

*In the opinion of Harter Secrest & Emery LLP Bond Counsel to the Authority (“Bond Counsel”), under current law and assuming continuing compliance with the certain covenants and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Series 2020 Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2020 Bonds will not be an item of tax preference for purposes of federal alternative minimum tax for individuals under the Code. In the opinion of Bond Counsel interest on the Series 2020 Bonds will be exempt from personal income taxes imposed by the by the State of New York or The City of New York. See “TAX MATTERS” herein.*

*The Series 2020 Bonds will NOT be designated “Qualified Tax-Exempt Obligations” pursuant to Section 265(b)(3) of the Code.*



**\$21,920,000**  
**MONROE COUNTY WATER AUTHORITY**  
**(New York)**  
**Water System Revenue Bonds, Series 2020**

**Dated: Date of Delivery**

**Due: March 1, as shown herein**

The Water System Revenue Bonds, Series 2020 (the “Series 2020 Bonds”) are being issued by the Monroe County Water Authority (the “Authority”), a body corporate and politic constituting a public benefit corporation of the State of New York (the “State”) created by and existing under Title 5 of Article 5 of the Public Authorities Law of the State (the “Act”). The Series 2020 Bonds are issued pursuant to the Act and the terms and provisions of that certain Trust Indenture, dated as of October 1, 1991, from the Authority to The Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the “Trustee”), as amended and supplemented from time to time (collectively, the “Indenture”).

The Series 2020 Bonds shall bear interest from their dated date and interest is payable on September 1, 2020, and semiannually thereafter on March 1 and September 1 of each year. See “THE SERIES 2020 BONDS—General Provisions” herein. Interest will be payable at the rates and the Series 2020 Bonds shall mature on the dates and in the principal amounts set forth on the inside front cover.

The Series 2020 Bonds will be prepared as fully registered bonds and, when delivered, 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 of the Series 2020 Bonds. Purchasers of beneficial interests will not receive printed certificates representing their interest in the Series 2020 Bonds. So long as Cede & Co. is the registered owner of the Series 2020 Bonds, as nominee of DTC, references herein to the registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2020 Bonds. See “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM” herein. Principal and interest are payable directly to DTC by the Trustee, in New York, New York. Upon receipt of payments of principal and interest, DTC is to remit such principal and interest to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2020 Bonds.

**The Series 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.** See “THE SERIES 2020 BONDS—Redemption” herein.

Principal of and interest on the Series 2020 Bonds are payable solely from Revenues (as defined herein) of the Authority after the required deposits to the Operating and Maintenance Fund (as defined herein). See “SECURITY AND SOURCES OF PAYMENT” herein.

The Series 2020 Bonds are being issued to (i) finance the cost of development, acquisition, and construction of certain improvements and additions to the Water System (as defined herein), (ii) finance the cost of the Genesee County Projects (defined herein) and (iii) pay the costs of issuance of the Series 2020 Bonds, all as described herein. See “THE FINANCING PLAN” herein.

**THE SERIES 2020 BONDS ARE NOT A DEBT OF THE STATE OF NEW YORK OR THE COUNTY OF MONROE, NOR OF ANY MUNICIPALITY IN SUCH COUNTY. NEITHER THE STATE OF NEW YORK, THE COUNTY OF MONROE, NOR ANY MUNICIPALITY IN SUCH COUNTY IS LIABLE FOR THE PAYMENT OF THE SERIES 2020 BONDS, NOR ARE THE SERIES 2020 BONDS PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE AUTHORITY PLEDGED UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER.**

**This cover page contains limited 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 making an informed investment decision.**

The Series 2020 Bonds are offered when, as, and if executed and delivered to Piper Sandler & Co. (the “Underwriter”), subject to the approving opinion of Harter Secrest & Emery LLP, Rochester, New York, Bond Counsel to the Authority, and certain other conditions. Certain matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC, Syracuse, New York. Capital Markets Advisors, LLC, Great Neck, New York, has acted as a financial advisor to the Authority. It is expected that the Series 2020 Bonds in book-entry form will be available for delivery to DTC or its agent on or about April 30, 2020.

**PIPER | SANDLER**

# MONROE COUNTY WATER AUTHORITY

## \$21,920,000 Water System Revenue Bonds, Series 2020

### Payment Dates, Principal Amounts, Interest Rates, Yields, and CUSIPs

Payment Date (March 1)	Principal Amount	Interest Rate	Yield	CUSIP <sup>1</sup>
2021	\$300,000	5.000%	0.910%	610763 QN7
2022	375,000	5.000%	0.910%	610763 QP2
2023	395,000	5.000%	0.940%	610763 QQ0
2024	415,000	5.000%	0.960%	610763 QR8
2025	435,000	5.000%	0.970%	610763 QS6
2026	460,000	5.000%	1.000%	610763 QT4
2027	480,000	5.000%	1.060%	610763 QU1
2028	505,000	5.000%	1.080%	610763 QV9
2029	530,000	5.000%	1.170%	610763 QW7
2030	555,000	5.000%	1.260%	610763 QX5
2031**	585,000	5.000%	1.370%	610763 QY3
2032**	610,000	5.000%	1.460%	610763 QZ0
2033**	640,000	4.000%	1.710%	610763 RA4
2034**	670,000	4.000%	1.820%	610763 RB2
2035**	695,000	4.000%	1.920%	610763 RC0

\$1,475,000 4.000% Term Bond due March 1, 2037, Yield 2.040%\*\*; CUSIP 610763 RD8

\$2,435,000 4.000% Term Bond due March 1, 2040, Yield 2.160%\*\*; CUSIP 610763 RE6

\$4,710,000 3.500% Term Bond due March 1, 2045, Yield 2.550%\*\*; CUSIP 610763 RF3

\$5,650,000 4.000% Term Bond due March 1, 2050, Yield 2.400%\*\*; CUSIP 610763 RG1

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\*\*Priced at the stated yield to the March 1, 2030 optional redemption date at a redemption price of 100%.

<sup>1</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated on behalf of the American Bankers Association by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. The data contained herein is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for reference only. None of the Authority, the Underwriter, or the Trustee takes any responsibility for the accuracy of such numbers.

# **MONROE COUNTY WATER AUTHORITY**

475 Norris Drive  
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(585) 442-2000

## **THE AUTHORITY'S MEMBERS**

Scott D. Nasca, Chairperson  
Matthew J. Fero, Vice Chairperson  
Joseph R. Rulison, Treasurer  
Wendy Bleier-Mervis, Member  
Robert W. Hurlbut, Member  
Allen S. Bernstein, Member  
Sheryal A. Volpe, Member

## **THE AUTHORITY'S MANAGEMENT TEAM**

Executive Director  
Executive Director of Operations, Facilities & Fleet Maintenance  
Director of Finance & Business Services  
Director of Engineering  
Director of Production and Transmission

Nicholas A. Noce  
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Amy A. Molinari  
Stephen M. Savage, P.E.  
Christopher J. LaManna, P.E.

## **CONSULTANTS TO THE AUTHORITY**

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Syracuse, New York

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Rate Consultant  
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New York, New York

No dealer, broker, salesperson or other person has been authorized by Piper Sandler & Co. (the “Underwriter”), the Authority, or the Trustee to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

Information found on the website of the Authority is not as current as the information included in this Official Statement. Therefore, reliance should not be placed on information found on that website.

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 2020 Bonds by a person 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. This Official Statement is not to be construed as a contract with the purchasers or any of the owners of Bonds. Any statement made in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. The information set forth herein has been furnished by the Authority, The Depository Trust Company, and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as representations by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

In reliance upon exemptions contained in such acts, the Series 2020 Bonds have not been registered under the Securities Act of 1933, as amended and the Indenture has not been qualified under the Trust Agreement Act of 1939, as amended. The registration or qualification of the Series 2020 Bonds in accordance with applicable provisions of securities laws of any state in which the Series 2020 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation. Neither those states nor any of their agencies have passed upon the merits of the Series 2020 Bonds or the accuracy or completeness of this Official Statement.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” or similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause 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. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Authority is not obligated to issue any updates or revisions to the forward-looking statements if, or when, its expectations, or events, conditions or circumstances upon which such statements are based, change.

The prospective financial information included in this offering document, including any forward-looking or prospective financial information, has been prepared by, and is the responsibility of the management of the Authority.

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## **OFFICIAL STATEMENT**

**\$21,920,000**

**MONROE COUNTY WATER AUTHORITY**

**(New York)**

**Water System Revenue Bonds, Series 2020**

### **INTRODUCTION**

This Official Statement, including the cover page, the inside cover page, and Appendices hereto, is provided to furnish certain information in connection with the issuance and sale by the Monroe County Water Authority (the “Authority”) of its \$21,920,000 principal amount of Water System Revenue Bonds, Series 2020 (the “Series 2020 Bonds”). The Series 2020 Bonds are to be issued under and secured by that certain Trust Indenture, dated as of October 1, 1991, from the Authority to The Bank of New York Mellon, as successor to Chase Lincoln First Bank, N.A., as trustee (the “Trustee”), as amended and supplemented from time to time (the “Indenture”), including by the Fifteenth Supplemental Trust Indenture, dated as of March 1, 2020, from the Authority to the Trustee (the “Fifteenth Supplemental Indenture”). Definitions of certain capitalized terms used herein may be found in **“APPENDIX C—CERTAIN DEFINITIONS.”**

The proceeds of the Series 2020 Bonds will be used to (i) finance the cost of development, acquisition, and construction of certain improvements and additions to the Water System (as defined herein), (ii) finance the cost of the Genesee County Projects (as defined herein) and (iii) pay the costs of issuance of the Series 2020 Bonds, all as described herein. (See **“THE FINANCING PLAN”** and **“ESTIMATED SOURCES AND USES OF FUNDS.”**)

The Series 2020 Bonds will be direct and general obligations of the Authority for which the full faith and credit of the Authority will be pledged to the payment of the principal of and interest thereon. Pursuant to the Indenture, the Series 2020 Bonds will be secured by a pledge of Revenues of the Authority. The Authority has no taxing power. (See **“SECURITY AND SOURCES OF PAYMENT.”**)

As further security for the Series 2020 Bonds, the Indenture provides for certain “rate covenants.” (See **“SECURITY AND SOURCES OF PAYMENT—Flow of Funds”** and **“SECURITY AND SOURCES OF PAYMENT—Rate Covenant.”**)

In addition to the Series 2020 Bonds, the Indenture authorizes the issuance of other Series of Bonds for such other purposes as are permitted under the Indenture. (See **“OUTSTANDING BONDS”** and **“SECURITY AND SOURCES OF PAYMENT - Additional Bonds; Refunding Bonds.”**)

The Indenture requires the Authority to fix, establish, and collect (or cause to be fixed, established, and collected) rates, fees, rents, and other charges for the water distributed by it and for any services or facilities sold, furnished, or supplied by the Water System, in amounts for each fiscal Year that will not be less than the sum of the following amounts: (i) the amount required to be paid into the Operating and Maintenance Fund for payment of all reasonable and necessary Operating Expenses, (ii) Debt Service for such fiscal year on the Bonds, including the Series 2020 Bonds, (iii) the amount required to be paid into the Subordinated Indebtedness Fund, during such year, (iv) the amount required to pay for repairs, renewals, replacements or maintenance items during such year, and (v) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year. (See **“APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”**)

**The Series 2020 Bonds are not a debt of the State of New York or the County of Monroe, nor of any municipality in such county. Neither the State of New York, the County of Monroe, nor any municipality in such county is liable for the payment of the Series 2020 Bonds, nor are the Series 2020**

**Bonds payable out of any funds other than those of the Authority pledged under the Indenture. The Authority has no taxing power.**

Brief descriptions of the Series 2020 Bonds, the security and sources of payment for the Series 2020 Bonds, and the Authority are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Director of Finance & Business Services of the Authority (see address on the inside cover of this Official Statement).

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices, and the documents summarized or described herein. Investors should fully review the entire Official Statement. The offering of the Series 2020 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or otherwise to use it without the entire Official Statement.

## **THE FINANCING PLAN**

The Series 2020 Bonds are being issued to finance the cost of (i) development, acquisition, and construction of certain improvements and additions to the Water System, (ii) the Genesee County Projects, and (iii) pay costs of issuance of the Series 2020 Bonds as described herein. (See “**ESTIMATED SOURCES AND USES OF FUNDS**”)

The Series 2020 Bonds will fund the following: Residential Meter Replacements, Large Meter Replacements, Hydrant Replacements, Tank Painting and Rehabilitation and the Genesee County Projects. The aggregate cost of the Authority’s capital projects in 2020 are anticipated to equal approximately \$20.8 million, of which approximately \$5.2 million will be financed with proceeds from the Series 2020 Bonds. The remainder will be provided by the Authority’s cash capital program. The Authority’s share of the aggregate cost of the Genesee County Projects is anticipated to equal approximately \$20 million, of which 100% will be financed with proceeds from the Series 2020 Bonds.

### **Residential Meter Replacements**

The project will replace approximately 15,000 obsolete 5/8” x 3/4” residential water meters and 200 1” meters with new radio read meters. The new radio read meters will increase the accuracy of registration and billing, and the automation of reading residential meters will reduce the need for estimated billing and ultimately reduce labor costs in meter reading.

### **Tank Painting & Rehabilitation**

The project is for the cleaning, painting, and rehabilitation of water storage tanks in the Authority’s distribution system. Repainting is necessary to preserve the structural integrity of the storage facility and provide an aesthetically acceptable facility within the community. The 2020 budget includes the repainting of three standpipe tanks in the Towns of Perinton, Wheatland, and Victor. There are currently 51 water storage facilities in the system (41 steel tanks, 8 concrete tanks, and 2 reservoirs).

### **Large Meter Replacements**

The project includes the replacement of approximately 400 commercial and wholesale meters, between 1 1/2” and 10” in size. This is part of a continuous meter maintenance program. Large meters installed in commercial, industrial, and educational settings will utilize radio reading meters to minimize time spent obtaining monthly meter readings. Completion of this project will provide more accurate readings



of water usage by the Authority's largest customers leading to more precise billing. This project will also reduce labor costs spent on meter reading.

### **Hydrant Replacement**

The project includes the replacement of hydrants based on inspections, leak detection, and damage resulting from motor vehicle accidents.

### **Genesee County Projects**

The Authority supplies water to Genesee County on a wholesale basis. Genesee County expressed a need for additional water supply from the Authority to meet their projected demands. Genesee County's consultant engineer has identified and developed projects that will provide an additional 2.4 million gallons of water per day (MGD) to meet these projections. Pursuant to the Amended and Restated Genesee County Agreement (as defined herein) Genesee County will reimburse the Authority for this project by making payments to the Authority equal to the debt service payments due on the portion of the Series 2020 Bonds issued to finance the Genesee County Projects. Genesee County also pays wholesale water rates billed on a monthly basis for water delivered. This overall water supply project consists of several individual subprojects that all together yield the additional 2.4 MGD of water supply available to Genesee County through the Water Authority's North Road Pump Station. The individual projects (collectively, the "Genesee County Projects") include:

1. Churchville Pump Station

A new pump station will be constructed within the Town of Riga along NYS Route 33, just west of the Village of Churchville, to provide more flow to the 820 hydraulic grade zone. The new pump station will provide approximately 150,000 gallons of water per day (GPD) directly to the 820 zone, which is currently being supplied through the North Road pump station. This booster station will pump water from the 750 hydraulic-grade in the Village of Churchville and Town of Ogden to the 820 hydraulic-grade zone.

2. Golden Road Pump Station

A new pump station will be constructed in the Town of Chili on Golden Road, just south of Interstate 490, to increase and redirect additional flow from the Shoremont Water Treatment Plant towards Genesee County. This pump station is located within the 700 hydraulic-grade zone that feeds Morgan Road and Scottsville Road pump stations as well as Union Street storage tank. The new pumps will provide a flow of 8 MGD, to supply the additional flow from Morgan Road and Scottsville pump stations and fill the Authority's Union Street tank.

3. Chestnut Ridge Water Main

The project consists of the installation of approximately 6,500 linear feet of new 36-inch ductile iron transmission water main with associated appurtenances. The new transmission main will allow more water to be conveyed from the new Golden Road pump station to the upgraded Morgan Road and Scottsville Road pump stations, alleviating a bottleneck of the existing 8-inch water main in this area that would restrict the higher water flows.

4. Scottsville Pump Station Upgrades

The Scottsville Road pump station currently boosts approximately 600,000 GPD up 22 pounds per square inch ("psi") from a hydraulic-grade of 700 to 750, filling the Garbutt and Mumford storage

tanks and supplying the demands for the Towns of Scottsville and Wheatland, including the Hamlet of Mumford. Upgrades to this pump station will double the capacity to 1.2 MGD, and provide the additional flow required for the new Caledonia-Mumford pump station.

5. Caledonia – Mumford Pump Station

The project includes the construction of a new pump station in the Hamlet of Mumford in the Town of Wheatland that will provide 350,000 GPD to the Village of Caledonia. This changes the location for which the Authority supplies water to the Village of Caledonia. Instead of receiving water through the Town of LeRoy by way of the North Road pump station, the Village of Caledonia will receive its water from the Authority through the existing connection in the Hamlet of Mumford in the Town of Wheatland. This reallocation of water supply will free up 350,000 GPD for Genesee County through North Road pump station.

6. Morgan Road Pump Station Upgrades

The Morgan Road pump station currently boosts approximately 2 MGD up 22 psi from a hydraulic-grade of 700 to 750, filling the Betteridge and Riga water storage tanks and supplying flow to the Riga pump station on the south end of the Town of Riga. Upgrades to the Morgan Road pump station will increase its capacity to 5 MGD, and provide the additional flow required for the upgrades at Riga pump station and subsequently North Road Pump Station.

7. Riga Pump Station Upgrade

The Riga pump station currently boosts 2.28 MGD up 30 psi to a hydraulic-grade of 820, filling the Buffalo Road tank and supplying the Town of Bergen and the southwestern part of the Town of Riga as well as the North Road pump station. The upgrades to the Riga pump station will increase the pumping capacity to 4.8 MGD and will convey a portion of the water through the new Vallance Road water transmission main.

8. Vallance Road Water Main

The project consists of the installation of new 36-inch, 24-inch and 16-inch ductile iron transmission water main with associated appurtenances along Vallance Road and North Road in the Town of LeRoy, including a NYS Thruway crossing. The new transmission water main will allow more water to be conveyed to the North Road pump station and will improve the suction pressure along Lake Road, north of the pump station.

9. North Road Pump Station Upgrades

The North Road pump station currently boosts an average of 2 MGD up 110 psi from a hydraulic grade of 820 to 1070, filling the twin Temperance Hill storage tanks and supplying the majority of the water to eastern Genesee County. Upgrades to the North Road pump station will more than double the capacity to 4.1 MGD, and along with redirecting supply to Bergen (Churchville Pump Station) and Caledonia (Cal-Mum Pump Station), this will provide the additional 2.4 MGD required for Genesee County.

## ESTIMATED SOURCES AND USES OF FUNDS

### Sources:

Principal amount of the Series 2020 Bonds	\$21,920,000.00
Net original issue premium	<u>3,576,774.25</u>
Total Sources	25,496,774.25

### Uses:

Deposit to the Series 2020 Construction Fund	25,189,388.00
Costs of issuance, including the Underwriter's discount	303,639.10
Additional Proceeds	<u>3,747.15</u>
Total Uses	<u>\$25,496,774.25</u>

## OUTSTANDING BONDS

As of April 1, 2020, the Authority had \$125,890,000 aggregate principal amount of Bonds outstanding under the Indenture. (See, “**THE AUTHORITY—Total Debt Service.**”) The following table presents the Authority's outstanding Bonds issued under the Indenture and payable from the Authority's Revenues.

Series of Bonds	Original Amount Issued	Principal Outstanding
Water System Revenue Refunding Bonds, Series 2007 <sup>1</sup>	\$ 20,212,787	\$ 13,535,000
Water System Revenue Refunding Bonds, Series 2010	16,310,000	205,000
Water System Revenue Bonds, Series 2010B	92,915,000	88,250,000
Water System Revenue Bonds, Series 2012	6,290,000	5,260,000
Water System Revenue Bonds, Series 2013	18,125,341	14,690,000
Water System Revenue Bonds, Series 2017	3,950,000	3,950,000
	<u>\$ 157,803,128</u>	<u>\$ 125,890,000</u>

<sup>1</sup> This reflects debt incurred for the benefit of Genesee County. It is anticipated that a portion of the Series 2020 Bonds will be issued for the benefit of Genesee County. Pursuant to the Amended and Restated Genesee County Agreement (defined herein) Genesee County has agreed to make payments to the Authority in amounts equal to debt service on such bonds. (See, “**THE AUTHORITY--Agreements with Genesee County**” herein).

## THE SERIES 2020 BONDS

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in “**APPENDIX C—CERTAIN DEFINITIONS.**”

### General Provisions

The Series 2020 Bonds are being issued by the Authority pursuant to the Act and in accordance with and secured by the terms and provisions of a Trust Indenture, dated as of October 1, 1991, from the Authority to the Trustee, as amended and supplemented from time to time, including by a Fifteenth Supplemental Trust Indenture dated as of March 1, 2020 (as so amended and supplemented, collectively, the “Indenture”).

The Series 2020 Bonds shall be dated the date of delivery, shall bear interest from such date, payable semi-annually thereafter on March 1 and September 1 of each year, commencing September 1, 2020, at the rates and shall mature on the dates and in the principal amounts as set forth on the inside front cover of this

Official Statement unless paid through mandatory sinking fund installments as hereinafter described or upon prior redemption. (See “**THE SERIES 2020 BONDS—Redemption.**”)

The Series 2020 Bonds will be issued only as fully registered bonds without coupons in authorized denominations of \$5,000 or any integral multiple thereof, provided that no individual Series 2020 Bond shall represent more than one maturity.

The principal of all Series 2020 Bonds is payable in lawful money of the United States of America at the corporate trust office of the Trustee in New York, New York.

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

The Series 2020 Bonds will be dated as of the date on which they are executed and delivered. The Series 2020 Bonds will be executed and delivered as fully registered bonds in the name of Cede & Co., nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Series 2020 Bonds.

The principal of and interest with respect to the Series 2020 Bonds will be paid directly to Cede & Co. by the Trustee as long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2020 Bonds. For information relating to DTC and the DTC book-entry system as it relates to the Series 2020 Bonds, see “**APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.**”

### **Transfer and Exchange of the Series 2020 Bonds; Persons Treated as Owners**

The person in whose name any Series 2020 Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of or interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon that Series 2020 Bond to the extent of the sum or sums so paid.

So long as the Series 2020 Bonds are held in book-entry form, transfers of interests in the Series 2020 Bonds by Beneficial Owners (as defined in Appendix E hereto) may only be made as described in Appendix E hereto. At any other time, any Series 2020 Bonds may be transferred or exchanged only upon the books kept for the registration and transfer of the Series 2020 Bonds as provided in the Indenture.

*[This space intentionally left blank.]*

## Mandatory Sinking Fund Redemption

The Series 2020 Bonds maturing on March 1, 2037, March 1, 2040, March 1, 2045 and March 1, 2050 are subject to mandatory redemption in part by lot at a redemption price equal to the principal amount thereof plus accrued interest through the date of redemption, from mandatory Sinking Fund Installments which are required to be made in amounts sufficient to redeem the principal amount of such Series 2020 Bonds specified below on March 1 of each year shown below, plus interest accrued to the date of redemption:

Series 2020 Bonds Maturing March 1, 2037	
Year	Principal
2036	\$725,000
2037	\$750,000

\* Final maturity.

Series 2020 Bonds Maturing March 1, 2040	
Year	Principal
2038	\$780,000
2039	\$810,000
2040	\$845,000

\* Final maturity.

Series 2020 Bonds Maturing March 1, 2045	
Year	Principal
2041	\$880,000
2042	\$905,000
2043	\$940,000
2044	\$975,000
2045	\$1,010,000

\* Final maturity.

Series 2020 Bonds Maturing March 1, 2050	
Year	Principal
2046	\$1,045,000
2047	\$1,085,000
2048	\$1,130,000
2049	\$1,170,000
2050	\$1,220,000

\* Final maturity.

## **Optional Redemption**

The Series 2020 Bonds maturing after March 1, 2030, are subject to optional redemption on or after March 1, 2030, at the election of the Authority, in whole or in part on any date, and if in part, in such order of maturities as the Authority may direct, at a redemption price equal to the sum of the principal amount to be so redeemed, plus interest accrued to the redemption date, without premium.

**Notice of Redemption.** The Indenture provides that notice of any redemption of the Series 2020 Bonds shall be sent at least thirty-five (35) days before the redemption date. Such notice shall contain information necessary to identify the Series 2020 Bonds being redeemed. A second notice shall be mailed no more than sixty (60) days after the redemption date to any Bondholder who has not turned Series 2020 Bonds in for redemption within thirty (30) days after the redemption date.

For so long as DTC is effecting book-entry transfers of the Series 2020 Bonds, the Trustee will provide the redemption notice described above to DTC. It is expected that DTC will, in turn, notify its participants, and that the participants, in turn, will notify or cause to be notified the Beneficial Owners of the Series 2020 Bonds to be prepaid. The Trustee and the Authority will have no responsibility or liability in connection with any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2020 Bond, to notify the Beneficial Owner of the Series 2020 Bond so affected, and such failure shall not affect the validity of the redemption of such Series 2020 Bond. (See “**THE SERIES 2020 BONDS—Book-Entry-Only System**” herein and “**APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.**”)

## **SECURITY AND SOURCES OF PAYMENT**

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in “**APPENDIX C—CERTAIN DEFINITIONS.**”

### **Pledge of Revenues; Obligations of the Authority**

Pursuant to the Indenture, the Series 2020 Bonds will upon issuance be equally and ratably secured with other outstanding Bonds by a pledge of Revenues of the Authority. The term “Revenues” includes all income, fees, charges, receipts, rentals, profits and other moneys derived by the Authority from its operation of the Water System (other than moneys deposited in the Rebate Account of the Bond Fund under the Indenture and payments, if any, under the Monroe County Agreement and the Amended and Restated Genesee County Agreement). The Series 2020 Bonds will be direct and general obligations of the Authority for which the full faith and credit of the Authority will be pledged to the payment of the principal thereof and interest thereon pursuant to the Indenture; however, the Authority has no taxing power.

The Indenture provides for the creation of (i) a special trust fund called the Water System Revenue Fund into which are deposited all Revenues of the Authority’s Water System, and (ii) a special trust fund called the Bond Fund, the moneys in which are applied to and charged with the payment of the principal of and interest on all bonds issued under the Indenture.

There are certain other provisions of the Indenture creating other special funds relating to the operations of the Authority, certain covenants as to maintaining rates, the sale, lease or other disposition of property of the Authority, insurance, etc., and certain provisions relating to defaults by the Authority. (See “**APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**” and “**SECURITY AND SOURCES OF PAYMENT—Rate Covenant.**”)

Neither the members of the Authority nor any person executing the Series 2020 Bonds will be liable personally on such Series 2020 Bonds by reason of the issuance thereof. The Series 2020 Bonds are not a debt of the State of New York, the County of Monroe, nor of any municipality in such county, and neither the State of New York, the County of Monroe, nor any municipality in such county is liable thereon, nor are the Series 2020 Bonds payable out of any funds other than those of the Authority. The Authority has no taxing power.

### **Rate Covenant**

The Indenture provides that the Authority shall fix, establish and collect, or cause to be fixed, established and collected, rates, tolls, rents and other charges for the water distributed by it and for any services or facilities sold, furnished or supplied by the Water System or any part thereof, which rates, tolls, rents and charges shall be sufficient in each fiscal year of the Authority to produce Revenues in such fiscal year which, together with other moneys which lawfully may be applied to the purpose, will be equal to at least the sum of (a) 1.2 times debt service for such fiscal year on all Bonds less amounts to be received from the County of Monroe or the County of Genesee during such year pursuant to any contract between the Authority and the County of Monroe or the County of Genesee which specifically obligates the particular county to pay debt service on one or more Series of Bonds (*See “OUTSTANDING BONDS”*), (b) the necessary expenses of operating, maintaining, renewing and replacing the Water System and maintaining the Debt Service Reserve Accounts in the Bond Fund, if any, and (c) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year. (*See “SECURITY AND SOURCES OF PAYMENT - Additional Bonds; Refunding Bonds” and “OUTSTANDING BONDS.”*)

### **Debt Service Reserve Fund**

The Series 2020 Bonds will not be secured by a debt service reserve fund.

