reimbursement for reasonable expenses.

### **Credit Facilities (Section 213)**

In connection with the issuance of any Series of Bonds under the General Bond Resolution, 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 premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Authority. In connection therewith, the Authority may enter into a Credit Facility Agreement with the Credit Issuer of any such Credit Facility providing for, *inter alia*: (1) the payment of fees and expenses to such Credit Issuer for the issuance of such Credit Facility; (2) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (3) the security, if any, to be provided for the issuance of such Credit Facility.

The Authority may secure such Credit Facility by a Credit Facility 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 provide for a Reimbursement Obligation in a Credit Facility Agreement.

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.

### **Separate Systems (Section 214)**

Nothing contained in the General Bond Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Bonds, to acquire, construct, develop, compile or otherwise obtain any separate or other system as permitted by the

Act, and any incidental properties to be constructed, developed, compiled or otherwise acquired in connection therewith, which system shall be a separate system and which bonds or other obligations or evidences of indebtedness shall be payable solely from the revenues or other income derived from the ownership or operation of such system; provided, however, that the Authority will not issue bonds, notes, warrants, certificates or other obligations or evidences of indebtedness for the purpose of acquiring or constructing such a separate system unless and until a report of a Rate Consultant shall be delivered to the Trustee to the effect that in the opinion of such Rate Consultant, the acquisition, construction or operation of such separate system will not result in a reduction of the Revenues below the amounts covenanted by Section 709 of the General Bond Resolution to be maintained.

### **Pledge Effected by the General Bond Resolution (Section 501)**

There are by the General Bond Resolution pledged for the payment of the Bonds, in accordance with their terms and the provisions of the General Bond Resolution, subject only to the provisions of in the General Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Bond Resolution: (A) all Revenues (except any investment earnings on any Funds or accounts of the Authority that are on deposit in the Rebate Fund or that are required to be deposited therein for rebate to the United States of America pursuant the provisions of the Code in order to comply with the Authority's covenants in any Supplemental Resolution for such Series of Bonds so as to ensure that interest on any Bonds that are issued as tax exempt obligations continues to be excludable from gross income under the Code), (B) all Funds and any Accounts (except amounts in the Rebate Fund and any Account of the Construction Fund held by EFC as provided in Section 502(B) of the General Bond Resolution, which Account shall secure only the Series of Bonds to which it relates), and (C) all other moneys, securities and other funds to be received, held or set aside by the Authority or by any Fiduciary pursuant to in the General Bond Resolution. The pledge shall be valid and binding from the time when it is made, and 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. The lien of such pledge and the obligation to perform the contractual provisions contained in the General Bond Resolution shall have priority over any or all other obligations and liabilities of the Authority, except that such lien shall be subordinate to and inferior to the cost of operation and maintenance of the Sewer System, 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. The lien securing Subordinate Indebtedness shall be subordinate to and inferior to the lien securing the Senior Bonds under the General Resolution.

### **Establishment of Funds and Accounts (Section 502)**

The Authority, by the General Bond Resolution, established and created the following special trust funds:

- (1) Construction Fund;
- (2) Net Revenue Fund;
- (3) Debt Service Fund;
- (4) Debt Reserve Fund, in which there shall be established: (a) a Series Debt Reserve Account for all Series of Common Debt Reserve Secured Bonds; and (b) as applicable, a Series Debt Reserve Account for each Series of Bonds that has a Separate Series Debt Reserve Requirement;
- (5) Redemption Fund;

- (6) Subordinated Indebtedness Fund;
- (7) Surplus Fund; and
- (8) Rebate Fund.

All of said Funds shall be held by the Trustee; provided, however, that EFC may hold any Account of the Construction Fund related to a particular Series of EFC Bonds to the extent set forth in the Supplemental Resolution authorizing such Series of EFC Bonds. All moneys or securities deposited with the Trustee or any Depository Bank pursuant to in the General Bond Resolution or with EFC pursuant to this paragraph shall be held in trust and applied only in accordance with the provisions of the General Bond Resolution and shall be considered trust funds for the purposes of in the General Bond Resolution.

The Trustee shall, at the request of the Authority, establish within any Fund such Accounts as shall be designated in a Supplemental Resolution or the written instructions of an Authorized Officer and shall in like manner establish within any Account such sub-accounts for the purposes of such Accounts as shall be so designated.

In addition to the Funds held by the Trustee, the Authority shall establish a Capital Improvement Fund, an Operating Fund and a Rate Stabilization Fund, which shall be held by one or more Depositories designated by and under the supervision of the Authority. The Capital Improvement Fund shall be used for the payment of Capital Costs of the Sewer System. The Operating Fund shall be used for the collection of Revenues and the payment of Operating Expenses and shall provide amounts for deposit in the Net Revenue Fund as provided in Section 504 of the General Resolution. The Rate Stabilization Fund shall be used to manage the receipt of Revenues and payment of expenses by the Authority. The Authority may at any time transfer amounts on deposit in the Capital Improvement Fund, the Operating Fund and the Rate Stabilization Fund to the Net Revenue Fund for application in accordance with Sections 504(B), 504(D) and 504(E) of the General Resolution.

### **Construction Fund (Section 503)**

The Authority shall establish within the Construction Fund a separate Account for each Project for which a Series of Bonds is issued. There shall be deposited from time to time in the applicable Account of the Construction Fund any amount required to be deposited therein pursuant to in the General Bond Resolution and any Supplemental Resolution and any other amounts received and determined to be deposited therein from time to time that are not otherwise required to be applied in accordance with in the General Bond Resolution.

Amounts in each separate Account of the Construction Fund shall be expended only: (1) to pay Capital Costs of the Project for which such account was established; (2) if the Supplemental Resolution authorizing a Series of Bonds provides for a Capitalized Interest Account for such Bonds, to pay interest on such Bonds from such Capitalized Interest Account; and (3) to the extent that the amounts in any other Fund or Account are insufficient or unavailable therefor, to pay the principal of and interest on the Bonds of such Series when due, but in the case of (3) above only in the event that there shall have been filed with the Trustee: (a) a Certificate of an Authorized Officer in form and substance satisfactory to the Trustee stating that the Revenues expected to be received thereafter together with such other specified amounts as are expected to be made available therefor by the Authority will be insufficient to pay in full all Outstanding Bonds when and as the same shall become due in accordance with their terms and in reasonable detail, the basis for such certification; and (b) a Counsel's Opinion that such payment will not result in a violation of any existing law.

The Authority shall submit to the Trustee or EFC, as applicable, monthly a requisition setting forth the amount and, in reasonable detail, itemizing the Capital Costs of any Project and interest expected to be

paid in the following month from the Account, including the Capitalized Interest Account, in the Construction Fund established for such Project, together with a Certificate of an Authorized Officer identifying such requisition and stating that the amount to be withdrawn from such Account pursuant to such requisition is a proper charge thereon. The Trustee or EFC, as applicable, shall thereafter advance to the Authority at the beginning of each month the amount shown in such requisition. The Authority may at any time or from time to time as necessary submit to the Trustee or EFC, as applicable, a supplemental requisition and Certificate of an Authorized Officer in conformity with the foregoing requirements, and upon receipt thereof the Trustee or EFC, as applicable, shall promptly advance to the Authority the amount specified in such supplemental requisition. All moneys so received by the Authority from each Account shall be applied to the payment of the Capital Costs of the Project for which such Account was established.

The Trustee or EFC, as applicable, shall, upon written instruction of an Authorized Officer, transfer any amount of the proceeds of Bonds remaining in any Account of the Construction Fund to the Capital Improvement Fund or the Debt Reserve Fund, but only upon receipt of the Certificate of an Authorized Officer stating that all Capital Costs theretofore incurred in connection with the Project for which such Account was established and interest payable from any Capitalized Interest Account established for such Project have been paid or duly provided for. In lieu of making such transfer the Authority may, by delivering to the Trustee or EFC, as applicable, written instructions of an Authorized Officer, direct the Trustee or EFC, as applicable, to apply such amounts to the redemption of Bonds in accordance with the provisions of Article VI of the General Resolution. Notwithstanding the foregoing, any such excess proceeds in a Construction Fund Account held by EFC will, if directed by EFC, be applied either to restore any Series Debt Reserve Account relating to the Series of EFC Bonds to which such Construction Fund Account relates or to the Debt Service Fund to pay debt service on the Series of EFC Bonds to which such Construction Fund Account relates.

#### **Net Revenue Fund (Section 504)**

The Authority shall cause all Revenues to be deposited promptly in the Operating Fund, except as otherwise expressly provided in the General Bond Resolution. As soon as practicable after the twenty-fifth day of each month, after reserving therein any amount deemed necessary to provide a reserve for the payment of the following month's Operating Expenses based on the Annual Budget (as the same may be amended as provided in Section 707 of the General Bond Resolution), the balance remaining in the Operating Fund shall be paid to the Trustee for deposit in the Net Revenue Fund.

The Trustee shall transfer from the Net Revenue Fund to the Debt Service Fund, no later than the last day of the month in which the Authority makes a payment to the Trustee in accordance with the preceding paragraph, an amount for each Series of Outstanding Senior Bonds equal to the sum of: (1) an amount equal to 1/6 of the amount of interest falling due on the Bonds of such Series on the next Interest Payment Date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next Interest Payment Date, as set forth in the Supplemental Resolution authorizing such Series; and (2) an amount equal to 1/12 of the amount of principal falling due on the next date upon which an installment of principal (including a Sinking Fund Installment) falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of principal (including a Sinking Fund Installment) on such date, as set forth in the Supplemental Resolution authorizing such Series. In making the credits required by this paragraph, any amounts required to be credited to the Debt Service Fund or otherwise paid to a Paying Agent representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of the Series, any earnings on moneys in the Debt Service Fund and any other transfers and credits otherwise made or required to be made to the Debt Service Fund or otherwise paid to a Paying Agent shall be taken into consideration and allowed for.

