

BUFFALO WATER BOARD MINUTES
January 11, 2017

MEMBERS PRESENT:

Oluwole A. McFoy
Gerald Kelly
Michael Finn
William Sunderlin

OTHERS PRESENT:

Peter Merlo
Jack McMahon
Lisa Foti
Stephen Waldvogel
Charles Martorana
David Hill
Tim Cupo
Tim Shea
Michael Wolasz
Patrick Martin
William Ferguson

The regular monthly meeting of the Buffalo Water Board was called to order at 8:00 a.m.

1. Motion by Mr. Sunderlin to approve the agenda. Seconded by Mr. Finn. Approved.
2. Motion by Mr. Sunderlin to approve the minutes from the December 14, 2016 meeting. Seconded by Mr. Finn. Approved.
3. Staff Update: Mr. Hill provided a staffing update to the Buffalo Water Board.
4. The Buffalo Water Board Rate Consultant, Ms. Lisa Foti, provided a Financial Update (report attached). She indicated that the Buffalo Water System current Schedule of Rates and Charges appears adequate and that adjustments to the current Schedule of Rates and Charges are not required or recommended at this time.
5. Upon the recommendation of the Principal Engineer of the Division of Water, motion made by Mr. Sunderlin to authorize the City of Buffalo to pay down debt service on the following bonds:
 - a) 1992 issued bond totaling \$ 4,382.04
 - b) 1998 issued bond totaling \$ 1,439.00
 - c) 2010 issued bond totaling \$26,268.18
 - d) 2012 issued bond totaling \$15,306.21

Seconded by Mr. Kelly. Approved.

6. Motion by Mr. Finn to designate the Principal Engineer of the Division of Water to administer requests for waivers of the Buffalo Water Board permit fees to support improvements of property owned or operated by the City of Buffalo and Buffalo Sewer Authority. All other permit requirements will be followed. Seconded by Mr. Sunderlin. Approved.
7. Upon the recommendation of the City of Buffalo Department of Law, the following claims were recommended for payment:
 - a) Motion made by Mr. Sunderlin to approve payment of \$3,760.00 to settle a claim with property owner at 138 Wesley Street. Seconded by Mr. Finn. Approved.

- b) Motion made by Mr. Sunderlin to approve payment of \$433.50 to settle a claim with property owner at 275 Lincoln Parkway. Seconded by Mr. Finn. Approved.
8. Upon the recommendation of the Principal Engineer of the Division of Water, motion made by Mr. Kelly to fund a contract to be awarded and administered by the City of Buffalo Department of Purchase to purchase a new bank of batteries for the Colonel Ward Water Treatment Facility in an amount not-to-exceed \$50,000.00. Seconded by Mr. Finn. Approved.
9. Mr. Waldvogel of GHD Consulting Services, Inc. presented a summary of the invoices to be paid to Veolia Water and recommended payment to Veolia Water for services rendered by Kimil Construction Inc. as follows:
- a) Motion by Mr. Sunderlin to approve payment of \$11,096.11 inclusive of Veolia's 10% administrative fee for services by Kimil Construction Inc. for emergency service repair. Seconded by Mr. Finn. Approved.
10. Motion by Mr. Sunderlin to approve a fund transfer of \$ 50,000.00 from Buffalo Water Board Reserve Account to Structural Improvements Account (# 53023517-473020). Seconded by Mr. Finn. Approved.
11. Motion by Mr. Sunderlin to approve a fund transfer of \$ 454,671.83 from Buffalo Water Board Reserve Account to Engineering & Technical Account (# 53023516-432004). Seconded by Mr. Finn. Approved.
12. Mr. Waldvogel of GHD Consulting Services, Inc. (GHD) delivered a report of GHD's on-going services to assist the Buffalo Water Board on a number of projects, including the asbestos abatement at Colonel Ward Treatment Plant, the water quality testing initiative and Pump No. 6 at Colonel Ward Treatment Plant has been re-installed and started.
13. Mr. David Hill from Veolia Water presented and reviewed Veolia Water's monthly report with the Buffalo Water Board. He discussed projects including the start-up of a Neptune meter replacement project that will replace defective meters currently under warranty, a critical safety program for the chlorine system, and an upcoming defensive driving program that will be offered jointly with the Buffalo Sewer Authority, and the Tap Card data base has been converted to Infonet.
14. Motion by Mr. Finn to adjourn. Seconded by Mr. Sunderlin. Approved.