### **Additional Bonds; Refunding Bonds**

In order to issue Additional Bonds under the Indenture, among other items the Authority must deliver one of the following:

- (a) a certificate of an Accountant selected by the Authority (i) setting forth for any consecutive 24-month period in the previous thirty-six (36) months the Revenues for such period, and (ii) showing that one-half of such Revenues would be sufficient to meet the rate covenant of the Indenture for the current fiscal year with respect to all Bonds to be outstanding at any time during such year, including the Additional Bonds proposed to be issued; or
- (b) a certificate of the Consulting Engineer setting forth the estimated Revenues (assuming an estimated completion date) for whichever of the following periods shall extend until the latest date: (i) if interest on such Additional Bonds is to be capitalized until a certain date, for each of the three fiscal years succeeding such date, or (ii) if there is to be no capitalized interest, for the then current fiscal year and each of the next four succeeding fiscal years, and, in addition, a certificate of an Authorized Officer of the Authority showing that aggregate debt service on Bonds for each of the fiscal years set forth in the Consulting Engineer’s certificate and showing the estimated Revenues would be sufficient to meet the rate covenant of the Indenture for each of such fiscal years for all Bonds to be outstanding during such time. (*See “SECURITY AND SOURCES OF PAYMENT—Rate Covenant.”*)

The tests for the issuance of Additional Bonds shall not apply to (a) certain Refunding Bonds, (b) any Series of Bonds, all of the proceeds of which are to be applied to pay costs of a Capital Improvement necessary to prevent a loss of Revenues therefrom, or to comply with requirements of any governmental agency having jurisdiction over the Authority, (c) completion bonds, or (d) any Series of Bonds, the aggregate principal amount of which does not exceed ten percent (10%) of Revenues for the most recent fiscal year prior to the issuance of such Series of Bonds for which audited financial statements are available and provided the Authority certifies to the Trustee that the estimated revenues for the current fiscal year are sufficient to meet the rate covenant set forth in the Indenture.

In order to issue Refunding Bonds under the Indenture, the Authority must deliver, among other items, a certificate of the Authority stating either (a) that the debt service on the Refunding Bonds in any year is no more than one hundred ten percent (110%) of the debt service in such year for the related Bonds being refunded, or (b) if the foregoing clause (a) is not the case, that the requirements for the issuance of Additional Bonds have been met.

### **Flow of Funds**

The Authority will withdraw from the Water System Revenue Fund, from time to time, and in the following order, the moneys needed to make, and will make, the following payments in order of priority:

- (a) to the Authority for deposit in the Operating and Maintenance Fund, not later than the last Business Day of each month, the amounts required to pay Operating Expenses;
- (b) not later than the last Business Day of each month, to the Trustee for deposit in the Bond Fund, the amounts required to be deposited in the Bond Fund as set forth in the Indenture to make required debt service payments on the Bonds;
- (c) not later than the last Business Day of each month, to the Authority for deposit in the Subordinated Indebtedness Fund, an amount equal to the greater of (i) one-twelfth (1/12) of the total amount required to meet the Authority's lease obligations to the County of Monroe, if any, and any other Subordinated Indebtedness payments for such fiscal year, or (ii) an amount required to increase the total amount paid into said fund during such year to an amount necessary to meet the Subordinated Indebtedness payments due in the next succeeding month; and
- (d) the remainder in the Water System Revenue Fund, after making the transfers and allocations set forth above, to the Authority for deposit in the General Fund.

Moneys in the General Fund may be transferred as determined by the Authority from time to time, to the extent permitted by law, into the Capital Improvement Fund or any other fund created under the Indenture and used as provided therein. In the event any fund created under the Indenture has more than one hundred ten percent (110%) of the amount required to be on deposit therein ("excess funds"), the Authority may effect a transfer of the excess funds from such fund into the General Fund. In the case of a fund held by the Trustee, the transfer shall be effected upon delivery to the Trustee of a certificate of an Authorized Officer of the Authority stating that such fund has more than one hundred ten percent (110%) of the amount required to be on deposit therein.

### **Tax Covenants**

In the Indenture, the Authority covenants with the holders of the Series 2020 Bonds from time to time that during the term of the Series 2020 Bonds and through the date of the final rebate, if any, that must be



made to the United States in accordance with Section 148 of the Code, it will comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Series 2020 Bonds shall be excludable from gross income for federal income tax purposes.

## THE AUTHORITY

### Overview

The Authority is the third largest water supplier in New York State and one of the 80 largest water suppliers in the United States. The Authority was formed in 1950 and commenced full-scale operations in 1959 when it acquired the Monroe County assets of the New York Water Service Corporation, a private water company that served a limited portion of Monroe County. Today the Authority operates and manages a regional water supply and distribution system (the “Water System”) that includes the single largest water treatment plant in New York State and provides water to approximately 749,000 individuals and services approximately 186,000 separate accounts. (See **“THE AUTHORITY—Water Rates and Water Customers.”**) The Authority’s customers are located in all of the towns and villages in Monroe County and certain municipalities in Ontario, Genesee, Livingston, Orleans, and Wayne Counties. (See **“THE AUTHORITY—Service Area.”**) At the request of Genesee County, the Authority had the Act amended in 1999 to allow the Authority to provide wholesale and retail service throughout all of Genesee County as part of Genesee County’s strategy to develop a coordinated, comprehensive, integrated public water system. (See **“THE AUTHORITY—Agreements with Genesee County.”**)

The facilities that comprise the Water System are either owned by the Authority or leased on a long-term basis from Monroe County or other municipalities or water districts. (See **“THE AUTHORITY—Agreement with Monroe County.”**) Leased facilities are operated and maintained at the expense of the Authority. The Authority has the right under its lease agreements to make improvements to such facilities and to interconnect other facilities operated by the Authority, as well as to take a supply of water without main rentals or surcharges.

The Authority’s rates and charges are independently set by the Authority and are not subject to review, regulation or approval by any federal, state, or local governmental agency or body. (See **“THE AUTHORITY—Water Rates and Water Customers”** and **“SECURITY AND SOURCES OF PAYMENT—Rate Covenant.”**)

See **“APPENDIX B—REPORT OF THE CONSULTING ENGINEER”** for the opinion of the Consulting Engineer regarding the condition of the Water System.

### Organization and Membership

Under the Act, the members of the Authority, who must be residents of Monroe County, serve for overlapping terms of five (5) years, or until their successors are appointed and qualified. The County Legislature of Monroe County appoints the members. There are seven (7) members, no more than five (5) of whom may belong to the same political party.

The present officers and members of the Authority, the year they were appointed as members, their business affiliation and residency are as follows:

*Scott D. Nasca*, Chairperson and member since 2014. Mr. Nasca is President of Generation Capital Management, LLC and is a resident of the Town of Parma. In 2018, Mr. Nasca became Chairperson, and as Chairperson is a member of all standing committees. His term expires April 1, 2024.

*Matthew J. Fero*, Vice Chairperson and a member since 2018. Mr. Fero is an attorney in private practice and is a resident of the Town of Brighton. His term expires April 1, 2022.

*Joseph R. Rulison*, Treasurer and a member since June 2005. Mr. Rulison is CEO at three+one advisors and is a resident of the Town of Brighton. His term expires April 1, 2024.

*Wendy Bleier-Mervis*, member since 2011. Ms. Bleier-Mervis is Executive Director of Camp Good Days and Special Times and is a resident of the Town of Pittsford. Her term expires April 1, 2021.

*Robert W. Hurlbut*, member since 2011. Mr. Hurlbut is president of ROHM Services Corporation and is a resident of the Town of Brighton. His term expires April 1, 2022.

*Allen S. Bernstein*, member since 2014. Mr. Bernstein is Vice President of Sales and Solutions at DePrez Travel and is a resident of the Town of Henrietta. His term expires April 1, 2023.

*Sheryal A. Volpe* member since 2015. Ms. Volpe is an independent New York State Licensed Real Estate Broker and is a resident of the Town of Honeoye Falls. Her term expires April 1, 2021.

### **Management of the Authority**

The following is a brief description of certain key senior administrative officers of the Authority:

*Nicholas A. Noce*, Executive Director of the Authority since December 2011. Previously, Mr. Noce served as Interim Executive Director for the Authority starting in August 2010 and prior to that served as Director of Finance & Business Services for the Authority starting in May 2005. He received a Bachelor of Science degree in Business Administration from Niagara University. Prior to joining the Authority, Mr. Noce held various financial positions for other public benefit corporations.

*Amy A. Molinari*, Director of Finance & Business Services for the Authority since July 2019. She received a Bachelor of Science degree in Accounting and a Master of Business Administration degree with an Accounting concentration from St. John Fisher College. Prior to joining the Authority, Ms. Molinari was the Senior Debt Management Coordinator for the County of Monroe.

*Raymond W. Benshoff*, Executive Director of Operations, Facilities & Fleet Maintenance for the Authority since 1996. He received a Bachelor of Science degree in Business Administration from Tri-State University. Prior to joining the Authority, Mr. Benshoff spent 25 years in management positions in the construction equipment field.

*Stephen M. Savage, P.E.*, Director of Engineering for the Authority since 2006. He received a Bachelor of Science degree in Civil Engineering from Rochester Institute of Technology. Before joining the Authority, Mr. Savage was a project manager with MRB Group, P.C., in Penfield, New York.

*Christopher J. LaManna, P.E.*, Director of Production and Transmission for the Authority since July 2018. He received a Bachelor of Science degree in Civil Engineering from Syracuse University and a Master of Science degree in Civil Engineering from San Jose State University. Prior to joining the Authority, Mr. LaManna was a consulting engineer for 27 years in the field of municipal water engineering.

## Financial Statements

See “**APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**” for a copy of the Authority’s financial statements as of December 31, 2019, audited by Bonadio & Co., LLP, independent auditors.

### GASB 75

Effective for Fiscal Years beginning after June 15, 2017, GASB Statement No. 75 (“GASB 75”) of the Governmental Accounting Standards Board (“GASB”), replaced GASB Statement No. 45. GASB 75 requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits, known as other post-employment benefits (“OPEB”). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB similarly to GASB Statement No. 68 reporting requirements for pensions.

GASB 75 requires state and local governments to measure a defined benefit OPEB plan as the portion of the present value of projected benefit payments to be provided to current active and inactive employees, attributable to past periods of service in order to calculate the total OPEB liability. Total OPEB liability generally is required to be determined through an actuarial valuation using a measurement date that is no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year.

GASB 75 requires that most changes in the OPEB liability be included in OPEB expense in the period of the changes. Based on the results of an actuarial valuation, certain changes in the OPEB liability are required to be included in OPEB expense over current and future years.

As of December 31, 2019, the Authority had an OPEB obligation of \$47,147,148 in its financial statements, based upon an actuarial valuation for the fiscal year ending December 31, 2019, in accordance with GASB 75. (See “**APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**”). There is no requirement to fund the future OPEB obligation, and, at present, in New York State, there is neither a mechanism for the creation of discrete, irrevocable trusts into which any such payments in respect of future OPEB obligations could be paid, nor authority for local governments and public benefit corporations, including the Authority, to do so. See “**APPENDIX A—AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**” for information on the funding policy, the funded status, and the funding progress.

## Water Supply and Treatment

***Shoremont Water Treatment Plant.*** The Authority’s principal source of water supply is Lake Ontario, a high-quality, abundant supply. Raw water is drawn from Lake Ontario over 1.5 miles from the shoreline at a depth of approximately fifty (50) feet through concrete pipes and treated at the Authority-owned Shoremont Water Treatment Plant (“Shoremont”) in the Town of Greece. Shoremont, the single largest water treatment plant in New York State, is a direct filtration plant last expanded in 1983 to an approved production capacity of 140 MGD.

***Webster Water Treatment Plant.*** The Authority’s Webster Water Treatment Plant (“Webster”), located in the eastern portion of the service area in the Town of Webster, was constructed and placed in service in 2013. It too is a direct filtration plant with a peak production capacity of 50 MGD. Both the Shoremont and Webster plants’ source of supply is Lake Ontario, the 13<sup>th</sup> largest lake in the world.

Average daily production at the two Lake Ontario Plants (Shoremont and Webster) is approximately 65 MGD. Maximum single day production was approximately 123 MGD in June 1995.

**Corfu Water Treatment Plant.** The Authority owns and operates the Corfu Water Treatment Plant (“Corfu”), a 0.2 MGD well supply and treatment plant in the Village of Corfu that serves its western Genesee County customers.

### **Transmission, Distribution, and Storage Facilities**

Water is pumped from Shoremont, Webster and the Corfu Water Treatment plants to storage facilities and customers in the Authority’s service area through approximately three hundred fifty (350) miles of major transmission mains, ranging in diameter from sixteen (16) to sixty (60) inches, and approximately 3,000 miles of distribution mains, ranging in diameter from two (2) to twelve (12) inches. The Authority operates forty-eight (48) booster pumping stations to provide the pressure to distribute water to storage facilities and customers. The Water System includes two reservoirs and forty-nine (49) other storage facilities with an aggregate capacity of over 150 million gallons. The Authority has regular programs of (i) pump, motor, and equipment inspection, maintenance, and replacement, (ii) storage facility inspection, painting, and repair, (iii) meter maintenance and replacement and (iv) main replacement or upgrading.

On or before October 15 of each year, the Consulting Engineer files a report on the properties and operations of the Water System with the Authority and the Trustee. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily performed and complied with the covenants, agreements, and conditions set forth in the Indenture, the sufficiency of the amount being charged and collected for services, the proper maintenance of the Water System, and the making of repairs, renewals, replacements, modifications, additions, and betterments necessary or desirable to improve operating reliability or reduce costs and recommendations thereof.

### **Service Area**

The Authority services Monroe County and portions of each of the five surrounding counties. The Authority’s service area encompasses approximately 1,300 square miles.

In Monroe County, the Authority currently sells water at retail in every town and village, except the Villages of Brockport and Hilton. The Authority sells water at wholesale to an independently operated water district in the Town of Irondequoit (Sea Breeze Water District) and to the Villages of Brockport and Hilton. (See “**THE AUTHORITY—Water Rates and Water Customers—*Water Customers.***”) The Authority also exchanges water with the City of Rochester. (See “**THE AUTHORITY—*City Agreement.***”)

Outside of Monroe County, the Authority provides wholesale service to the Village of Victor (Ontario County), the Towns of Oakfield and Batavia and the Village of Oakfield (Genesee County), the Town of Clarendon (Orleans County), and the Wayne County Water Authority. The Authority provides retail service to all or portions of the Town and Village of Bergen, the Town and Village of LeRoy, the Towns of Byron, Darien, Pavilion, Pembroke, Bethany and Stafford, and the Village of Corfu (Genesee County), the Town of Kendall (Orleans County), and the Towns of Victor, Richmond, East Bloomfield and West Bloomfield (Ontario County). The Authority also provides a supplemental supply of water outside of Monroe County to the Village of Holley (Orleans County) and the Town of Murray (Orleans County). (See “**THE AUTHORITY—Water Rates and Water Customers—*Water Customers.***”)

See Appendix F for a map illustrating the Authority’s service area.

## **Agreement with Monroe County**

In 1969, the Authority entered into an agreement with Monroe County (the “Monroe County Agreement”) whereby the Authority agreed to plan, construct, operate, manage, repair, and maintain certain improvements to the Water System that are financed and owned by Monroe County and leased to the Authority for operation as part of the Water System. There are currently no outstanding Monroe County bonds or bond anticipation notes relating to Monroe County assets maintained by the Authority.

## **Agreements with Genesee County**

In May 2000, the Authority and Genesee County entered into an agreement (the “Genesee County Agreement”) pursuant to which the Authority acquired, constructed, equipped, and financed approximately thirty-five (35) miles of water mains in Genesee County and Monroe County, together with three pump stations and three storage tanks situated in Genesee County, all of which the Authority operates and maintains as part of the Water System. The cost of acquiring, constructing, and equipping such water mains, pump stations and water tanks was financed by the Authority through the issuance of the Water System Revenue Bonds, Series 2001 (the “Series 2001 Bonds”), which bonds were later refunded by the Water System Revenue Refunding Bonds, Series 2007 (the “Series 2007 Bonds”) issued to the New York State Environmental Facilities Corporation (“EFC”). (See “**OUTSTANDING BONDS.**”) Under the Genesee County Agreement, Genesee County agreed to pay to the Authority, as a service fee, an amount equal to the total principal, Sinking Fund Installments, interest and premium, if any, due and payable on the Series 2001 Bonds (now the Series 2007 Bonds) twenty (20) days before the same come due (the “Service Payments”). The obligation of Genesee County under the Genesee County Agreement to make the Service Payments, including any Service Payments to be made on the Series 2020 Bonds, is absolute and unconditional without deduction or offset of any kind for any reason.

Effective January 21, 2018, the Authority and Genesee County entered into an Amended and Restated Water Development and Supply Agreement (the “Amended and Restated Genesee County Agreement”). The Amended and Restated Genesee County Agreement (a) extended the term of the Genesee County Agreement for at least 40 years; (b) consolidated into it that certain (i) Agreement for Specified Wholesale Water Supply to the County of Genesee, dated August 15, 2001, (ii) Facilities Lease Agreement, dated September 25, 2002, and (iii) Supplemental Agreement, dated as of October 8, 2003; (c) accommodated for further expansion and improvement to the Water System; and (d) provided for the furnishing of the supply of water to the proposed Western New York Science and Technology Advanced Manufacturing Park project (the “STAMP Project”) from the Authority, and if necessary, one or more alternative public sources. The Amended and Restated Genesee County Agreement retained those obligations of Genesee County described in the prior paragraph, including without limitation, the absolute and unconditional obligation to make Service Payments.

A portion of the Series 2020 Bonds proceeds are being utilized to finance Genesee County Projects. Upon issuance of the Series 2020 Bonds, Genesee County’s Service Payments will equal the debt service due on the Series 2007 Bonds and Genesee County’s portion of the Series 2020 Bonds.

## **Capital Improvement Program**

**Overview.** The Authority has historically had a significant focus on maintaining the Water System at its high level of performance. Over the past ten (10) years, over one-half of the budget for renewal and replacement in respect of the Water System has been related to the distribution system, including main replacement, cement lining, hydrant and valve replacements and cathodic protection. The renewal budget for mains over the last several years has averaged over \$7 million. Other significant categories of reinvestment in the Water System infrastructure include: tank rehabilitation, production equipment renewals, pumping system upgrades, and control system modernization. The Authority also continues to implement installation

of an automated meter reading system. Thus far, approximately sixty-nine percent (69%) of the meters have been converted; it is anticipated that the remaining conversion will take place over the next four years.

Each year the Authority also develops and, as part of the annual budget approval process, adopts a capital improvement program for the ensuing six (6) years.

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The following table represents the Capital Improvement Program (the “CIP”) of the Authority for 2020 through 2024.

**Capital Improvement Program (2020 – 2024)<sup>1</sup>**

<b>Renewal and Replacement:</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Security	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Production/Transmission	3,760,000	4,970,000	2,970,000	6,195,000	3,695,000
Engineering <sup>2</sup>	10,475,000	11,070,000	10,680,000	9,750,000	9,600,000
Facilities, Fleet & Operations	1,946,300	2,797,500	2,870,500	2,945,500	3,025,500
Finance & Business Services <sup>3</sup>	3,462,000	3,300,000	3,450,000	3,300,000	3,385,000
Less funding from New Construction Fund	(865,750)	-	-	-	-
Less funding from General Fund	-	-	-	-	-
<b>Total Renewal and Replacement</b>	<b>18,877,550</b>	<b>22,237,500</b>	<b>20,070,500</b>	<b>22,290,500</b>	<b>19,805,500</b>
<b>Capital Improvements:</b>					
Security	275,000	125,000	125,000	125,000	125,000
Production/Transmission	1,125,000	100,000	525,000	100,000	125,000
Engineering <sup>4</sup>	450,000	1,400,000	400,000	1,500,000	400,000
Facilities, Fleet & Operations	30,000	-	-	-	-
Finance & Business Services	-	20,000	20,000	10,000	-
Genesee County Water Supply Project	18,000,000	-	-	-	-
<b>Total Capital Improvement</b>	<b>19,880,000</b>	<b>1,645,000</b>	<b>1,070,000</b>	<b>1,735,000</b>	<b>650,000</b>
<b>Total</b>	<b>\$38,757,550</b>	<b>\$23,882,500</b>	<b>\$21,140,500</b>	<b>\$24,025,500</b>	<b>\$20,455,500</b>

<sup>1</sup> Throughout this Official Statement, totals may not sum due to rounding.

<sup>2</sup> Costs include the renewal and replacement of existing water mains and the rehabilitation of water storage facilities.

<sup>3</sup> Costs include the renewal and replacement of residential water meters.

<sup>4</sup> Costs include the construction of new water mains.

*[This space intentionally left blank.]*

**Projected Debt Service.** The projected debt service of the Authority includes principal and interest payments on the Authority's outstanding Water Revenue Bonds as well as anticipated payments on future debt. For many years, the Authority routinely financed a substantial majority of its CIP through annual revenues, however, it is currently assumed that the Authority will use the proceeds of the anticipated bond issuance to fund approximately 25% of its CIP for the period of 2020 through 2024. The remainder of the CIP during this period will be funded from annual revenues. The following table represents the projected debt service for 2020 through 2024. (See "OUTSTANDING BONDS.")

**Projected Debt Service (2020 - 2024)**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Outstanding Bonds</b>					
Series 2007 <sup>1</sup>	\$ 1,065,034	\$ 1,069,233	\$1,072,076	\$1,074,817	\$1,078,663
Series 2010	215,250	-	-	-	-
Series 2010B <sup>2</sup>	7,948,512	7,904,100	7,860,988	7,807,738	7,753,600
Series 2012	429,187	431,388	431,138	430,388	429,138
Series 2013 <sup>3</sup>	953,176	952,838	956,786	954,978	957,778
Series 2017	161,300	376,300	377,000	371,000	369,750
<b>Debt Service on Outstanding Bonds</b>	10,772,459	10,733,859	10,697,988	10,638,921	10,588,929
<b>Anticipated Bond Issuances</b>	<b>Bond Size</b>				
Series 2020 <sup>4</sup>	25,963,700	519,274	1,501,483	1,501,483	1,501,483
Series 2021 <sup>5</sup>	6,149,744	-	184,492	446,772	446,772
Series 2022 <sup>5</sup>	5,443,679	-	163,310	395,477	395,477
Series 2023 <sup>5</sup>	6,186,566	-	-	185,597	449,447
Series 2024 <sup>5</sup>	5,267,291	-	-	-	158,019
<b>Total Senior Debt Service</b>	<u>\$11,291,733</u>	<u>\$12,419,835</u>	<u>\$12,809,554</u>	<u>\$13,168,251</u>	<u>\$13,540,128</u>
Subordinate Debt Service <sup>6</sup>	-	-	-	-	-

<sup>1</sup> Debt service for the outstanding Series 2007 Bonds includes the effects of an interest rate subsidy provided by EFC and interest rate savings attributed to an EFC Series 2015 refunding.

<sup>2</sup> Debt service for the outstanding Series 2010B Bonds excludes the effects of the interest subsidy provided by the federal government as part of the Build America Bonds program. Effects of the interest rate subsidy are shown and included in the table summarizing Projected Revenues of the Authority.

<sup>3</sup> Debt service for the outstanding Series 2013 Bonds includes the effect of an interest rate subsidy provided by EFC.

<sup>4</sup> Debt service for Series 2020 Bonds is based on a 30-year amortization and an assumed interest rate of 4%. It is expected that the Series 2020 Bonds will be sold at a premium and that bond proceeds will exceed the par amount.

<sup>5</sup> The par amount for each of the anticipated bond issues is assumed to equal approximately 25% of the Authority's CIP requirement in each respective year plus a 3% cost of issuance assumption. Debt service for each anticipated bond issue is based upon a 30-year amortization and an assumed interest rate of 6%. Lastly, debt service due in year one for each of the anticipated bond issues is assumed to be interest only and accrue for 6-months.

<sup>6</sup> Total Senior Debt Service does not include the subordinated debt service of the Authority. In 2019, the Authority made subordinate indebtedness debt service payments to Monroe County. The Authority has no additional subordinate indebtedness outstanding as of December 31, 2019.

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**Projected Expenses.** The table below summarizes the Authority’s projected expenses from 2020 through 2024. The Authority’s expenses are primarily categorized by labor related expenses and non-labor expenses. No extraordinary changes in operations, staffing levels or non-labor expenses are anticipated during the projection period. The Authority’s projected Labor Related Expenses and Expenses Other Than Labor are outlined by component below.

**Projected Expenses (2020 – 2024)**

	<b><u>2020</u></b> <b><u>Budget</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>
<b>Labor Related Expenses</b>					
Total Gross Payroll <sup>1</sup>	\$18,756,340	\$19,319,030	\$19,898,601	\$20,495,559	\$21,110,426
Less: Transfer to Construction <sup>1</sup>	(1,391,560)	(1,433,307)	(1,476,306)	(1,520,595)	(1,566,213)
Plus: Net Fringe Benefits <sup>2</sup>	8,820,950	9,173,788	9,540,740	9,922,369	10,319,264
<b>Total Net Labor Expenses</b>	<b>26,185,730</b>	<b>27,059,511</b>	<b>27,963,035</b>	<b>28,897,333</b>	<b>29,863,477</b>
<b>Expenses Other Than Labor</b>					
Administration <sup>3</sup>	5,300,690	5,459,711	5,623,502	5,792,207	5,965,973
Production & Transmission <sup>3</sup>	3,256,530	3,354,226	3,454,853	3,558,498	3,665,253
Engineering <sup>3</sup>	710,460	731,774	753,727	776,339	799,629
Facilities & Fleet Operations <sup>3</sup>	4,559,780	4,696,573	4,837,471	4,982,595	5,132,073
Finance & Business Services <sup>3</sup>	2,497,430	2,572,353	2,649,523	2,729,009	2,810,879
Power <sup>3</sup>	3,862,400	3,978,272	4,097,620	4,220,549	4,347,165
Security Initiative <sup>4</sup>	830,000	830,000	830,000	830,000	830,000
Water Purchases – City <sup>5</sup>	1,700,000	1,759,500	1,821,083	1,884,820	1,950,789
Water Purchases – ECWA <sup>5</sup>	380,000	393,300	407,066	421,313	436,059
City Agreement - Capital <sup>5</sup>	243,000	243,000	243,000	243,000	243,000
<b>Total Expenses Other Than Labor</b>	<b>23,340,290</b>	<b>24,018,709</b>	<b>24,717,844</b>	<b>25,438,330</b>	<b>26,180,821</b>
<b>Total Operating Expenses</b>	<b>\$49,526,020</b>	<b>\$51,078,220</b>	<b>\$52,680,879</b>	<b>\$54,335,663</b>	<b>\$56,044,297</b>

<sup>1</sup> Gross Payroll and Transfers to Construction are assumed to increase at a rate of 3.0% per year beginning in 2021.

<sup>2</sup> Net Fringe Benefits is assumed to increase at a rate of 4.0% per year beginning in 2021.

<sup>3</sup> Administration, Engineering, Finance & Business Services Expenses, Production & Transmission, Facilities & Fleet Operations and Power Expenses are assumed to increase at a rate of 3.0% per year beginning in 2021.

<sup>4</sup> Security Initiative and City Agreement-Capital Expenses are expenses that are fixed by contract.

<sup>5</sup> Water Purchases are assumed to increase at a rate of 3.5% per year beginning in 2021.

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**Projected Revenues.** The table below represents the anticipated revenues of the Authority for the period of 2020 through 2024. The projected revenues of the Authority are affected primarily by the anticipated number of customers, the annual consumption by wholesale and retail customers, and changes in the rates and charges of the Authority. It is assumed that the number of customers will remain relatively stable in each year. For revenue projection purposes, water revenues from retail and wholesale customers, prior to the effect of rate increases, is assumed to decline by 0.5% in 2021 through 2024. Actual demand in each year may be impacted by weather conditions or other factors. The Authority currently projects annual rate increases of 3.5% in each year from 2021 through 2024.

