PROPOSED AGENDA

JOINT FINANCE COMMITTEE MEETING

Videoconference – May 21, 2019 at 9:00 a.m.

1. Adoption of the May 21, 2019 Proposed Meeting Agenda

2. Motion to Conduct an Executive Session

3. Motion to Resume Meeting in Open Session

4. CONSENT AGENDA:
   a. Approval of the Joint Regular Meeting Minutes held on January 24, 2019.

5. DISCUSSION AGENDA:
   a. Infrastructure Investment (Joseph Kessler and Lee Garza)
   b. Release of Funds in Support of the New York State Canal Corporation (Lee Garza)

6. Next Meeting
Motion to Conduct an Executive Session

I move that the Committee conduct an executive session to discuss the financial and credit history of a particular corporation (pursuant to §105f of the Public Officers Law).
Motion to Resume Meeting in Open Session

I move to resume the meeting in Open Session.
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Minutes of the regular joint meeting of the New York Power Authority and Canal Corporation’s Finance Committee held, via video conference, at the Clarence D. Rappleyea Building at 123 Main Street, White Plains, New York at approximately 3:30 p.m.

**Members of the Finance Committee present were:**

Tracy B. McKibben - Chair  
John R. Koelmel  
Michael Balboni

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**Also in attendance were:**

Gil Quiniones - President and Chief Executive Officer  
Justin Driscoll - Executive Vice President and General Counsel  
Robert Lurie - Executive Vice President and Chief Financial Officer  
Sarah Salati - Executive Vice President and Chief Commercial Officer  
Lee Garza - Senior Vice President - Financial Operations and Acting Controller  
Karen Delince - Vice President and Corporate Secretary  
Daniella Piper - Vice President - Digital Transformation / Chief of Staff  
James Levine - Assistant General Counsel – Finance & Bonds  
Michael Midden - Director – Corporate Finance  
Christopher Fry - Manager – Renewable Energy & Capacity  
Marie Berninger - Director – Business Development  
Sylvia Louie - Senior Business Development Manager  
Lorna Johnson - Senior Associate Corporate Secretary  
Sheila Quatrocci - Associate Corporate Secretary

Chairperson Tracy McKibben presided over the meeting. Corporate Secretary Delince kept the Minutes.
Introduction

Chairperson Tracy McKibben welcomed committee members and the Authority’s senior staff to the meeting. She said the meeting had been duly noticed as required by the Open Meetings Law and called the meeting to order pursuant to Section B(4) of the Finance Committee Charter.
1. **Adoption of the January 24, 2019 Proposed Meeting Agenda**

   Upon motion made by member Michael Balboni and seconded by member John Koelmel the agenda for the meeting was adopted.
2. **Motion to Conduct an Executive Session**

*I move that the Finance Committee conduct an executive session to discuss the financial and credit history of a particular corporation pursuant to §105f of the Public Officers Law.* Upon motion made by member Michael Balboni and seconded by member John Koelmel an Executive Session was held.
3. **Motion to Resume Meeting in Open Session**

*I move to resume the meeting in Open Session.* Upon motion made by member Michael Balboni and seconded by member John Koelmel, the meeting resumed in Open Session.

Chairperson McKibben said no votes were taken during the Executive Session.
4. **CONSENT AGENDA:**

   Upon motion made by member John Koelmel and seconded by member Michael Balboni, the agenda for the meeting was adopted.
a. Approval of the Minutes of the Regular Joint Meeting held on November 27, 2018

The Minutes of the Regular joint Meeting of the New York Power Authority and Canal Corporation’s Finance Committee held on November 27, 2018 were unanimously approved.
5. **DISCUSSION AGENDA:**

   a. **Large-Scale Renewable Project Award**

   The President and Chief Executive Officer submitted the following report:

   **SUMMARY**

   The Trustees will be requested at their January 30, 2019 meeting to approve the award of a Power Purchase Agreement (‘PPA’) to Canisteo Wind Energy LLC (‘Canisteo Wind Project’), for the to-be-constructed 290 MW Canisteo Wind Project located in Steuben County, NY (‘the Project’). The Project will be developed by Invenergy Wind Development North America LLC (‘Invenergy’) of Chicago, Illinois. This award is a result of the Large-Scale Renewables Request for Proposal (‘RFP’) issued by the New York Power Authority (the ‘Authority’) in June of 2017. A comprehensive evaluation of the proposals received was performed and Invenergy’s Canisteo Wind Project was evaluated to be the best value among robust competition. With the Trustees’ approval, the Authority will enter into a 20-year PPA with the Canisteo Wind Project for energy, capacity and renewable energy credits (‘RECs’) generated from the Project, inclusive of an option to purchase the asset at year 11 of the contract. The Project is expected to be in-service by December 31, 2020.