The Trustee shall pay out of the Net Revenue Fund to the Authority for deposit in the Operating Fund at any time or from time to time the amount specified in a Certificate of an Authorized Officer of the Authority

as necessary for the payment of Operating Expenses due to the insufficiency of amounts available for such purpose in the Operating Fund.

On or before the last day of each month, the Trustee shall apply amounts then on deposit in the Net Revenue Fund to the making of the following payments or transfers, but only to the extent available and in the order specified below:

- (1) There shall be transferred to the Debt Reserve Fund the amounts, if any, required pursuant to Section 506(C) of the General Resolution with respect to Series Debt Reserve Accounts securing Senior Bonds.
- (2) If the Trustee receives a written direction from an Authorized Officer, there shall be transferred to the Operating Fund the amount, if any, specified in such written direction as necessary to cause the amount on deposit in the Operating Fund to equal the Operating Reserve Requirement.
- (3) There shall be transferred to the Subordinated Indebtedness Fund an amount for each Series of Outstanding Subordinated Indebtedness equal to the sum of: (a) an amount equal to 1/6 of the amount of interest falling due on the Bonds of such Series on the next Interest Payment Date, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of interest on the next Interest Payment Date, as set forth in the Supplemental Resolution authorizing such Series; and (b) an amount equal to 1/12 of the amount of principal falling due on the next date upon which an installment of principal (including a Sinking Fund Installment) falls due on the Bonds of such Series, or such other proportionate amount as shall be necessary to ensure monthly deposits for the payment in full of principal (including a Sinking Fund Installment) on such date, as set forth in the Supplemental Resolution authorizing such Series. In making the credits required by this paragraph, any amounts required to be credited to the Subordinated Indebtedness Fund or otherwise paid to a Paying Agent representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of the Series, any earnings on moneys in the Subordinated Indebtedness Fund and any other transfers and credits otherwise made or required to be made to the Subordinated Indebtedness Fund or otherwise paid to a Paying Agent shall be taken into consideration and allowed for.
- (4) There shall be transferred to the Debt Reserve Fund the amounts, if any, required pursuant to Section 506(C) of the General Resolution with respect to Series Debt Reserve Accounts securing Subordinated Indebtedness.

On or before the last day of each Fiscal Year, after making all of the payments and transfers described in the second, third and fourth paragraphs above, the Trustee shall apply amounts then on deposit in the Net Revenue Fund to the making of the following payments or transfers, but only to the extent available and in the order specified below:

- (1) There shall be transferred to the Capital Improvement Fund an amount equal to the Renewal and Extension Requirement for such Fiscal Year.
- (2) There shall be transferred to the Rate Stabilization Fund the amount, if any, designated in a Certificate of an Authorized Officer.
- (3) Any amount remaining after the above payments or transfers have been made shall be deposited in the Surplus Fund.

No amounts shall be withdrawn from the Net Revenue Fund except as provided in this section entitled “*Net Revenue Fund*”.

#### **Debt Service Fund (Section 505)**

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents for any of the Bonds (1) on or before each Interest Payment Date, the amounts required for the payment of principal, if any, and interest due on the Outstanding Bonds on such date and (2) on or before the day preceding the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

The amounts accumulated in the Debt Service Fund for each Sinking Fund Payment may, and if so directed by an Authorized Officer shall, be applied (together with amounts with respect to interest on the Bonds for which such Sinking Fund Payment was established) by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment as follows:

- (1) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable by application of such Sinking Fund Payment plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Trustee shall determine; or
- (2) to the redemption of such Bonds pursuant to Article VI of the General Bond Resolution, if then redeemable by their terms, at or below the Redemption Price referred to in clause (1) above.

Upon the purchase or redemption of any Bond pursuant to the above paragraph, an amount equal to the principal amount of the Bond so purchased or redeemed shall be credited toward the next Sinking Fund Payment thereafter to become due with respect to Bonds of the same Series and maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Payment shall be credited against future Sinking Fund Payments in direct chronological order. The portion of any Sinking Fund Payment remaining after the crediting thereto of any such amounts and of any amounts to be credited thereto as provided in Section 507(B) the General Bond Resolution (or the original amount of any such Sinking Fund Payment if no such amount shall have been credited toward the same) shall constitute the unsatisfied balance of such Sinking Fund Payment for the purpose of calculation of Sinking Fund Payments due on a future date.

As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption, pursuant to Section 603 of the General Bond Resolution, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Payment of the Bonds of such Series and maturity. The Trustee shall so call such Bonds for redemption whether or not it then has moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price thereof on the Redemption Date. The Trustee shall pay out of the Debt Service Fund (and, to the extent it does not have moneys in the Debt Service Fund sufficient to pay the applicable Redemption Price, out of the Net Revenue Fund) to the appropriate Paying Agents on or before each such Redemption Date, the amount required for the redemption of the Bonds so called for redemption and such amount shall be applied by such Paying Agents to such redemption.



**Debt Reserve Fund (Section 506)**

There shall be deposited in the Debt Reserve Fund all amounts required to be deposited therein pursuant to the General Bond Resolution and any other amounts received and determined to be deposited therein by the Authority. The Series Debt Reserve Account maintained for all Common Debt Reserve Secured Bonds shall be funded at all times to the Common Debt Reserve Requirement, and each other Series Debt Reserve Account shall be funded at all times to the applicable Separate Series Debt Reserve Requirement as set forth in the applicable Supplemental Resolution.

Amounts on deposit in each Series Debt Reserve Account shall be applied, to the extent other funds are not available therefor in the Net Revenue Fund, to pay the principal of and Sinking Fund Payments, if any, and interest on the Bonds secured by such Series Debt Reserve Account when due, whether by call for redemption or otherwise. Whenever on any valuation date as provided in Section 514(A) of the General Resolution the amount in any Series Debt Reserve Account exceeds the Series Debt Reserve Requirement with respect to the Bonds secured by such Series Debt Reserve Account, the Trustee may, if directed by the Certificate of an Authorized Officer of the Authority, withdraw from such Series Debt Reserve Account the amount of any excess therein over the Series Debt Reserve Requirement for such Bonds as of the date of such withdrawal and deposit the moneys so withdrawn into the Operating Fund.

In lieu of or in substitution for moneys, the Authority may deposit or cause to be deposited with the Trustee a Reserve Fund Facility for the benefit of Bondholders of a Series for all or any part of the applicable Debt Reserve Requirement; provided (1) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (a) the claims paying ability of such insurance company or association is rated in the highest rating category accorded by a nationally recognized insurance rating agency or (b) obligations insured by a surety bond or an insurance policy issued by such company or association are rated, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category at the time such surety bond or insurance policy is issued by at least one of the Rating Agencies, and (2) that any letter of credit shall be issued by a bank, a trust company, a national banking association, a savings bank, a savings and loan association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law, or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as “+” or “-” or numerical notation, in at least the second highest rating category by at least one of the Rating Agencies. Such Reserve Fund Facility shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Payment Date or redemption date on which a deficiency exists that cannot be cured by moneys in any other fund or account held pursuant to in the General Bond Resolution and available for such purpose. For the purposes of this sections entitled “*Debt Service Fund*” and Section 514 of the General Bond Resolution, in computing the amount on deposit in the applicable Series Debt Reserve Account, a Reserve Fund Facility shall be valued at the amount available to be paid thereunder on the date of computation. In connection a Reserve Fund Facility, the Authority may enter into a Reserve Fund Facility Agreement with the Reserve Fund Facility Provider of any such Reserve Fund Facility providing for, *inter alia*: (1) the payment of fees and expenses to such Reserve Fund Facility Provider for the issuance of such Reserve Fund Facility; (2) the terms and conditions of such Reserve Fund Facility and the Series of Bonds affected thereby; and (3) the security, if any, to be provided for any obligations of the Authority with respect to such Reserve Fund Facility.

If any Series Debt Reserve Account contains both a Reserve Fund Facility and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Facility. If more than one Reserve Fund Facility is on deposit in a Series Debt Reserve Account, amounts required to be drawn thereon shall be done on a pro rata basis. The Authority agrees to pay all costs owing in regard to any Reserve Fund Facility from the amounts pledged under Section 501 of the General Bond Resolution, first to reimburse the Reserve Fund Facility Provider for amounts advanced under such Reserve Fund Facility, second, to replenish any cash deficiencies in such Series Debt Reserve Account, and third, to pay the Reserve Fund Facility Provider applicable expenses and interest on amounts advanced under the Reserve Fund Facility. The General Bond Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Fund Facility on deposit in such Series Debt Reserve Account. The Authority will not optionally redeem Bonds secured by a Reserve Fund Facility unless all amounts owing in regard to such Reserve Fund Facility on deposit in the Series Debt Reserve Account for such Bonds have been paid in full.

If at any time it shall be necessary to use moneys in any Series Debt Reserve Account for the purpose of paying principal or interest on Bonds as to which there would otherwise be a default, then the moneys so used shall be replaced within twenty-four (24) months by depositing in such Series Debt Reserve Account twenty-four (24) substantially equal consecutive monthly deposits, commencing not later than the month following the occurrence of such deficiency.

### **Redemption Fund (Section 507)**

There shall be deposited in the Redemption Fund any amounts that are required to be deposited therein pursuant to the General Bond Resolution and any other amounts available therefor and determined by the Authority to be deposited therein. Subject to the provisions of the General Bond Resolution or any Supplemental Resolution, the Trustee shall apply all amounts so deposited to the redemption of Bonds at the times and in the manner provided in Section 602 of the General Bond Resolution.