**Projected Revenues (2020 – 2024)<sup>1</sup>**

	<u>2020</u> <u>Budget</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Water Revenues</b>					
Quarterly Customers	\$60,844,416	\$62,659,101	\$64,527,908	\$66,452,453	\$68,434,398
Monthly Customers	7,411,531	7,632,580	7,860,222	8,094,653	8,336,076
Water Districts	3,907,316	4,023,852	4,143,863	4,267,454	4,394,731
<b>Total Water Revenues</b>	<b>72,163,263</b>	<b>74,315,532</b>	<b>76,531,993</b>	<b>78,814,560</b>	<b>81,165,204</b>
<b>Other Water Revenues</b>					
Central Facility Charges	40,000	40,000	40,000	40,000	40,000
Genesee County Service Payments – Series 2007 Bonds <sup>2</sup>	1,065,035	1,069,233	1,072,076	1,074,817	1,078,663
Genesee County Service Payments – Series 2020 Bonds <sup>3</sup>	400,000	1,156,602	1,156,602	1,156,602	1,156,602
Late Charges	895,000	895,000	895,000	895,000	895,000
Fire Protection Service	1,309,520	1,309,520	1,309,520	1,309,520	1,309,520
Interest Income	350,000	350,000	350,000	350,000	350,000
Income from Cell Site Leases	235,000	235,000	235,000	235,000	235,000
Miscellaneous Income	506,600	500,000	500,000	500,000	500,000
Subsidy Payments (2010B BAB) <sup>4</sup>	1,800,732	1,761,695	1,719,815	1,669,719	1,617,697
<b>Total Other Water</b>	<b>6,601,887</b>	<b>7,317,050</b>	<b>7,278,013</b>	<b>7,230,658</b>	<b>7,182,482</b>
<b>Total Revenues</b>	<b>\$78,765,150</b>	<b>\$81,632,582</b>	<b>\$83,810,006</b>	<b>\$86,045,218</b>	<b>\$88,347,686</b>

<sup>1</sup> It is assumed for revenue projection purposes that water consumption will decline each year; a revenue reduction of 0.5% per year is assumed above for 2021-2024.

<sup>2</sup> The Genesee County Service Payments due on the Series 2007 Bonds is equal to the annual debt service due on the Series 2007 Bonds.

<sup>3</sup> The Genesee County Service Payments on its portion of the Series 2020 Bonds in 2021-2024 is computed on the basis of a \$20 million principal amount, 4% interest and 30-year repayment. The Service Payments associated with the Series 2020 Bonds does not equal debt service due on the Series 2020 Bonds as proceeds from the Series 2020 Bonds will be used to fund projects for both the Authority and Genesee County.

<sup>4</sup> The American Recovery and Reinvestment Act, which among other things created the Build American Bonds program (“BABs”), provides for 35% interest subsidy payments to issuers of BABs. Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, refund payments due to BABs issuers are subject to sequestration. Refund payments are assumed to be reduced by the 6.6 percent sequestration rate. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the BABs interest subsidy sequester, at which time the sequestration reduction rate is subject to change.

***Projected Cash Flows and Debt Service Coverage.*** The following table summarizes projected cash flows and debt service coverage of the Authority for the period of 2020 through 2024. Debt service coverage is maintained at levels that exceed the minimum requirements of the rate covenant. The table shows the projected sources and uses of funds for the CIP, including the Genesee County Projects.

**Projected Cash Flows and Debt Service Coverage (2020 – 2024)**

	<u><b>2020 Budget</b></u>	<u><b>2021</b></u>	<u><b>2022</b></u>	<u><b>2023</b></u>	<u><b>2024</b></u>
Total Water Revenue	\$78,765,150	\$81,632,582	\$83,810,006	\$86,045,218	\$88,347,686
Total Operating Expenses	49,526,020	51,078,220	52,680,879	54,335,663	56,044,297
Net Revenue Available for Debt Service	29,239,130	30,554,362	31,129,127	31,709,555	32,303,389
Total Debt Service	11,291,733	12,419,835	12,809,554	13,168,251	13,540,128
<b>Debt Service Coverage</b>	<b>2.59</b>	<b>2.46</b>	<b>2.43</b>	<b>2.41</b>	<b>2.39</b>
Subordinated Indebtedness	-	-	-	-	-
Net Cash Prior to Other Uses	<u>\$17,947,397</u>	<u>\$18,134,528</u>	<u>\$18,319,574</u>	<u>\$18,541,304</u>	<u>\$18,763,261</u>
<b>Anticipated Rate Increases (Average)</b>		<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>3.5%</b>

**Sources & Uses of Capital Funds/Capital Fund Balances**

**Sources of Funds**

Net Cash Prior to Other Uses	\$17,947,397	\$18,134,528	\$18,319,574	\$18,541,304	\$18,763,261
Net Cash (From Prior Year)	5,333,841	7,603,688	-	-	-
Bond Proceeds (Genesee County plus 25% of CIP)	25,580,000	5,970,625	5,285,125	6,006,375	5,113,875
Funds Available in New Construction Fund <sup>1</sup>	4,866,462	4,800,000	4,800,000	4,800,000	4,800,000
<b>Total Sources</b>	<b>53,727,700</b>	<b>36,508,841</b>	<b>28,404,698</b>	<b>29,347,679</b>	<b>28,677,136</b>

**Uses of Funds**

Renewal and Replacement	18,877,550	22,237,500	20,070,500	22,290,500	19,805,500
Capital Improvement	19,880,000	1,645,000	1,070,000	1,735,000	650,000
Rate Stabilization Fund/Reserve Deposits <sup>2</sup>	2,500,000	7,826,341	2,464,198	522,179	3,421,636
<b>Total Uses</b>	<b>41,257,550</b>	<b>31,708,841</b>	<b>23,604,698</b>	<b>24,547,679</b>	<b>23,877,136</b>

Net Cash	7,603,688	-	-	-	-
Funds Available in New Construction Fund <sup>1</sup>	4,866,462	4,800,000	4,800,000	4,800,000	4,800,000
<b>Total Funds Available after Capital Program</b>	<b><u>\$12,470,150</u></b>	<b><u>\$4,800,000</u></b>	<b><u>\$4,800,000</u></b>	<b><u>\$4,800,000</u></b>	<b><u>\$4,800,000</u></b>

<sup>1</sup> The New Construction Fund is a separate, special fund created under the Indenture. The Authority, at its discretion, may elect in the future to use certain proceeds available in the New Construction Fund to pay for expenditures from the Capital Program.

<sup>2</sup> The Authority's 2019 Cost of Service Study recommended the establishment of the Rate Stabilization Fund to increase the Authority's unrestricted cash on hand. Deposits into this fund start in 2020 and continue through 2024.

## Quality and Environmental Matters

The Water System is subject to federal, State and local regulation. The Authority operates and maintains the Water System in accordance with all applicable federal, State and local regulations. The Safe Drinking Water Act (SDWA) is the main federal law that regulates the quality of drinking water. Under the SDWA, the United States Environmental Protection Agency (EPA) sets standards for drinking water quality and oversees the states, localities, and water suppliers who implement those standards. The New York State Department of Health (NYSDOH) independently monitors finished water produced and distributed by the Authority to verify that it meets all applicable EPA and State primary and secondary standards for metals, organics, and physical characteristics. Raw water and finished water (both within treatment plants and throughout the distribution system) are frequently tested by the Authority and independent agencies and laboratories for bacteriological quality, turbidity, and chlorine residual and the presence of organic contaminants. The Authority's sampling program far exceeds that required of it by EPA and New York State regulations.

There are often proposed new federal or state laws and regulations or changes to existing federal or state regulations that may impact the Authority. For example, the EPA and NYSDOH have regulations that require water suppliers to monitor for lead and copper that may have leached from pipes into drinking water (the "Lead and Copper Rule"). EPA proposed revisions to the Lead and Copper Rule on November 13, 2019, with a public comment period that ended on February 12, 2020. EPA is planning to finalize the rule by the end of the summer of 2020. The proposed revisions to the Lead and Copper Rule have requirements that are not currently in the rule and may require additional Authority action. The impact on the Authority cannot be determined until the revised rule is finalized and will depend on lead testing results from samples collected after the new rule is in place. Likewise, the Authority is unable to predict whether any other future new statutes or rules or changes to existing statutes or rules will have any material impact on the Authority, or its operations, finances, or revenues.

## City Agreement

The Authority's secondary source of water supply is the City of Rochester's Hemlock Lake—Canadice Lake supply system. Pursuant to an agreement entered into in May 2011 (the "City Agreement") for the purpose of better integrating their respective water supplies, the City of Rochester (the "City") and the Authority agreed to exchange water at production cost (the "Exchange Rate") for twenty-five (25) years. The City Agreement continues the mutual benefits of cooperative operations embodied in its predecessor agreement that ran from 1978 to 2011. Under the City Agreement, the Authority has the right to take up to twenty-six (26) MGD from City transmission mains and must buy a daily minimum of 2 MGD and an annual average minimum of 6 MGD. The City has the right to take up to twenty-six (26) MGD from the Authority's mains and must buy a daily minimum of 2 MGD, but has no annual minimum. The cost of purchasing water for both parties is set at the Exchange Rate, which is adjusted annually based on a formula that prorates both parties' annual rate increases for a residential customer. The City Agreement also provides for capital cost sharing for two capital projects that mutually benefit both systems, allocates capacity sharing in the event of emergency or drought and includes provisions for either party to have the other incorporate additional treatment if needed.

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## Operating and Financial Statistics 2016-2019

	2016	2017	2018	2019
ACTIVE CUSTOMERS				
Retail	183,651	184,718	185,751	186,693
Wholesale	18,608	18,570	24,449	24,775
<b>Total</b>	<b>202,259</b>	<b>203,288</b>	<b>210,200</b>	<b>211,468</b>
WATER SALES (Million Gallons)				
Residential & Commercial	\$ 13,729	\$ 12,466	\$ 13,031	\$ 12,509
Large Commercial & Industrial	2,588	2,505	2,532	2,465
Wholesale	1,512	1,461	1,515	1,518
<b>Total</b>	<b>17,829</b>	<b>16,432</b>	<b>17,078</b>	<b>16,492</b>
WATER PURCHASES (Net Exchange)	2,983	3,537	3,211	3,242
REVENUES (000's omitted)				
Residential & Commercial	\$53,741	\$52,189	\$55,737	\$56,587
Large Commercial & Industrial	5,901	5,865	6,519	6,644
Wholesale	3,205	3,245	3,673	3,848
<b>Total Metered</b>	<b>62,847</b>	<b>61,299</b>	<b>65,929</b>	<b>67,078</b>
Fire Service	1,275	1,299	1,312	1,334
Interest Earnings	145	193	1,005	1,217
Federal Int. Subsidy Series 2010B Taxable Build America Bonds	1,865	1,876	1,860	1,845
Other	3,608	2,773	2,780	2,816
<b>Total</b>	<b>\$69,740</b>	<b>\$67,440</b>	<b>\$72,886</b>	<b>\$74,290</b>
OPERATING EXPENSE (000's omitted)				
Production/Transmission	\$13,102	\$12,673	\$14,479	\$13,275
Engineering	3,709	3,448	3,786	3,423
Facilities, Fleet & Operations	11,671	12,831	13,728	13,046
Finance & Business Services	6,136	6,494	6,824	6,961
Administration	8,629	7,437	4,671	4,149
<b>Total</b>	<b>\$43,247</b>	<b>\$42,883</b>	<b>\$43,488</b>	<b>\$40,854</b>
NET REVENUE	\$26,493	\$24,557	\$29,398	\$33,436
CASH CAPITAL PROGRAM	\$18,878	\$14,662	\$16,345	\$13,502
CAPITAL LEASE EXPENSE	\$620	\$586	\$341	\$331
WATER REVENUE DEBT SERVICE	\$10,837	\$10,863	\$11,511	\$11,899
<b>COVERAGE EXCLUDING OBLIGATIONS ON LEASE FACILITIES<sup>1</sup></b>	<b>2.44</b>	<b>2.26</b>	<b>2.55</b>	<b>2.81</b>

<sup>1</sup> Coverage calculation revised retroactively to include Interest Earnings and Federal Subsidy in net revenue.

## Total Debt Service

The following table shows debt service payable on all of the Authority's Water System Revenue Bonds as of the date hereof, including the Series 2020 Bonds.

Year (December 31)	Debt Service on Outstanding Bonds	Series 2020 Bond Debt Service	Total Authority Debt Service
2020	\$ 7,561,314	\$ 305,760	\$ 7,867,074
2021	10,733,859	1,202,200	11,936,059
2022	10,697,988	1,260,325	11,958,313
2023	10,638,921	1,261,075	11,899,996
2024	10,588,929	1,260,825	11,849,754
2025	10,527,996	1,259,575	11,787,571
2026	10,464,372	1,262,200	11,726,572
2027	10,391,886	1,258,700	11,650,586
2028	10,379,775	1,259,075	11,638,850
2029	10,249,116	1,258,200	11,507,316
2030	10,174,573	1,256,075	11,430,648
2031	10,104,134	1,257,575	11,361,709
2032	10,025,358	1,252,700	11,278,058
2033	9,953,734	1,254,650	11,208,384
2034	9,878,317	1,258,450	11,136,767
2035	9,412,843	1,256,150	10,668,993
2036	9,336,963	1,257,750	10,594,713
2037	8,148,512	1,253,250	9,401,762
2038	7,609,518	1,252,650	8,862,168
2039	7,501,818	1,250,850	8,752,668
2040	7,388,364	1,252,750	8,641,114
2041	7,279,154	1,255,450	8,534,604
2042	7,153,064	1,249,213	8,402,277
2043		1,251,925	1,251,925
2044		1,253,413	1,253,413
2045		1,253,675	1,253,675
2046		1,250,100	1,250,100
2047		1,247,500	1,247,500
2048		1,248,200	1,248,200
2049		1,242,200	1,242,200
2050		1,244,400	1,244,400
Total	\$216,200,508	\$ 37,886,860	\$254,087,368

Outstanding Bonds include the Authority's Water System Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"), the unrefunded portion of the Authority's Water System Revenue Bonds, Series 2010, the Authority's Water System Revenue Bonds, Series 2010B (Taxable Build America Bonds), the Authority's Water System Revenue Bonds, Series 2012, the Authority's Water System Revenue Bonds, Series 2013 and the Authority's Water System Revenue Refunding Bonds, Series 2017. (See "OUTSTANDING BONDS.") Debt service with respect to the outstanding Series 2007 Bonds and Series 2013 Bonds includes an interest subsidy provided by the EFC. Debt service with respect to the outstanding Series 2010B Bonds does not include an interest rate subsidy provided by the federal government under the Build America Bonds program.

## Water Rates and Water Customers

The Act provides that neither the Public Service Commission of the State of New York nor any other state board or commission of like character has jurisdiction over the Authority in the management and control of its properties or operations or any power over water rates fixed or charges collected by the Authority.

**Rate Schedules.** The Authority's current water rate schedule was effective as of January 1, 2020 (excluding sales pursuant to the City Agreement and other special contracts) and provides as follows.

The Residential Class includes all residential, small commercial and community service establishments in Monroe County:

Base Charge Per Connection - \$0.23/day (most residential customers) to \$21.35/day  
Commodity Charge Per 1,000 Gallons - \$3.38

The Non-Residential Class includes large commercial, industrial, municipal and all other direct retail customers in Monroe County:

Base Charge Per Connection Commodity Charge - \$0.23/day to \$21.35/day  
First 125,000 Gallons Each Month - \$3.38  
Each Additional 1,000 Gallons - \$2.40

The Out-of-County Landfill Class includes all customers within the Town of Bergen or the Village of Bergen, Genesee County:

Base Charge Per Connection - \$0.23/day to \$21.35/day  
Commodity Charge Per 1,000 Gallons - \$3.38

The Out-of-County Class includes all customers located outside of Monroe County except any area covered under existing agreements, or where water is purchased by the Authority from a third party:

Base Charge Per Connection - \$0.23/day to \$21.35/day  
Commodity Charge Per 1,000 Gallons - \$3.72

The Western Genesee County Class includes all customers in Genesee County served by water purchased by the Authority from a third party:

Base Charge Per Connection - \$0.23/day to \$21.35/day  
Commodity Charge Per 1,000 Gallons - \$5.02

The Town of Richmond Class includes all customers in the Town of Richmond:

Base Charge Per Connection - \$0.23/day to \$21.35/day  
Commodity Charge Per 1,000 Gallons - \$5.22

Billings of charges for water and water services is in arrears, while charges for service connections are payable in advance.

**Comparison of Monthly Charges.** The following graphic and table presents a comparison of regional monthly water charges based upon a survey conducted by the Authority's Rate Consultant. The rates and charges of the Authority are very competitive with peer utilities in New York State.

Comparison of 2020 Water Charges <sup>1, 2, 3</sup> (All amounts in \$)						
	Annual Fixed Charge	Average Annual Consumption- Based Charge	Annual Minimum Charge	Average Annual Total Charge	Fixed Charge as % of Total	Min Charge as % of Total
Albany Water Board	0	261	111	261	0%	43%
City of Syracuse	0	289	161	289	0%	56%
Erie County Water Authority	80	235	201	315	25%	64%
<b>Monroe County Water Authority</b>	<b>84</b>	<b>237</b>	<b>84</b>	<b>321</b>	<b>26%</b>	<b>26%</b>
City of Watertown	0	323	147	323	0%	46%
Suffolk County Water Authority	192	142	192	334	57%	57%
Niagara Falls Water Board	15	320	192	335	4%	57%
Western Nassau Water Authority	0	344	194	344	0%	56%
City of Rochester	105	253	105	359	29%	29%
Onondaga County Water Authority	140	220	140	360	39%	39%
New York City	0	373	179	373	0%	48%
City of Binghamton	64	310	201	374	17%	54%
Yonkers City	203	176	203	379	54%	54%
City of Poughkeepsie	3	402	123	405	1%	30%
Buffalo Water Board	200	214	200	413	48%	48%
Elmira Water Board	0	439	169	439	0%	38%
Mohawk Valley Water Authority	131	345	275	477	28%	58%
Average	72	287	169	359	20%	47%
Notes						
<sup>1</sup> Charges are based on rates in effect in January 2020.						
<sup>2</sup> Charges assume a single family residential customer using a 5/8" meter and 70,000 gallons of water per year.						
<sup>3</sup> Minimum charges include fixed charges.						

**Water Rates and Revenues.** The Authority's water revenues in the years 2014 through 2020 in each of the user classes described below are shown below together with applicable rate increases in each of these classes.

Year	Residential Class		Non-Residential Class		Wholesale Class	
	% Rate Increase	Revenues (in thousands)	% Rate Increase	Revenues (in thousands)	% Rate Increase	Revenues (in thousands)
2020*	2.77%	\$60,845	6.16%	\$7,412	0%	\$3,907
2019	4.51%	56,587	4.51%	6,644	4.51%	3,848
2018	3.92%	55,737	7.64%	6,520	9.01%	3,673
2017	3.31%	52,189	4.78%	5,865	5.10%	3,245
2016	3.40%	53,741	3.40%	5,901	3.30%	3,205
2015	4.10%	48,987	1.70%	5,308	1.20%	2,830
2014	4.10%	47,300	6.30%	5,439	5.20%	2,646

\*The projected revenues for 2020 are derived from the Authority's budget.



**Water Customers.** Water sales from the Authority's user classes for the year ended December 31, 2018 were 17,079,391 gallons. The following tables set forth information concerning the Authority's customer base and water sales (in thousands of gallons) for the year ended December 31, 2018.

<b><u>Residential and Small Commercial</u></b>	<b><u>Customers by Town</u></b>	<b><u>Sales (in thousands of gallons)</u></b>
Town of Greece	33,174	2,266,856
Town of Irondequoit	16,665	1,056,723
Town of Perinton	14,166	986,437
Village of Fairport	2,063	124,516
Town of Henrietta	13,450	979,539
Town of Webster	13,914	924,311
Village of Webster	1,577	144,821
Town of Penfield	12,651	904,177
Town of Brighton	10,105	891,761
Town of Pittsford	9,006	721,031
Village of Pittsford	673	47,195
Town of Gates	10,344	696,882
Town of Chili	9,625	639,764
Town of Victor	4,533	386,745
Town of Ogden	5,002	343,082
Village of Spencerport	1,323	85,805
Town of Parma	3,697	211,877
Village of Hilton	192	7,077
Town of Hamlin	2,649	165,893
Village of East Rochester	2,399	152,696
Town of Mendon	1,908	131,772
Village of Honeoye Falls	858	63,680
Town of Clarkson	1,847	129,619
Town of Sweden	1,302	116,193
Town of Riga	1,203	72,873
Village of Churchville	865	45,219
Town of Rush	1,133	64,960
Town of LeRoy	813	64,357
Village of LeRoy	1,715	109,112
Town of Pembroke	597	51,616
Village of Corfu	287	13,273
Town of Wheatland	622	50,240
Village of Scottsville	745	42,056
Town of Richmond	1,066	38,655
Town of Kendall	764	35,012
Town of West Bloomfield	379	36,711
Town of Darien	378	32,258
Town of Stafford	545	24,760
Town of Pavilion	344	19,116
Town of Bergen	260	20,982
Village of Bergen	418	20,638
Town of Byron	396	21,036
Town of Caledonia	32	2,150
Village of Caledonia	6	657
Town of East Bloomfield	20	998
Town of Lima	12	775
Town of Covington	10	586
Town of Bethany	18	86
<b>Total</b>	<b>185,751</b>	<b>12,946,578</b>

	<b>FYE 2018 Sales (in thousands of gallons)</b>
<u>Large Commercial and Industrial</u>	
Lidestri Foods Inc.	411,240
Xerox	211,895
Rochester Institute of Technology	160,419
Wegmans-1500 Brooks Ave.	62,366
Delta Sonic	68,913
Tech Park Owner LLC	52,035
Darien Lake Theme Park	46,853
Bouduelle USA Inc.	38,337
Arctic Glacier	24,696
MCPW –NW Quadrant	24,485
Subtotal	1,101,239
Remaining 472 Accounts	1,516,445
<b>Total</b>	<b>2,617,684</b>

	<b>FYE 2018 Sales (in thousands of gallons)</b>
<u>Water Districts</u>	
Wayne County Water & Sewer	332,505
Village of Brockport	269,747
Sea Breeze Water District	223,070
Genesee County	274,224
Village of Hilton	160,187
Livingston County Water & Sewer	75,576
Village of Victor	76,170
Town of Clarendon	43,724
Village of Holley	24,003
Town of Murray	35,314
Town of Farmington	609
<b>Total</b>	<b>1,515,129</b>

### **Potential Impact of COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States, was declared a pandemic by the World Health Organization on March 11, 2020. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The Authority is considered an “essential business” under New York State Executive Orders and guidance provided by Empire State Development and remains operational while following recommendations or direction of federal, State and local health officials and governmental authorities. The COVID-19, or other similar outbreaks in the future, and its continued impact on human interaction, travel, nonprofit and business organizations and financial markets may adversely impact the Authority’s finances and operations. The Authority is monitoring developments and the directives of federal, State and local officials to determine what additional precautions and procedures may need to be implemented by the Authority in connection with

COVID-19 pandemic. The full impact of COVID-19 and the scope of any adverse impact on the Authority finances and operations, respectively, cannot be fully determined at this time.

This information is current as of the date of this Official Statement. Because of the evolving nature of the circumstances described herein it is very likely those circumstances will continue to change. Although the Authority may provide additional information to the public from time to time regarding the matters described in this Official Statement, it does not anticipate providing such information in the form of a supplement to this Official Statement after the delivery of the Series 2020 Bonds.

*[This space intentionally left blank.]*

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents information regarding certain economic and demographic information about Monroe County. All information is presented on a calendar year basis unless otherwise indicated. The data contained below is the latest information available to the Authority. The sources of the information are indicated in the text or immediately following the tables. Although the Authority considers the sources to be reliable, the Authority has made no independent investigation of the information provided by sources other than the Authority, and the Authority does not warrant the accuracy of such information.

### Overview

The County of Monroe (“Monroe County”) is located in Western New York State (the “State”) on the south shore of Lake Ontario, approximately 70 miles east of the Buffalo/Niagara Falls area. The land area of Monroe County is approximately 673 square miles. Monroe County is in the northernmost portion of the Genesee River valley and contains one city, nineteen (19) towns, and ten (10) villages. The City of Rochester is the county seat and the State’s third largest industrial and commercial center next to New York City and Buffalo. The area is accessible via the Greater Rochester International Airport, CSX Railroad, Genesee & Wyoming, Inc. (a regional railroad) and Amtrak, the New York State Thruway, the St. Lawrence Seaway, and the New York State Erie Canal System. The workforce in Monroe County is within 400 miles of many major metropolitan areas such as New York City, Toronto, Boston, and Washington, D.C.

Monroe County has a population of over 744,000 per the 2010 census and is the central county in the six-county Rochester Metropolitan Statistical Area (“MSA”), which has a population of approximately 1,100,000. The workforce in Monroe County measures approximately 365,000 and its economy draws from an MSA workforce totaling over 525,000 (Source: New York State Department of Labor, December 2018). Monroe County is home to Xerox, Paychex, Frontier Communications, Sutherland Group and Wegmans Food Markets, as well as over 1,000 companies which employ less than 1,000 people, the largest number of workers being in the precision manufacturing, optics, financial services, medical, plastics, pharmaceuticals, and information technology industries.

Monroe County was established in 1821. In 1967, a County Charter became effective which provided for a continuation of the county manager form of government previously established in the County in 1936. The County Charter was amended pursuant to a public referendum held on November 4, 1980 to provide for the direct election of a County Executive for a four-year term commencing January 1, 1984. The County Clerk, the Sheriff and the District Attorney are elected in general elections.

### Population

Monroe County’s population, as recorded by the U.S. Bureau of the Census, is as follows:

Year	Population
1950	487,632
1960	586,387
1970	711,917
1980	702,238
1990	713,968
2000	735,343
2010	744,344

Source: U.S. Bureau of the Census.

### Non-Agricultural Wage and Salary Employment, Annual Averages

The information contained in the table below is for the Rochester MSA, which includes Monroe, Livingston, Ontario, Orleans, and Wayne Counties.

Year	Non-Agricultural Wage & Salary Employment (000s)
2009	507.9
2010	508.5
2011	515.3
2012	518.9
2013	521.0
2014	523.5
2015	528.3
2016	533.4
2017	535.0
2018	538.6

Source: New York State Department of Labor, Current Employment Statistics.

### Unemployment Rates

The information contained in the table below represents the unemployment rates for Monroe County, the State of New York, and the United States. Except as noted, the rates shown below are not seasonally adjusted and are subject to revision.

Year	Monroe County Unemployment Rate	New York State Unemployment Rate	U.S. Unemployment Rate
2009	7.8%	8.3%	9.3%
2010	8.0	8.6	9.6
2011	7.7	8.3	8.9
2012	7.9	8.5	8.1
2013	7.0	7.7	7.4
2014	5.8	6.3	6.2
2015	5.1	5.3	5.3
2016	4.7	4.9	4.9
2017	4.9	4.7	4.4
2018	4.3	4.1	3.9

Source: New York State Department of Labor and U.S. Department of Labor, Bureau of Labor Statistics.

## Largest Area Private-Sector Employers

The table below represents Monroe County's largest private-sector employers ranked by the number of full-time local employees.

Rank	Name	Number of Full-Time Employees <sup>1</sup>
1	University of Rochester	29,820 <sup>2</sup>
2	Rochester Regional Health System	12,435
3	Wegmans Food Markets Inc.	5,993
4	Paychex Inc.	4,381
5	Harris Corp. R.F. Communications	3,500 <sup>2</sup>
6	Rochester Institute of Technology	3,447
7	Xerox Corp.	3,400
8	Lifetime Healthcare Cos. Inc.	3,200 <sup>2</sup>
9	Sutherland Global Services, Inc.	1,956
10	Lifetime Assistance	1,701 <sup>2</sup>
11	Frontier Communications Corp.	1,660 <sup>2</sup>
12	Center for Disability Rights	1,516 <sup>2</sup>
13	Eastman Kodak Company	1,505 <sup>2</sup>
14	Ortho Clinical Diagnostics	1,092
15	Hillside Family of Agencies	1,060 <sup>2</sup>

Source: *Rochester Business Journal*, 2019 Edition.

- 1 Certain of the companies on the list have made announcements regarding layoffs and/or job increases that may not be reflected in such numbers.
- 2 Total local employees. The company declined to provide separate numbers for full-time and part-time employees.

## CERTAIN AGREEMENTS OF THE STATE OF NEW YORK

Pursuant to the Act, the State of New York pledges to and agrees with the holders of bonds or notes issued by the Authority that the State will not limit or alter the rights thereby vested in the Authority to acquire, construct, maintain, operate, reconstruct and improve the properties, to establish and collect the revenues, rates, rentals, fees and other charges referred to in the Act and to fulfill the terms of any agreements made with the holders of such bonds or notes, or in any way impair the rights and remedies of the holders thereof, until the bonds, together with interest thereon, interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders thereof, are fully met and discharged.

