

**BUFFALO WATER BOARD MINUTES**  
**February 10, 2012**

**MEMBERS PRESENT:**

**Oluwole A. McFoy  
Gerald Kelly  
Donna Estrich  
William Sunderlin**

**OTHERS PRESENT**

**Peter Merlo  
Jack McMahon  
Stephen Waldvogel  
Anne Forti-Sciarrino  
Tim Cupo  
Charles Martorana  
Lisa Foti  
Bryan Smith  
Bill Ferguson  
Richard Calipari**

The meeting was called to order at 8:00 a.m.

1. Motion by Mrs. Estrich to approve the revised agenda. Seconded by Mr. Sunderlin. Approved without objection.
2. Motion by Ms. Estrich to approve the minutes of the meeting of January 12, 2012. Seconded by Mr. Kelly. Approved without objection.
3. Mr. Kelly provided a water bottle update. Plans are being developed to sell water bottles at City festivals this summer.
- 3a. Lisa Foti reviewed financial report with the Board, attached. No rate adjustment needed at this time. Ms. Estrich moved that the Board receive and file report. Seconded by Mr. Sunderlin. Approved without objection.
4. Rick Calipari provided a bond status update.
5. Rick Calipari and Tim Cupo discussed Interactive Voice Recognition (IVR) with the Board. Motion by Mr. Kelly to approve the comptroller to go to RFP for payment processing services. Second by Ms. Estrich. Approved without objection.
6. The Board was updated on the status of the ECWA Interconnection at Texas and Lang
7. The NYS Local Government Efficiency (LGE) Planning Grant was discussed with the Board.
8. Bryan Smith and Stephen Waldvogel from CRA reviewed monthly activities with the Board, including the High Service Pump project update and quarterly report.

9. Tim Cupo gave the monthly report from Veolia and reviewed it with the Board. Mr. Cupo stated that staffing needs are critical and he is working with the City to get positions filled.
10. Motion to go into Executive Session for contract and litigation purposes by Mrs. Estrich. Seconded by Mr. Sunderlin. Approved without objection.
11. Motion to adjourn Executive Session by Mr. Sunderlin. Seconded by Mrs. Estrich. Approved without objection.
12. Next meeting scheduled for March 29, 2012.

Mr. Oluwole McFoy, Chairman  
Buffalo Water Board  
&  
The Buffalo Water Board  
Room 502 City Hall  
Buffalo, New York 14202

Dear Mr. McFoy and Members of the Board:

The Buffalo Water Board (Board), The Buffalo Municipal Water Finance Authority (Authority), and the City of Buffalo (City), under the terms of a Financing Agreement (Agreement) dated as of September 24, 1992, as amended, by and between the Authority, the Board and the City and pursuant to Section 709 of the Water System General Revenue Bond Resolution, requires the Board to retain a Rate Consultant to report at least annually on the adequacy of the rates and charges then in effect to meet the coverage test as set forth in Article VI, Section 6.1 of the Agreement. In addition, I also provide recommendations as to any required revision of rates.

I, Lisa A. Foti, CPA have been retained by the Board as Rate Consultant. I meet with City personnel at least quarterly and review the cash receipts and disbursements related to the Buffalo Water System (System). I also review the annual cash projections and evaluate the five year forecasted cash flows of the System in conjunction with any anticipated bond financing.

In December, 2009 the Board acted to adopt a three year plan to increase rates through Fiscal Year 2012-13. A public hearing was held as required by Public Authorities Law and the increases were subsequently unanimously approved. These rate increases began July, 2010 with a 6.5% rate increase across all user groups and will increase another 6.5% in July, 2011 and 6% in July 2012. These increases are necessary to meet the operating requirements of the System, including debt service payments and the minimum coverage requirements as provided under Section 6.1 of the Financing Agreement. It is important to note that at the time of the last bond financing, the rating agencies strongly encouraged a debt service coverage ratio in excess of the minimum 1.15 required by the Agreement and suggested that 1.50 would be more reflective of stable operating results, an ultimate driver of any bond rating. Utilization of accumulated reserves in meeting the 1.15 coverage ratio or even the 1.50 coverage requirement is acceptable as long as current cash inflows are sufficient to meet current cash outflows and only to the extent that aggregate reserve balances exceed 10% of the total budget for the Board for the next fiscal year.