Next meeting, Thursday, February 23, 2017 at 8:00 a.m. in Room 502 at City Hall.

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. 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 were 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. There have been no rate increases for Fiscal Years 2013-14 through and including Fiscal 2016-17. 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.

The attached Fiscal Year 2016-17 projection incorporates actual results for the interim period through October 31, 2016 and reflects utilization of \$4.9M in reserves to achieve a 1.50 coverage ratio. Current cash receipts are expected to satisfy current operating disbursements, without any reserve utilization. The debt service coverage ratio without utilization of reserves is projected to be 1.16 (1.34 - FY2015-16). Current available cash and O&M reserves balances at June 30, 2016 approximate \$40.6M, which can be utilized

for designated capital improvements to the System. Remember, amounts in excess of 10% of the Board's next year's budget may also be used to offset any required rate increases. This does not include previously reported unexpended bond proceeds. Unexpended bond proceeds total \$1.7M through October 31, 2016. Management is working to encumber the remaining unexpended proceeds to fund a portion of its existing Capital Plan.

Based upon my review through October 31, 2016 and the projections through Fiscal Year End, the rates and charges for the Buffalo Water System appear adequate and no adjustments to previously adopted rate actions taken by the Board through Fiscal Year 2016-17 are required at this time.

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

Very truly yours,

A handwritten signature in black ink, appearing to read 'Lisa A. Foti', with a stylized flourish at the end.

Lisa A. Foti, CPA
Rate Consultant

January 11, 2017

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

	Budget 2016-17	Actual 2016-17 YTD through Oct	Projection 2016-17 Projected Months	Budget 2017-18
Total Receipts and Disbursements			8	
BEGINNING CASH & INVEST.	40,692,950	40,692,950	40,692,950	
CASH RECEIPTS				
WATER RATES	40,650,000	13,685,023	41,000,000	41,463,000
WATER RATES INTEREST	1,700,000	369,754	1,109,262	1,734,000
INTEREST ON INVESTMENTS	35,000	2,041	6,124	35,700
DEMAND DEPOSIT INTEREST	3,000	946	2,838	3,060
INTEREST-TRUSTEE	45,000	-	45,000	45,900
OTHER REVENUE	4,864,303	907,366	2,072,697	2,309,406
TOTAL CASH RECEIPTS	44,297,303	14,965,129	44,185,320	45,591,066
DISBURSEMENTS				
5300 PAYROLL	6,891,516	2,810,259	8,430,776	7,029,346
5300 O&M EXPENDITURES-N/S	5,304,700	1,642,356	4,927,069	5,407,734
GEN'L OBLIG. DEBT	168,133	9,322	168,133	171,496
AUTHORITY DEBT SERVICE (7/1 & 1/1)	14,229,894	5,019,314	14,229,894	14,514,492
TRANSFER TO WATER AUTHORITY	99,972	33,307	99,972	101,920
TRANS TO 1000 FUND CONTRACT AMT	6,261,162	3,130,581	6,261,162	6,386,385
WATER BOARD EXPENDITURES	598,900	135,906	407,719	610,878
WATER BOARD EXPENDITURES - Utilities	2,200,000	625,226	1,875,678	2,244,000
TRANSFER TO OPERATOR	5,573,600	1,857,867	5,573,600	5,685,072
TOTAL	41,324,827	15,264,139	41,973,953	42,151,324
O&M RESERVE USED AS REVENUE	4,925,450	4,925,450	4,925,450	3,825,450
NET REVENUE	7,897,926	4,626,440	7,136,817	7,265,192
15% OF DEBT SERVICE	2,134,484	752,897	2,134,484	2,177,174
DEBT SERVICE COVERAGE (s/b 1.50)	1.56	1.92	1.50	1.50
COVERAGE WITHOUT USE OF FUND BALANCE	1.21	0.94	1.16	1.24
CASH CHANGE FOR YEAR	2,972,476	(299,010)	2,211,367	3,439,742