Pursuant to the Act, the State also covenants with the purchasers and with all subsequent holders and transferees of bonds and notes issued by the Authority that such bonds and notes and the income therefrom and all moneys, funds and revenues pledged to pay or secure the payment of such bonds and notes shall at all times be free from taxation, except for transfer and estate taxes.

## LEGALITY OF THE SERIES 2020 BONDS FOR INVESTMENT

The Act provides that bonds and notes issued by the Authority are securities in which all public officers and bodies of the State of New York and all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business and all other

persons whomsoever, except as hereinafter provided, are now or may hereafter be authorized to invest in bonds or other obligations of the State, may properly and legally invest funds, including capital in their control or belonging to them. Such bonds or notes, however, shall not be eligible for the investment of funds including capital, of trusts, estates or guardianships under the control of individual administrators, guardians, executors, trustees and other individual fiduciaries.

## **BONDS AS SECURITY FOR DEPOSITS**

Pursuant to the Act, bonds and notes issued by the Authority are made securities which may be deposited with and may be received by all public officers and bodies of the State of New York and all municipalities and municipal subdivisions for any purpose for which the deposit of bonds or other obligations of the State of New York is now or may hereafter be authorized.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

The Authority has covenanted to comply with applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion from gross income of the interest on the Series 2020 Bonds for purposes of federal income taxation. In the opinion of Harter Secrest & Emery LLP, Bond Counsel to the Authority, based under current law, and assuming continuing compliance by the Authority with such covenants and requirements of the Code, interest on the Series 2020 Bonds is excluded from gross income for federal income tax purposes. Failure by the Authority to comply with such covenants and requirements may cause interest on the Series 2020 Bonds to be includable in the gross income of the owners retroactive to the date of issue of the Series 2020 Bonds. No opinion is rendered by Bond Counsel as to the effect on the exclusion from gross income of the interest on the Series 2020 Bonds for federal income tax purposes of any action taken or not taken without the approval of Bond Counsel or in reliance upon the advice or opinion of counsel other than Bond Counsel.

Interest on the Series 2020 Bonds will not be an item of tax preference for purposes of federal alternative minimum tax under the Code for individuals. The Code contains other provisions (some of which are noted below) that could result in tax consequences, as to which no opinion will be rendered by Bond Counsel, as a result of ownership of the Series 2020 Bonds or to the inclusion in certain computations of interest that is excluded from gross income.

In the opinion of Bond Counsel interest on the Series 2020 Bonds will be exempt from personal income taxes imposed by the State or The City of New York.

### **Original Issue Discount**

The excess, if any, of the amount payable at maturity of any maturity of the Series 2020 Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Series 2020 Bonds with original issue discount (a “Discount Bond”) will be excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2020 Bonds. In general, the issue price of a maturity of the Series 2020 Bonds is the first price at which a substantial amount of Series 2020 Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser’s adjusted basis in a Discount Bond is to be increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds for federal income tax purposes.

Original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in collateral federal income tax consequences. Consequently, an owner of a Discount Bond should be aware that the accrual of original issue discount in each year may result in additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale, or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such Series 2020 Bonds is sold to the public may be determined according to rules that differ from those described above. Owners of a Discount Bond should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount with respect to such Discount Bond and with respect to state and local tax consequences of owning and disposing of such Discount Bond.

### **Bond Premium**

The excess, if any, of the tax basis of Series 2020 Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Series 2020 Bonds as inventory, stock in trade, or for sale to customers in the ordinary course of business) over the amount payable at maturity is “Bond Premium.” Bond Premium is amortized over the term of such Series 2020 Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Series 2020 Bonds are required to decrease their adjusted basis in such Series 2020 Bonds by the amount of amortizable Bond Premium attributable to each taxable year such Series 2020 Bonds are held. The amortizable bond premium on such Series 2020 Bonds attributable to a taxable year is not deductible for federal income tax purposes; however Bond Premium on such Series 2020 Bonds is treated as an offset to qualified stated interest received on such Series 2020 Bonds. Owners of such Series 2020 Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of Bond Premium upon sale, redemption or other disposition of such Series 2020 Bonds and with respect to state and local income tax consequences of owning and disposing of such Series 2020 Bonds.

### **Backup Withholding**

Interest paid on the Series 2020 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not by itself, affect the excludability of interest on the Series 2020 Bonds from gross income for federal income tax purposes, the reporting requirement causes the payment of interest on the Series 2020 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (i) are not “exempt recipients,” and (ii) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner’s federal income tax liability provided the required information is furnished to the Internal Revenue Service.

### **Other Considerations**

The Code and state or local laws contain other provisions (some of which are noted below) that could result in federal income tax consequences, upon which Bond Counsel expresses no opinion, as a result of ownership of the Series 2020 Bonds, and the accrual or receipt of interest thereon.



PROSPECTIVE PURCHASERS OF SERIES 2020 BONDS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE APPLICABILITY AND IMPACT OF ANY SUCH COLLATERAL TAX CONSEQUENCES.

Interest on the Series 2020 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion, however, as to the tax treatment of the Series 2020 Bonds under other state or local jurisdictions. Each purchaser of the Series 2020 Bonds should consult his or her own tax advisor regarding the taxable status of the Series 2020 Bonds in a particular state or local jurisdiction other than the State of New York. Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit.

Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2020 Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2020 Bonds. Prospective purchasers of the Series 2020 Bonds should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

### CONTINUING DISCLOSURE

In order to assist the Underwriter 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 2020 Bonds (the “Continuing Disclosure Agreement”) to provide 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 one hundred eighty (180) days after the end of each respective fiscal year of the Authority, commencing with the fiscal year ending December 31, 2020, 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 2020 Bonds, to provide to the MSRB through EMMA, in a timely manner, notices of certain events enumerated in the Rule. Notices of the aforesaid events and 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>. The nature of the information to be provided annually and of the notices of such listed events is set forth in **“APPENDIX H—FORM OF CONTINUING DISCLOSURE AGREEMENT.”**

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the undertakings of the Authority, and no person, including a holder of the Series 2020 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the Authority shall no longer be required to provide the information no longer required to be provided under the Rule.

Due to an administrative error on the part of the Dissemination Agent, the Authority’s audited financial statements for the fiscal year ending December 31, 2013, were not timely filed in accordance with

the terms of the Authority's prior continuing disclosure undertakings. Such audited financial statements and operating data were filed with EMMA on November 28, 2017.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC ("S&P"), have assigned long – term ratings of "Aa1" and "AA+", respectively, to the Series 2020 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, New York, New York 10007; and S&P Global Ratings, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2020 Bonds. The above ratings are not recommendations to buy, sell or hold the Series 2020 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies.

## **UNDERWRITING**

The Authority and the Underwriter entered into a Purchase Contract with respect to the Series 2020 Bonds, pursuant to which the Underwriter has agreed to purchase the Series 2020 Bonds for reoffering at a purchase price of \$25,393,635.15, which represents the principal amount of the Series 2020 Bonds, plus net original issue premium of \$3,576,774.25, less an underwriter's discount of \$103,139.10.

## **LITIGATION**

No litigation is pending or, to the best of the Authority's knowledge, threatened which seeks to restrain or enjoin the execution, issuance, sale, or delivery of the Series 2020 Bonds or in any way contests the validity of the Series 2020 Bonds or any proceedings of the Authority taken with respect to the authorization, issuance, or sale of the Series 2020 Bonds or the pledge or application of any moneys provided for the payment of or security for the Series 2020 Bonds. Neither the creation, organization, or existence of the Authority, nor the title of the present directors or officers of the Authority to their respective office is being contested. The Authority is engaged in routine litigation incidental to the conduct of its business.

## **CERTAIN LEGAL MATTERS**

Bond Counsel will render an opinion regarding the authorization and validity of the Series 2020 Bonds in substantially the form set forth in Appendix G hereto. A copy of such opinion will be furnished to the Underwriter at the time of delivery of the Series 2020 Bonds. Certain legal matters will be passed upon for the Underwriter by Bond, Schoeneck & King, PLLC, Syracuse, New York.

## **FINANCIAL ADVISOR**

Capital Markets Advisors, LLC, Great Neck, New York is serving as Financial Advisor to the Authority with respect to the issuance of the Series 2020 Bonds. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2020 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official

Statement and is not obligated to ensure compliance with the undertaking by the Authority to provide continuing secondary market disclosure.

#### **MISCELLANEOUS**

This Official Statement has been duly approved, executed and delivered by the Authority. Copies of this Official Statement may be obtained from the Authority at the address indicated on the inside cover page of this Official Statement.

Financial statements of the Authority, a summary of the Indenture to be adopted or executed in connection with the offering of the Series 2020 Bonds, information relating to the Book-Entry-Only System relating to the Series 2020 Bonds, the Form of Opinion of Bond Counsel, and certain selected financial information about the Authority are attached hereto as Appendices. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

Insofar as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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The delivery of this Official Statement, including the Appendices and other information herein, has been duly authorized by the Authority.

MONROE COUNTY WATER AUTHORITY

By: /s/ Nicholas A. Noce  
Nicholas A. Noce  
Executive Director

## **APPENDIX A**

### **AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

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**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of**  
**Monroe, New York)**

**Financial Statements as of**  
**December 31, 2019**  
**Together with Independent**  
**Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# MONROE COUNTY WATER AUTHORITY

(A Discretely Presented Component Unit of the County of Monroe, New York)

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December 31, 2019

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## **INDEPENDENT AUDITOR'S REPORT**

March 3, 2020

To the Board of Directors of  
Monroe County Water Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Summarized Comparative Totals**

We have previously audited the Authority's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in total other postemployment benefit liability and related ratios, schedule of proportionate share of net pension liability (asset), and schedule of contributions - pension plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Bonadio & Co., LLP*

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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The Monroe County Water Authority (the Authority) is a not-for-profit public benefit corporation that reliably provides quality, affordable water that fosters economic vitality and enhanced quality of life for Monroe County and area communities who request service.

The financial statements of the Authority include the Statement of Net Position, the Statement of Revenue, Expenses, and Change in Net Position, the Statement of Cash Flows, and related notes to the financial statements. The Statement of Net Position provides information about the nature and the amounts of investments and resources (assets), deferred outflows of resources, and the obligations to the Authority's creditors (liabilities), and deferred inflows of resources, with the difference between these reported as net position.

The Statement of Revenue, Expenses and Change in Net Position shows how the Authority's net position changed during the year. It accounts for all the year's revenues and expenses, measures the financial results of the Authority's operations for the year and can be used to determine how the Authority has funded its costs.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, capital and related financing, and investing activities.

The notes to the financial statements contain information that is essential to the understanding of the financial statements, such as the Authority's accounting methods and policies.

Management provides the following discussion and analysis (MD&A) of the Authority's financial position and activities. This overview is provided for the year ended December 31, 2019. The information contained in this analysis should be used by the reader in conjunction with the information contained in our audited financial statements and the notes to those financial statements, all of which follow this narrative on the subsequent pages.

**FINANCIAL HIGHLIGHTS**

The Authority's financial statements are prepared on the accrual basis of accounting promulgated by the Governmental Accounting Standards Board (GASB). The Authority is a single-purpose entity and revenues are recognized when earned, not received. Expenses are recognized when incurred, not when they are paid.

The 2019 financial statements are presented with comparative totals from 2018.

- The assets and deferred outflows of resources of the Authority exceeded its liabilities at the close of its most recent fiscal year by \$318,636,993 (net position). Of this amount \$76,126,845 (unrestricted net position) may be used to meet the Authority's ongoing obligations.
- Operating revenues increased approximately \$1,133,535 or 1.6% during the current year from approximately \$70.0 million for the 2018 fiscal year to approximately \$71.2 million for the 2019 fiscal year. Most of this increase in revenues occurred in the residential customer class and is largely due to the rate increase in 2019.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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- Several major construction projects were completed during the year, increasing the Authority's assets as follows:

<u>Project Name</u>	<u>2019</u>
2018 Cement Lining Program	\$ 4,637,000
Lake & White Rd. Water Main Replacement	\$ 1,030,000
2019 Service Replacement	\$ 871,000
2018 Water Main Replacement Phase II	\$ 749,000

**Summary of Operations and Change in Net Position**

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 71,155,349	\$ 70,021,814
Operating expenses	<u>(59,817,724)</u>	<u>(62,189,108)</u>
Operating income	11,337,625	7,832,706
Non-operating expenses, net	<u>(3,895,552)</u>	<u>(4,655,810)</u>
Income (loss) before capital contributions	7,442,073	3,176,896
Capital contributions	<u>3,659,335</u>	<u>3,375,133</u>
Change in net position	<u>\$ 11,101,408</u>	<u>\$ 6,552,029</u>

Capital contributions are revenues from grants, developers, and customers for water system capital improvements donated to the Authority.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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**Financial Position Summary**

Net position is an indication of the Authority's financial strength. The Authority's net position as of December 31, 2019 is \$318,636,993. A summary of the Authority's financial position is shown below.

	<u>2019</u>	<u>2018</u>
ASSETS:		
Current assets	\$ 86,900,329	\$ 79,008,690
Capital assets	414,886,956	416,968,719
Funds held by trustee	12,378,318	12,244,597
Restricted assets	<u>1,983,346</u>	<u>2,967,103</u>
Total assets	<u>516,148,949</u>	<u>511,189,109</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>8,207,471</u>	<u>11,155,351</u>
LIABILITIES:		
Current liabilities, including current portion of long-	15,228,575	17,002,374
Other liabilities (long-term)	<u>174,598,651</u>	<u>184,180,543</u>
Total liabilities	<u>189,827,226</u>	<u>201,182,917</u>
DEFERRED INFLOWS OF RESOURCES	<u>15,892,201</u>	<u>13,625,958</u>
NET POSITION:		
Net investment in capital assets	240,526,802	229,207,820
Restricted	1,983,346	2,967,103
Unrestricted	<u>76,126,845</u>	<u>75,360,662</u>
Total net position	<u>\$ 318,636,993</u>	<u>\$ 307,535,585</u>

Total assets remained fairly consistent from December 31, 2018 to December 31, 2019, increasing approximately \$4,960,000 or 1%.

Deferred outflows of resources at December 31, 2019 were approximately \$2,948,000 lower than at December 31, 2018, due primarily to a decrease in the other postemployment benefits which was based on the current year actuarial valuation. Deferred outflows and inflows of resources also decreased due to a change in the actuarial valuation of the New York State Employees' Retirement System in the current year. Long-term liabilities were recorded in both years as a result of a net pension liability related to the Authority's proportionate share of the New York State Employees' Retirement System (see note 8).

Total liabilities decreased by approximately \$11,356,000 due primarily to the actuarial valuation of the other postemployment benefits plan.

Deferred inflows of resources at December 31, 2019 were approximately \$2,266,000 higher than December 31, 2018, due primarily to a decrease in the other postemployment benefits as a result of the calculated actuarial values.

**MONROE COUNTY WATER AUTHORITY****(A Discretely Presented Component Unit of the County of Monroe, New York)****Management's Discussion and Analysis (Unaudited)****December 31, 2019**

As a water utility, the Authority has a significant investment in infrastructure. The Authority's infrastructure includes approximately 3,350 miles of pipelines ranging from 2-inch in diameter to 60-inch in diameter, 51 booster pumping stations, 49 storage tanks, 2 reservoirs, 3 water treatment plants, land and other facilities required in the treatment and distribution of potable water to its customers. The Authority's net position also includes funds available to pay for ongoing and future construction or replacements, and/or additions, to this infrastructure.

**MCWA Rates and Charges**

The Authority sets its rates annually in concurrence with the adoption of its annual operating budget. The Authority is required by its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with and specific to each subsequent revenue bond issue (Trust Indentures) to set rates and fees sufficient to cover all of its operating and capital expenses.

Many factors were considered by the Authority's Board Members when the rates were being set for 2019. Based in part on the recommendation of the Authority's independent rate consultant, the commodity and base rates increased by a modest amount and are shown in the following table.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Residential/quarterly:			
Daily base charge per connection (up to ¾")	\$ 0.23	\$ 0.22	\$ 0.21
Commodity charge per 1,000 gallons	\$ 3.38	\$ 3.26	\$ 3.12
Large commercial/monthly:			
Daily base charge per connection	\$ 1.05 – 21.35	\$ 0.65 – 8.12	\$ 0.62 – 7.77
Commodity charge per 1,000 gallons -			
First 125,000 gallons	\$ 3.38	\$ 3.26	\$ 3.12
Each additional 1,000 gallons	\$ 2.40	\$ 2.31	\$ 2.21
Water district rate:			
Daily base charge per connection	\$ 1.05 – 21.35	\$ 0.65 – 8.12	\$ 0.62 - 7.77
Commodity charge per 1,000 gallons	\$ 2.30	\$ 2.31	\$ 2.21

**Summary of Operating Revenues**

	<u>2019</u>	<u>2019 Budget</u>	<u>2018</u>
Water sales:			
Residential/quarterly	\$ 56,586,731	\$ 59,206,772	\$ 55,736,718
Large commercial/monthly	6,643,643	6,981,413	6,519,743
Water districts/wholesale	<u>3,847,792</u>	<u>3,907,316</u>	<u>3,673,169</u>
Total water sales	67,078,166	70,095,501	65,929,630
Other water and operating revenue	<u>4,077,183</u>	<u>4,293,140</u>	<u>4,092,184</u>
Total operating revenue	<u>\$ 71,155,349</u>	<u>\$ 74,388,641</u>	<u>\$ 70,021,814</u>

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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**Revenues**

Water sales for 2019 were projected based on average historical usage with the typical residential customer using approximately 71 thousand gallons of water annually. This year's water sales, which include the residential, large commercial and water district classes, were \$1,148,536 more than those of 2018 and \$3,017,335 less than budget. This was due to the summer of 2019 having approximately 2" of rain more than 2018.

Other water revenue includes private fire services in the amount of \$1,333,730, and late charges in the amount of \$946,739. Also included are payments made to the Authority by Genesee County for debt service on facilities constructed and owned by the Authority for the benefit of the respective counties. In 2019, the service fee for Genesee County was \$1,067,072. Other operating revenues included cell tower lease income of \$201,423 in 2019.

As a result, total operating revenue for 2019 was \$71,155,349; \$1,133,535 more than 2018, and \$3,233,292 less than budget estimates.

**Operating Expenses**

The Authority's expenses (excluding depreciation and amortization) are budgeted and tracked functionally by operating department. The Authority is divided into the following five departments: Administration; Production/Transmission; Engineering; Facilities, Fleet & Operations; and Finance & Business Services.

The following is a breakdown of the Authority's functional expenses by operating department (excluding depreciation and amortization):

	<u>2019</u>	<u>2019 Budget</u>	<u>2018</u>
Functional expenses:			
Administration	\$ 4,149,022	\$ 7,884,427	\$ 4,671,249
Production/transmission	13,275,283	15,139,284	14,479,456
Engineering	3,422,885	4,182,026	3,785,679
Facilities, fleet & operations	13,045,688	12,724,880	13,728,015
Finance and business services	<u>6,961,498</u>	<u>7,942,286</u>	<u>6,823,733</u>
Total functional expenses	<u>\$ 40,854,376</u>	<u>\$ 47,872,903</u>	<u>\$ 43,488,132</u>

Functional expenses (excluding depreciation and amortization) were \$7,018,527, or 14.7% under budget for 2019.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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The following is a breakdown of the Authority's total operating expenses:

	<u>2019</u>	<u>2018</u>
Operating expenses:		
Salaries and fringe benefits	\$ 23,524,713	\$ 22,539,003
Operations and maintenance	12,331,872	13,148,795
General and administrative	4,754,791	7,557,334
City contract - capital	243,000	243,000
Depreciation and amortization	19,020,103	18,724,569
Amortization of deferred amounts on refunding,	<u>(56,755)</u>	<u>(23,593)</u>
Total operating expenses	<u>\$ 59,817,724</u>	<u>\$ 62,189,108</u>

Total operating expenses decreased \$2,371,384 from 2018. Salaries and Benefits increased \$985,710 or 4.4%. Operations and Maintenance expense decreased \$816,923 or 6.2% compared to 2018. General and administrative expenses decreased \$2,802,543 or 37.1% from 2018. City contract – capital is the Authority's share of capital projects outlined in the 2011 Exchange Agreement for Water Supply with the City of Rochester and did not change for 2019.

**Non-Operating Revenue (Expenses)**

The Authority's non-operating revenue (expenses) is composed of the following:

	<u>2019</u>	<u>2018</u>
Non-operating revenue (expenses):		
Federal interest subsidy	\$ 1,833,392	\$ 1,860,011
Interest earnings	1,570,885	1,004,563
Interest expense	(6,962,962)	(7,112,131)
Loss on disposal of capital assets	(377,308)	(409,108)
Realized and unrealized gains on investments, net	<u>40,441</u>	<u>855</u>
Total non-operating revenue (expenses), net	<u>\$ (3,895,552)</u>	<u>\$ (4,655,810)</u>



**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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**DEBT ADMINISTRATION**

**Water Revenue Bonds**

As of December 31, 2019, the Authority has six water revenue bond series outstanding totaling, \$125,890,000. The 2007 Series bonds continue to be payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000.

	Outstanding as of December <u>2019</u>	Outstanding as of December <u>2018</u>	Principal Due <u>2020</u>
<u>Authority Bond Series</u>			
2007 Series Refunding	\$ 13,535,000	\$ 14,130,000	\$ 600,000
2010 Series	205,000	1,435,000	205,000
2010B Series	88,250,000	90,615,000	2,440,000
2012 Series	5,260,000	5,450,000	195,000
2013 Series	14,690,000	15,170,000	485,000
2017 Series	<u>3,950,000</u>	<u>3,950,000</u>	<u>-</u>
Total	<u>\$ 125,890,000</u>	<u>\$ 130,750,000</u>	<u>\$ 3,925,000</u>

**Obligations under Capital Lease**

The Authority entered into an agreement with Monroe County, dated November 18, 1969, in which Monroe County agreed to finance, and the Authority agreed to construct and pay for, certain improvements within Monroe County. Improvements constructed under this agreement are owned by Monroe County but leased to the Authority. The Authority operates these leased facilities with all the responsibilities of ownership. The remaining \$338,963 of principal and interest outstanding was paid by the Authority in February 2019.

	Outstanding as of December <u>2019</u>	Outstanding as of December <u>2018</u>	Principal Due <u>2020</u>
<u>County of Monroe Bond Series</u>			
1996 Series A Refunding	\$ -	\$ 330,696	\$ -

**Credit Ratings**

The Authority is the recipient of very favorable credit ratings from both Moody's Investors Service and Standard & Poor's. The Authority has an Aa2 rating assigned to its revenue bonds by Moody's Investors Service and an AA+ rating by Standard & Poor's. The Authority's bond ratings were last reviewed by Moody's Investor Service in July of 2019 and by Standard & Poor's in December of 2017 in conjunction with the 2017 bond issuance. The Authority issues revenue bonds subject to its Master Trust Indenture dated October 1, 1991 and Supplemental Indentures issued with, and specific to, each subsequent revenue bond issue.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2019**

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**ECONOMIC FACTORS AND NEXT YEAR'S GOALS**

The Authority continues to develop the necessary infrastructure and operational practices to meet its short and long-term plans while ensuring quality customer service is provided and competitive rates are being maintained.

In 2020, the Authority intends to spend approximately \$38.8 million for capital improvements, including the following major projects.

- SWTP Infrastructure
- Water Main Rehabilitation and Replacements
- Tank Painting and Rehabilitation
- Meter Replacements
- Service Replacements
- Vehicle Replacements
- Genesee County Water Supply Project

The Authority believes it possesses the financial and leadership capabilities to accomplish its goals during the upcoming year.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Director of Finance & Business Services, Monroe County Water Authority, 475 Norris Drive, Rochester, New York, 14610 or call (585) 442-2000.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Statement of Net Position**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 70,893,407	\$ 63,579,479
Accounts receivable	5,448,651	5,192,440
Accrued unbilled revenue	8,005,000	7,570,000
Materials and supplies	1,563,605	1,660,185
Prepayments and other current assets	989,666	1,006,586
Total current assets	<u>86,900,329</u>	<u>79,008,690</u>
<b>OTHER ASSETS:</b>		
Capital assets, net	414,886,956	416,968,719
Funds held by trustee	12,378,318	12,244,597
Total other assets	<u>427,265,274</u>	<u>429,213,316</u>
<b>RESTRICTED ASSETS:</b>		
Debt service fund held by trustee	6,612	6,827
Debt service reserve held by trustee	1,976,734	2,960,276
Total restricted assets	<u>1,983,346</u>	<u>2,967,103</u>
 Total assets	 <u>516,148,949</u>	 <u>511,189,109</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related - ERS	4,263,525	6,944,378
Other postemployment benefits	3,493,840	3,700,369
Deferred amounts on refunding water revenue and capital lease bonds	450,106	510,604
Total deferred outflows of resources	<u>8,207,471</u>	<u>11,155,351</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of water revenue bonds	3,925,000	4,860,000
Current portion of obligations under capital leases	-	330,696
Accounts payable and other liabilities	3,516,017	4,133,585
Accrued payroll and benefits	5,075,912	4,880,209
Accrued interest on water revenue and capital lease bonds	2,711,646	2,797,884
Total current liabilities	<u>15,228,575</u>	<u>17,002,374</u>
<b>OTHER LIABILITIES:</b>		
Water revenue bonds, net of bond premium of \$1,391,622 and \$1,508,874 for 2019 and 2018, respectively	123,356,622	127,398,874
Net pension liability - ERS	4,094,611	1,884,391
Total other postemployment benefit obligations	47,147,418	54,897,278
Total other liabilities	<u>174,598,651</u>	<u>184,180,543</u>
 Total liabilities	 <u>189,827,226</u>	 <u>201,182,917</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other postemployment benefits	14,431,187	7,520,838
Pension related - ERS	1,461,014	6,105,120
Total deferred inflows of resources	<u>15,892,201</u>	<u>13,625,958</u>
<b>NET POSITION</b>		
Net investment in capital assets	240,526,802	229,207,820
Restricted	1,983,346	2,967,103
Unrestricted	76,126,845	75,360,662
Total net position	<u>\$ 318,636,993</u>	<u>\$ 307,535,585</u>

The accompanying notes are an integral part of these statements.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Statement of Revenue, Expenses, and Change in Net Position**  
**For the year ended December 31, 2019**  
**(With Comparative Totals for 2018 )**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUE:		
Water sales - residential	\$ 56,586,731	\$ 55,736,718
Water sales - industrial/commercial	6,643,643	6,519,743
Water sales - water district	3,847,792	3,673,169
Other water revenue	3,519,635	3,464,199
Other operating revenue	<u>557,548</u>	<u>627,985</u>
Total operating revenue	<u>71,155,349</u>	<u>70,021,814</u>
OPERATING EXPENSES:		
Salaries and fringe benefits	23,524,713	22,539,003
Operations and maintenance	12,331,872	13,148,795
General and administrative	4,754,791	7,557,334
City contract - capital	243,000	243,000
Depreciation and amortization	19,020,103	18,724,569
Amortization of deferred amounts on refunding	<u>(56,755)</u>	<u>(23,593)</u>
Total operating expenses	<u>59,817,724</u>	<u>62,189,108</u>
Total operating income	<u>11,337,625</u>	<u>7,832,706</u>
NON-OPERATING REVENUE (EXPENSES):		
Federal interest subsidy	1,833,392	1,860,011
Interest earnings	1,570,885	1,004,563
Interest expense	(6,962,962)	(7,112,131)
Loss on disposal of capital assets	(377,308)	(409,108)
Unrealized and realized gain (loss) on investments, net	<u>40,441</u>	<u>855</u>
Total non-operating expenses, net	<u>(3,895,552)</u>	<u>(4,655,810)</u>
GAIN (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>7,442,073</u>	<u>3,176,896</u>
CAPITAL CONTRIBUTIONS:		
Developers and customers	<u>3,659,335</u>	<u>3,375,133</u>
Total capital contributions	<u>3,659,335</u>	<u>3,375,133</u>
CHANGE IN NET POSITION	11,101,408	6,552,029
NET POSITION - beginning of year	<u>307,535,585</u>	<u>300,983,556</u>
NET POSITION - end of year	<u>\$ 318,636,993</u>	<u>\$ 307,535,585</u>

The accompanying notes are an integral part of these statements.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Statement of Cash Flows**  
**For the year ended December 31, 2019**  
**(With Comparative Totals for 2018 )**

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 70,471,928	\$ 70,313,888
Payments to suppliers	(17,841,521)	(15,572,051)
Payments to employees	<u>(23,715,025)</u>	<u>(27,058,325)</u>
Net cash flow from operating activities	<u>28,915,382</u>	<u>27,683,512</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Withdrawals from funds held by trustee	850,036	1,958,852
Purchases of capital assets	(13,771,515)	(15,972,035)
Proceeds from disposal of capital assets	115,203	215,326
Federal interest subsidy	1,833,392	1,860,011
Repayments and redemptions of water revenue bonds	(4,860,000)	(4,375,000)
Repayments of obligations under capital leases	(330,696)	(312,240)
Interest paid	<u>(7,049,200)</u>	<u>(7,164,940)</u>
Net cash flow from capital and related financing activities	<u>(23,212,780)</u>	<u>(23,790,026)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	1,570,885	1,004,563
Gains (losses) on investments	<u>40,441</u>	<u>855</u>
Net cash flow from investing activities	<u>1,611,326</u>	<u>1,005,418</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,313,928	4,898,904
CASH AND CASH EQUIVALENTS - beginning of year	<u>63,579,479</u>	<u>58,680,575</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 70,893,407</u>	<u>\$ 63,579,479</u>

The accompanying notes are an integral part of these statements.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Statement of Cash Flows**  
**For the year ended December 31, 2019**  
**(With Comparative Totals for 2018 )**

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES:		
Operating income	\$ 11,337,625	\$ 7,832,706
Adjustments to reconcile operating income to net cash flow from operating activities:		
Depreciation and amortization	18,963,348	18,700,976
Bad debt expense (recovery)	(3,368)	30,865
Other postemployment benefit items	-	5,619,054
Changes in:		
Accounts receivable	(252,843)	300,871
Accrued unbilled revenue	(435,000)	(20,000)
Materials and supplies	96,580	110,256
Prepayments and other current assets	16,920	63,654
Accounts payable and other liabilities	(621,990)	(1,501,342)
Accrued payroll and benefits	195,703	256,578
Pension items - ERS	246,967	14,297
Total other postemployment benefit obligations	(632,982)	(3,735,606)
Customer deposits	4,422	11,203
Net cash flow from operating activities	<u>\$ 28,915,382</u>	<u>\$ 27,683,512</u>
NON-CASH CAPITAL FINANCING ACTIVITY:		
Capital assets received directly from developers and	<u>\$ 3,659,335</u>	<u>\$ 3,375,133</u>

The accompanying notes are an integral part of these statements.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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**1. ORGANIZATION**

Monroe County Water Authority (the Authority), a discretely presented component unit of the County of Monroe, New York (the County), is a public benefit corporation organized under the Public Authorities Law of the State of New York. The Authority was created to finance, construct, operate and maintain a water supply and distribution system for the benefit of the residents of the County and the State of New York.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States as set forth by the Governmental Accounting Standards Board (GASB) for proprietary funds.