At least forty-five (45) days prior to any day upon which Bonds are to be redeemed from amounts in the Redemption Fund, the Trustee may apply amounts in the Redemption Fund to the purchase of any such Bonds if the purchase price paid for such Bonds does not exceed the principal amount of such Bonds unless such Bonds may be redeemed within six months after such purchase in which event such price shall not exceed the applicable Redemption Price. Upon the purchase or redemption of Bonds for which Sinking Fund Payments have been established from amounts in the Redemption Fund, there shall be credited toward each such Sinking Fund Payment thereafter to become due with respect to Bonds of the same Series and maturity as the Bonds so purchased or redeemed an amount as nearly as may be practicable in whole multiples of \$1,000 bearing the same ratio to such Sinking Fund Payments as the total payment amount of such Bonds so purchased or redeemed bears to the total amount of all such Sinking Fund Payments to be credited. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds and the Trustee shall consent to such method, then such Sinking Fund Payments shall be credited as shall be provided in such instructions.

The Trustee shall sell or redeem Investment Securities to the extent necessary to provide money to make any required payment pursuant to this section entitled "*Redemption Fund*" and, at the direction of the Authority, shall sell or redeem Investment Securities to make any deposit, purchase payment or redemption as permitted pursuant to this section entitled "*Redemption Fund*".

**Subordinated Indebtedness Fund (Section 508)**

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, or as otherwise provided by the resolution of the Authority authorizing each issue of Subordinated Indebtedness.

If at any time the amount in any Series Debt Reserve Account in the Debt Reserve Fund with respect to any Senior Bonds shall be less than the Series Debt Reserve Requirement with respect to such Senior Bonds, the Trustee shall withdraw from the Subordinated Indebtedness Fund and deposit in the Debt Reserve Fund, for allocation to such Series Debt Reserve Account, the amount necessary (or all the moneys in said Fund, if less than the amount necessary) to make up such deficiency.

If, upon the payment in full of all Subordinated Indebtedness, any amount remains on deposit in the Subordinated Indebtedness Fund, such amount shall be transferred to the Net Revenue Fund.

**Rate Stabilization Fund (Section 509)**

The Rate Stabilization Fund authorized by Section 502 of the General Bond Resolution shall be held by the Authority in an Account separate and apart from all other funds and Accounts of the Authority and payments therefrom shall be made as provided in the General Bond Resolution. Moneys may be transferred by the Authority to the Rate Stabilization Fund from the Net Revenue Fund as provided in Section 504 of the General Bond Resolution as determined by an Authorized Officer. At any time, the Authority shall transfer from the Rate Stabilization Fund to the Net Revenue Fund an amount determined by an Authorized Officer.

**Surplus Fund (Section 510)**

There shall be deposited in the Surplus Fund all amounts required to be deposited therein pursuant to the General Bond Resolution and any other amounts received and determined to be deposited therein by the Authority.

Amounts in the Surplus Fund may at any time, as directed by the Certificate of an Authorized Officer, be transferred to the Capital Improvement Fund, the Redemption Fund or the Operating Fund or be paid to the Authority for any lawful purpose of the Authority in connection with the Sewer System.

To the extent that moneys on deposit in the Net Revenue Fund are insufficient to make the required interest and principal payments on Senior Bonds, moneys in the Surplus Fund shall be transferred to the Net Revenue Fund, and then there shall be withdrawals from the Rate Stabilization Fund, Capital Improvement Fund, Construction Fund, Debt Reserve Fund, Subordinated Indebtedness Fund and Operating Fund, in that order, to cure any such deficiencies.

**Deposits (Section 511)**

In lieu of Investment Securities (except as provided in Section 1201 of the General Bond Resolution), the Trustee shall at the written direction of an Authorized Officer deposit amounts or cause amounts to be deposited from any Fund held by the Trustee or under its control pursuant to the terms of the General Bond Resolution in interest bearing time deposits or certificates of deposit, or shall make other similar banking arrangements with itself or a member bank or banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation or its successor. Each such interest bearing time deposit or certificate of deposit or other similar banking arrangement shall permit the moneys so placed to be available at the times at which moneys are needed to be expended and, except to the extent that any such deposit shall be less than \$5,000 or be insured by the United States of America or the Federal Deposit Insurance Corporation or its successor, all moneys in each such interest bearing time deposit or certificate of deposit or

other similar banking arrangement shall be continuously and fully secured by Investment. Securities having a market value equal at all times to the amount of the deposit, certificate or other similar banking arrangement.

In order to permit such amounts to be available for use at the time when needed, any amounts held under the General Bond Resolution by any Fiduciary, as such, may, if and as directed by an Authorized Officer, be deposited in the commercial banking department of such Fiduciary that may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. Any such Fiduciary shall allow and credit on such amounts at least such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

All amounts of more than \$5,000 deposited by any Fiduciary pursuant to the paragraph above shall be continuously and fully secured by lodging with the Trustee as custodian, as collateral security, Investment Securities having a market value (exclusive of accrued interest) not less than the amount of such deposit. It shall not be necessary, unless required by applicable law, for any Fiduciary to give security under this section entitled "*Deposits*" for the deposit of any amounts to the extent that such deposit is insured by the Federal Deposit Insurance Corporation or its successor, or that are held in trust and set aside by them for the payment of the principal or Redemption Price or interest on any Bonds, or for the Trustee or any Depository Bank to give security for any moneys that shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All amounts so deposited by any Fiduciary shall be credited to the particular Fund or Account from which such amounts were derived, but any income derived in connection with such deposits shall be credited to, and shall be deposited as received in, the Operating Fund; except that any income derived in connection with deposits in the Debt Reserve Fund shall be credited to, and deposited as received in, the Debt Reserve Fund.

### **Investment of Certain Funds (Section 512)**

Subject to the right of the Authority to direct the investment or deposit of funds under the General Bond Resolution, moneys in any Fund or Account held by the Trustee shall be invested and reinvested or deposited and redeposited by the Trustee, whenever it shall be requested in writing by an Authorized Officer to do so, on terms that in the judgment of the Authority provide reasonable liquidity, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. The Authority through an Authorized Officer may direct the Trustee to invest and reinvest the moneys in any such Fund or Account in Investment Securities so that the maturity date or dates of redemption at the option of the holder thereof shall coincide as nearly as practicable with the times at which moneys are needed to be so expended. The Investment Securities purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Authority advised as to the details of all such investments. Whenever it shall be requested in writing by an Authorized Officer to do so, the Trustee shall sell at the best price reasonably obtainable per industry standard practices, or present for redemption, any Investment Securities held by the Trustee in such Fund or Account. The Trustee shall not be liable for any depreciation in the value of any investment made pursuant to the General Bond Resolution or for any loss arising from any such investment.

Investment Securities purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of the General Bond Resolution shall be deemed at all times to be a part of such Fund or Account but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof shall be deposited in the Operating Fund as Revenues or shall be reinvested and credited to the Operating Fund; except that any such excess amount in the Debt Reserve Fund shall be deposited in or credited to the Debt Reserve Fund.

Whenever it shall be requested in writing by an Authorized Officer to do so, the Trustee shall sell at the best price reasonably obtainable per industry standard practices, or present for redemption or exchange, any Investment Security purchased by it pursuant to the General Bond Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The Trustee shall advise the Authority in writing, on or before the fifteenth day of each July and January, of all investments held for the credit of each Fund and Account in its custody under the provisions of the General Bond Resolution as of the end of the preceding month.

Any moneys that are held in any Fund or Account created and established by, or maintained pursuant to, the General Bond Resolution may be invested in common with the moneys held in any other such Fund or Account.

### **Rebate Fund (Section 513)**

Notwithstanding any other provision of Article V of the General Bond Resolution, an Authorized Officer of the Authority shall instruct the Trustee in writing to deposit into the Rebate Fund any investment earnings on any Funds or Accounts thereof established under the General Bond Resolution to the extent required pursuant to Arbitrage and Use of Proceeds Certificate executed by the Authority in connection with the delivery of any Series of Bonds.

The Authority shall determine the amounts (as well as the dates of payment) that are subject to rebate to the United States government pursuant to the provisions of the Code (in order to ensure that interest on any Bonds that are issued as tax exempt obligations continues to be excludable from federal income taxation) in accordance with the terms of the Arbitrage and Use of Proceeds Certificate executed by the Authority in connection with delivery of any Series of Bonds. The amounts that are required to be rebated to the United States government shall be withdrawn from the Rebate Fund at such times and paid by the Trustee to the United States government whenever it shall be requested in writing by an Authorized Officer to do so.

If there is not a sufficient amount in the Rebate Fund for any required payment to the United States government, the Authority shall promptly pay, from moneys that are on deposit in the Operating Fund, the Net Revenue Fund, the Surplus Fund or such other amounts in any other Fund that are available for such purpose pursuant to the General Bond Resolution, the amount that is necessary to make up such deficiency.

### **Valuation and Sale of Investments (Section 514)**

In computing the amount in any Fund or Account, obligations purchased as an investment of moneys therein shall be valued at amortized value unless purchased at a premium above par, in which case such obligation shall be valued at par. Amortized value means par, if the obligation was purchased at par or, when used with respect to an obligation purchased at a discount below par, the value as of any given date obtained by dividing the total amount of the discount at which such obligation was purchased by the number of days remaining to the maturity of such obligation on the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since the date of such purchase and deducting the amount thus calculated from the purchase price. Valuation shall be made on the tenth day prior to each Interest Payment Date, and on any particular date shall not include the amount of interest then earned or accrued to such date on any such moneys or investment.