   The Finance Committee is requested to recommend to the Trustees the approval to execute a 20-year PPA with the Canisteo Wind Project.

   **BACKGROUND**

   In 2016, the New York Public Service Commission (‘PSC’) issued the Clean Energy Standard (‘CES’) which requires load serving entities (‘LSEs’) to purchase a progressively increasing amount of RECs in support of the State’s Energy Plan goal to supply 50% of New York’s electricity needs with renewable energy resources by 2030. While the Authority is not subject to the jurisdiction of the PSC, it supports the State’s Energy Plan goals, and as an LSE, will voluntarily comply with the 50% by 2030 objective.

   Accordingly, to advance the State’s CES and help its customers reach their renewable energy goals, the Authority issued a RFP on June 2, 2017 seeking Large-Scale Renewable projects that would provide energy, capacity and RECs.

   One hundred thirty-two (132) projects proposed from fifty-one (51) developers were received in response to the RFP. Proposals were comprehensively evaluated by the Authority based on a number of qualitative and quantitative criteria. The Canisteo Wind Project was subsequently selected as the best-value project for the Authority and its customers.

   **DISCUSSION**

   The recommended PPA with the Canisteo Wind Project is part of a customer-driven strategy to advance clean energy generation and deliver cost-savings and price stability to the Authority’s customers. The Canisteo Wind Project presents a unique opportunity to contract with a competitively priced, high quality wind project prior to the expiration of the Federal Production Tax Credit in 2020. The Project will further the Authority’s role as an industry leader in renewable generation by achieving 19% of its customers’ 2030 CES goal by 2021.

   The PPA includes an option for the Authority to purchase the asset in year 11 of the contract. Exercising this mid-contract purchase option may drive further customer savings and provide the Authority the opportunity to expand its renewable energy portfolio and in-house operations capabilities with wind power.
The 290 MW Canisteo Wind Project was selected based on its many competitive strengths including the strengths of the developer, Invenergy. Invenergy is a top-tier wind developer with 12,650 MW of wind development in North America and 670 MW in New York State. It is one of the strongest wind operators in the industry with over 10 years of wind operating experience. Invenergy is also financially strong, having raised more than $30 billion in project capital.

The Canisteo Wind Project itself has many competitive strengths, including, but not limited to:

- The pricing for the project is very competitive;
- The project is utilizing top-tier, reliable wind turbine technology;
- The wind resource is reliable, supported by an extensive amount of wind measurement data;
- The location of the project supports economic development and project economics;
- The project is on or ahead of schedule for permitting, interconnection and site-control.

FISCAL INFORMATION

This is a request to enter into a Power Purchase Agreement with Canisteo Wind Project at a fixed, confidential price. Costs will be recovered through the Authority’s customer supply contracts.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve the execution of a 20-year Power Purchase Agreement with the Canisteo Wind Project in accordance with this report.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Ms. Marie Berninger, Director of Business Development, provided highlights of the Authority’s Large-Scale Renewable Project to the Committee. (Exhibit “5a-A”).

On motion made by member John Koelmel and seconded by member Michael Balboni, the following resolution was unanimously approved.

RESOLVED, That the Finance Committee recommends that the Trustees approve an award and authorize execution of the Power Purchase Agreement with Canisteo Wind Energy LLC for the Canisteo Wind Project for a fixed, confidential price, for the energy, capacity and renewable energy credits generated from the project for a contract term of 20 years from the initial delivery date expected to be December, 2020 as discussed in the foregoing report of the President and Chief Executive Officer.
b. Release of Funds in Support of the Residential Consumer Discount Program Created in Connection with the Recharge New York Power Program

"SUMMARY"

The Trustees will be requested at their January 30, 2019 meeting to approve the release of $30.0 million in funds during 2019 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge New York ("Recharge NY") Power Program, as authorized by Chapter 60 of the Laws of 2011 ("Chapter 60"). The funds are to be released monthly at a level of $2.5 million per month. It is estimated that the $30.0 million authorized for the Residential Discounts in 2019 will be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market.