**Basis of Presentation**

GASB requires the classification of net position into three categories defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent capital-related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position - This component of net position consists of amounts which have external constraints placed on its use imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component consists of net position that does not meet the definition of "net investment in capital assets," or "restricted."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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**Cash and Cash Equivalents**

For purposes of presenting the statement of cash flows, the Authority considers all highly liquid short-term investments with a maturity of three months or less from year-end to be cash or cash equivalents.

**Accounts Receivable**

Accounts receivable consists of fees for services for water charges due from individuals, businesses, and other governments. Accounts receivable are carried on the balance sheet at net realizable value. The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Accrued Unbilled Revenues**

Accrued unbilled revenues represent revenue earned in the current year but not billed to customers until future dates, usually within three months, and is an estimate made by management using historical trends.

**Materials and Supplies - Inventory**

Materials and supplies are stated at cost and are determined using a weighted-average method.

**Capital Assets**

Capital assets are stated at cost. Depreciation and amortization are provided using the straight-line method over the following estimated useful lives or lease term if shorter:

Production and distribution system	5 - 40 years
Water facility capital lease	5 - 25 years
Water rights	40 years
Pipelines and district facilities	40 years
Meters and distribution services	25 - 40 years
Automotive and construction equipment	5 years
Land improvements	10 - 20 years
Furniture, fixtures and other equipment	5 - 15 years

Improvements, renewals and significant repairs over \$5,000 that extend the life of the asset are capitalized; other repairs and maintenance costs are expensed as incurred. When assets are retired or otherwise disposed of, the related asset and accumulated depreciation is written off and any unrelated gains or losses are recorded.

**Funds Held by Trustee**

Funds held by Bank of New York (the Trustee) consist of fixed income United States Government securities. The Authority reports these items at fair value based on quoted market prices. These funds are required to be held in accordance with the trust indentures for the water revenue bonds as described in Note 7.



**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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As of December 31, 2019 and 2018, the Authority had the following funds held by trustee:

	<u>2019</u>	<u>2018</u>
Capital improvement fund	\$ 6,646,106	\$ 5,775,916
New construction fund	<u>5,732,212</u>	<u>6,468,681</u>
Total funds held by trustee	<u>\$ 12,378,318</u>	<u>\$ 12,244,597</u>

**Accrued Payroll and Benefits**

It is the Authority's policy to record employee benefits, including accumulated vacation and sick leave, as a current liability in accounts payable and other liabilities on the statement of net position. The Authority's employees are granted vacation and sick leave in varying amounts based on the underlying employee contracts.

**Other Postemployment Benefits**

The Authority provides certain health care benefits to its retired employees in accordance with the provisions of employment contracts.

**Unamortized Bond Premium**

Bond premium related to the issuance of debt obligations is amortized over the term of the respective bond issues and capital leases.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The Authority reports deferred amounts on refunding of capital leases and water revenue bonds, as well as amounts relating to the New York State Employees' Retirement System and other postemployment benefits in this category.

**Revenue Recognition**

Revenues from water sales are recognized at the time of service delivery based on actual or estimated water meter readings.

**Operating and Non-Operating Revenues and Expenses**

Operating revenue consists of water revenue and other related revenue. The Authority defines non-operating revenue as interest earnings on investment assets and realized/unrealized gains or losses on sales of investments. Non-operating expenses are defined as interest expense and other costs related to issuance of long-term debt and gains/losses on disposals of capital assets. The Authority also receives Federal interest subsidies which are considered non-operating revenue.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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**Capital Contributions from Developers and Customers**

Capital contributions from developers and customers represent amounts for betterments or additions to capital assets that have been contributed to the Authority.

**Income Tax Status**

As a public benefit corporation, the Authority is exempt from federal and state income taxes, as well as state and local property and sales taxes.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Reclassification**

Certain amounts in 2018 have been reclassified to conform with the 2019 presentation.

**Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not in the same detail used for the current year presentation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended December 31, 2018, from which the summarized information was obtained.

**3. WATER AGREEMENT**

The Authority and the City of Rochester, New York (the City) entered into an agreement in 2011 that provides for the exchange of water between the two entities at a fixed rate that is established annually based on the weighted average cost of each entity's typical residential customer. Authority consumption of the City's water is offset against the City's consumption of the Authority's water with the net consumption charged at the annual exchange rate. For the years ended December 31, 2019 and 2018, the Authority had net purchases from the City of \$1,700,276 and \$1,523,864, respectively.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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**4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The guidelines established by the Authority permit the investment of funds held by the Authority, and funds held in trust for the Authority, to be invested in accordance with New York State Public Authorities Law. Investments must be in the form of obligations of the State of New York, or in general obligations of its political subdivisions; obligations of the United States or its agencies whose principal and interest payments are fully guaranteed by the federal government; and in collateralized time deposits or certificates of deposit issued by a commercial bank or trust company, which is a member of the Federal Deposit Insurance Corporation (FDIC). The Authority's investment policy limits its deposit and investment activity to time deposits, demand deposits, certificates of deposit, United States Government obligations and repurchase agreements.

The Authority's investment policy requires its deposits and investments, not controlled by the Trustee, to be 100% collateralized through federal deposit insurance or other obligations. Obligations that may be pledged as collateral are obligations of, or guaranteed by, the United States or the State of New York. Collateral must be delivered to the Authority or an authorized custodial bank. In addition, the Authority's investment policy includes the following provisions for credit risk and custodial credit risk (as defined below):

- Custodial credit risk  
For cash deposits or investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.
  - The Authority limits its investments (other than United States securities held by the Trustee) at any financial institution to 1% of such institution's total assets.
  - Any financial institution in which the Authority invests funds must have in excess of \$50,000,000 in capital stock and retained earnings and the Authority limits its investments (other than United States securities held by the Trustee) at these institutions to 5% of the total capital stock and retained earnings.
- Credit risk  
For cash deposits or investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.
  - The Authority limits its investments in money market funds to those with the highest short-term or long-term rating by at least one nationally recognized rating agency. In 2019 and 2018, the Authority did not hold any investments in money market funds. The money market funds detailed in this section are used as savings accounts by the Authority and these accounts are classified as cash and cash equivalents and not investments.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
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As of December 31, 2019 and 2018, the Authority's deposits and investments in various banks are below.

Total deposits of cash and cash equivalents, marketable securities and related collateral, included in cash and cash equivalents and marketable securities, not controlled by the Trustee (including certificates of deposit and money market funds) are as follows for the years ended December 31:

	<u>2019</u>	
	Carrying <u>Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 2,236,242	\$ 2,236,242
Time deposits	<u>16,297,999</u>	<u>16,733,388</u>
Total cash and investments	<u>\$ 18,534,241</u>	<u>\$ 18,969,630</u>
Insured cash - FDIC		\$ 839,196
Uninsured - collateralized with securities held by pledging financial institution		<u>19,511,611</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 20,350,807</u>

	<u>2018</u>	
	Carrying <u>Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 2,354,866	\$ 2,354,866
Time deposits	<u>14,960,638</u>	<u>15,270,775</u>
Total cash and investments	<u>\$ 17,315,504</u>	<u>\$ 17,625,641</u>
Insured cash - FDIC		\$ 1,066,467
Uninsured - collateralized with securities held by pledging financial institution		<u>19,779,932</u>
Total insured and collateralized cash and cash equivalents		<u>\$ 20,846,399</u>

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
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**(With Comparative Totals for 2018)**

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Total cash and cash equivalents and marketable securities by type as of December 31, including certificates of deposit controlled by the Trustee and reported in 'Capital improvement fund', 'New construction fund', and 'Restricted Assets' in the accompanying financial statements, are as follows:

	<u>2019</u>	<u>2018</u>
United States Treasury obligations	\$ 1,194,817	\$ 2,245,117
United States Treasury bills	65,427,579	58,784,422
Money market funds	16,380,880	14,950,813
Cash	<u>2,251,795</u>	<u>2,810,827</u>
	<u>\$ 85,255,071</u>	<u>\$ 78,791,179</u>

United States Treasury obligations and United States Treasury bills are considered level 1 investments. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of December 31, 2019 and 2018:

- U.S. Treasury securities of \$66.0 million and \$61.0 million, respectively are valued using quoted market prices (Level 1 inputs).

The following deposits and investments, excluding amounts controlled by the Trustee, held with one financial institution represent five percent or more of the Authority's total deposits and investments at either December 31, 2019 and 2018, or both:

	<u>2019</u>	<u>2018</u>
M&T Bank	\$ 17,928,845	\$ 16,726,031
Key Bank	\$ 305,561	\$ 316,467

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/2019	Additions	Transfers	Disposals	Balance 12/31/2019
Land and easements	\$ 10,386,494	\$ -	\$ 4,560	\$ -	\$ 10,391,054
Construction-in-progress	4,079,244	14,270,823	(14,228,494)	-	4,121,573
Total non-depreciable assets	<u>\$ 14,465,738</u>	<u>\$ 14,270,823</u>	<u>\$ (14,223,934)</u>	<u>\$ -</u>	<u>\$ 14,512,627</u>
Land improvements	\$ 7,708,985	\$ -	\$ -	\$ -	\$ 7,708,985
Production and distribution system	248,926,090	9,013	2,249,755	(301,690)	250,883,168
Pipelines and district facilities	305,928,864	2,195,509	6,921,092	-	315,045,465
Meters and services	97,487,914	955,505	4,143,773	(897,718)	101,689,474
Automotive and construction equipment	8,156,134	-	698,360	(461,809)	8,392,685
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	3,480,989	-	210,954	(6,644)	3,685,299
Total at cost	<u>749,745,956</u>	<u>3,160,027</u>	<u>14,223,934</u>	<u>(1,667,861)</u>	<u>765,462,056</u>
Less: Accumulated depreciation and amortization for:					
Land improvements	(2,460,729)	(268,249)	-	-	(2,728,978)
Production and distribution system	(92,198,577)	(8,100,273)	-	279,622	(100,019,228)
Pipelines and district facilities	(129,285,561)	(6,989,519)	-	-	(136,275,080)
Meters and services	(38,657,299)	(2,699,010)	-	526,033	(40,830,276)
Automotive and construction equipment	(4,375,965)	(555,359)	-	363,051	(4,568,273)
Water facility capital lease	(77,987,573)	(69,406)	-	-	(78,056,979)
Furniture, fixtures and other equipment	(2,277,271)	(338,286)	-	6,644	(2,608,913)
Total accumulated depreciation and amortization	<u>(347,242,975)</u>	<u>(19,020,102)</u>	<u>-</u>	<u>1,175,350</u>	<u>(365,087,727)</u>
Total depreciable assets - net	<u>\$ 402,502,981</u>	<u>\$ (15,860,075)</u>	<u>\$ 14,223,934</u>	<u>\$ (492,511)</u>	<u>\$ 400,374,329</u>
Total capital assets, net	<u>\$ 416,968,719</u>	<u>\$ (1,589,252)</u>	<u>\$ -</u>	<u>\$ (492,511)</u>	<u>\$ 414,886,956</u>

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
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**(With Comparative Totals for 2018)**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Transfers	Disposals	Balance 12/31/2018
Land and easements	\$ 10,375,094	\$ -	\$ 11,400	\$ -	\$ 10,386,494
Construction-in-progress	5,019,700	16,397,355	(17,337,811)	-	4,079,244
Total non-depreciable assets	<u>\$ 15,394,794</u>	<u>\$ 16,397,355</u>	<u>\$ (17,326,411)</u>	<u>\$ -</u>	<u>\$ 14,465,738</u>
Land improvements	\$ 7,708,985	\$ -	\$ -	\$ -	\$ 7,708,985
Production and distribution system	241,050,601	-	8,411,982	(536,493)	248,926,090
Pipelines and district facilities	301,204,764	1,938,408	2,785,692	-	305,928,864
Meters and services	93,133,931	994,911	4,520,514	(1,161,442)	97,487,914
Automotive and construction equipment	7,756,358	16,494	1,072,598	(689,316)	8,156,134
Water facility capital lease	78,056,980	-	-	-	78,056,980
Furniture, fixtures and other equipment	2,959,906	-	535,625	(14,542)	3,480,989
Total at cost	<u>731,871,525</u>	<u>2,949,813</u>	<u>17,326,411</u>	<u>(2,401,793)</u>	<u>749,745,956</u>
Less: Accumulated depreciation and amortization for:					
Land improvements	(2,187,405)	(273,324)	-	-	(2,460,729)
Production and distribution system	(84,678,811)	(8,055,885)	-	536,119	(92,198,577)
Pipelines and district facilities	(122,452,633)	(6,832,928)	-	-	(129,285,561)
Meters and services	(36,812,881)	(2,573,594)	-	729,176	(38,657,299)
Automotive and construction equipment	(4,345,888)	(527,600)	-	497,523	(4,375,965)
Water facility capital lease	(77,824,797)	(162,776)	-	-	(77,987,573)
Furniture, fixtures and other equipment	(1,993,351)	(298,462)	-	14,542	(2,277,271)
Total accumulated depreciation and amortization	<u>(330,295,766)</u>	<u>(18,724,569)</u>	<u>-</u>	<u>1,777,360</u>	<u>(347,242,975)</u>
Total depreciable assets - net	<u>\$ 401,575,759</u>	<u>\$ (15,774,756)</u>	<u>\$ 17,326,411</u>	<u>\$ (624,433)</u>	<u>\$ 402,502,981</u>
Total capital assets, net	<u>\$ 416,970,553</u>	<u>\$ 622,599</u>	<u>\$ -</u>	<u>\$ (624,433)</u>	<u>\$ 416,968,719</u>

**MONROE COUNTY WATER AUTHORITY****(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

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**6. CAPITAL LEASES**

The Authority and the County entered into an agreement in 1969 which provides for the Authority, as agent of the County, to plan, construct, operate, manage, repair and maintain certain water facilities owned by the County and primarily financed through County bond issues. These water facilities are leased to the Authority, which, along with capital assets owned by the Authority, become an integrated water system.

These leases are defined as capital leases and the related facilities are recorded as an asset that is generally amortized over the term of the lease or the related bond issue, whichever is shorter. The lease obligation is shown as a liability with the related interest expense reported as non-operating expenses.

Water facilities under capital leases that are included within capital assets as of December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Completed water facilities	\$ 78,056,980	\$ 78,056,980
Less: Accumulated amortization	<u>(78,056,980)</u>	<u>(77,987,573)</u>
	<u>\$ -</u>	<u>\$ 69,407</u>

Amortization expense related to water facilities under capital leases was \$69,407 and \$162,776 for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2018, the amount of the County bonds outstanding was included in obligations under capital leases. The expended portion of the bond proceeds was included in water facilities under capital leases. As of December 31, 2019 the bond was paid off.

Long-term capital lease activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
County bonds issued in 1996 Series A as part of the refunding that matures at \$331,000 in 2019 bearing interest of 3.75%	<u>\$ 330,696</u>	<u>\$ -</u>	<u>\$ (330,696)</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term capital lease liabilities	<u>\$ 330,696</u>	<u>\$ -</u>	<u>\$ (330,696)</u>	<u>\$ -</u>	<u>\$ -</u>



**MONROE COUNTY WATER AUTHORITY**  
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**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

Long-term capital lease activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
County bonds issued in 1996 Series A as part of the refunding that matures at \$331,000 in 2019 bearing interest of 3.75%	\$ 642,936	\$ -	\$ (312,240)	\$ (330,696)	\$ -
Long-term capital lease liabilities	\$ 642,936	\$ -	\$ (312,240)	\$ (330,696)	\$ -

December 31, 2019 and 2018, interest expense was \$1,654 and \$21,402, respectively on capital leases. Cash paid for interest was \$9,921 and \$29,208, during the years ended December 31, 2019 and 2018.

**7. WATER REVENUE BONDS**

The Authority has entered into Trust Indentures under which all outstanding bonds have been issued. The Trust Indentures pledge all revenues and other income collected by the Authority for payment of principal and interest on the bonds. The Trust Indentures also generally require establishment of a trust fund called "the water system revenue fund," for which the Authority acts as a trustee, into which all revenue is to be deposited, as well as a debt service reserve fund under which the Authority is required to maintain deposit amounts sufficient to cover the annual debt service or provide a surety bond (as defined in the Trust Indentures) of its bonds. The Authority covenants in its indenture that it will establish water rates sufficient to cover the sum of: (1) 1.2 times debt service, (2) expenses of operating, maintaining, renewing and replacing the water system and maintaining the debt service reserve fund, and (3) any additional amounts required to pay all other charges payable from the Authority's revenue. As of December 31, 2019 and 2018, the Authority is in compliance with its financial covenants.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Notes to Basic Financial Statements**  
**December 31, 2019**  
**(With Comparative Totals for 2018)**

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Series 2007 Bonds

The Authority issued 2001 series bonds in the amount of \$20,000,000 which are entirely payable by Genesee County to the Authority under the terms of the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. The first principal payment on the 2001 Series was made in 2006. During 2007, the bonds were advance refunded by the Authority on behalf of Genesee County with the issuance of the Series 2007 Bonds.

In 2015, the New York State Environmental Facilities Corporation (EFC) refinanced its 2007 series bonds, which included bonds issued for the Authority. The Authority's portion of the bond, \$16,425,000, was part of the EFC issue of \$367,455,000 State Clean Water & Drinking Water Revolving Fund Revenue Bonds Series 2015D, dated August 13, 2015. The Authority's 2007 series bonds, which were part of the original EFC 2007 financing, remained intact with the Authority receiving its share of the interest savings through credits from EFC at the time of debt service payments. This refinancing and its associated costs will save Genesee County over \$2,700,000 over the term of the bond. The entire \$16,425,000 continues to be payable by Genesee County to the Authority under the Construction Services Agreement between Genesee County and the Authority dated May 24, 2000. In addition, the bond refunding resulted in present value savings to the Authority of \$1,470,817.

Series 2010 Bonds

In 2010, the Authority issued the 2010 Series bonds which refunded the 1993 Series A bonds and the 1997 bonds. This refinancing and its associated costs were paid by the Authority and will save the Authority approximately \$773,000 over the term of the bond. In addition, the bond refunding resulted in an economic gain on refunding of \$680,000. The excess of the net carrying amount of the refunded bonds over the reacquisition price in the amount of \$527,039 has been deferred and was allocated between bond premium and deferred gain on refunding and is being amortized over the term of the new bonds using the straight-line method through 2035.

Series 2017 Bonds

In 2017, the Authority issued the 2017 Series bonds which was used to advance refund a portion of the Authority's Water System Revenue Bonds, Series 2010. Such proceeds were deposited with the Trustee to be held in a special trust account for the redemption of the refunded bonds on their respective redemption dates. \$4,300,000 of bonds outstanding was considered defeased at December 31, 2017. This refinancing and its associated costs were paid by the Authority and will save the Authority approximately \$345,000 over the term of the bond. In addition, the bond refunding resulted in an economic gain on refunding of \$481,576. The excess of the net carrying amount of the refunded bonds over the reacquisition price in the amount of \$330,072 has been deferred and is being amortized over the term of the new bonds using the straight-line method through 2034.

At December 31, 2019 and 2018, approximately \$450,000 and \$511,000, respectively of the deferred amount on refunding was included in deferred outflows of resources on the statement of net position. For the year ended December 31, 2019 and 2018, interest expense was 2019 and 2018 \$6,961,308 and \$7,090,729, respectively on the water revenue bonds. Cash paid for interest was \$7,039,279 and \$7,127,465, during the years ended December 31, 2019 and 2018.

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Long-term water revenue bond activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from \$600,000 to \$1,115,000 from 2020 to 2036 bearing interest ranging from 4.182% to 4.97%	\$ 14,130,000	\$ -	\$ (595,000)	\$ (600,000)	\$ 12,935,000
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from \$205,000 to \$1,230,000 from 2020 to 2020 bearing interest ranging from 3.5% to 5.0%	1,435,000	-	(1,230,000)	(205,000)	-
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from \$2,440,000 to \$5,775,000 from 2020 to 2042 bearing interest ranging from 4.49% to 6.34%	90,615,000	-	(2,365,000)	(2,440,000)	85,810,000
Bonds issued in 2012 that mature in annual amounts ranging from \$195,000 to \$410,000 from 2019 to 2037 bearing interest ranging from 3.0% to 5.0%	5,450,000	-	(190,000)	(195,000)	5,065,000
Bonds issued in 2013 that mature in annual amounts ranging from \$485,000 to \$960,000 from 2019 to 2042 bearing interest ranging from 1.44% to 4.69%	15,170,000	-	(480,000)	(485,000)	14,205,000
Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from \$215,000 to \$360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0%	3,950,000	-	-	-	3,950,000
Add: Bond premium	1,508,874	-	(117,252)	-	1,391,622
Long-term water revenue bond liabilities	<u>\$ 132,258,874</u>	<u>\$ -</u>	<u>\$ (4,977,252)</u>	<u>\$ (3,925,000)</u>	<u>\$ 123,356,622</u>

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Long-term water revenue bond activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Due Within One Year	Due After One Year
Bonds issued in 2007 as part of refunding that mature in annual amounts ranging from \$595,000 to \$1,115,000 from 2019 to 2036 bearing interest ranging from 4.182% to 4.97%	\$ 14,715,000	\$ -	\$ (585,000)	\$ (595,000)	\$ 13,535,000
Bonds issued in 2010 as part of refunding that mature in annual amounts ranging from \$250,000 to \$1,230,000 from 2019 to 2020 bearing interest ranging from 3.5% to 5.0%	2,265,000	-	(830,000)	(1,230,000)	205,000
Bonds issued in 2010 Series B as part of refunding that mature in annual amounts ranging from \$2,365,000 to \$5,775,000 from 2019 to 2042 bearing interest ranging from 4.49% to 6.34%	92,915,000	-	(2,300,000)	(2,365,000)	88,250,000
Bonds issued in 2012 that mature in annual amounts ranging from \$190,000 to \$410,000 from 2019 to 2037 bearing interest ranging from 3.0% to 5.0%	5,630,000	-	(180,000)	(190,000)	5,260,000
Bonds issued in 2013 that mature in annual amounts ranging from \$480,000 to \$960,000 from 2019 to 2042 bearing interest ranging from 1.44% to 4.69%	15,650,000	-	(480,000)	(480,000)	14,690,000
Bonds issued in 2017 as part of refunding that mature in annual amounts ranging from \$215,000 to \$360,000 from 2021 to 2034 bearing interest ranging from 2.0% to 5.0%	3,950,000	-	-	-	3,950,000
Add: Bond premium	<u>1,626,127</u>	<u>-</u>	<u>(117,253)</u>	<u>-</u>	<u>1,508,874</u>
Long-term water revenue bond liabilities	<u>\$ 136,751,127</u>	<u>\$ -</u>	<u>\$ (4,492,253)</u>	<u>\$ (4,860,000)</u>	<u>\$ 127,398,874</u>

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The following is a schedule of the future minimum payments under the water revenue bonds as of December 31, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,925,000	\$ 6,847,459	\$ 10,772,459
2021	4,035,000	6,698,859	10,733,859
2022	4,150,000	6,547,988	10,697,988
2023	4,280,000	6,358,921	10,638,921
2024	4,425,000	6,163,929	10,588,929
2025 - 2029	24,860,000	27,153,145	52,013,145
2030 - 2034	30,175,000	19,961,116	50,136,116
2035 - 2039	30,660,000	11,349,654	42,009,654
2040 - 2042	<u>19,380,000</u>	<u>2,440,582</u>	<u>21,820,582</u>
	<u>\$ 125,890,000</u>	<u>\$ 93,521,653</u>	<u>\$ 219,411,653</u>

**8. PENSION PLAN**

**New York State and Local Employees' Retirement System Plan Description**

The Authority participates in the New York State Employees' Retirement System (NYSERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing, multiple employer public employee retirement system, providing retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (NYS RSSL). Once an employer elects to participate in the System, 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 Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

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The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary. Employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership. For employees who joined after April 1, 2012, employees contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the System's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of contributions required, and were as follows:

	<u>NYSERS</u>
2019	\$ 2,401,563
2018	\$ 2,238,932
2017	\$ 2,251,223

\$600,391 of the cash paid for NYSERS during 2019 represents amounts owed for the period of January 1 - March 31, 2020 and is shown as prepayments and other current assets on the accompanying statement of net position.

\$559,733 of the cash paid for NYSERS during 2018, represents amounts owed for the period of January 1 - March 31, 2019 and is shown as prepayments and other current assets on the accompanying statement of net position.

**Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions**

At December 31, 2019 and 2018, the Authority reported a net pension liability of \$4,094,611 and \$1,884,391, respectively for its proportionate share of the NYS ERS net pension liability. The net pension liability was measured as of March 31, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuations as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2019, the Authority's proportion was .0577902%, which was an increase from its proportionate share measured at December 31, 2018 of .0583864%.

At December 31, 2018, the Authority's proportion was .0583864%, which was an increase from its proportionate share measured at December 31, 2017 of .0576894%.