Except as otherwise provided in the General Bond Resolution, the Trustee shall sell at the best price reasonably obtainable per industry standard practices, or present for redemption, any obligation purchased as an investment whenever it shall be requested in writing by an Authorized Officer to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund or Account held by it.

**Redemption of Bonds (Section 605)**

When the Trustee shall receive notice from the Authority of its election to redeem Bonds pursuant to Section 602 of the General Bond Resolution, and when redemption of Bonds is required pursuant to Section 603 of the General Bond Resolution, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the numbers or other distinguishing marks of such Bonds so to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall, upon written instruction of an Authorized Officer, give such notice either by (i) delivery of a copy of such notice not less than thirty days before the redemption date, to the registered owners of any Bonds that are to be redeemed, at their last addresses, if any, appearing upon the registry books, or, in the case of Book Entry Bonds, to the Depository for such Book Entry Bonds in accordance with such Depository's standard practices, or (ii) publication once a week for at least two successive weeks in an Authorized Newspaper, the first such publication to be not less than thirty days nor more than sixty days prior to the redemption date, but such delivery or publication shall not be a condition precedent to such redemption and failure so to deliver or publish any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

In the case of an optional redemption, the notice may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent no later than the redemption date, or (ii) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a certificate of an Authorized Officer to the Paying Agent instructing the Paying Agent to rescind the redemption notice (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in the General Bond Resolution. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the Authority to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default.

**Payment of Redeemed Bonds (Section 606)**

Notice having been given in the manner provided in Section 605 of the General Bond Resolution, the Bonds so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, together with, in the case of Bonds not registered as to principal or interest, all appurtenant coupons maturing subsequent to the redemption date, such Bonds shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date not represented by coupons for matured interest installments. All interest installments represented by coupons that shall have matured on or prior to the redemption date shall continue to be payable to the bearers of such coupons. If, on the redemption date, moneys for the redemption of all the Bonds of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Bonds of such Series and maturity so called for redemption shall cease to accrue and become payable, and the coupons for interest appertaining thereto maturing subsequent to the redemption date shall be void. If said moneys shall not be so available on the redemption date, such Bonds or

portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

#### **Payment of Bonds (Section 701)**

The Authority shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds and in the coupons thereto appertaining, according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

#### **Extension of Payment of Bonds and Coupons (Section 702)**

The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the coupons or claims for interest by the purchase or funding of such Bonds, coupons or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such coupons or claims for interest shall be extended, such Bonds, coupons or claims for interest shall not be entitled, in case of any default under the General Bond Resolution, to the benefit of the General Bond Resolution or to any payment out of the Funds or Accounts established pursuant to the General Bond Resolution, including the investments, if any, thereof, or out of any assets or revenues pledged under the General Bond Resolution (except moneys held in trust for the payment of particular Bonds, coupons or claims for interest pursuant to the General Bond Resolution) prior to benefits accorded to or the payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended coupons or claims for interest. Nothing in the General Bond Resolution shall be deemed to limit the right of the Authority to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

#### **Further Assurance (Section 704)**

At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular, the rights, assets, revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, or that the Authority may become bound to pledge or assign.

#### **Powers as to Bonds and Pledge (Section 705)**

The Authority is duly authorized under all applicable laws to authorize and issue the Bonds and to adopt the General Bond Resolution and to pledge the revenues and assets purported to be pledged by the General Bond Resolution in the manner and to the extent provided in the General Bond Resolution. The revenues and assets so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the General Bond Resolution, and all corporate or other action on the part of the Authority to that end has been and will be duly and validly taken. The Bonds and the provisions of the General Bond Resolution are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the General Bond Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other assets and revenues, including rights therein pledged under the General Bond Resolution and all the rights of the Bondholders under the General Bond Resolution against all claims and demands of all persons whomsoever.

**Operation and Maintenance of Sewer System (Section 706)**

The Authority shall at all times operate, or cause to be operated, the Sewer System properly and in a sound and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Sewer System may be properly and advantageously conducted. Nothing contained in the General Bond Resolution shall, however, require the Authority to construct, operate, maintain, preserve, repair, replace, renew or reconstruct a part of the Sewer System if there shall have been filed with the Trustee: (1) the Certificate of an Authorized Officer stating that in the opinion of the Authority abandonment of operation of such part is economically justified and is not prejudicial to the interest of the Authority or the Bondholders, and (2) the Certificate of a Consulting Engineer concurring with said opinion.

The Authority shall establish and enforce reasonable rules and regulations governing the operation, use and services of the Sewer System. All compensation, salaries, fees and wages paid by the Authority in connection with the maintenance, repair and operation of the Sewer System shall be reasonable and shall not, in the judgment of the Authority, exceed the amounts that would be paid for such services by other public and private bodies. The Authority shall observe and perform all of the terms and conditions contained in the Act, and shall comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Sewer System.

The Authority shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Sewer System, or upon any part thereof or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Sewer System, and shall not create or suffer to be created any lien or charge upon the Sewer System or any part thereof or upon the revenues therefrom, except the pledge and lien created by the General Bond Resolution for the payment of the Bonds. The Authority shall pay or cause to be discharged, or will make adequate provisions to satisfy and discharge within ninety days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects that, if unpaid, might by law become a lien upon the Sewer System or any part thereof or on the Revenues. Nothing in this section entitled "*Operating and Maintenance of Sewer System*" shall require the Authority to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

The Authority shall employ a Consulting Engineer, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer under the General Bond Resolution, to make an inspection of the Sewer System at least once during every consecutive two Fiscal Years, and, not more than sixty or less than forty-five days before the end of the second such Fiscal Year, to submit to the Authority advice and recommendations as to the proper maintenance, repair and operation of the Sewer System during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes. Copies of the reports of the Consulting Engineer and of the advices, recommendations and estimates made as provided above shall be delivered by the Authority to the Trustee.

The Authority shall at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to utility systems of like character against loss of or damage to the Sewer System and against public and other liability to the extent reasonably necessary to protect the interests of the Authority and the Bondholders. If any useful part of the Sewer System shall be damaged or destroyed, the Authority shall, as expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property so as to restore the same to use. The proceeds of any such insurance shall be payable to the Authority and shall be applied to the necessary costs involved in such repair and replacement and, to the



extent not so applied, shall be deposited in the Capital Improvement Fund. In the event that the costs of such repair and replacement of the damaged property exceeds the proceeds of such insurance available for payment of the same, moneys in the Capital Improvement Fund shall be used to the extent necessary for such purposes.

### **Annual Budget (Section 707)**

The Authority shall not less than forty-five days before the beginning of any Fiscal Year prepare and file with the Trustee a preliminary budget showing for the ensuing Fiscal Year estimated Operating Expenses, Aggregate Debt Service, Revenues, amounts necessary for the payment of Subordinated Indebtedness and amounts expected to be transferred prior to the first day of August from the Surplus Fund to the Operating Fund. Such preliminary budget and any Annual Budget shall set forth a five year capital project plan, including estimates of all Capital Costs and associated Debt Service for each year, and may set forth such additional material as the Authority may determine.

On or before the first day of each Fiscal Year, the Authority shall finally adopt the Annual Budget for such Fiscal Year. Copies of the Annual Budget shall be promptly filed, with the Trustee, and such Annual Budget shall not be effective until it is so filed.

If for any reason the Authority shall not have adopted the Annual Budget before the first day of any Fiscal Year, the preliminary budget for such year, or otherwise the budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted. For any purpose of computation under the provisions of Article V of the General Bond Resolution, the budget for the preceding Fiscal Year shall be deemed to have been adopted for any Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted and a copy thereof filed with the Trustee.

The Authority may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget shall supersede any prior budget until the Authority shall have filed with the Trustee a copy of said amended Annual Budget.

### **Limitations on Operating Expenses (Section 708)**

The Authority shall not incur Operating Expenses in any year in excess of the reasonable and necessary amount thereof and shall not expend any amount or incur any indebtedness for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the Annual Budget, if any, then in effect. Nothing in this paragraph shall limit the amount that the Authority may expend for Operating Expenses in any year provided any amounts expended therefor in excess of the Annual Budget shall be received by the Authority from some source other than the Revenues and the Authority shall not make or receive any reimbursement therefor out of Revenues.

### **Rates and Charges (Section 709)**

With respect to all direct or indirect connection with, and all use and services of, the Sewer System, the Authority shall make, impose, charge and collect service rates, charges, fees and tolls in accordance with the Act. At least annually, the Authority shall cause the Rate Consultant to review and verify the adequacy of the rates and charges then in effect to meet the coverage test as set forth in the third paragraph under this section "*Rates and Charges*".

The present schedule of rates and charges for services furnished by the Sewer System both within and outside the territorial limits of the Authority, including the service charges, minimum deposits, connection charges and meter rates, and the rules and regulations of the Authority relating therefor, may be adjusted or revised provided that the resulting Revenues satisfy the requirements set forth in the following paragraph. All users receiving services from the Sewer System shall pay therefor at the established rates. There shall be no

free services rendered by the Sewer System except that the Authority may but is not required to exempt from sewer rent based on assessed valuation property exempted from real property taxes imposed by the City. Free services may be rendered by the Authority to the City for municipal buildings and other customary municipal purposes.