The Finance Committee is requested to recommend to the Trustees the approval of the release of $30.0 million in funds during 2019 in support of the monthly Residential Consumer Discount Program created in connection with the Recharge NY Power Program, as authorized by Chapter 60 of the Laws of 2011. The Finance Committee is further requested to recommend that the Trustees affirm that such release is feasible and advisable, that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution and that the release of such funds is authorized.

BACKGROUND

The Authority is requested, from time to time, to make financial contributions and transfers of funds to the State or to otherwise provide financial support for various State programs including the Residential Consumer Discount Program related to Recharge NY.

Any such contribution or transfer of funds must (1) be authorized by the Legislature; (2) be approved by the Trustees 'as feasible and advisable,' and (3) satisfy the requirements of the Authority's General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented ("Bond Resolution"). Further, as set forth in the Trustees' Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 shall be used as a reference point in considering any such payments or transfers.

The Bond Resolution’s requirements to withdraw monies 'free and clear of the lien and pledge created by the [Bond] Resolution' are such that withdrawals (a) must be for a 'lawful corporate purpose as determined by the Authority,' and (b) the Authority must determine, taking into account, among other considerations, anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

DISCUSSION

In March 2011, Governor Cuomo signed into law legislation creating the Recharge NY Power Program. The Program utilizes 455 megawatts (‘MW’) of the firm power from the Authority’s Niagara and St. Lawrence hydroelectric facilities, combined with market-based power purchases, forming a new, 910-megawatt economic development power program to replace and expand upon the Power For Jobs (‘PFJ’) and Energy Cost Savings Benefits (‘ECSB’) economic development programs.
As part of the Recharge NY Power Program, the Authority, on August 1, 2011, withdrew all 455 MW of the firm hydroelectric power previously sold to certain utility companies for the benefit of their residential consumers. To mitigate the price impacts of this withdrawal on the residential consumers, the Authority was authorized by Chapter 60, as deemed feasible and advisable by the Trustees, to fund monthly ‘Residential Consumer Discount Program’ payments for the benefit of such consumers on a declining schedule. For each of the first three years following the withdrawal, the Authority is authorized to provide $100 million per year to fund the discounts. In years four and five following the withdrawal, the Authority is authorized to fund discounts of $70 million and $50 million, respectively. Beginning in year six following the withdrawal, and for each year thereafter, the Authority is authorized to fund discounts of $30 million per year.

The Authority is authorized to use the revenues from the sale of the withdrawn power, together with any other funds of the Authority as the Trustees may deem feasible and advisable, to support the Residential Consumer Discount Program. The net cost to the Authority of the Residential Discounts after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from (1) Recharge NY hydropower allocated and sold to Recharge NY customers, and (2) unallocated Recharge NY hydropower sold into the wholesale market during 2019. Given the volatility in market prices, however, there is no assurance that the sale of this power will produce sufficient revenues to cover this amount of the residential discounts.

The Trustees have previously approved the release of funds in support of the Residential Consumer Discount Program, the most recent action being taken at the March 2018 meeting. Under consideration today are payments for 2019. Staff intends to return to the Trustees with a recommendation as to the release of any future amounts related to the Residential Consumer Discount Program based on how the overall program is progressing as well as the financial circumstances of the Authority at the time such payments are to be considered.

Staff has reviewed the effects of the $30.0 million in anticipated payments of the Residential Consumer Discount Program on the Authority’s projected financial position and reserve requirements. In addition, in accordance with the Board’s Policy Statement, staff calculated the impact of this release, together with the last 12 months’ releases, including (i) the release of up to $74.5 million in Canal-related operating expenses for 2018 ($20.5 million authorized in March 2018, $27 million in August 2018, and $27 million in October 2018), (ii) the release of up to $32.0 million in Canal-related operating expenses for 2019 authorized in December 2018; (iii) the release of up to $2 million in Northern NY Power Proceeds net earnings authorized in March 2018, and (iii) the release of up to $1 million in Western NY Power Proceeds net earnings authorized in March 2018, on the Authority’s debt service coverage ratio and determined it would not fall below the 2.0 reference level. Based on the Authority’s Four-Year Budget and Financial Plan, the 2.0 reference point level is forecasted to be met for each year-end of the forecast period 2019-2022. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to provide $30.0 million for the Residential Consumer Discount Program at this time.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to provide $30.0 million in support of the Residential Consumer Discount Program authorized by Chapter 60 at this time, and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution. The release of $30.0 million associated with the Residential Consumer Discount Program payments was anticipated and reflected in the Power Authority’s 2019 Operating Budget approved by the Trustees at their December 2018 meeting. The net cost to the Authority of the Residential Consumer Discounts, after taking into account the resale of the power following the withdrawal from its prior use to supply certain utility companies for the benefit of their residential consumers, is projected to be entirely off-set from Recharge NY hydropower allocated and sold to
Recharge NY customers and unallocated Recharge NY hydropower sold into the wholesale market during 2019. These monthly payments will be recorded as an expense at the time of payment.