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For the year ended December 31, 2019, the Authority recognized pension expense of \$2,648,528. At December 31, 2019, the Authority reported deferred outflow/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 806,314	\$ 274,864
Changes in assumptions	1,029,218	-
Net difference between projected and actual earnings on pension plan investments	-	1,050,903
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	26,430	135,247
Contributions subsequent to the measurement date	2,401,563	-
Total	<u>\$ 4,263,525</u>	<u>\$ 1,461,014</u>

For the year ended December 31, 2018, the Authority recognized pension expense of \$2,253,229. At December 31, 2018, the Authority reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 672,101	\$ 555,399
Changes in assumptions	1,249,507	-
Net difference between projected and actual earnings on pension plan investments	2,736,928	5,402,421
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	46,910	147,300
Contributions subsequent to the measurement date	2,238,932	-
Total	<u>\$ 6,944,378</u>	<u>\$ 6,105,120</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	<u>2019</u>
2020	\$ 805,016
2021	(854,022)
2022	(90,476)
2023	540,430
	<u>\$ 400,948</u>

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The Authority recognized \$2,401,563 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2018 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

The Authority recognized \$2,238,932 as a deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017 which will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

**Actuarial Assumptions**

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The total pension liability for the March 31, 2018 measurement date was determined by using an actuarial valuation as of April 1, 2017, with update procedures to roll forward the total pension liability to March 31, 2018.

The actuarial valuation used the following actuarial assumptions for both years:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8% indexed by service
Projected COLAs	1.3% compounded annually
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2011 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	7.0% compounded annually, net of investment expenses

In 2019 and 2018, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



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The target allocations and best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 and 2018 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36	4.55
International Equity	14	6.35
Private Equity	10	7.50
Real Estate	10	5.55
Absolute Return Strategies	2	3.75
Opportunistic Portfolio	3	5.68
Real Assets	3	5.29
Bonds and Mortgages	17	1.31
Cash	1	-0.25
Inflation-Indexed Bonds	4	1.25
	<u>100%</u>	

**Discount Rate**

The discount rate used to calculate the total pension liability in 2019 and 2018 was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MONROE COUNTY WATER AUTHORITY****(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

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**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the Authority's proportionate share of the net pension liability for 2019 and 2018 calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate:

	1% Decrease <u>6.00%</u>	2019 Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 17,902,291</u>	<u>\$ 4,094,611</u>	<u>\$ (7,504,820)</u>
	1% Decrease <u>6.00%</u>	2018 Current Discount <u>7.00%</u>	1% Increase <u>8.00%</u>
Proportionate Share of Net Pension liability (asset)	<u>\$ 14,257,807</u>	<u>\$ 1,884,391</u>	<u>\$ (8,583,025)</u>

**Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 189,803,429	\$ 183,400,590
Net position	<u>(182,718,124)</u>	<u>(180,173,145)</u>
Net pension liability (asset)	<u>\$ 7,085,305</u>	<u>\$ 3,227,445</u>
ERS net position as a percentage of total pension liability	96.27%	98.24%

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**9. POSTEMPLOYMENT HEALTH CARE BENEFITS**

**Plan Description**

The Authority provides certain health care benefits for retired employees. The Authority administers the Retirement Benefits Plan (the Retirement Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). In general, the Authority provides health care benefits for those retired personnel who are eligible for a pension through the NYSERS. The Retirement Plan can be amended by action of the Authority subject to applicable collective bargaining and employment agreements.

The obligations of the Retirement Plan are established by action of the Authority pursuant to applicable collective bargaining and employment agreements. The required premium contribution rates of retirees range from 0% to 10%, depending on when the employee was hired. The Authority will pay its portion of the premium for the retiree and spouse for the lifetime of the retiree. The costs of administering the Retirement Plan are paid by the Authority. The Authority currently contributes enough money to the Retirement Plan to satisfy current obligations on a pay-as-you-go basis to cover annual premiums.

**Employees Covered by Benefit Terms**

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefit payment	-
Active employees	200
Total participants	<u>346</u>

**Total OPEB Liability**

The Authority's total OPEB liability of \$47,147,418 was measured as of January 1, 2019 and was determined by an actuarial valuation as of that date.

**Actuarial Methods and Other Inputs**

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	1.3 percent per year												
Payroll Growth	Based on NYSERS actuarial valuation as of June 30, 2015; Sample annual increases are as shown below:												
	<table><tr><th><u>YOS</u></th><th><u>ERS</u></th></tr><tr><td>0</td><td>10.30%</td></tr><tr><td>10</td><td>4.86%</td></tr><tr><td>20</td><td>4.06%</td></tr><tr><td>30</td><td>3.68%</td></tr><tr><td>40+</td><td>3.36%</td></tr></table>	<u>YOS</u>	<u>ERS</u>	0	10.30%	10	4.86%	20	4.06%	30	3.68%	40+	3.36%
<u>YOS</u>	<u>ERS</u>												
0	10.30%												
10	4.86%												
20	4.06%												
30	3.68%												
40+	3.36%												

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Discount Rate	3.44 percent as of January 1, 2018 and 4.11% as of January 1, 2019
Cost Method	Entry Age Normal Level % of Salary method
Healthcare Cost Trend Rates	8 percent for 2018, decreasing 0.25 percent per year to an ultimate rate of 5.0 percent for 2031 and later years Retirees'
Share of Benefit-Related Employer Funding Policy	45 percent of projected health insurance premiums for retirees Pay-as-you-go cash basis
Census Data	Census information was provided by the Authority in August 2018.
Experience Study	Experience Study Best actuarial practices call for a periodic assumption review and Nyhart recommends the Authority to complete an actuarial assumption review (also referred to as an experience study) in the future.
Health Care Coverage Election Rate	Health Care Coverage Election Rate 100% of active employees with current coverage are assumed to elect coverage at retirement 100% of active employees who are currently on buyout are assumed to elect buyout benefit at retirement. 0% of active employees without current coverage and not on buyout are assumed to elect coverage at retirement. 100% of inactive employees (those with coverage and on buyout) are assumed to continue coverage in the future. 0% of inactive employees who do not currently have coverage are assumed to elect coverage in the future
Spousal Coverage	Spousal coverage for current retirees is based on actual data. 80% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.
Mortality	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out projected to 2017 using MP-2017 improvement.)
Disability	None

**Changes in the Total OPEB Liability**

Balance at January 1, 2019	<u>\$ 54,897,278</u>
Changes for the Year-	
Service cost	1,866,827
Interest	1,918,395
Changes of benefit terms	-
Changes in assumptions or other inputs	(4,270,515)
Differences between expected and actual experience	(5,253,944)
Benefit payments	<u>(2,010,623)</u>
Net changes	<u>(7,749,860)</u>
Balance at December 31, 2019	<u>\$ 47,147,418</u>

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**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.11%) or 1 percentage point higher (5.11%) than the current discount rate:

	1% Decrease <u>3.11%</u>	Current Discount <u>4.11%</u>	1% Increase <u>5.11%</u>
Total OPEB Liability	<u>\$ 53,736,135</u>	<u>\$ 47,147,418</u>	<u>\$ 41,701,320</u>

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease <u>7.0%</u>	Current Rate <u>8.0%</u>	1% Increase <u>9.0%</u>
Total OPEB Liability	<u>\$ 40,583,439</u>	<u>\$ 47,147,418</u>	<u>\$ 55,408,681</u>

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2019, the Authority recognized OPEB expense of \$1,469,607. At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,770,746
Changes of assumptions	1,492,473	3,660,441
Benefit payments subsequent to measurement date	<u>2,001,367</u>	<u>-</u>
Total	<u>\$ 3,493,840</u>	<u>\$ 14,431,187</u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June</u>	<u>Amount</u>
2020	\$ (2,315,615)
2021	(2,315,615)
2022	(2,315,615)
2023	(2,315,615)
2024	(2,315,617)
Thereafter	<u>(1,360,637)</u>
	<u>\$ (12,938,714)</u>

The Authority recognized \$2,001,367 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of January 1, 2018 which will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2019.

**10. COMMITMENTS AND CONTINGENCIES**

**Commitments**

The Authority has entered into agreements with various water districts, towns and villages whereby the Authority obtains the use of the water facilities and agrees to provide water services to the residents of such districts. A number of these agreements require payments to be made by the Authority equal to the interest and principal due each year on the districts' outstanding debt related to the leased facilities. These agreements are classified as operating leases in the accompanying financial statements and recorded as a component of operating expenses. Any improvements to these facilities are capitalized by the Authority.

Amounts due under these commitments are summarized as follows for the years ending December 31:

2020	\$ 40,444
2021	38,569
2022	36,900
2023	<u>38,320</u>
	<u>\$ 154,233</u>

Total rental expense charged to operations amounted to \$46,803 and \$47,776 during the years ended December 31, 2019 and 2018, respectively.

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The Authority has an "Amended and Restated Water Development and Supply Agreement" with Genesee County to finance, construct, own, operate and supply water service in and for that County of Genesee. Genesee County is continuing to develop and increase the amount of water supplied by the Authority to and within Genesee County in multiple phases.

The first Phase of the project involved the construction of approximately thirty-five miles of water mains financed with the proceeds of the 2001 Series Water Revenue Bonds and capital grants from state and federal agencies (see further disclosure in Note 6). Expenditures of \$24,061,115 were incurred for this project since Phase I was completed in 2004.

The next Phases of the project are currently in planning and design. Phase II will include the construction of new transmission mains, new pump stations, and improvement to an existing pump station in Monroe County with a goal of providing an additional 2.4 million gallons of water per day to Genesee County.

The Authority has entered into an agreement in 2010 whereby Monroe County is to provide certain public security and safety services to the Authority through December 31, 2026.

Amounts due under this agreement are summarized as follows for the years ended December 31:

2020	\$ 829,847
2021	829,847
2022	829,847
2023	829,847
2024	829,847
2025 - 2026	<u>1,659,694</u>
	<u>\$ 5,808,929</u>

The Authority expensed \$829,847 under this agreement during both years ended December 31, 2018 and 2019.

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The Authority has entered into a water exchange agreement with the City of Rochester, New York (the City). A stipulation of the agreement required the City to replace its Rush Reservoir with covered storage of water. The Authority is required to pay for 54% of the costs of the project, not to exceed a total project cost of \$9,000,000. The Authority's maximum commitment is \$4,860,000 over 20 years.

Amounts due under this agreement are summarized as follows for the years ended December 31:

2020	\$ 243,000
2021	243,000
2022	243,000
2023	243,000
2024	243,000
2025 - 2029	1,215,000
2030 - 2033	<u>972,000</u>
	<u>\$ 3,402,000</u>

The Authority expenses \$243,000 under this agreement during each of the years ended December 31, 2019 and 2018.

**Contingencies**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The Authority has various insurance policies with third-party carriers related to property protection, casualty and statutory and non-statutory employee protection.

The Authority is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material adverse effect on the financial condition of the Authority.

**11. SELF-INSURANCE**

The Authority is self-insured for workers' compensation claims. The Authority transfers its risk of loss through the purchase of commercial insurance for workers' compensation benefits up to a maximum aggregate amount of \$5,000,000, subject to a deductible of \$500,000 per occurrence. Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At December 31, 2019 and 2018, there were no liabilities recorded for workers' compensation claims.



**MONROE COUNTY WATER AUTHORITY****(A Discretely Presented Component Unit of the County of Monroe, New York)****Notes to Basic Financial Statements****December 31, 2019****(With Comparative Totals for 2018)**

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**12. RELATED PARTY TRANSACTIONS**

The Authority has a contract with the County to supply the Authority with power and natural gas. The contract states that the Authority will purchase power and gas from the County at market value, plus a .6% service fee each year through August 31, 2020. For the years ended December 31, 2019 and 2018, the Authority paid approximately \$3,000,000 and \$3,900,000, respectively, to the County under the terms of this agreement.

**REQUIRED SUPPLEMENTARY INFORMATION**

**(UNAUDITED)**

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)**  
**For the year ended December 31, 2019**

		Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability											
Service cost	\$	1,866,827	\$	2,047,877	Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.						
Interest		1,918,395		2,277,994							
Changes of benefit terms		-		421,956							
Differences between expected and actual experience		(5,253,944)		(8,774,311)							
Changes in assumptions		(4,270,515)		2,089,463							
Benefit payments		(2,010,623)		(1,798,585)							
Total change in total OPEB liability		(7,749,860)		(3,735,606)							
Total OPEB liability - beginning		54,897,278		58,632,884							
Total OPEB liability - ending	\$	47,147,418	\$	54,897,278							
Covered-employee payroll	\$	17,097,419	\$	16,478,853							
Total OPEB liability as a percentage of covered-employee payroll											
		275.8%		333.1%							

Notes to schedule:

*Changes of assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:*

Discount rate	4.11%	3.44%	3.81%
---------------	-------	-------	-------

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.

**Plan Assets.** No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Schedule of Proportionate Share of Net Pension Liability (Asset) - (Unaudited)**  
**For the year ended December 31, 2019**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Proportion of the net pension liability (asset)	0.578%	0.058%	0.058%	0.060%	0.001%					
Proportionate share of the net pension liability (asset)	\$ 4,094,611	\$ 1,884,391	\$ 5,420,629	\$ 9,693,114	\$ 2,021,835					
Covered-employee payroll	\$ 16,617,975	\$ 14,993,931	\$ 14,584,555	\$ 14,651,331	\$ 14,724,692					
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.64%	12.57%	37.17%	66.16%	13.73%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.70%	97.90%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**MONROE COUNTY WATER AUTHORITY**  
**(A Discretely Presented Component Unit of the County of Monroe, New York)**

**Schedule of Contributions - Pension Plans (Unaudited)**  
**For the year ended December 31, 2019**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,238,932	\$ 2,251,223	\$ 2,216,347	\$ 2,628,166	\$ 2,975,247					
Contributions in relation to the contractually required contribution	<u>2,238,932</u>	<u>2,251,223</u>	<u>2,216,347</u>	<u>2,628,166</u>	<u>2,975,247</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	<u>\$ 16,617,975</u>	<u>\$ 14,993,931</u>	<u>\$ 14,584,555</u>	<u>\$ 14,651,331</u>	<u>\$ 14,724,692</u>					
Contributions as a percentage of covered-employee payroll	13.47%	15.01%	15.20%	17.94%	20.21%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

March 3, 2020

To the Board of Directors of  
Monroe County Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Monroe County Water Authority (the Authority), a public benefit corporation of the State of New York and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 3, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Pittsford, New York 14534  
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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bonadio & Co., LLP*

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## **APPENDIX B**

### **REPORT OF THE CONSULTING ENGINEER**

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Mr. Nick Noce, Executive Director  
Monroe County Water Authority  
475 Norris Drive  
Rochester, New York 14610

Date February 3, 2020

Ramboll  
Harro East Building  
400 Andrews Street, Suite 710  
Rochester, NY 14604  
USA

T 585-295-7700  
F 585-263-2869  
<https://ramboll.com>

**Water System Revenue Bonds, Series 2020**

Dear Mr. Noce,

In accordance with the Trust Indenture and as Consulting Engineer to the Monroe County Water Authority (Authority), we hereby submit the opinion of Ramboll on the existing condition of the Authority's water system in connection with the issuance of the Series 2020 bonds to finance the cost of completing the replacement, rehabilitations and construction of certain portions of the water system and to pay costs of issuance of the Series 2020 bonds.

Based on our experience with the design, operation and overall inspection of the Authority's water system, as described below, Ramboll concludes that the overall water system continues to be operated in a professional and prudent manner. Further, Ramboll believes:

- The Authority maintains and preserves the properties of the Authority's water system in good operating condition
- The expense allocations for fiscal year 2020 are adequate for the continued reliable operation of the system
- The Capital Improvement Program and the current Capital plan agree with the long-term operating requirements of the system and the proposed capital improvements are useful in connection with the Authority's water system
- The Authority employs adequate staff for the proper operation and maintenance of the water system

Ramboll hereby consents to the inclusion of these opinions and conclusions attributed to it in the Official Statement relating to the Series 2020 Bonds.

**Methodology**

As the Authority's current Consulting Engineer, Ramboll annually inspects each of its production facilities, pumping stations, storage facilities and operations centers with several members of the Authority's staff and management. A System Inspection and Program Review Report is provided to the Authority on an annual basis, which includes a listing of action items and an overall summary of maintenance items for the facilities. Additionally, Ramboll reviews the preliminary budget on an annual basis and confirms the money budgeted for the upcoming year is adequate to address all system renewal, replacement or capital improvement needs and is in general compliance with the Trust Indenture.



**Terrance P. Madden, PE**  
Senior Vice President

D: 315-956-6464  
[Terry.Madden@ramboll.com](mailto:Terry.Madden@ramboll.com)

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## **APPENDIX C**

### **CERTAIN DEFINITIONS**

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## APPENDIX C

### Certain Definitions

*The following is a summary of certain definitions and terms contained in the Indenture. This summary does not purport to be complete or definitive and it is qualified in its entirety by reference to provisions of the Indenture.*

“Act” means the Monroe County Water Authority Act, Title 5 of Article 5 of the Public Authorities Laws of New York, as originally enacted and as thereafter amended.

“Accountant” means an independent public accountant.

“Additional Bonds” means Bonds issued pursuant to the Indenture not including the Series 1991 Bonds.

“Amended and Restated Genesee County Agreement” means that certain amended and restated Water Development and Supply Agreement dated as of January 21, 2018.

“Authorized Investments” means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association; Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under the Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars (\$50,000,000), provided that such time deposits and bankers acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such

obligations at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) Repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided;

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000 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,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right to payments of principal of or interest on obligations of the United States of America or any state of the United States of America or any political subdivision thereof or any agency or instrumentality of the United States of America or any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under the Indenture, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;



(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, any other investments which are permitted under the laws of the State of New York.

“Authority” means the Monroe County Water Authority, a body corporate and politic constituting a public benefit corporation, created pursuant to and duly continued and existing under the Act.

“Bond” or “Bonds” means any of the bonds authenticated and delivered under and pursuant to the Indenture.

“Bond Fund” means the fund so designated in the Indenture to pay debt service on Authority Bonds.

“Bondholder”, or the term “holder” or any similar term, when used with reference to a Bond or Bonds, means the registered owner of any Bond or Bonds or such holders duly authorized attorney-in-fact, representative or assign.

“Business Day” means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions in Rochester, New York or New York, New York are authorized by law or executive order to remain closed.

“Capital Improvement” means any water supply system, water distribution system, including plants, works, instrumentalities or parts thereof and appurtenances thereto, dams, reservoirs, water mains, pipe lines, pumping stations, filtration and treatment plants and equipment or any other property incidental to or included in the Water System (whether or not then in existence or to be acquired, installed or constructed), and any lands, easements, rights in land and water rights and rights of way in connection therewith, which the Authority is or shall be authorized by law to construct or develop or acquire for its corporate purposes and shall include any acquisition by the purchase of stock of an existing water company.

“City Agreement” means that certain Exchange Agreement for Water Supply entered into in May 2011 between the Authority and the City of Rochester.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented from time to time, and the applicable temporary, proposed, or final regulations promulgated thereunder by the United States Treasury Department.

“Construction Fund” means one of the funds so designated pursuant to the Indenture in which moneys deposited therein shall be applied only to the Capital Improvements designated in the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Construction Fund Custodian” means a construction fund custodian, if any, appointed pursuant to the Indenture, and its successors and assigns.

“Consulting Engineer” means the engineer or engineering firm or corporation retained by or on behalf of the Authority meeting the requirements set forth in the Indenture.

“County Project Agreement” means that certain Construction and Service Agreement dated December 21, 1990 between the Authority and Monroe County.

“Cross-over refunding Bonds” means Bonds issued for the purpose of refunding Bonds if the proceeds thereof are irrevocably deposited in escrow to secure payment on an applicable redemption date or maturity date of the related Bonds being refunded and the earnings on such escrow are required to be used to pay interest on the Cross-over Refunding Bonds.

“Debt Service Reserve Account” means an account created in the Bond Fund pursuant to the provisions of the Indenture in which moneys in such account, if any, shall be used and applied solely for the purpose of paying the

principal of and interest and premium, if any, on the respective Series of Bonds for which the account was created when due, whether at their maturity or upon the redemption or purchase thereof from moneys credited to the Sinking Fund Installment Account, and shall be so used and applied whenever there are insufficient moneys on credit to the Interest Account, Principal Account and Sinking Fund Installment Account for such purposes.

“Debt Service Reserve Requirement” means, with respect to a Series of Bonds, the amount, if any, required by a Supplemental Indenture authorizing such Series of Bonds but, in no event, shall such amount be less than fifty percent (50%) of maximum annual debt service on the Series of Bonds authorized by such Supplemental Resolution.

“General Fund” means the fund created and established in the Indenture to be maintained by the Authority in which moneys deposited therein may be used for any lawful purpose of the Authority.

“Investment Securities” means those obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments.

“Monroe County Agreement” means that certain agreement dated as of November 18, 1969, as amended to date, between the Authority and Monroe County.

“Operating Expenses” means the Authority's expenses for operation and maintenance of the Water System and shall include administrative expenses, insurance premiums, financing, accounting, legal and engineering expenses, any payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds, and any other expenses required to be paid by the Authority under the provisions of the Indenture or by contract, by law or permitted by standard practices for public utility systems similar to the property and business of the Authority and applicable in the circumstances, and the expenses, liabilities and compensation of the Trustee and Paying Agents required to be paid under the Indenture, all to the extent properly attributable to the Water System including payment of taxes or other governmental charges required by law, if any, but shall not include any charge or allowance for depreciation and shall not include moneys payable as rent to the County of Monroe pursuant to the Monroe County Agreement and Chapter 1111 of the Law of 1969 of the State of New York, each as amended from time to time.

“Operating and Maintenance Fund” means the fund created and established in Indenture to be maintained by the Authority in which moneys deposited therein are required for reasonable and necessary Operating Expenses or required to reimburse the General Fund for amounts advanced therefrom for the payment of such Operating Expenses.

“Outstanding” means, when used with reference to Bonds, Bonds issued pursuant to a Supplemental Indenture, except (a) any Bonds cancelled by a Paying Agent or paid at or prior to such date; (b) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to this Indenture; and (c) Bonds deemed to be no longer outstanding hereunder as provided in the Indenture.

“Paying Agent” means any agency designated by the Authority as an agent to pay the Bonds, and its successors and any other corporation which may at any time be substituted in its place pursuant to the indenture.

“Record Date” means, with respect to any Series of Bonds, the fifteenth (15th) day (whether or not a business day) of the calendar month immediately preceding an interest payment date or such other day as may be provided in any Supplemental Indenture.

“Redemption Price”, in the case of any particular Bond, means the principal amount of such Bond plus the applicable premium, if any, payable on the date it is to be redeemed.

“Revenues” means all revenues, rates, fees, charges, rentals and other earned income and receipts (except as otherwise provided in the Indenture), in each case derived by or for the account of the Authority from the operation of the Water System, but excluding moneys held by or for the Authority which do not actually belong to the Authority or which are subject to refund by the Authority and which are held for the account of others, or subject to refund to others.

“Series of Bonds” or “Series” means all Bonds designated as being of the same series issued and delivered on original issuance pursuant to the same Supplemental Indenture in a simultaneous transaction and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

“Series 1991 Bonds” means the Series 1991 A Water System Revenue Refunding Bonds-and the Series 1991 B Water System Revenue Bonds.

“Sinking Fund Installment” means as of any particular date of computation and with respect to Term Bonds of any particular Series, the amount of money required by the Supplemental Indenture authorizing such Series of Bonds to be set aside at all events on a single future date for retirement of the Bonds of such Series but does not include any amount payable by the Authority by reason only of the maturity of such Bonds.

“Subordinated Indebtedness” means moneys payable as rent to the County of Monroe pursuant to that certain Agreement, dated as of November 18, 1969 and Chapter 1111 of the Laws of 1969 of the State of New York, each as amended from time to time, and any other indebtedness of the Authority which is not on a parity with the Bonds issued under the Indenture.

“Subordinate Indebtedness Fund” means the fund created and established in the Indenture for purposes of making payments on Subordinate Indebtedness.

“Supplemental Indenture” means any supplemental indenture adopted by the Authority pursuant to and in compliance with the provisions of the Indenture providing for the issuance of Bonds and shall also mean any other supplemental indenture adopted by the Authority pursuant to and in compliance with the provisions of the Indenture amending or supplementing the provisions of the Indenture.

"Term Bonds" means the Bonds of a Series of which all the Bonds mature on a single date.

“Water System” means the source of water supply and the water supply and distribution system of the Authority, including the plants, works, instrumentalities or parts thereof and appurtenances thereto, lands, easements, rights in lands and water rights, rights-of-way, contract rights, franchises, approaches, connections, dams, reservoirs, water mains and pipe lines, pumping stations and equipment, filtration and treatment plants and other property, real, personal, or mixed, incidental to and included in such source of supply and such system or parts thereof, and any improvements, extensions and betterments, now or hereafter constructed, acquired (including by lease) or made by the Authority.

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## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

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## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

*The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete or definitive and it is qualified in its entirety by reference to provisions of the Indenture.*

#### **Authorization and Issuance of Bonds**

The issue of Bonds of the Authority authorized and secured by the Indenture are designated “Water System Revenue Bonds”. The Bonds may be issued in one or more Series pursuant to the terms, conditions and limitations of the Indenture. Bonds may be issued at any time and from time to time for any corporate use or purpose relating to the Water System. Each Series of Bonds issued pursuant to the Indenture shall be authorized by a Supplemental Indenture, which shall specify and determine all matters required by law to be specified and determined prior to the issuance of such Series.

#### **Issuance of Refunding Bonds**

The Trustee shall not deliver to the Authority any Refunding Bonds unless there shall have been delivered to the Trustee, among other items, copies of approving resolutions, a certificate of the Authority as to no default under the Indenture, in the event of Cross-over Refunding Bonds certain required items, and a certificate of the Authority stating either (i) that the debt service on the Refunding Bonds in any year is no more than 110% of the debt service in such year for the related Bonds being refunded, or (ii) if (i) is not the case, that the requirements for the issuance of Additional Bonds have been met.

#### **Issuance of Additional Bonds**

The Trustee shall not deliver to the Authority any Additional Bonds unless there shall have been delivered to the Trustee, among other items, (i) copies of approving resolutions, (ii) a certificate of the Authority as to no default under the Indenture, (iii) if such Additional Bonds are issued in whole or in part to pay for the cost of acquiring, constructing or equipping any Capital Improvement, a certificate of the Consulting Engineer stating that in their opinion of the issuer such Capital Improvement will be useful in connection with the Water System, (iv) a certificate of an Accountant selected by the Authority (1) setting forth for any consecutive twenty-four (24) month period in the previous thirty-six (36) months, the Revenues for such period, and (2) showing that one-half of such Revenues would be sufficient to meet the rate covenant set forth in the Indenture for the current fiscal year with respect to all Bonds to be outstanding at any time during such year, including the Additional Bonds proposed to be issued under the Indenture. In the event the Authority does not furnish the certificate referred to in the preceding clause, a certificate of the Consulting Engineer setting forth the estimated Revenues (assuming completion of construction or acquisition on its then estimated completion date) for whichever of the following periods shall extend until the latest date: (1) if the Supplemental Indenture authorizing the Series of Bonds being issued requires that interest on such Bonds be capitalized until a certain date, for each of the three fiscal years succeeding such date, or (2) if the Supplemental Indenture authorizing the Series of Bonds being issued does not require that interest be capitalized, for the then current fiscal year and each of the next four succeeding fiscal years; and, in addition, a certificate of an Authorized officer of the Authority showing the total aggregate debt service on Bonds for each of the fiscal years set forth in the Consulting Engineer’s certificate and showing that estimated Revenues as shown in the Consulting Engineer’s certificate for each of such fiscal years would be sufficient to meet the rate covenant set forth in the Indenture for each of such fiscal years with respect to all Bonds to be outstanding at any time during such years.

Neither of the certificates referred to in the last two clauses of the preceding paragraph shall apply to: (1) the Series 1991 Bonds; (2) certain Refunding Bonds; (3) any Series of Bonds all of the proceeds of which are to be applied to pay construction or acquisition costs of a Capital Improvement necessary, as expressed in a Consulting Engineer’s certificate, to prevent a loss of Revenue therefrom, or to comply with requirements of any governmental agency having jurisdiction over the Authority; (4) completion bonds; or (5) any Series of Bonds, the aggregate principal amount of which does not in any fiscal year exceed ten percent (10%) of Revenues for the most recent fiscal year prior to the issuance of such Series of Bonds for which audited financial statements are available, all as expressed in a certificate of the Authority; provided that the Trustee shall have received a certificate of the Authority showing the estimated

Revenues for the current fiscal year are sufficient to meet the rate covenant set forth in the Indenture for such fiscal year with respect to all Bonds to be outstanding at any time during such year including the Additional Bonds proposed to be issued.