From time to time and as often as it shall appear necessary, the rates, charges, rents, sewer rents, fees and assessments established for the Sewer System will be adjusted whenever necessary or proper so that the Revenues collected in each Fiscal Year will be at least equal to the sum of (1) the amount estimated to be required in the current Fiscal Year to pay Operating Expenses, plus (2) the greater of (a) 120% of Debt Service on Senior Bonds for such Fiscal Year or (b) the sum for such Fiscal Year of (i) 100% of the Debt Service on Senior Bonds and Subordinated Indebtedness, (ii) the amounts estimated to be required to meet Debt Reserve Requirements with respect to any Bonds, (iii) the Renewal and Extension Requirement, and (iv) the Operating Reserve Requirement. In calculating Revenues pursuant to this paragraph, the Authority shall include transfers from the Rate Stabilization Fund to the Net Revenue Fund during such Fiscal Year (as provided in Section 509 of the General Bond Resolution), but only to the extent of 20% of Debt Service on Senior Bonds for such Fiscal Year, and transfers from the Net Revenue Fund to the Rate Stabilization Fund during such Fiscal Year (as provided in Sections 504(E)(1) and 509 of the General Bond Resolution).

If the Authority fails to adjust rates, charges, rents, sewer rents, fees and assessments as provided above, but the Authority in the next Fiscal Year has promptly taken all available measures to adjust such rates, charges, rents, sewer rents, fees and assessments as advised by a Rate Consultant retained by the Authority to review the operations of the System, there shall be no Event of Default as described in Section 1002 of the General Bond Resolution until at least the end of such next Fiscal Year and then only if Revenues are less than the amount required by this section entitled “*Rates and Charges*”.

Copies of every schedule of rates, charges, rents, sewer rents, fees and assessments and revisions thereof, prescribed or adopted by the Authority shall be promptly filed with the Trustee.

### **Accounts and Reports (Section 710)**

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 relating to the Sewer System or under the General Bond Resolution and which, together with all other books and papers of the Authority including insurance policies, shall at all reasonable times be subject to the inspection of the Trustee or the holder or holders of not less than 5% in principal amount of the Bonds then Outstanding or their attorneys duly authorized in writing.

The Authority shall annually, within one hundred days after the close of each Fiscal Year, file with the Trustee an annual report for said Fiscal Year, accompanied by an Accountant’s Certificate as to the examination of the financial statements therein (describing such statements as fairly presenting the information therein in conformity with generally accepted accounting principles and the provisions of the General Bond Resolution), relating to the Sewer System and including statements in reasonable detail of: (1) the financial condition as of the end of said Fiscal Year and income and expenses for said Fiscal Year; (2) the number of users of the Sewer System for said Fiscal Year and of the service charges, annual charges and other revenues collected in such Fiscal Year; (3) Operating Expenses and the rates of service charges for said Fiscal Year; and (4) with respect to each Fund or Account created by the General Bond Resolution, the receipts therein and disbursements therefrom during said Fiscal Year and the amounts held therein at the end of said Fiscal Year. Within thirty days after the filing of any such annual report, the Authority shall deliver or cause to be delivered copies of said annual report to Bondholders as and to the extent referred to in Section 901 of the General Bond Resolution.

**Sale or Encumbrance (Section 711)**

No part of the Sewer System shall be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of, except that the Authority may sell, exchange or lease at any time and from time to time any property or facilities constituting part of the Sewer System and not useful or necessary in the construction, reconstruction or operation thereof or the costs of which have been paid from sources other than the Bonds, but any proceeds of any such sale or exchange received and not used to replace the property so sold or exchanged (including the proceeds of any condemnation award with respect to the Sewer System) shall be paid to the Trustee and deposited in the Capital Improvement Account, and any proceeds of any such lease received shall be deposited as Revenues.

**Indebtedness and Liens (Section 712)**

The Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien or charge on the Revenues (including amounts that the Authority may thereafter be entitled to expend for Operating Expenses) and shall not create or cause to be created any lien or charge on such Revenues or on any amounts held by any Fiduciary under the General Bond Resolution; but this section entitled "*Indebtedness and Liens*" shall not prevent the Authority from issuing bonds or notes or other obligations for the purposes of the Authority payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the General Bond Resolution shall be discharged and satisfied as provided in Section 1201 of the General Bond Resolution, or from issuing Subordinated Indebtedness.

The Authority shall not hereafter issue any bonds or other evidences of indebtedness under any resolution of the Authority adopted prior to adoption of the Existing Resolution.

**Jurisdiction, Control, Possession and Supervision of Sewer System (Section 713)**

The Authority shall make no contract requiring payment for labor or to contractors, builders or materialmen on account of the construction or reconstruction of any part of the Sewer System, unless such part is located on lands to which title or over which an easement or jurisdiction, control, possession and supervision, in any case sufficient for the purpose of the Authority, is owned or can be acquired by the Authority or the City or unless such part is lawfully located in a public street or highway or is part of the Sewer System located on land in which a right or interest less than a fee simple interest, easement jurisdiction, control, possession or supervision has been acquired from the United States of America, the State or a political subdivision thereof or a public utility and such lesser right or interest has been approved by an opinion of counsel as sufficient for the purposes of the Authority.

**Issuance of Bonds (Section 714)**

Except in the case of: (A) Refunding Bonds; or (B) additional Bonds issued to pay the capital cost of completing a Project for which Bonds have previously been issued, the Authority shall not issue additional Bonds unless the Revenues for any twelve (12) consecutive month period within the twenty-four (24) consecutive months immediately preceding the date of issuance of such additional Bonds (excluding any transfers between the Net Revenue Fund and the Rate Stabilization Fund during this period) are at least equal to the sum of: (1) the amount required or estimated to be required in any future Fiscal Year described in the following clause (2) to pay Operating Expenses; plus (2) the greater of (a) 120% of the maximum Debt Service on Senior Bonds for any future Fiscal Year (calculated with respect to all Senior Bonds then Outstanding and the additional Bonds); or (b) 100% of the maximum Debt Service on the aggregate of any Senior Bonds and Subordinated Indebtedness for any future Fiscal Year (calculated with respect to all Bonds then Outstanding and the additional Bonds), excluding any amounts provided as capitalized interest from the proceeds of such

Bonds but including Debt Service on such Bonds and on additional Bonds estimated by the Certificate of a Consulting Engineer as required to be issued to complete the Project to be financed with the proceeds of such Bonds; provided, however, that Revenues for such twelve (12) month period may be adjusted for purposes of this paragraph: (X) to reflect for such period revisions in the rates, fees, rentals and other charges of the Authority for the services of the System made after the commencement of such period and preceding the date of issuance of the additional Bonds; (Y) to reflect any increase in Revenues due to any new facilities of the Sewer System having been placed into use and operation subsequent to the commencement of such period and preceding the date of issuance of the additional Bonds, as certified by the Consulting Engineer; and (Z) to include an amount equal to the average annual contribution to Revenues for the first three full Fiscal Years commencing after the date of acquisition thereof, estimated to be made by facilities anticipated to be acquired and expected to be placed into use and operation within two years of the date of issuance of such additional Bonds, as certified by the Consulting Engineer.

### **Supplemental Resolutions (Section 801)**

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer, shall be fully effective in accordance with its terms:

- (1) to close the General Bond Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the General Bond Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) to add to the covenants and agreements of the Authority in the General Bond Resolution other covenants and agreements to be observed by the Authority that are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect;
- (3) to add to the limitations and restrictions in the General Bond Resolution other limitations and restrictions to be observed by the Authority that are not contrary to or inconsistent with the General Bond Resolution are theretofore in effect;
- (4) to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the General Bond Resolution, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the General Bond Resolution;
- (5) to authorize Bonds of a Series and, in connection therewith specify and determine the matters and things referred to in Section 206 of the General Bond Resolution, and also any other matters and things relative to such Bonds that are not contrary to or inconsistent with the General Bond Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;
- (6) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the General Bond Resolution, of the Revenues or of any other moneys, securities or funds; and
- (7) to modify any of the provisions of the General Bond Resolution in any respect whatever, provided that: (a) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding; and (b) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of

the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof.

### **Powers of Amendment (Section 902)**

Any modification or amendment in the General Bond Resolution or of the rights and obligations of the Authority and of the holders of the Senior Bonds and coupons under the General Bond Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 903 of the General Bond Resolution: (1) of the holders of a majority in principal amount of the Senior Bonds Outstanding at the time such consent is given; (2) in case less than all of the several Series of Senior Bonds then Outstanding are affected by the modification or amendment, of the holders of a majority in principal amount of the Senior Bonds of each Series so affected and Outstanding at the time such consent is given; and (3) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of a majority in principal amount of the Senior Bonds of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Senior Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Senior Bonds shall not be required and such Senior Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Senior Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Senior Bond, or shall reduce the percentages or otherwise affect the classes of Senior Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the General Bond Resolution if the same adversely affects or diminishes the rights of the holders of Senior Bonds of such Series, including the rights of such holders with respect to the pledge securing the payment of the Senior Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Senior Bonds of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all holders of Senior Bonds.

Any modification or amendment in the General Bond Resolution or of the rights and obligations of the Authority and of the holders of the Subordinated Indebtedness and coupons under the General Bond Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in Section 903 of the General Bond Resolution: (1) of the holders of a majority in principal amount of the Subordinated Indebtedness Outstanding at the time such consent is given; (2) in case less than all of the several Series of Subordinated Indebtedness then Outstanding are affected by the modification or amendment, of the holders of a majority in principal amount of the Subordinated Indebtedness of each Series so affected and Outstanding at the time such consent is given; and (3) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of a majority in principal amount of the Subordinated Indebtedness of the particular Series and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Subordinated Indebtedness of any specified like Series and maturity remain Outstanding, the consent of the holders of such Subordinated Indebtedness shall not be required and such Subordinated Indebtedness shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Indebtedness under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Indebtedness or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Subordinated Indebtedness, or shall reduce the percentages or otherwise affect the classes of Subordinated Indebtedness the consent of the holders

of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the General Bond Resolution if the same adversely affects or diminishes the rights of the holders of Subordinated Indebtedness of such Series, including the rights of such holders with respect to the pledge securing the payment of the Subordinated Indebtedness of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Subordinated Indebtedness of any particular Series or maturity would be affected by any modification or amendment hereof and any such determination shall be binding and conclusive on the Authority and all holders of Subordinated Indebtedness.