**RECOMMENDATION**

It is requested that the Finance Committee recommend that the Trustees approve that the release of $30.0 million related to the Residential Consumer Discount Program is feasible and advisable. It is further requested that the Finance Committee recommend that the Trustees affirm that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution and that the release of such funds is authorized.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.”

Mr. Lee Garza, Senior Vice President - Financial Operations and Acting Controller, provided highlights of staff’s recommendation to the Committee.

On motion made by member John Koelmel and seconded by member Michael Balboni, the following resolution was unanimously approved.

RESOLVED, That the Finance Committee recommends that the Trustees authorize the release of $30.0 million from the Operating Fund during 2019 to support the monthly Residential Consumer Discount Program as authorized by Chapter 60 of the Laws of 2011 and as discussed in the foregoing report of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee recommends that the Trustees affirm that the amount of $30.0 million to be used for the Residential Consumer Discount Program described in the foregoing report is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable.
6. **Next Meeting**

Chairperson McKibben said that the next regular meeting of the Finance Committee would be held on May 21, 2019 at a time to be determined.
Closing

Upon motion made by member John Koelmel and seconded by member Michael Balboni, the meeting was adjourned by Chairperson McKibben at approximately 4:58 p.m.

Karen Delince
Karen Delince
Corporate Secretary
EXHIBITS

For

January 24, 2019

Meeting Minutes
Finance Committee Meeting

January 24, 2019
Large Scale Renewable Project Award
Marie Berninger
Director, Business Development
EXECUTIVE SUMMARY

• This transaction is a major step in NYPA’s Clean Generation moonshot strategy and provides a significant discount to customers

• NYPA proposes to execute a 20-year power purchase agreement (PPA) with the 290MW Canisteo Wind Project

• The project developer is Invenergy, an experienced, leading wind generation developer-operator

• This would be NYPA’s first transaction pursuant to the RFP issued in June 2017 for renewables on behalf of NYPA customers

• Subject to Board approval on January 30, the PPA will be executed. The in-service date of the project is scheduled for end of 2020
RFP Objective

Contract opportunity with renewable energy project(s) for customers to advance NY State’s Clean Energy Standard goals

Scope

Technologies: 
- WIND
- SOLAR
- HYDRO
- BIOMASS

Products: Energy, Capacity, Renewable Energy Credits

Term Options: 5–30 Years

Robust Industry Response

132 Projects | 51 Developers | 9 GW Renewables
**Customer Centric Solution**
Achieves cost savings and price stability for customers

**REV Advancement and GHG Reduction**
Achieves meaningful Tier 1 Clean Energy Standard progress

**Furthers NYPA Industry Leadership**
Expand portfolio with a large wind-power contract

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**NYPA Generation Portfolio**
Increasing NYPA’s clean power capacity…

**Customer Driven Strategy**
…achieves 19% of growing customer Clean Energy Standard (CES) obligation

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**ProForma Generation Portfolio (MW)**
- **Canisteo**: 500 MW
- **Hydro, Flynn, SCPPs**: 0 MW
- **AEII**: 0 MW

**Annual customer renewable energy requirement**

50% by 2030

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**Canisteo Wind Project**
PROJECT DESCRIPTION

Project Highlights

• 290 MW
• Steuben County, NY
• Commercial Operation Date: Dec 31, 2020
• NYPA will serve as the off-taker
• 20 year contract term

Invenergy Overview

• Project developer and operator
• 12,650 MW wind in North America
• 670 MW wind in NY
• 10+ years operating experience
• More than $30 billion in project capital raised
NYPA’s full-supply contracts have a long history of providing cost competitive energy supply solutions that customers continue to value.

This transaction responds to an emergent need to supplement NYPA’s supply offering with the renewable energy credits required for NY State’s clean energy transition.

Canisteo Wind Farm

Energy, Capacity, RECs

$ PPA Price

INV-energy will transact in NYISO markets on behalf of NYPA

NY Power Authority

RECs

$ / RECs

Energy Supply Customers

Developer Agreement

Customer Supply Agreements
Management recommends this transaction to advance a customer driven strategy to procure renewable energy and advance the State’s Clean Energy Standard.