### **Bond Anticipation Notes**

Whenever the Authority shall be permitted to issue notes representing loans in anticipation of the sale of bonds, the Authority may by resolution authorize the issuance of bond anticipation notes in anticipation of the sale of such bonds. The principal of any such notes shall be payable through the issuance of bonds in anticipation of which they were issued or, subject to rights of the holders of Bonds outstanding hereunder, from the proceeds of Bonds or from any other moneys of the Authority available therefor. Bond anticipation notes shall not be issued in an amount exceeding the principal amount of the bonds in anticipation of the sale of which such notes are proposed to be issued.

The Authority shall by resolution prescribe the form and details of such bond anticipation notes and the manner of their execution, consistent with the laws applicable to the Authority in effect at the time of the issuance of such notes, and no notes including renewals thereof shall mature later than five (5) years from the date of issue of the original notes or such other longer or shorter term as may be available pursuant to applicable law.

For all purposes of the Indenture, the Trustee shall treat the obligation of the Authority to pay interest as though it were an obligation of the Authority to pay interest on Additional Bonds. The principal and interest of all bond anticipation notes shall be payable at the office of the Trustee.

For the purposes of determining compliance with the covenants contained in the Indenture, as of the date of issuance of any Series of bond anticipation notes, the aggregate principal amount of all outstanding bond anticipation notes (including such Series) shall never exceed the principal amount of a hypothetical Series of Bonds which could be issued hereunder having an assumed final maturity of thirty (30) years, bearing an assumed rate of interest equal to the highest rate then borne by any bond anticipation note then outstanding (or, if none, the interest rate borne by the bond anticipation notes to be issued) and having debt service due in each fiscal year in approximately equal amounts.

### **Subordinate Lien Obligations and Special Purpose Bonds**

Nothing contained in the Indenture shall prohibit or prevent the Authority from authorizing and issuing bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate purpose or use relating to the Water System payable as to principal and interest from Revenues which are secured by a lien and pledge on the Revenues junior to the lien and pledge on the Revenues created in the Indenture for the payment and security of the Bonds. Nothing contained herein shall prohibit or prevent the Authority from authorizing and issuing special purpose bonds, notes or obligations which shall be payable solely from rentals or other charges derived by the Authority under or pursuant to one or more leases, loan, agreements, installment sale contracts, or other similar devices.

### **Rates and Charges**

So long as any of the Bonds are outstanding, the Authority shall at all times maintain such rates, fees, rentals and other charges for the sale or distribution of water or for other service rendered by the Water System as shall be required as described under the heading herein entitled "Rate Covenant". Such rates, fees, rentals and other charges shall be not less than the aggregate of the following amounts: (1) the amount required to be paid into the Operating and Maintenance Fund during such year, (2) the aggregate of the amounts required to be paid into the Bond Fund during such year, (3) the aggregate amount required to be paid into the Subordinated Indebtedness Fund, during such year, (4) the aggregate amount needed to pay expenses for repairs, renewals, replacement or maintenance items during such year and (5) any amounts required to pay or discharge all other charges and liens whatsoever payable out of Revenues when due and enforceable. The rates, fees, rentals and other charges so fixed by the Authority shall not be reduced unless the Consulting Engineer shall have recommended such reduction and a copy of such recommendation shall have been filed with the Trustee. The Authority shall at all times keep on file with the Trustee copies of its rate schedules for the Water System, as in effect from time to time.



## **Transferring and Exchange of Bonds**

A Bond may be transferred on the books of the Authority by the person in whose name it is registered, in person or by such owner's duly authorized attorney, upon surrender of the Bond to the Trustee, accompanied by a duly executed written instrument of transfer. The Trustee shall require the payment by the holder of the Bond requesting a transfer of any tax or other governmental charges required to be paid with respect to such transfer.

A Bond may be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any authorized denominations upon surrender of the Bond to the Trustee, accompanied by a duly executed assignment in form satisfactory to the Trustee. The Trustee shall require the payment by the holder of the Bonds requesting an exchange of any tax or other governmental charges required to be paid with respect to said exchange.

## **Revenues and Revenue Funds**

The Indenture establishes the following funds:

- (a) Water System Revenue Fund, to be held by the Authority;
- (b) Operating and Maintenance Fund, to be held by the Authority;
- (c) Bond Fund, to be held by the Trustee;
- (d) Subordinated Indebtedness Fund, to be held by the Authority;
- (e) General Fund, to be held by the Authority; and
- (f) Capital Improvement Fund, to be held by the Trustee.

In the Indenture, the Authority covenants that it will pay or cause to be paid into the Water System Revenue Fund, all Revenues, and all Revenues are pledged to secure the payment of the principal of, premium, if any, and Redemption Price of and interest on the Bonds.

## **Pledge of Revenues**

All Revenues required by the Indenture to be deposited in the Water System Revenue Fund (other than any amounts required to be deposited into any Rebate Account in the Bond Fund) are pledged to secure the payment of the principal of, premium, if any, and Redemption Price of and interest on the Bonds and any Sinking Fund Installments for the retirement thereof, in accordance with their terms and the provisions of the Indenture, subject only to the right of the Authority to withdraw from said fund and to apply amounts to other purposes as described under the heading below "Application of Water System Revenue Fund."

## **Application of Water System Revenue Fund**

The Authority shall withdraw from the Water System Revenue Fund, from time to time, and in the following order, the moneys needed to make, and shall make the following payments in order of priority:

- (a) to the Authority for deposit in the Operating and Maintenance Fund, not later than the last Business Day of each month, the amounts required to pay Operating Expenses.
- (b) not later than the last Business Day of each month, to the Trustee, for deposit in the Bond Fund, the amounts required to be deposited into the Bond Fund as set forth in the heading "Bond Fund" below.
- (c) not later than the last Business Day of each month, to the Authority for deposit in the Subordinated Indebtedness Fund an amount, equal to the greater of (i) one-twelfth of the total amount required to meet the Authority's lease obligations to the County of Monroe and any other Subordinated Indebtedness payments for such fiscal year, or (ii) an amount required to increase the total amount paid into

said Fund during such year to an amount necessary to meet the Subordinated Indebtedness payments due in the next succeeding month.

(d) the remainder in the Water System Revenue Fund, after making the transfers and allocations set forth above, to the Authority for deposit in the General Fund.

(e) moneys in the General Fund may be transferred as determined by the Authority from time to time, to the extent permitted by law, into the Capital Improvement Fund or any other fund created hereunder and used as permitted in the Indenture.

(f) in the event any fund created under the Indenture has more than 110% of the amount required to be on deposit therein ("excess funds"), the Authority may effect a transfer of the excess funds from such fund into the General Fund. In the case of a fund held by the Trustee, the transfer shall be effected upon delivery to the Trustee of a certificate of an Authorized Officer of the Authority stating that such fund has more than 110% of the amount required to be on deposit therein.

### **Operating and Maintenance Fund**

All Operating Expenses of the Authority shall be paid from the Operating and Maintenance Fund. Moneys shall be transferred from the Revenue Fund as required to pay such Operating Expenses. Such payments shall be prior to any payment to other funds and accounts established pursuant to the Indenture.

### **Bond Fund**

Moneys in the Bond Fund shall be used solely for the purpose of paying the principal, premium, if any, and interest on the Bonds.

1. The Trustee shall create a separate account in the Bond Fund to be known as the "Interest Account". Unless otherwise provided in a Supplemental Indenture, in order to provide for the payment of the interest on the Bonds, not later than the last Business Day of each month prior to the date upon which an installment of interest falls due on the Bonds of a Series, the Authority shall pay to the Trustee, and the Trustee shall credit to the Interest Account an amount such that, if the same amount were so credited to the Interest Account in each calendar month thereafter until the next interest payment date of the Bonds of such Series, the aggregate of the amounts so credited would be equal to the installment of interest due on all Bonds of such Series.

2. The Trustee shall create a separate account in the Bond Fund to be known as the "Principal Account". Unless otherwise provided in a Supplemental Indenture, the Authority shall pay to the Trustee, and the Trustee shall credit to the Principal Account an amount such that, if the same amount were so credited to the Principal Account in each calendar month thereafter, prior to the next principal payment date on the Serial Bonds of such series, the aggregate of the amounts so credited would be equal to the installment of principal due on the Serial Bonds of such Series. In the event of a redemption or acceleration of the Bonds of a Series, moneys for the payment of Redemption Price shall be deposited into the Principal Account for such Series of Bonds.

3. The Trustee shall create a separate account in the Bond Fund to be known as the "Sinking Fund Installment Account" in order to meet the specified sinking fund installment requirements of Term Bonds and otherwise to retire Bonds prior to maturity. Unless otherwise provided in a Supplemental Indenture, the Authority shall pay to the Trustee, and the Trustee shall credit to the Sinking Fund Installment Account an amount such that, if the same amount were so credited to the Sinking Fund Installment Account in each calendar month thereafter, prior to the next date upon which a sinking fund installment falls due on the Term Bonds of such Series, the aggregate of the amounts so credited would on such date be equal to the sinking fund installment due on the Term Bonds of such Series.

4. The Trustee shall create a separate Account in the Bond Fund for each Series of Bonds, each such account to be known as the "Debt Service Reserve Account", Series using the Series designation of the Bonds to which such account relates. The Debt Service Reserve Account Requirement for each Series of Bonds shall be that amount, **if any**, required in the Supplemental Indenture providing for the issuance of such Series of Bonds as the Debt

Service Reserve Account Requirement for such Series of Bonds. In the event a Debt Service Reserve Account Requirement is prescribed, the Supplemental Indenture providing for the issuance of a Series of Bonds shall provide either (i) for deposits from the moneys in the Water System Revenue Fund into the Bond Fund for credit to the appropriate Debt Service Reserve Account, (ii) for payments into the Bond Fund for credit to the appropriate Debt Service Reserve Account from the proceeds of Bonds or from any moneys lawfully available therefor, or (iii) for deposit with the Trustee of a surety bond, an insurance policy, letter of credit or similar device unconditionally payable on demand to or for the benefit of the Trustee for the benefit of the holders of the Series of Bonds for which the Debt Service Reserve Account was created, all as shall be determined and provided in the Supplemental Indenture. The moneys in the Bond Fund on credit to a Debt Service Reserve Account shall be used and applied solely for the purpose of paying the principal of and interest and premium, if any, on the respective Series of Bonds for which the account was created when due, whether at their maturity or upon the redemption or purchase thereof from moneys credited to the Sinking Fund Installment Account, and shall be so used and applied whenever there are insufficient moneys on credit to the Interest Account, Principal Account and Sinking Fund Installment Account for such purposes. No Bonds other than the Series of Bonds for which such account has been created shall have any right to be paid from such account.

5. Moneys on deposit in the Bond Fund shall be transmitted by the Trustee to any Paying Agent at such times as shall be necessary on or prior to the date upon which any installment of interest or principal is due on the Bonds (either at the maturity date thereof or redemption date prior to maturity) to pay, and in amounts sufficient to meet such installments of, principal of, premium, if any, and interest on the Bonds, then due. In the event that there shall be a deficiency in the Interest Account, Principal Account or Sinking Fund Installment Account on the Business Day before any interest, principal or sinking fund payment is due on a Series of Bonds, the Trustee shall promptly make up such deficiency from any Debt Service Reserve Account for such Series by the withdrawal of cash therefrom for that purpose or by the sale or redemption of Authorized Investments held in the Debt Service Reserve Account, if necessary, in such amounts as will provide cash in the Debt Service Reserve Account sufficient to make up any such deficiency or by the transfer of Authorized Investments (or undivided interests therein) in which moneys in the Interest Account, Principal Account or Sinking Fund Installment Account, as the case may be, may be invested, or by taking such steps as may be necessary to realize the benefit of any surety bond, insurance policy, letter of credit or similar device deposited in the Debt Service Reserve Account for such Series.

### **Subordinated Indebtedness Fund**

The Authority shall withdraw from the Water System Revenue Fund for deposit in the Subordinated Indebtedness Fund an amount equal to the greater of (i) one-twelfth of the total amount required to meet the Authority's lease obligations to the County of Monroe and any other Subordinated Indebtedness payments for such fiscal year, or (ii) an amount required to increase the total amount paid into said fund during such year to an amount necessary to meet the Subordinated Indebtedness payments due in the next succeeding month.

The Authority shall pay from time to time out of the Subordinated Indebtedness Fund all amounts required to be paid as lease obligations to the County of Monroe and any other amounts required to be paid on Subordinated Indebtedness, or to reimburse the General Fund for amounts advanced therefor.

### **General Fund**

All remaining Revenues of the Authority, after deposit of the amounts required in the Funds heretofore described, shall be deposited in the General Fund. Moneys in the General Fund may be used for any lawful purposes of the Authority.

### **Investments of Funds**

1. Moneys in each of the Water System Revenue Fund, the Operating and Maintenance Fund, the Subordinated Indebtedness Fund and the General Fund not required for immediate disbursement for the purpose for which such Fund is established may, to the fullest extent practicable and reasonable, be invested and reinvested solely in Authorized Investments.

2. Moneys in the Interest Account, Principal Account, Sinking Fund Installment Account and Debt Service Reserve Account in the Bond Fund may, to the fullest extent practicable and reasonable, be invested and reinvested solely in investments specified in items (i), (ii) and (iii) of the definition of Authorized Investments.

### **Excess Funds**

In the event any of the above-referenced Funds has more than 110% of the amount required to be deposited therein, the Authority may transfer the excess funds into the General Fund.

### **Construction Funds**

Whenever the Indenture or any Supplemental Indenture shall require the deposit of any part of the proceeds of any Series of Bonds in a Construction Fund, the Trustee or the Authority shall establish and hold in trust a Construction Fund and the moneys deposited therein shall be applied only to the Capital Improvements designated in the Supplemental Indenture providing for the issuance of such Series of Bonds. Each such Construction Fund shall be identified by such appropriate particular designation as may be determined by the Authority and as may be necessary to distinguish such fund from other Construction Funds. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds, there shall be created in the Construction Fund a "Construction Interest Account".

The moneys held in any Construction Fund shall be subject to a lien and charge in favor of the holders of the Bonds and shall be held for the security of the holders until paid out from such fund for the cost of the Capital Improvements for which such Bonds were issued.

From the proceeds derived from the sale of Bonds for Capital Improvements there shall be deposited:

1. With the Authority or the Construction Fund Custodian, as the case may be, for credit to the Construction Interest Account (if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account), an amount equal to the accrued interest on the Bonds paid as part of the purchase price;
2. With the Authority or the Construction Fund Custodian, as the case may be, for credit of such Construction Interest Account, if any, otherwise with the Trustee for deposit in the Bond Fund for credit to the Interest Account, the amount, if any, equal to the interest on the Bonds during the construction period being capitalized from the proceeds thereof;
3. With the Trustee for payment into the Bond Fund for credit to the applicable Debt Service Reserve Account the amount prescribed in the applicable Supplemental Indenture; and
4. With the Authority or the Construction Fund Custodian, as the case may be, for credit to the applicable Construction Fund the balance of the Bond proceeds, which shall be applied to the payment of the Capital Improvement. Any balance remaining in such Construction Fund upon completion of such Capital Improvement shall be deposited in the New Construction Fund or used for any lawful purpose of the Authority provided that in the latter event the Authority will have obtained a written opinion of nationally recognized bond counsel acceptable to the Trustee that such application will not impair the exemption from federal income taxation of interest on the Bonds.

Moneys credited to the Construction Interest Account shall be used for the purpose of paying interest on the Bonds.

### **New Construction Fund and Capital Improvement Fund**

The Authority may, in its discretion and from time to time, authorize the transfer of moneys into the New Construction Fund from the Construction Fund (subject to limitations set forth in the Indenture) or from the General Fund. Moneys held in the New Construction Fund shall be used to pay for or reimburse the Authority for a Capital Improvement.

The Authority may, in its discretion and from time to time, authorize the transfer of moneys into the Capital Improvement Fund from the General Fund. Moneys held in the Capital Improvement Fund shall be used to pay for, or reimburse the Authority for, a Capital Improvement.

#### **Investment of Construction Fund, Capital Improvement Fund and New Construction Fund Moneys**

Unless otherwise specified in any Supplemental Indenture, moneys in the Construction Fund and moneys in the New Construction Fund and the Capital improvement Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested solely in Authorized Investments.

#### **Annual Budget**

Not less than forty (40) days before the beginning of each calendar year, the Authority shall prepare and file with the Trustee a preliminary budget of Operating Expenses, Subordinated Indebtedness and expenses for repairs, renewals, replacements or maintenance items. Prior to the beginning of the year for which such preliminary budget is prepared, the Authority shall adopt such preliminary budget as originally filed with the Trustee or with such modifications or changes as the Authority may deem necessary. The preliminary budget so adopted shall, when it has been approved by a certificate of the Consulting Engineer, constitute for all purposes the annual budget (the "Annual Budget") for such year.

Any Annual Budget may be amended by the Authority at any time in the year for which it is adopted provided the amendment is supported by a certificate of the Consulting Engineer recommending such amendment. Any change in the application of moneys within a category of expenses itemized in the annual budget shall not be deemed to be an amendment of the Annual Budget. Any increase or decrease of twenty percent (20%) or less in the required payments into the Subordinated Indebtedness Fund from the amount budgeted should not be deemed to be an amendment of the Annual Budget.

If for any reason whatsoever, the Annual Budget for any year shall not have become effective at the beginning of such year, then and in such event, until the Annual Budget for such year shall become effective, the Annual Budget for the preceding year, if any, shall be deemed to be the annual budget for the purpose of determining the amounts to be paid by the Authority for deposit in the Operation and Maintenance Fund pursuant to the Indenture.

Copies of each Annual Budget and of any amendments thereof and of any certificates of the Consulting Engineer shall be filed with the Trustee for inspection of the Bondholders and copies thereof shall be mailed to every Bondholder who within one year prior thereto shall have filed with the Authority a statement of his name and address together with a request for such copies.

#### **Particular Covenants**

In the Indenture, the Authority covenants as follows:

##### **To Maintain the Properties of the Water System; To Keep the System in Good Repair**

Except as otherwise provided in the Indenture, the Authority shall (i) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Water System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition, (ii) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted, and (iii) comply, or cause to be complied with the terms and conditions of any permit or license for the Water System or any part thereof issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Water System or requiring a license, permit or approval therefor.

## **Rate Covenant**

The Authority shall fix, establish and collect, or cause to be fixed, established and collected, rates, tolls, rents and other charges for the water distributed by it and for any services or facilities sold, furnished or supplied by the Water System or any part thereof, which rates, tolls, rents and charges shall be sufficient in each Fiscal Year to produce Revenues in such fiscal year which together with other moneys which lawfully may be applied to the purpose, will be equal to at least the sum of (A) 1.2 times an amount equal to debt service for such fiscal year on all Bonds less amounts to be received from the County of Monroe or the County of Genesee during such year pursuant to any contract between the Authority and the County of Monroe or the County of Genesee which specifically obligates the particular county to pay debt service on one or more Series of Bonds, (B) the necessary expenses of operating, maintaining, renewing and replacing the Water System and maintaining the Debt Service Reserve Accounts in the Bond Fund and paying required amounts into the Subordinated Indebtedness Fund and (C) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Revenues in such fiscal year

## **Sale, Lease or other Disposition of Properties of the Water System**

The Authority shall not sell, mortgage, lease or otherwise dispose of the properties of the Water System except as provided below:

(1) The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water System having a value of \$1,000,000 or less on such terms and conditions as may be prescribed by the Authority. The Authority may sell, lease or otherwise dispose of any part of the properties comprising the Water System having a value in excess of \$1,000,000 if the Consulting Engineer shall certify to the Authority in writing that such terms and conditions of the proposed sale, lease or the disposition of any such properties are fair and reasonable, and that the estimated Revenues to be derived from the remaining properties of the Water System after taking into consideration the use by the Authority of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the Authority to comply with all covenants and conditions of the Indenture. Proceeds of any sale, lease or other disposition of any portion of the properties of the Water System pursuant to this paragraph shall be paid: (i) if such proceeds are not in excess of \$100,000, into the Water System Revenue Fund; or (ii) if such proceeds are in excess of \$100,000, (A) into the Sinking Fund Installment Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Water System Revenue Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water System, as the Authority shall determine.

(2) The Authority may sell, lease, or otherwise dispose of surplus lands, crops, timber, buildings and any other portion of the works, plant and facilities of the Water System and real and personal property comprising a part thereof, which, in the opinion of the Authority, shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Water System, or no longer necessary, material to, or useful in such operation. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Water System pursuant to this paragraph shall be paid into the Water System Revenue Fund.

(3) In the event that any part of the properties comprising the Water System shall be transferred from the Authority through the operation of law (including condemnation), any moneys received by the Authority as a result thereof shall be paid (i) if such proceeds are not in excess of \$100,000, into the Water System Revenue Fund, or (ii) if such proceeds are in excess of \$100,000, into the Capital Improvement Fund and applied by the Authority for the purpose of constructing extensions, betterments or improvements to the Water System, as the Authority shall determine.

(4) Any portion of the Water System owned by the County of Monroe and leased to the Authority pursuant to that certain Agreement, dated as of November 18, 1969, as amended, will be governed by such Agreement and applicable provisions of law.

## **Insurance**

(A) Except as provided in paragraph (B) below, the Authority shall keep, or cause to be kept, the works, plants and facilities comprising the properties of the Water System and the operations thereof insured to the extent

available at reasonable cost with responsible insurers, with policies payable to the Authority, against risks of direct physical loss, damage to or destruction of the Water System, or any part thereof, at least to the extent that similar insurance is usually carried by utilities operating like properties against accidents, casualties or negligence, including liability insurance and employer's liability; provided, however, that any time while any contractor engaged in constructing any part of the Water System shall be fully responsible therefor, the Authority shall not be required to keep such part of the Water System insured. All policies of insurance shall be for the benefit of the holders of the Bonds and the Authority as their respective interests may appear.

In the event of any loss or damage to the properties of the Water System covered by insurance, the Authority will (i) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Water System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving \$100,000 or more, the Authority shall determine that such repair and reconstruction not be undertaken; and (2) if the Authority shall not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies of any portion thereof not used for such repair or reconstruction, as the case may be, shall be paid into the Capital Improvement Fund.

(B) If the Authority elects to self-insure or fails to carry insurance against any of the risks normally insured against by operators of facilities similar to the Water System, it must secure the concurrence of the Consulting Engineer. In making its decision whether to concur in such self-insurance, the Consulting Engineer shall (i) make an estimate of the added financial risks, if any, assumed by the Authority as a result of the self-insurance; (ii) consider the availability of commercial insurance, the terms upon which such insurance is available and the costs of such available insurance, and the effect of such terms and costs upon the Authority's costs and charges for its services; (iii) determine whether the added financial risk, if any, being assumed by the Authority is prudent in light of the savings to be realized from such self-insurance or in light of the general availability of insurance.

### **Consulting Engineer**

The Authority shall retain and appoint, as Consulting Engineer, an independent consulting engineer or engineering firm or corporation having special skill, knowledge and experience in analyzing the operations of water utility systems, preparing rate analyses, forecasting the loads and revenues of water utility systems, preparing feasibility reports respecting the financing of water utility systems and advising on the operation of water facilities, who shall be available to advise the Authority, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions hereof. In addition to the other duties of the consulting Engineer pursuant hereto, the Consulting Engineer shall, on or before October 15 of each year make an examination of and report on the properties and operations of the Water System. Each such report shall be in sufficient detail to show whether the Authority has satisfactorily performed and complied with the covenants, agreements and conditions set forth herein, the sufficiency of the amount being charged and collected for services under the requirements hereof, the proper maintenance of the Water System, and the making of repairs, renewals, replacements, modifications, additions and betterments necessary or desirable to improve operating reliability or reduce costs and recommendations thereof. If the Authority in any material way shall have failed to perform or comply with such covenants, agreements and conditions contained herein, such report shall specify the details of such failure. A copy of each such report shall be filed with the Authority and the Trustee and sent to any Bondholder filing with the Trustee a written request for a copy thereof. On the filing of such report, the Authority shall undertake a review of such report and shall cause the prompt taking of such action as shall be necessary to fully perform and comply with the covenants, agreements and conditions of the Indenture as to which the report specified such failure of performance or compliance.

### **Not to Furnish Free Service; Enforcement of Accounts Due**

So long as any Bonds issued pursuant to the Indenture are outstanding and unpaid, the Authority will not furnish or supply water or any other commodity, service or facility furnished by it or in connection with the operation of the Water System, free of charge to any person, firm or corporation, public or private, and the Authority will promptly enforce the payment of any and all accounts owing to the Authority by reason of the ownership and operation of the Water System, provided, however, a continuation of service at a rate or in a manner required by any existing contract in force on the date the Indenture was executed by the parties thereto shall not constitute a breach of this covenant.

## **Protection of Security**

The Revenues and other moneys, securities and funds pledged pursuant to the Indenture 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 hereby, except as otherwise expressly provided in the Indenture. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Indenture and each Supplemental Indenture and all the rights of the Bondholders against all claims and demands of all persons.

## **Arbitrage Covenant; Rebate Fund**

The Authority covenants with the holders from time to time of the Bonds that (i) throughout the term of the Bonds and (ii) through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) it will comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Bonds shall be and continue to be excluded from gross income for federal income tax purposes under Section 103 of the Code.

If and to the extent necessary to comply with any covenant established in a Supplemental Indenture with respect to a Series of Bonds regarding maintaining the exemption of interest on such Bonds from federal income taxation, the Authority and the Trustee shall establish in the Supplemental Indenture providing for the issuance thereof a rebate fund (the “Rebate Fund”). Moneys in the Rebate Fund are not available for the benefit of holders of Bonds and are not pledged to payment of the Bonds or interest thereon.

## **Events of Default**

Each of the following events is defined as an “Event of Default”:

(a) if payment of the principal (including a Sinking Fund Installment) of or premium, if any, on any Bond shall not punctually be made when due and payable, whether at the stated maturity thereof or upon proceedings for the redemption thereof (whether by voluntary redemption or a mandatory sinking fund redemption or otherwise);

(b) if payment of the interest on any Bond shall not punctually be made within fifteen (15) days after the date such payment is due;

(c) if the Authority shall fail to duly and punctually perform or observe any other of the covenants, agreements or conditions contained in this Indenture or in the Bonds, on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice thereof from the Trustee or the holders of not less than twenty-five percent (25%) of the Bonds then outstanding; provided that, if such failure shall be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(d) if an order, judgment, or decree shall be entered by any court of competent jurisdiction, with the consent or acquiescence of the Authority, or if such order, judgment or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or set aside or discharged or stayed (or in case custody or control is assumed by said order, such custody or control shall not otherwise be terminated) within ninety (90) days after the entry thereof (and if appealed, shall not thereafter be vacated or discharged: (i) appointing a receiver, trustee or liquidator for the Authority or for the Water System or any part of the Water System; or (ii) assuming custody or control of the Water System or any part thereof under the provisions of any law for the relief or aid of debtors; or (iii) approving a petition filed against the Authority under the provisions of Chapter IX of an act to establish a uniform Law on the Subject of Bankruptcies II USC 901-946 (the “Bankruptcy Act”), or under any other applicable bankruptcy act, which shall give relief substantially similar to that afforded by the Bankruptcy Act; and

(e) if the Authority shall (i) admit in writing its inability to pay its debts generally as they become due; or (ii) file a petition in bankruptcy or seeking a composition of indebtedness; or (iii) make an assignment for the benefit of its creditors; or (iv) file a petition or any answer seeking relief under the Bankruptcy Act referred to in the preceding



clause, or under any amendment thereto, or under any other applicable bankruptcy act which shall save relief substantially the same as that afforded by Chapter IX of said act; or (v) consent to the appointment of a receiver of the whole or any substantial part of the Water System; or (vi) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Authority or of the whole or any substantial part of the Water System.

### **Notice to Bondholders of Event of Default**

The Trustee, within thirty (30) days after the occurrence of an Event of Default, shall give to the Bondholders notice of such default, unless such default shall have been cured before the giving of such notice.

### **Remedies**

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, upon demand of the Trustee, the Authority shall pay over to the Trustee and cause any Construction Fund Custodian to pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the Authority and pledged under this Indenture, and moneys, securities and funds then held by any Construction Fund Custodian, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default due to payment failure, the Revenues received by the Trustee or by a Bondholders' Committee shall be applied by the Trustee or by the Bondholders' Committee, as the case may be, first to the payment of all necessary and proper Operating Expenses of the Water System and all other proper disbursements or liabilities made or incurred by the Trustee or by the Bondholders' Committee, as the case may be; secondly, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein; and lastly, for any lawful purpose in connection with the Water System.