Any Supplemental Resolution that is adopted in accordance with the provisions of this section entitled “*Powers of Amendment*” shall also require the written consent of the Bond Insurer of any Bonds or Subordinated Indebtedness Outstanding at the time such Supplemental Resolution shall take effect if such Bond Insurer is not in payment default under its Bond Insurance Policy.

### **Consent of Bondholders (Section 903)**

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the section above entitled “*Powers of Amendment*”, to take effect when and as provided in this section entitled “*Consent of Bondholders*”. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Bondholders, where applicable, for their consent thereto in form satisfactory to the Trustee, shall be delivered by the Authority to Bondholders (but failure to deliver such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this section entitled “*Consent of Bondholders*”). Such Supplemental Resolution shall not be effective unless and until: (1) there shall have been filed with the Trustee: (a) the written consents of holders of the percentages of Outstanding Bonds specified in the section above entitled “*Powers of Amendment*”; and (b) a Counsel’s Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed in accordance with the provisions of the General Bond Resolution, is authorized or permitted by the General Bond Resolution and is valid and binding upon the Authority; and (2) a notice shall have been given as hereinafter provided in this section entitled “*Consent of Bondholders*”.

The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1114 of the General Bond Resolution. A Certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1114 of the General Bond Resolution shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such bond or any bonds issued in exchange therefor (whether or not such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this section entitled “*Consent of Bondholders*” is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1114 of the General Bond Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that holders of such required percentages of Bonds have filed such consents. Such written statement

shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this section entitled “*Consent of Bondholders*”, may be given to Bondholders by the Authority by delivering such notice to Bondholders or, alternatively by publishing the same in the Authorized Newspapers at least once not more than ninety days after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for has been filed (but failure to deliver or publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this section entitled “*Consent of Bondholders*”). The Authority shall file with the Trustee proof of the delivery or publication of such notice to Bondholders. A record, consisting of the papers required or permitted by this section entitled “*Consent of Bondholders*” to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Fiduciaries and the holders of all Bonds and coupons at the expiration of forty days after the filing with the Trustee of the proof of the delivery or publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such forty day period; except that any Fiduciary and the Authority during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Notwithstanding the foregoing provisions of this section entitled “*Consent of Bondholders*”, the consent of Bondholders of any Series of Bonds to be issued under a Supplemental Resolution to an amendment of the General Bond Resolution that requires consent pursuant to the provisions of the section above entitled “*Powers of Amendment*” shall be deemed given by such Bondholders if: (1) the nature of the proposed amendment of the General Bond Resolution is disclosed in the official statement or other offering document pursuant to which such Series of Bonds is offered and sold to the public; and (2) the underwriters or initial purchasers for resale of such Series of Bonds consent in writing to such Supplemental Resolution and file such written consent with the Trustee, or are deemed by their purchase of Bonds of such Series to have consented to such Supplemental Resolution, which consent will have the same effect as a consent of a Bondholder filed with the Trustee pursuant to the second paragraph of this section entitled “*Consent of Bondholders*”.

### **Events of Default (Section 1002)**

If one or more of the following events (in the General Bond Resolution called “Events of Default”) shall happen, that is to say,

- (1) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Sinking Fund Payment on any Bond when and as the same shall become due and payable, whether at maturity or upon call for redemption, or otherwise; or
- (2) if default shall be made in the due and punctual payment of any installment of interest on any Bond, when and as such interest installment shall become due and payable, and such default shall continue for a period of five days; or
- (3) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions contained in the General Bond Resolution, any Supplemental Resolution or in the Bonds, and such default shall continue for a period of forty-five days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the holders of not less than 25% in principal amount of the Senior Bonds Outstanding; or

(4) if the Authority shall file a petition or otherwise seek relief under any federal or state bankruptcy or similar law;

then, upon the happening and continuance of any Event of Default specified in clause (1) or (2), the Trustee shall (by notice in writing to the Authority), or, upon the happening and continuance of any Event of Default specified in clause (3) or (4), the Trustee may, and upon the written request of the holders of not less than 25% in principal amount of the Senior Bonds Outstanding the Trustee shall, in any such case unless the principal of all the Bonds then Outstanding shall already have become due and payable, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the General Bond Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal and interest upon the Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Authority under the General Bond Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the Authority or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the General Bond Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the holders of a majority in principal amount of the Senior Bonds Outstanding, by written notice to the Authority and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted without a direction from the holders of the Senior Bonds as aforesaid at the time of such request, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the holders of a majority in principal amount of the Senior Bonds then Outstanding, then any such declaration shall *ipso facto* be deemed to be rescinded and any such default and its consequences shall *ipso facto* be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

#### **Application of Revenues and Other Moneys After Default (Section 1004)**

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority or a Depository Bank in any fund or account under the General Bond Resolution, and (ii) as promptly as practicable after receipt thereof, the Revenues.

During the continuance of an Event of Default, the Trustee shall apply such Revenues and the income therefrom as follows and in the following order:

- (1) to the payment of the reasonable and proper charges, and expenses of the Trustee and of the Consulting Engineers;
- (2) to the payment of the amounts required for reasonable and necessary Operating Expenses, including reasonable and necessary reserves and working capital therefor, and for the reasonable repair and replacement of the Sewer System, necessary to prevent loss of Revenues, as certified to the Trustee by the Consulting Engineers. The books of record and account of the Authority relating to the Sewer System shall at all times be subject to the inspection of Consulting Engineers during the continuance of such Event of Default; and
- (3) to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of Section 702 of the General Bond Resolution, as follows:



- (a) unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

- (b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Authority under the General Bond Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds that shall then be payable by declaration or otherwise, shall either be paid by or for the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the General Bond Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Authority all such Revenues then remaining unexpended in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the General Bond Resolution, and all Revenues shall thereafter be applied as provided in Article V of the General Bond Resolution. No such payment over to the Authority by the Trustee or resumption of the application of Revenues as provided in Article V of the General Bond Resolution shall extend to or affect any subsequent default under the General Bond Resolution or impair any right consequent thereon.

#### **Proceedings Brought by Trustee (Section 1005)**

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, if the Trustee shall deem it advisable, may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the General Bond Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the General Bond Resolution, or in aid of the execution of any power granted in the General Bond Resolution, 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 General Bond Resolution.

All rights of action under the General Bond Resolution may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The holders of a majority in principal amount of the Senior Bonds at the time Outstanding may direct by instrument in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the General Bond Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the General Bond Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default; and, as a matter of right against the Authority, without notice or demand and without regard to the adequacy of the security for the Bonds, the Trustee shall, to the extent permitted by law, be entitled to the appointment of a receiver of the moneys, securities and funds then held by the Authority in any Fund or Account under the General Bond Resolution and of the Revenues, with all such powers as the court or courts making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of and to collect and receive income from, any moneys, securities and funds deposited or pledged with it under the General Bond Resolution or agreed or provided to be delivered to or deposited or pledged with it under the General Bond Resolution.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the holders of a majority in principal amount of the Senior Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the General Bond Resolution by any acts that may be unlawful or in violation of the General Bond Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Bondholders.

#### **Restriction on Bondholders' Action (Section 1006)**

No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the General Bond Resolution or the execution of any trust under the General Bond Resolution or for any remedy under the General Bond Resolution, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article X of the General Bond Resolution, and the holders of at least 25% in principal amount of the Senior Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this section entitled "*Restriction of Bondholders' Action*" or to institute such action, suit or proceeding in its own name, and unless such holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request within a reasonable time; it being understood and intended that no one or more holders of Bonds or coupons shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the General Bond Resolution, or to enforce any right under the General Bond Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the General Bond Resolution shall be instituted, had and maintained in the manner provided in the General Bond Resolution and for the equal benefit

of all holders of the Outstanding Bonds and coupons, subject only to the provisions of Section 702 of the General Bond Resolution.

Nothing in the General Bond Resolution or in the Bonds or in the coupons 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 his Bond.

#### **Control by Bond Insurer (Section 1009)**

To the extent a Bond Insurer makes any payment of principal of or interest on Bonds in accordance with its Bond Insurance Policy, such Bond Insurer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy. Upon the occurrence and continuance of an Event of Default, a Bond Insurer of a Series of Bonds, if such Bond Insurer is not in payment default under its Bond Insurance Policy, shall be deemed to be the sole owner of such Bonds for purposes of (A) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default, and (B) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Bondholders of such Bonds are entitled to take pursuant to Article X of the General Bond Resolution. No provision expressly recognizing or granting rights in or to a Bond Insurer shall be modified without the consent of such Bond Insurer. A Bond Insurer's rights under this section entitled "*Control by Bond Insurer*" shall be suspended during any period in which such Bond Insurer is in default in its payment obligations under its Bond Insurance Policy (except to the extent of amounts previously paid by such Bond Insurer and due and owing to such Bond Insurer) and shall be of no force or effect if its Bond Insurance Policy is no longer in effect or if the Bond Insurer asserts that its Bond Insurance Policy is not in effect or if the Bond Insurer waives such rights in writing. The rights granted to a Bond Insurer under Section 1009 of the General Bond Resolution are granted in consideration of such Bond Insurer issuing its Bond Insurance Policy. The Authority shall provide each Bond Insurer immediate notice of any Event of Default described in Section 1002(1) of the General Bond Resolution or 1002(2) of the General Bond Resolution and notice of any other Event of Default occurring under the General Bond Resolution within 30 days of the occurrence thereof. Each Bond Insurer of any Bonds shall be considered a third party beneficiary of the General Bond Resolution with respect to such Bonds.