Upon Board of Trustee Approval, NYPA will enter into a 20 year power purchase agreement (PPA) with the 290 MW Canisteo Wind Project.

Subject to Board approval on January 30, the PPA will be executed; project operational end of 2020.
Finance Committee Update
Infrastructure Investment

Joseph S. Kessler, Chief Operating Officer
Lee Garza, Acting Chief Financial Officer

May 21, 2019
Large Capital Program Update
Continued significant investments in NYPA's utility operations to ensure grid performance & reliability

Utility Operations Major Programs
Total Investment
($3.6 Billion)

Generation
$1,874.0 M
52%

Transmission
$1,717.0 M
48%

NYPA Capital Investments
(In $ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Utility Operations Major Programs</th>
<th>NYPRA Total Capital</th>
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<tbody>
<tr>
<td>2019</td>
<td>$239.5</td>
<td>$736.5</td>
</tr>
<tr>
<td>2020</td>
<td>$369.8</td>
<td>$897.0</td>
</tr>
<tr>
<td>2021</td>
<td>$472.8</td>
<td>$1,033.1</td>
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<tr>
<td>2022</td>
<td>$344.1</td>
<td>$907.9</td>
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## Large Major Capital Programs

<table>
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<tr>
<th>Description</th>
<th>Estimated (In $ Millions)</th>
<th>Approved (In $ Millions)</th>
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<tr>
<td>Robert Moses Life Extension &amp; Modernization (LEM)</td>
<td>1,100.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Transmission LEM (Capital)</td>
<td>726.0</td>
<td>726.0</td>
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<tr>
<td>Moses-Adirondack Smart Path Reliability Project</td>
<td>484.0</td>
<td>142.7</td>
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<tr>
<td>Lewiston Pump Generating Plant LEM</td>
<td>460.0</td>
<td>460.0</td>
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<tr>
<td>AC Transmission</td>
<td>281.6</td>
<td>3.0</td>
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<tr>
<td>Robert Moses Superstructure Bridge Replacement</td>
<td>190.0</td>
<td>1.7</td>
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<tr>
<td>Communications Backbone Program</td>
<td>153.0</td>
<td>100.3</td>
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<tr>
<td>Sensor Deployment Program</td>
<td>107.8</td>
<td>107.8</td>
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<tr>
<td>Niagara Power Project Fire Alarm &amp; Safety Systems Program</td>
<td>37.6</td>
<td>37.6</td>
</tr>
<tr>
<td>Flynn Turbine Overhaul</td>
<td>23.8</td>
<td>23.8</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$3,563.8</strong></td>
<td><strong>$1,613.8</strong></td>
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</table>

*Utility operations excludes Energy Efficiency & Canals*

### TOP 10 INITIATIVES

Our largest projects represent ~60% of our total capital spending on utility operations *
Capital Financing
Our credit metrics remain strong as we finance a robust capital program
**AC Transmission Project**
Immediately accretive under our proposed recovery mechanism

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Income Contribution (In $ Millions)</th>
<th>Transmission Revenue Contribution (In $ Millions)</th>
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<tbody>
<tr>
<td>2019</td>
<td>$20.9</td>
<td>$229.6</td>
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<tr>
<td>2020</td>
<td>$49.3</td>
<td>$239.0</td>
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<tr>
<td>2021</td>
<td>$86.8</td>
<td>$277.9</td>
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<tr>
<td>2022</td>
<td>$120.9</td>
<td>$313.9</td>
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Total cost of $281 million expended by Q4 2023

Projected revenue and net income uplift of ~$25 million and ~$15 million respectively per year after the line is energized.
Date: May 21, 2019

To: THE FINANCE COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Release of Funds in Support of the New York State Canal Corporation

SUMMARY

The Trustees will be requested at their May 21, 2019 meeting to authorize the release of up to an additional $21.6 million in funding to the New York State Canal Corporation (“Canal Corporation”) to support the operations of the Canal Corporation in calendar year 2019. The amount requested is 25% of the Canal Corporation’s 2019 O&M Budget as presented to the Canal Corporation Board of Directors at its December 2018 meeting. The amount requested is in addition to the $43.2 million that the Trustees authorized through March 2019 to be released to support the operations of the Canal Corporation in calendar year 2019.