In the event that at any time the funds held by the Trustee or the Bondholder's Committee pursuant to the preceding paragraph shall be insufficient for the payment of the principal (including a Sinking Fund Installment) of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds) and all Revenues of the Authority and other of its moneys received or collected for the benefit or for the account of holders of the Bonds by the Trustee or the Bondholders Committee shall be applied as follows:

Unless the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operating Expenses of the Water System and all other proper disbursements or liabilities made or incurred by the Trustee or by the Bondholders' Committee, as the case may be;

Second, to the payment to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) in the order of the maturity of such installments, earliest maturities first, and if the amounts available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amount due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, to the payment to the persons entitled thereto of the principal and premium, if any, (including sinking fund installments) due and unpaid upon the Bonds at the time of such payment without preference or priority of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and redemption premium, without any discrimination or preference.

If the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operating Expenses of the Water System and all other proper disbursements or liabilities made or incurred by the Trustee or by the Bondholders' Committee, as the case may be;

Second, to the payment of the principal (including a Sinking Fund Installment) 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 Bonds, ratably, according

to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Upon the occurrence of an Event of Default and while such Event of Default shall be continuing, the Trustee or a Bondholders' Committee representing the holders of not less than a majority of the Bonds at the time outstanding, as a matter of right against the Authority, without notice or demand, and without regard to the adequacy of the security for the Bonds, shall, but only if and to the extent then permitted by law be entitled to take possession and control of the business and properties of the Water System. Upon taking such possession, the Trustee or such Bondholders' Committee shall operate and maintain the Water System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for water distributed through the facilities of the Water System and collect the Revenues of the Water System.

Upon the occurrence of an Event of Default and at any time while such Event of Default shall be continuing, the Trustee or the holders of twenty-five percent (25%) or more in principal amount of the Bonds then outstanding or at any committee therefor shall, but only if and to the extent then permitted by law, be entitled to the appointment of a receiver to take possession of the Water System, to manage, and receive and apply the Revenues.

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, funds and Revenues deposited or pledged with it under the Indenture or agreed or provided to be delivered to or deposited or pledged with it under the Indenture.

#### **Bondholders' Committee**

Upon the occurrence of an Event of Default and at any time such Event of Default shall be continuing, the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding may call a meeting of the holders of Bonds for the purpose of electing a Bondholders' Committee. At such meeting, the holders of not less than a majority of the principal amount of the Bonds then outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business. The Bondholders present in person or by proxy may, by the votes cast by the holders of a majority in principal amount of the Bonds so present in person or by proxy, elect one or more persons who may or may not be Bondholders to the Bondholders' Committee, which shall act as trustee for all Bondholders.

#### **Suits by Individual Bondholders**

Except as otherwise specifically provided in the Indenture, no holder of any of the Bonds shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such holder shall have previously given to the Trustee written notice of the happening of an Event of Default and the holders of at least twenty percent (20%) in principal amount of the Bonds then outstanding shall have filed a written request with the Trustee and shall have offered it reasonable opportunity either to exercise the power granted under the Indenture or to institute such action, suit or proceeding in its own name, and unless such Bondholder 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 for a period of sixty (60) days after the receipt by it of such notice, request and offer of indemnity shall have refused to comply with such request; it being understood and intended that, except as above provided, no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under this Indenture, except in compliance with the conditions precedent to the initiation of such litigation as herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner provided in this Indenture and for the equal benefit of all holders of the outstanding Bonds.

#### **Defeasance**

(a) The obligations of the Authority under the Indenture and the liens, pledges, charges, trusts, covenants and agreements of the Authority made or provided for under the Indenture, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding under the Indenture,

(i) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation, or shall have been purchased by the Trustee from moneys held under the Indenture; or

(ii) as to any Bond not cancelled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and premium if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Trustee or a Paying Agent for such Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Investment Securities maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, whichever the Authority deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Trustee and the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee and said Paying Agents.

At such time as a Bond shall be deemed to be no longer outstanding hereunder, as aforesaid, such Bond, except for the purposes of any payment from such moneys or Investment Securities, shall no longer be secured by or entitled to the benefits of the Indenture.

### **Amending and Supplementing of Indenture Without Consent of Holders of Bonds**

The Authority, from time to time and at any time and without the consent or concurrence of any holder of any Bond, may approve an Indenture amendatory or supplemental to the Indenture (herein defined and referred to as a "Supplemental Indenture"), (i) for the purpose of providing for the issuance of Bonds, or (ii) if the provisions of such Supplemental Indenture shall not adversely affect the rights of the holders of the Bonds then outstanding, for any one or more of the following purposes:

1. to make any changes or corrections in the Indenture as to which the Authority shall have been advised by counsel that the same are verbal corrections or changes or are required for or the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Indenture, or to insert in this Indenture such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable;

2. to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds;

3. to surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture;

4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge, or charge, created or to be created by the provisions of the Indenture;

5. to grant or to confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant or to confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, powers, authority or security or to provide for additional security;

6. to supplement or amend the Indenture as permitted under the Indenture, including, but not limited to, supplement for the issuance of Additional Bonds;

7. to provide for the deposit of any Revenues into an additional fund, so long as deposits to such fund are made after deposits into the Bond Fund, or to effect any other modification, amendment or supplement to the Indenture which, in the sole judgment of the Trustee, does not adversely affect the interests of the Trustee or Bondholders;

8. to modify, amend or supplement the Indenture for or the purpose of (i) obtaining or maintaining a rating on the Bonds or any Series of Bonds, or (ii) obtaining or maintaining credit enhancement for the Bonds or any Series of Bonds or for any Debt Service Reserve Requirement for any Series of Bonds;

9. to modify, amend or supplement the Indenture to effect a change which, based upon a certificate of the Consulting Engineer, does not adversely affect Revenue available for debt service on the Bonds; or

10. to make any change necessary, in the opinion of nationally recognized bond counsel, to maintain the exclusion from gross income for federal income tax purposes of interest on any outstanding tax-exempt Bond.

#### **Amendment of Indenture With Consent of Holders of Bonds**

With the consent of the holders of not less than a majority of the Bonds then outstanding, the Authority from time to time, and at any time, may approve a Supplemental Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture, or modifying or amending the rights and obligations of the Authority under the Indenture or modifying or amending in any manner the rights of the holders of the Bonds then outstanding; provided, however, that without the specific consent of the holder of each such Bond which would be affected thereby, no Supplemental Indenture amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the Redemption Price (or the redemption premium) payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any Supplemental Indenture amending or supplementing the provision of the Indenture; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; or (4) authorize the creation of any pledge of the Revenues and other moneys pledged under the Indenture, prior, superior or equal to the pledge of a lien and charge thereon created in the Indenture for the payment of the Bonds except to the extent provided in the Indenture; or (5) deprive any holder of the Bonds in any material respect of the security afforded by the Indenture; provided further, however, that, in addition to those of items (1) through (5) as shall be applicable thereto, without the specific consents of the holders of not less than a majority in principal amount of the Term Bonds then Outstanding and affected thereby, no Supplemental Indenture amending or supplementing the provisions of the Indenture shall (a) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of such installments or the terms for the purchase or redemption thereof from such installments, or (b) reduce the aforesaid percentage of Term Bonds, the holders of which are required to consent to any such Supplemental Indenture.

#### **Indenture Binding Upon Successors or Assigns of the Authority**

(a) All the terms, provisions, conditions, covenants, warranties and agreements contained in the Indenture shall be binding upon the successors and assigns of the Authority and shall inure to the benefit of the holders of the Bonds.

(b) Nothing contained in the Indenture shall prevent the consolidation of the Authority with, or merger of the Authority into, or transfer of the Authority's interest in the entire Water System to any other public benefit corporation or political subdivision which has the legal authority to acquire the Authority's interest in the Water System, provided that:

(i) upon any such consolidation, merger or transfer, the due and punctual performance and observance of all the agreements and conditions of the Indenture to be kept and performed by the Authority shall be expressly assumed in writing by the public benefit corporation or political subdivision resulting from such consolidation or surviving such merger or to which the Authority's interest in the Water System shall be transferred; and

(ii) the exclusion of the interest on the Bonds from gross income for Federal income tax purposes shall not be adversely affected thereby.

(c) Within thirty (30) days after the consummation of any such consolidation, merger or transfer of interest, the Authority shall give notice thereof in reasonable detail to the Trustee and shall furnish to the Trustee favorable opinions of counsel and nationally recognized bond counsel as to compliance with the terms summarized under this heading.

## **APPENDIX E**

### **BOOK-ENTRY-ONLY SYSTEM**

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## **APPENDIX E**

### **BOOK-ENTRY-ONLY SYSTEM**

*The following description of DTC and the procedures and record keeping with respect to beneficial ownership interests in the Series 2020 Bonds, payment of principal, interest, purchase price and other payments with respect to the Series 2020 Bonds to DTC Participants, Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2020 Bonds and other related transactions by and between DTC, the DTC Participants, Indirect Participants and the Beneficial Owners is based solely on information provided by DTC, and the Authority assumes no responsibility therefor. Accordingly, no representations can be made concerning these matters and neither the DTC Participants, the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants or the Indirect Participants, as the case may be.*

The Series 2020 Bonds will be available only in book-entry form in Authorized Denominations. DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued in the principal amount of each maturity of each Series of Bonds and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. 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 Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its 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 Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct or Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in nor have the right to receive Series 2020 Bonds, and will not be or be considered to be Bondholders thereof under the Indenture, except as specifically provided in the Indenture in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each 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 Series 2020 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 soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2020 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 Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Bonds in definitive form are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bonds in definitive form 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.

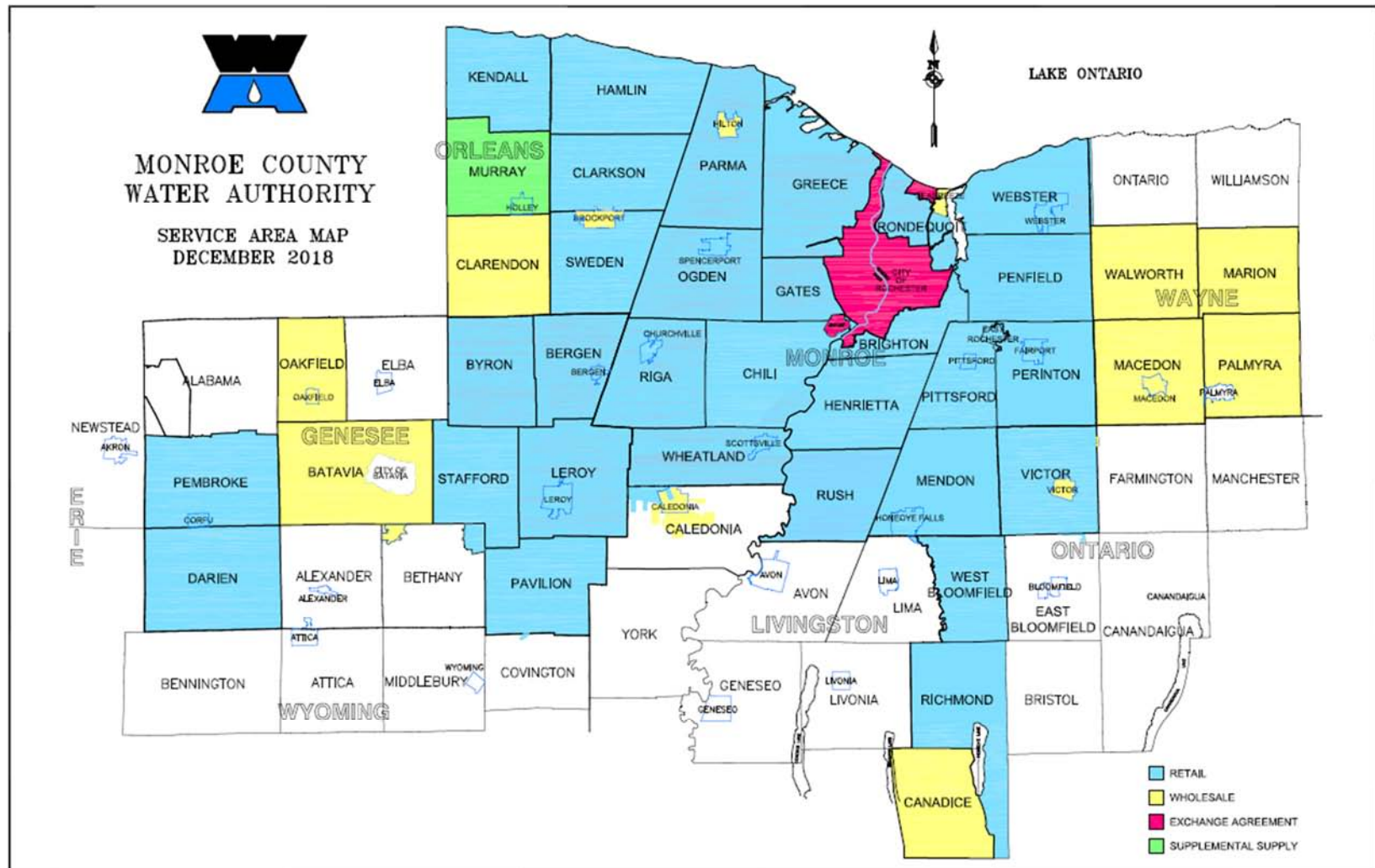
NEITHER THE AUTHORITY NOR THE TRUSTEE NOR THE UNDERWRITER (OTHER THAN IN THEIR CAPACITY, IF ANY, AS DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS) WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS.



## **APPENDIX F**

### **MAP OF THE AUTHORITY'S SERVICE AREA**

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Current as of 12/2019

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## **APPENDIX G**

### **FORM OF OPINION OF BOND COUNSEL**

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April \_\_, 2020

Monroe County Water Authority  
475 Norris Drive  
Rochester, New York 14610

Re: \$21,920,000 Monroe County Water Authority  
Water System Revenue Bonds, Series 2020

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of the \$21,920,000 aggregate principal amount of Water System Revenue Bonds, Series 2020 (the "Series 2020 Bonds") of the Monroe County Water Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"). The Series 2020 Bonds are authorized under and pursuant to the Monroe County Water Authority Act, as amended, constituting Title 5 of Article 5 of the Public Authorities Law, Chapter 43-A of the Consolidated Laws of the State (the "Act"), and under and pursuant to a Trust Indenture, dated as of October 1, 1991, by and between the Authority and The Bank of New York Mellon, as successor to The Chase Manhattan Bank (as successor to Chase Lincoln First Bank, N.A.), as trustee (the "Trustee"), as amended and supplemented by the First through Fourteenth Supplemental Trust Indentures and a Fifteenth Supplemental Trust Indenture, dated as of April 1, 2020 (the "Fifteenth Supplemental Indenture") (collectively, the "Indenture") and bond resolutions adopted by the Authority on February 3, 2020 (the "Bond Resolution"). All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed thereto in the Indenture.

The Series 2020 Bonds are being issued for the purpose of (a) financing the costs of certain capital improvements within Monroe County and Genesee County including (i) construction of new pump stations, (ii) upgrades to existing pump stations, (iii) installation of new water main, (b) financing the costs of certain other capital improvements of the Authority including (i) replacing certain existing hydrants, (ii) replacing or upgrading certain existing residential meters, (iii) replacing or upgrading certain existing large meters, (iv) rehabilitating certain storage facilities, and (v) any incidental improvements related thereto, and (c) paying costs of issuance of the Series 2020 Bonds (collectively, the "Series 2020 Project").

We have examined certified copies of the proceedings of the Authority authorizing the Fifteenth Supplemental Indenture and the Purchase Contract, dated April 21, 2020 (the "Purchase Contract"), by and between the Authority and Piper Sandler & Co., as the underwriter. We have further examined the Resolutions of the Legislature of Monroe County approving the issuance of the Series 2020 Bonds.



Monroe County Water Authority  
April \_\_, 2020  
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We have also examined such matters of law, such documents, including an executed counterpart of the Purchase Contract, the Indenture, the Series 2020 Bonds, the Arbitrage and Use of Proceeds Certificate dated April 30, 2020 (the "Tax Certificate"), the Preliminary Official Statement of the Authority dated March 12, 2020 as supplemented April 3, 2020, the Official Statement of the Authority dated April 21, 2020, and the Bond Resolution (collectively, the "Transaction Documents"), and such other statutes, resolutions, certificates and records as we have considered necessary to reach the opinions set forth below.

As to certain matters of fact material to the opinions set forth below, we have relied upon representations made in the Transaction Documents, certificates of public officials and officers of the Authority, and information received from searches of public records. We have not independently established such facts.

Based upon and in reliance on the foregoing, and subject to the assumptions and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York created and validly existing under the Act.
2. The Authority has the power to adopt the Bond Resolution, to execute, deliver and perform its obligations under the Fifteenth Supplemental Indenture, and to issue and sell the Series 2020 Bonds.
3. The Bond Resolution has been duly and lawfully adopted by the Authority and is presently in full force and effect. The Indenture, including the Fifteenth Supplemental Indenture, has been duly authorized, executed and delivered by the Authority, is valid and binding upon the Authority and is enforceable against the Authority in accordance with its terms.
4. The Series 2020 Bonds are valid and legally binding obligations of the Authority as provided in the Indenture, enforceable against the Authority in accordance with their terms and the terms of the Indenture and have been duly and validly authorized and issued in accordance with the Act and the Indenture.
5. The Series 2020 Bonds are payable solely from the sources described in the Indenture and do not constitute a debt or liability of the State, the County of Monroe, New York or any other political subdivision of the State.
6. Except as otherwise provided in the following sentences of this paragraph and assuming compliance by the Authority with its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended (the "Code") set forth in the Tax Certificate, the interest on the Series 2020 Bonds is not includable in the gross income of the owners thereof for federal income tax purposes under current law. Interest on the Series 2020 Bonds will be includable in the gross income of the owners thereof retroactive to the date of issue of such



Monroe County Water Authority  
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Series 2020 Bonds in the event of a failure by the Authority to comply with the applicable requirements of the Code and its covenants regarding use, expenditure and investment of proceeds of the Series 2020 Bonds and the timely payment by the Authority of certain investment earnings to the United States Treasury. We render no opinion as to the effect on the exclusion from gross income of the interest on the Series 2020 Bonds for federal income tax purposes of any action taken or not taken without our approval or upon the advice or approval of counsel other than us. Interest on the Series 2020 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, as to which we render no opinion, as a result of ownership of such Series 2020 Bonds or the inclusion in certain computations of interest that is excluded from gross income.

7. Interest on the Series 2020 Bonds is exempt from personal income taxes imposed by the State or The City of New York.

Each of the foregoing opinions is subject to (x) bankruptcy, insolvency, moratorium, fraudulent conveyance and other similar laws affecting the rights and remedies of creditors generally, (y) constitutional and public policy limitations and general principles of equity and (z) applicable usury laws.

In addition, we express no opinion as to: (i) the right to collect any payment to the extent that such payment constitutes a penalty, premium, forfeiture or late payment charge; (ii) the enforceability of the governing law and forum selection provisions contained in any of the Transaction Documents; (iii) the enforceability of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, or that the election of some particular right or remedy does not preclude recourse to one or more other rights or remedies; (iv) waivers by the Authority of broad or vague rights, or commercial reasonableness or good faith and fair dealing; (v) the creation, attachment perfection or priority of any security interest purportedly created by the Transaction Documents; (vi) provisions that purport to specify which party bears the burden of proof; (vii) the availability of the appointment of a receiver; (viii) any provision relating to any right of set off; (ix) waiver by the Authority with respect to the right to trial by jury; and (x) provisions that purport to indemnify a party for its own negligence or misconduct. Finally, none of the remedies created by the Transaction Documents may be judicially enforceable unless a court deems that there has occurred a material default under such Transaction Document(s).

This opinion letter has been prepared in accordance with the customary practice of lawyers who regularly give, and lawyers who regularly advise opinion recipients concerning, opinions of the type contained herein.

Very truly yours,

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## **APPENDIX H**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## APPENDIX H CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT, dated as of April 1, 2020 (this “*Agreement*”), is executed and delivered by the Monroe County Water Authority (the “*Authority*”) and The Bank of New York Mellon, as trustee (the “*Trustee*”), in connection with the issuance of the Authority’s \$21,920,000 principal amount of Water System Revenue Bonds, Series 2020 (the “*Bonds*”). The Bonds are being issued pursuant to that certain Trust Indenture, dated as of October 1, 1991, from the Authority to the Trustee, as amended and supplemented from time to time (the “*Indenture*”). In connection therewith, the Authority and the Trustee hereby covenant and agree as follows:

*Section 1. Purpose of This Agreement.* This Agreement is being executed and delivered by the Authority and the Trustee for the benefit of the Bondholders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter (as defined herein) in complying with the Rule (as defined herein).

*Section 2. Definitions.* In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 3 and 4 of this Agreement.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Disclosure Representative*” shall mean the Director of Finance & Business Services of the Authority or his or her designee, or such other officer or employee as the Authority shall designate in writing to the Trustee from time to time.

“*Dissemination Agent*” shall mean the Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Trustee a written acceptance of such designation.

“*Financial Obligation*” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“*Holder*” shall mean the registered owner of any Bond or Bonds or such holder’s duly authorized attorney-in-fact, representative or assign.

“*Listed Event*” shall mean any of the events listed in Section 5(a) of this Agreement and Section 5(b) of this Agreement.

“*MSRB*” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with

the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“*Official Statement*” shall mean the Official Statement, dated April 21, 2020, relating to the Bonds.

“*Participating Underwriter*” shall mean any of the original underwriters of the Bonds listed on the cover page of the Official Statement required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*SEC*” shall mean the United States Securities and Exchange Commission.

### *Section 3. Provision of Annual Reports.*

(a) The Authority shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the Authority’s Fiscal Year (presently December 31), commencing with the report for the Fiscal Year ending December 31, 2020, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Agreement. The Annual Report must be submitted in electronic format, accompanied by such identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Agreement; *provided*, that if the audited financial statements of the Authority are not available by the date required above for the filing of the Annual Report, the Authority shall submit the audited financial statements as soon as available. If the Authority’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Authority shall direct the Dissemination Agent to send to the MSRB a notice in substantially the form attached hereto as *Exhibit A*.

(c) If by thirty (30) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Authority to determine if the Authority is in compliance with subsection (a) above.

(d) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), above, the Dissemination Agent shall send a notice to the MSRB and the Authority in substantially the form attached hereto as *Exhibit A*.

(e) The Dissemination Agent shall:

(i) determine the electronic filing address of, and then-current procedures for submitting Annual Reports to, the MSRB each year prior to the date for providing the Annual Report; and

(ii) file a report with the Authority (and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided to the MSRB pursuant to this Agreement and stating the date it was provided.

*Section 4. Content of Annual Reports.* The Authority's Annual Report shall contain or include by reference the following categories or similar categories of information updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement relating to the Bonds):

(a) the audited financial statements of the Authority for the prior Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Authority's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updated information comparable to the information contained under the following headings in the Official Statement:

- (i) "The Authority—Operating and Financial Statistics 2016 - 2019"; and
- (ii) "The Authority—Water Rates and Water Customers."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Authority or related public entities, which have been submitted to the MSRB or the SEC. If any document included by reference is a final official statement, it must be available from the MSRB. The Authority shall clearly identify each such other document so included by reference.

The Authority's Annual Report to the New York State Authorities Budget Office may be provided to the Dissemination Agent for submission to the MSRB and shall be deemed to meet the requirements for the Annual Report as defined under this Section.

*Section 5. Reporting of Significant Events.*

(a) Pursuant to the provisions of this section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) business days after the occurrence of such event:

- (i) principal and interest payment delinquencies;
- (ii) defeasances;
- (iii) tender offers;
- (iv) rating changes;
- (v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties;

- (vii) unscheduled draws on the credit enhancements, if any, reflecting financial difficulties;
- (viii) substitution of the credit or liquidity providers, if any, or their failure to perform;
- (ix) bankruptcy, insolvency, receivership or similar proceedings; or
- (x) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding clause (ix) 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 United States 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.

(b) Pursuant to the provisions of this section, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) mergers, consolidations or acquisitions, 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 of such actions, other than pursuant to its terms;
  - (ii) appointment of a successor or additional Trustee or the change of the name of a Trustee;
  - (iii) non-payment related defaults;
  - (iv) modifications to the rights of the Holders;
  - (v) notices of prepayment;
  - (vi) release, substitution or sale of property securing repayment of the Bonds;
- or
- (vii) incurrence of a financial obligation of an obligated person, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect Holders.

(c) Whenever the Authority obtains knowledge of the occurrence of a Listed Event described in Section 5(b) of this Agreement, the Authority shall as soon as possible determine if knowledge of such event would be material under applicable federal securities laws.



(d) If the Authority determines that knowledge of the occurrence of a Listed Event described in Section 5(b) of this Agreement would be material under applicable federal securities laws, the Authority shall promptly notify the Dissemination Agent in writing and instruct the Dissemination Agent to report the occurrence pursuant to Section 5(e) in a timely manner not more than ten (10) business days after the occurrence of the Listed Event.

(e) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB.

*Section 6. Termination of Reporting Obligation.* The Authority's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

*Section 7. Dissemination Agent.* The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Trustee, upon notice from the Authority, shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Authority pursuant to this Agreement. The Dissemination Agent shall receive compensation for the services provided pursuant to this Agreement. The Dissemination Agent may resign by providing thirty days written notice to the Authority and the Trustee.

*Section 8. Amendment; Waiver.* Notwithstanding any other provision of this Agreement, the Authority and the Dissemination Agent may amend this Agreement (and, to the extent that any such amendment does not affect, change or increase its obligations hereunder, the Dissemination Agent shall agree to any amendment so requested by the Authority) and any provision of this Agreement may be waived; *provided*, that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, Section 5(a) or Section 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a

comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Section 9. Filings with the MSRB.* All information, operating data, financial statements, notices and other documents provided to the MSRB in accordance with this Agreement shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Authority shall be responsible for providing such information, operating data, financial statements, notices and other documents to the Dissemination Agent.

*Section 10. Additional Information.* Nothing in this Agreement shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Authority shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

*Section 11. Default.* In the event of a failure of the Authority or the Dissemination Agent to comply with any provision of this Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Bonds and upon provision of indemnification satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the Dissemination Agent, as the case may be, to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Authority or the Dissemination Agent to comply with this Agreement shall be an action to compel performance hereunder.

*Section 12. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.* Article VIII of the Indenture is hereby made applicable to this Agreement as if this Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations on liability afforded to the Trustee thereunder. The Dissemination Agent (if other than the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Agreement, and the Authority agrees to indemnify and save the Dissemination Agent, 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 costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding any loss, expense and liabilities due to the Dissemination Agent's gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction). The obligations of the Authority under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

*Section 13. Notices.* Any notices or communications to or among any of the parties to this Agreement may be given as follows:

- (a) if to the Authority:

Monroe County Water Authority  
475 Norris Drive  
Rochester, New York 14610-0999  
Attention: Director of Finance & Business Services  
Phone: (585) 442-2000  
Facsimile: (585) 442-0220

- (b) if to the Dissemination Agent:

The Bank of New York Mellon  
101 Barclay, Floor 21 West  
New York, New York 10286  
Attention: Michael Flickinger  
Phone: 412-234-3151  
Facsimile: 412-234-8377

*Section 14. Beneficiaries.* This Agreement shall inure solely to the benefit of the Authority, the Trustee, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

*Section 15. 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.

*[This space intentionally left blank; signature page immediately follows.]*

IN WITNESS WHEREOF, this Agreement has been executed on behalf of the Authority and the Trustee by their duly authorized representatives as of the date first written above.

MONROE COUNTY WATER AUTHORITY

By: \_\_\_\_\_  
Nicholas A. Noce  
Executive Director

THE BANK OF NEW YORK MELLON, as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Monroe County Water Authority

Name of Issue: \$21,920,000 Monroe County Water Authority (New York) Water System  
Revenue Bonds, Series 2020

Date of Issuance: April 30, 2020

NOTICE IS HEREBY GIVEN that the Monroe County Water Authority (the “*Authority*”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 3(a) of the Continuing Disclosure Agreement, dated as of April 1, 2020, by and between the Authority and The Bank of New York Mellon, as trustee. The Authority anticipates that the Annual Report will be filed by \_\_\_\_\_, 20\_\_.

Dated: \_\_\_\_\_, 20\_\_

THE BANK OF NEW YORK MELLON, as Trustee on behalf of  
the Authority

By: \_\_\_\_\_  
Authorized Officer

cc: Monroe County Water Authority

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Monroe County  
Water Authority



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