#### **Compensation (Section 1105)**

The Authority shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the General Bond Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the General Bond Resolution. The Authority further agrees to indemnify and save each Fiduciary harmless against any liabilities that it may incur in the exercise and performance of its powers and duties under the General Bond Resolution and that are not due to its willful misconduct or gross negligence.

#### **Defeasance (Section 1201)**

If the Authority shall pay or cause to be paid to the holders of all Bonds and coupons then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the General Bond Resolution, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as

may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all moneys, securities and funds held by them pursuant to the General Bond Resolution that are not required for the payment or redemption of Bonds or coupons not theretofore surrendered for such payment or redemption.

Bonds or coupons or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the paragraph above. Any Bond and all coupons appertaining to such Bond shall, prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if: (1) in case such Bond is to be redeemed on any date prior to its maturity, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption, as provided in Article VI of the General Bond Resolution, on said date of such Bond; (2) there shall have been deposited with the Trustee either moneys in an amount that shall be sufficient, or Investment Securities the principal of and the interest on which when due will provide moneys that, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if any, and Sinking Fund Payments and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; and (3) in the event such Bond is not by its terms subject to redemption within the next succeeding sixty days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to deliver, as soon as practicable, a notice to the holders of such Bond and coupons, or to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in an Authorized Newspaper, a notice to the holders of such Bond and coupons, and to deliver, as soon as practicable, a notice to any Credit Issuer or Reserve Fund Facility Provider with respect to such Bonds, that the deposit required by (2) above has been made with the Trustee and that said Bond and coupons are deemed to have been paid in accordance with this section entitled “*Defeasance*” and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bond. Neither Investment Securities or moneys deposited with the Trustee pursuant to this section entitled “*Defeasance*” nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; except that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. For the purposes of this section entitled “*Defeasance*”, Investment Securities mean and include only such obligations as are described in clauses (a) or (b) of the definition of Investment Securities in Section 102 of the General Bond Resolution (or obligations secured by such Investment Securities as to the payment of both principal and interest).

If, through the deposit of moneys by the Authority or otherwise, the Fiduciaries shall hold, pursuant to the General Bond Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds and coupons, or in the case of Bonds in respect of which the Authority shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Authority all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it under the General Bond Resolution, shall be held by the Trustee for the payment or redemption of Outstanding Bonds and coupons.

Anything in the General Bond Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons that remain unclaimed for six

years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; except that, before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten nor more than twenty days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

#### **Credit Issuer as Bondholder (Section 1202)**

If provided in or authorized by the Supplemental Resolution with respect to such Series of Bonds authorizing the issuance of a Series of Bonds, the Authority may provide for the rights of the Credit Issuer in connection with Bonds of such Series, which rights may include that, whenever by the terms of the Resolution the Bondholders of any percentage in principal amount of Outstanding Bonds may exercise any right or power, consent to any amendment, change, modification or waiver, or request or direct the Trustee to take an action, such Credit Issuer may be deemed to be the Bondholder of such Bonds to the extent of such Credit Facility, provided the Credit Issuer is not in default in its payment obligations under such Credit Facility.

**FORM OF PROPOSED BOND COUNSEL OPINION REGARDING  
THE SERIES 2025A BONDS**

[Closing Date]

Buffalo Sewer Authority  
City Hall Room 1038  
Buffalo, New York 14202

Ladies and Gentlemen:

We have acted as Bond Counsel to the Buffalo Sewer 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 Sewer Authority Act, being Title 8 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 Sewer System Revenue Bonds, Series 2025A (the “Series 2025A Bonds”).

The Series 2025A Bonds are issued under and pursuant to the Act, and under and pursuant to the Amended and Restated Sewer System Revenue Bond Resolution adopted by the Authority on May 26, 2021 (as amended and supplemented, the “General Bond Resolution”), and the Supplemental Sewer System Revenue Bond Resolution, Series 2025A adopted by the Authority on [March 12, 2025] (the “Series 2025A Bonds Supplemental Resolution”), authorizing the Series 2025A Bonds (the General Bond Resolution as supplemented by the Series 2025A 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 2025A Bonds are being issued to finance certain projects, fund the Series Debt Service Fund in connection with the Series 2025A Bonds and pay the costs of issuing the Series 2025A Bonds.

The Series 2025A 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, we have examined the validity of the Series 2025A 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 2025A Bonds, including the Resolution, and a specimen Series 2025A Bond, and have made such other examination of applicable law and fact as we have considered necessary or appropriate for the purposes of rendering the opinions hereinafter set forth.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes various requirements that must be met at and subsequent to the issuance and delivery of the Series 2025A Bonds in order that interest on the Series 2025A Bonds be and remain excluded from gross income for federal income tax purposes. Included among these requirements are restrictions on the use of proceeds of the Series 2025A Bonds and the facilities financed by such proceeds, restrictions on the investment of such proceeds and other amounts, the rebate of certain earnings in respect of such investments to the United States, and required ownership by a governmental unit of the facilities financed by the Series 2025A Bonds. Failure to comply with such requirements may cause interest on the Series 2025A Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The

Authority has covenanted to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2025A Bonds from gross income under Section 103 of the Code.

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 General Bond Resolution, and the General Bond 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 General Bond Resolution is required. The Series 2025A Bonds Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Bond Resolution and is authorized or permitted by the General Bond 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 and any Account of the Construction Fund held by the New York State Environmental Facilities Corporation) 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.

(4) The Authority is duly authorized and entitled to issue the Series 2025A Bonds, and the Series 2025A 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 2025A 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 2025A 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 2025A Bonds shall not constitute a debt of the State, or the City of Buffalo, and neither the State, nor the City of Buffalo shall be liable thereon. All conditions precedent to the delivery of the Series 2025A Bonds have been met.

(5) Under existing law, and assuming compliance with certain covenants described herein, and the accuracy and completeness of certain representations, certifications of fact and statements of reasonable expectations made by the Authority, interest on the Series 2025A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Series 2025A Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under the Code; however, interest on the Series 2025A Bonds that is included in the adjusted financial statement income of certain corporations is not excluded from the corporate alternative minimum tax imposed under the Code.

In rendering the foregoing opinions, we have assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2025A Bonds from gross income under Section 103 of the Code. In the event of the inaccuracy or incompleteness of any such representation, certifications of fact or statements of reasonable expectation, or of the failure by the Authority to comply with any such covenants, the interest on the Series 2025A Bonds could become includable in gross income for federal income tax purposes retroactive to the date of issuance and delivery of the Series 2025A Bonds, regardless of the date on which the event causing such inclusion occurs. Further, although the interest on the Series 2025A Bonds is excludable from gross income for federal income tax purposes, receipt or accrual of the interest may otherwise affect the tax liability of a holder of a Series 2025A Bond. The tax effect of receipt or accrual of the interest will depend upon the tax status of a holder of

a Series 2025A Bond and such holder's other items of income, deduction or credit. We express no opinion with respect to any such effect.

(6) Under the existing law, interest on the Series 2025A Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

We express no opinion regarding any other federal, state or local tax consequences with respect to the Series 2025A Bonds, except as stated in paragraphs (5) and (6) above. Our opinion speaks as of its issue date and does not contain or provide any opinion or assurance regarding the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, rulings, judicial decisions, the interpretation thereof or the enforcement thereof by the Internal Revenue Service. 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, the exclusion of interest on the Series 2025A Bonds from gross income for federal income tax purposes.

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 2025A Bonds, or any other financial or other information that has been or may be supplied to purchasers or prospective purchasers of the Series 2025A 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,



## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”), dated \_\_\_\_\_, 2025, by and between the Buffalo Sewer Authority (the “Authority”) and Manufacturers and Traders Trust Company, as Trustee (the “Trustee”), is in connection with the issuance by the Authority of its \$\_\_\_\_\_ aggregate principal amount of “Sewer System Revenue Bonds, Series 2025A” (the “Bonds”). The Bonds are being issued pursuant to the “Amended and Restated Sewer System Revenue Bond Resolution” of the Authority, duly adopted by the Authority on May 26, 2021 (as amended and supplemented, the “General Bond Resolution”), and the “Supplemental Sewer System Revenue Bond Resolution,” duly adopted by the Authority on [March 12, 2025] (the “Supplemental Resolution”; the General Bond Resolution, as supplemented by the Supplemental Resolution and as further amended and supplemented from time to time in accordance with the terms thereof shall be referred to herein as the “Resolution”). Capitalized terms used in this Agreement that are not defined in this Agreement shall have the respective meanings ascribed thereto in the Resolution. Pursuant to the Resolution, the parties hereto agree as follows:

Section 1. Purpose; Beneficiaries. This Agreement is entered into solely to assist the Participating Underwriter (defined below) in complying with subsection (b)(5) of the Rule (defined below). This Agreement constitutes a written undertaking for the benefit of the beneficial owners (within the meaning of the Rule) of the Bonds (such beneficial owners being sometimes referred to herein as the “owners”).

Section 2. Definitions. The following words and terms used in this Agreement shall have the following respective meanings:

- (a) “Annual Report” shall mean any Annual Report that is provided by the Authority to the Trustee, that is consistent with the requirements of Sections 3 and 4 of this Agreement.
- (b) “Business Day” means any day other than a Saturday, a Sunday or a day on which banking institutions or trust companies in New York, New York, Wilmington, Delaware, or other such appropriate place of payment are authorized or obligated by law, regulation or executive order to remain closed.
- (c) “EMMA” shall mean the MSRB’s Electronic Municipal Market Access system, or its successor as designated by the MSRB.
- (d) “MSRB” shall mean the Municipal Securities Rulemaking Board.
- (e) “Official Statement” shall mean the Official Statement of the Authority dated [\_\_\_\_\_], 2025, prepared and disseminated by the Authority in connection with the issuance and sale of the Bonds.
- (f) “Participating Underwriter” shall mean the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.
- (g) “Rule” shall mean Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretation thereof.