The Finance Committee is requested to recommend to the Trustees the authorization of the release of up to an additional $21.6 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2019.

BACKGROUND

The Authority has been authorized to provide financial support for the Canal Corporation. See, e.g., Public Authorities Law § 1005-b(2). However, certain expenditures associated therewith do not constitute Capital Costs or Operating Expenses (“Operating Expenses”) as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (“Bond Resolution”). Expenditures for the Canal Corporation’s operating purposes that do not constitute Capital Costs or Operating Expenses must satisfy the requirements of the Authority’s Bond Resolution relating to the release of funds from the trust estate created by the Bond Resolution for lawful corporate purposes. In addition, as set forth in the Trustees’ Policy Statement dated May 24, 2011, a debt service coverage ratio of 2.0 is to be used as a reference point in considering any such release of funds.

The Bond Resolution permits the Authority to withdraw monies “free and clear of the lien and pledge created by the [Bond] Resolution” provided that (a) such withdrawals must be for a “lawful corporate purpose as determined by the Authority,” and (b) the Authority must determine, taking into account among other considerations anticipated future receipt of revenues or other moneys constituting part of the Trust Estate, that the funds to be so withdrawn are not needed for (i) payment of reasonable and necessary operating expenses, (ii) an Operating Fund reserve in amounts determined by the Authority to be adequate for working capital, emergency repairs or replacements, major renewals or for retirement from service, decommissioning or disposal of facilities, (iii) payment of, or accumulation of a reserve for payment of, interest and principal on senior debt or (iv) payment of interest and principal on subordinate debt.

Under the Bond Resolution, Capital Costs (which includes capital costs related to the Canal Corporation) may be paid without satisfying the provision described above.
DISCUSSION

With this authorization, the Trustees will approve the release of $21.6 million, an amount equal to 25% of the Canal Corporation’s 2019 O&M Budget. With regard to Canal Corporation’s operating expenses in excess of $64.8 million in calendar year 2019, staff is not requesting any action at this time, but will return to the Board to request additional releases as needed.

Staff has reviewed the effect of releasing up to an additional $21.6 million in funding at this time on the Authority’s expected financial position and reserve requirements. In accordance with the Board’s Policy Statement adopted May 24, 2011, staff calculated the impact of this release, together with the last 12 months releases including (i) the release of $54 million in Canal related operating expenses for 2018 previously authorized at the August and October 2018 meetings, (ii) the release of $30 million in Recharge New York Discounts for 2019, (iii) the release of $43.2 million in Canal related operating expenses for 2019 previously authorized at the December 2018 and March 2019 meetings, (iii) the release of up to $1 million in Western NY Power Proceeds net earnings, and (iv) the release of up to $2 million in Northern NY Power proceeds net earnings on the Authority’s debt service coverage ratio and determined it would not fall below the 2.0 reference level. Given the current financial condition of the Authority, its estimated future revenues, operating expenses, debt service and reserve requirements, staff is of the view that it will be feasible for the Authority to release such amounts from the trust estate created by the Bond Resolution consistent with the terms thereof.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to release an additional up to $21.6 million in funding to support the operation of the Canal Corporation in calendar year 2019. Staff has further determined that the amounts presently held in reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution and that such Authority funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

The expenses associated with the operations of the Canal Corporation for calendar year 2019 are included in the Canal Corporation’s 2019 O&M Budget.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees authorize the release of up to an additional $21.6 million in funding to the Canal Corporation to support the operations of the Canal Corporation in calendar year 2019. It is further requested that the Finance Committee recommend that the Trustees affirm that such release is feasible and advisable, that the amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, and that such funds are not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s Bond Resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Office
RESOLUTION

RESOLVED, That the Finance Committee hereby recommends that the Trustees authorize the release of up to an additional $21.6 million in funding to the Canal Corporation to support operations of the Canal Corporation in calendar year 2019, as discussed in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee further recommends that the Trustee affirm that amounts presently set aside as reserves in the Operating Fund are adequate for the purposes specified in Section 503.2 of the Authority’s Bond Resolution, that the amount of up to $21.6 million in funding as described in the foregoing memorandum is not needed for any of the purposes specified in Section 503(1)(a)-(c) of the Authority’s General Resolution Authorizing Revenue Obligations, as amended and supplemented, and that the release of such amount is feasible and advisable.
May 21, 2019

**Next Meeting**

The next regular meeting of the Joint Finance Committee is scheduled to be held on Wednesday, November 20, 2019 at a time to be determined.