In June, 2010 the Authority completed a \$23,975,000 Water System Revenue Bond, Series 2010-A (1) and Series 2010-A (2) issuance. The bonds received an "A" rating with a stable outlook from Standard & Poor.

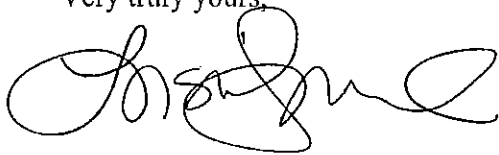
The attached Fiscal Year 2011-12 projection incorporates actual results for the six month period through December 31, 2011 and reflects utilization of \$7,000,000 in reserves to achieve a 1.50 coverage ratio. Current cash receipts are expected to satisfy current operating disbursements. Available reserve balances at June 30, 2011 are \$18M.

Cash receipts, year over year through December 2011, increased 7.3% or \$1.3M and are projected to continue on this trend over the remaining six months of the fiscal year.

Based upon my review through December 31, 2011 and the projections through Fiscal Year End, the rates and charges for the Buffalo Water System appear adequate and no adjustment to the previously adopted rate actions taken by the Board are required at this time.

Please feel free to contact me directly if you have any questions surrounding this report or the recommendations.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Lisa A. Foti', written in a cursive style.

Lisa A. Foti, CPA  
Rate Consultant

February 1, 2012

cc: Mark J.F. Schroeder, Comptroller  
City of Buffalo Common Council

## CITY OF BUFFALO WATER SYSTEM

	BUDGET 2010-11	BUDGET 2011/2012	PROJECTION 2011/2012 (as of 12/31/11)
<b>CASH RECEIPTS</b>			
WATER RATES	35,263,695.00	37,055,836	37,394,962
WATER RATES INTEREST	750,000.00	852,000	815,302
INTEREST ON INVESTMENTS	240,000.00	180,000	127,304
DEMAND DEPOSIT INTEREST	5,400.00	3,000	2,633
INTEREST-TRUSTEE	130,000.00	150,000	100,000
OTHER REVENUE	2,092,800.00	1,674,172	1,950,217
<b>TOTAL CASH RECEIPTS</b>	<b>38,481,895.00</b>	<b>39,915,008</b>	<b>40,390,418</b>
<b>CASH DISBURSEMENTS</b>			
TRANSFER TO 5300 FUND	13,597,001.00	11,082,050	9,496,101
TRANSFER TO DEBT SERVICE FUND	544,623.00	487,052	487,052
TRANSFER TO WATER TRUSTEE/DS	12,662,879.00	13,442,052	14,142,052
TRANSFER TO WATER AUTHORITY	133,525.00	48,700	48,700
TRANSFER TO WATER AUTHORITY - LOC	493,637.00	590,000	590,000
TRANSFER TO 1000 FUND	4,672,175.00	4,905,784	4,905,784
WATER BOARD EXPENDITURES-GENERAL			1,916,976
WATER BOARD EXPENDITURES- UTILITIES	616,340.00	4,206,914	3,400,000
TRANSFER TO OPERATOR	5,200,000.00	5,225,727	5,265,329
ONGOING PROJECTS (WATER METERS)	-	-	-
<b>TOTAL CASH DISBURSEMENTS</b>	<b>37,920,180.00</b>	<b>39,988,279</b>	<b>40,251,994</b>
<b>DEBT SERVICE COVERAGE</b>			
O&M RESERVE USED AS REVENUE	8,500,000.00	6,583,909	7,000,000
NET REVENUE	9,061,715.00	6,510,638	7,138,424
15% OF DEBT SERVICE	1,973,477.40	2,016,308	2,121,308
DEBT SERVICE COVERAGE	1.6888	1.4843	1.50
COVERAGE WITHOUT USE OF FUND BALANCE	1.0427	0.9945	1.0000