(h) “SEC” shall mean the United States Securities and Exchange Commission.

Section 3. Provision of Annual Reports. The Authority shall provide to the Trustee the Annual Report with respect to each fiscal year of the Authority, commencing with fiscal year ended June 30, 2025, by no later than 210 business days after the end of the respective fiscal year. The Trustee shall submit such Annual Report to EMMA as the sole repository for the central filing of electronic disclosure pursuant to the Rule, in each case within 5 business days after receipt by the Trustee.

Upon its submission of the Annual Report to EMMA, the Trustee shall notify the Authority (email being sufficient) that the Annual Report has been submitted to EMMA pursuant to the requirements of this Agreement, and stating the date such Annual Report was submitted by the Trustee to EMMA.

Section 4. Content of Annual Report. The Annual Report shall include updated versions of the following financial information and operating data as contained in the Official Statement, for each respective fiscal year of the Authority, as follows:

- (i) The annual audited financial statements of the Authority for the preceding fiscal year, which may be combined in a single report. The financial statements of the Authority are required to be prepared in accordance with generally accepted accounting principles applicable to the Authority, except as may otherwise be required by State law. If the audited financial statements of the Authority are not available as of the date, as required herein, for the submission of the Annual Report, the unaudited financial statements of the Authority shall be included as part of the Annual Report. Thereafter, promptly upon completion of the audited financial statements of the Authority, the audited financial statements of the Authority shall be submitted to EMMA.
- (ii) The Comprehensive Annual Financial Report of the Authority, which shall include, without limitation, the following tables as set forth in the Official Statement:
  - a. Table #2 Authority Departments and Employees
  - b. Table #3 Employees and Spouses Receiving Retirement Benefits
  - c. Table #4 Total Benefit Expenses of the Authority, Last Five Fiscal Years
  - a. Table #5 Source of Service Area Flow to the Bird Island Plant, Last Ten Fiscal Years Including the 10-Year Average Percentage
  - d. Table #6 Service Contracts with the Outside Districts
  - e. Table #7 Number of Sewer Customers by Type, Last Ten Fiscal Years
  - f. Table #8 Ten Largest Authority Customers
  - g. Table #13 Revenue from Sewer Rents Based on Assessed Valuation, Last Five Fiscal Years
  - h. Table #14 Revenue from Sewer Rents Based on Water Use, Last Five Fiscal Years
  - i. Table #21 Operating Revenues: Charges for Services by Source, Last Ten Fiscal Years

- j. Table #22 Changes in Fund Balance, Governmental Funds, Last Ten Fiscal Years
- k. Table #23 Coverage Ratio Calculations, Last Ten Fiscal Years
- l. Table #24 Days Cash on Hand, Last Ten Fiscal Years (annually only)
- m. Table #25 Operating Expenses, Last Ten Fiscal Years
- n. Table #28 Five Year Capital Plan; and
- o. Table #29 Debt Service Schedule

Any or all of the items that must be included in the Annual Report may be incorporated by reference to other documents that have been submitted to EMMA, including official statements delivered in connection with other financings issued by, or on behalf of, the Authority or related public entities thereof. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so incorporated by reference.

The Authority's annual financial statements for each fiscal year shall consist of the statement of net position, statement of activities, balance sheet and the related statements of revenue, expenditures and changes in fund balances prepared in accordance with generally accepted accounting principles applicable to the Authority, except as may otherwise be required by State law. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority.

The Trustee is disseminating the Annual Report and the other notices referenced herein at the direction of the Authority, and (i) has no duty or responsibility as to the legal correctness or accuracy of the form or content of said Annual Report or notices or any other information provided pursuant to this Agreement, and (ii) has no duty to determine if the Annual Report, notices or other information provided pursuant to this Agreement complies with the terms of this Agreement.

All documents submitted to EMMA shall be accompanied by identifying information as prescribed by the MSRB. If the Annual Report has not been submitted to EMMA by the filing deadline set forth in Section 3, above, the Authority shall submit, or cause the Trustee to submit, to EMMA a notice substantially in the form of Exhibit A.

Section 5. Reporting of Listed Events. The Authority shall direct the Trustee, in writing, to file with EMMA notice of the occurrence of any of the following events with respect to the Bonds, which notice shall be completed in a timely manner, not in excess of ten business days after the occurrence of the applicable event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;

- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) Modifications to rights of security holders if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Bonds if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the Authority;
- (m) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, 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;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) Incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect Bondholders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

For the purposes of the event identified in subparagraph (l), above, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Authority 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 Authority, or if such jurisdiction has been assumed by leaving the existing governing 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 Authority. For purposes of the events identified in subparagraphs (o) and (p), above, the term “financial obligation” means (i) a debt obligation, (ii) a 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).

All documents submitted to EMMA shall be accompanied by identifying information as prescribed by the MSRB.

Section 6. Enforceability of the Agreement; Termination. To the extent permitted by law, the provisions of this Agreement are enforceable against the Authority and the Trustee in accordance with the terms hereof by any owner of a Bond, including, without limitation, any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Trustee). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Authority and the Trustee and to compel the Authority and the Trustee and any of their officers, agents or employees to perform and carry out their duties under such provisions of this Agreement; provided, however, that the sole remedy for a violation of this Agreement shall be limited to an action to compel specific performance of the obligations of the Authority and the Trustee under this Agreement and shall not include any rights to monetary damages. This Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

Section 7. Amendments. This Agreement may be amended, changed or modified by the parties hereto, without the consent of, or notice to, any owners of the Bonds, (a) to comply with, or conform to, the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to establish with the Trustee any necessary or desirable compliance provisions or procedures, (c) to add to the covenants of the Authority or the Trustee for the benefit of the owners of the Bonds, (d) to modify the content, presentation and format of the annual financial information, as included in the Annual Report, from time to time, as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertaking of the Authority in this Agreement responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clauses (a), (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and the Authority shall have delivered to the Trustee an opinion of counsel to this effect, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Authority or the Trustee (such as the firm serving at the time as bond counsel to the Authority) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent shall be obtained as provided in this Agreement with respect to consents of Registered Owners. Any amendment, change or modification to this Agreement shall be in writing and signed by the parties hereto. All fees, costs and expenses (including reasonable attorneys' fees, costs and expenses) incurred in connection with any amendment, modification or supplement shall be payable by the Authority.

If this Agreement is amended with respect to the annual financial information to be submitted by the Authority hereunder, the annual financial information containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the

change in the type of financial information being provided. If this Agreement is amended with respect to the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative 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, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. The Authority shall direct the Trustee to submit notice of any change in the accounting principles to EMMA as promptly as practicable after such change has been determined.

Section 8. Disclaimer. The Authority shall not be required to file any information regarding matters other than those specifically described in Sections 3, 4 and 5 hereof, nor shall any such filing constitute a representation by the Authority or raise any inference that no other material events have occurred with respect to the Authority or the Bonds or that all material information regarding the Authority or the Bonds has been disclosed. The Authority shall have no obligation under this Agreement to update information provided pursuant to this Agreement except as specifically required hereby.

Section 9. Resolution. Any failure by the Authority or the Trustee to perform in accordance with this Agreement shall not constitute an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of an Event of Default shall not apply to any such failure.

Section 10. Duties, Immunities and Liabilities of the Trustee. The Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement, and the Authority hereby 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 cost and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct in the performance of its duties hereunder. The obligations of the Authority pursuant to this Section 9 shall survive resignation or removal of the Trustee and payment of the Bonds.

The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation, any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility.

Nothing in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers hereunder.

The Trustee shall be entitled to compensation for its services as have been separately agreed to pursuant to that certain fee agreement, dated as of December 17, 2024, and executed by or on behalf of the Authority, the provisions of which are hereby incorporated by reference, which compensation shall be paid by the Authority. Such compensation is intended for the Trustee's services as contemplated by this Agreement.

The terms of this paragraph shall survive termination of this Agreement and/or the earlier resignation or removal of the Trustee.

Section 11. 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 12. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York and applicable law of the United States of America.

Section 13. Jurisdiction. The parties hereby (i) irrevocably submit to the exclusive jurisdiction of any federal or state court sitting in Erie County in the State of New York, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party.

Section 14. Merger. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which the Trustee is a party, will be and become the successor to the Trustee under this Agreement and will have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, without the execution or filing of any instrument or paper or the performance of any further act.

Section 15. Severability. If a court of competent jurisdiction declares any provision hereof invalid, it will be ineffective only to the extent of such invalidity, so that the remainder of the provision and of this Agreement will continue in full force and effect.

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 SEWER AUTHORITY

By: \_\_\_\_\_

MANUFACTURES AND TRADERS TRUST  
COMPANY, as Trustee

By: \_\_\_\_\_

EXHIBIT A

NOTICE TO THE MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Buffalo Sewer Authority  
Name of Bond Issue: Sewer System Revenue Bonds, Series 2025A  
Name of Obligated Person: Buffalo Sewer Authority  
Date of Issuance: \_\_\_\_\_, 2025

NOTICE IS HEREBY GIVEN that the Buffalo Sewer Authority (the “Authority”) has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated \_\_\_\_\_, 2025, between the Authority and Manufacturers and Traders Trust Company, as trustee (the “Trustee”).

DATED \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Manufacturers and Traders Trust Company,  
as Trustee

cc: Buffalo Sewer Authority