PROPOSED SPECIAL AGENDA

JOINT AUTHORITY AND CANAL FINANCE COMMITTEE

September 25, 2019 at 8:00 a.m.
Clarence D. Rappleyea Building, White Plains, NY

1. Adoption of the September 25, 2019 Proposed Special Meeting Agenda

2. Motion to Conduct An Executive Session

3. Motion to Resume Meeting in Open Session

4. DISCUSSION AGENDA:

   a. NYPA’s Energy Efficiency Program

      i. Authorization to Expand Program Funding and Award Services Contracts to Support
         the Program (Sarah Salati/Adam Barsky)

      ii. Actions in Support of the Authority’s Customer Energy Efficiency Programs (Sarah
           Salati/Adam Barsky)

      iii. Appointment of Prequalified Pool of Financial Institutions (Adam Barsky)

   b. Release of Funds in Support of the New York State Canal Corporation (Adam
      Barsky/Joseph Kessler)

5. Next Meeting
September 25, 2019

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).
September 25, 2019

**Motion to Resume Meeting in Open Session**

I move to resume the meeting in Open Session.
Date: September 25, 2019

To: THE FINANCE COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Energy Efficiency Program – Authorization to Expand Program Funding and Award Services Contracts to Support the Program

SUMMARY

The Trustees will be requested at their September 25, 2019 meeting to approve additional funding in the amount of $1.5 billion, in aggregate, for both Governmental Customer Energy Efficiency Program (“GCEEP”) and Statewide Energy Efficiency Program (“Statewide EEP”) to support additional future energy efficiency projects for eligible program participants across New York State (“NYS”). The increased funding would be in addition to the $2.73 billion and $1.15 billion previously approved by the Trustees for the GCEEP and Statewide EEP, respectively. These funds will bring the GCEEP to $3.48 billion and Statewide EEP to $1.9 billion. For the avoidance of doubt this is not a request for approval for additional financial funding. A request for additional financial funding is being made in today’s parallel request of the Trustees for actions in support of the Authority’s Customer Energy Efficiency Programs.

The Trustees will also be requested to authorize the award of contracts (as described below) to nineteen firms to provide energy audit, design, engineering, procurement, construction management, installation, design build, and energy performance contracting services. The aggregate total for all nineteen contracts is $1.5 billion. The term of each contract will be seven years. These nineteen contracts will be used to support both GCEEP and Statewide EEP, and funding of these contracts will be allocated from the aforementioned $3.48 billion GCEEP and $1.9 billion Statewide EEP. These funds will generally be recovered directly from program participants except for certain types of grants.

The Finance Committee is requested to recommend to the Trustees the approval of additional funding in the amount of $1.5 billion, in the aggregate, for both GCEEP and Statewide EEP. The Finance Committee is also requested to recommend to the Trustees the authorization of nineteen (19) contract awards in the aggregate amount of $1.5 billion for a term of seven years to the firms named in this memorandum.

BACKGROUND

In June 2005, the Trustees approved initial funding of $500 million under the Governmental Customer Energy Efficiency Program (GCEEP) to support energy projects for the Authority’s governmental customers located in New York City and Westchester County. Subsequent requests for funding were approved in an aggregate amount of $2.23 billion to support projects under the GCEEP for a total of $2.73 billion. In addition, in December 1997, the Trustees approved initial funding of $30 million under the Statewide Energy Efficiency Program (Statewide EEP) to support energy projects for program participants throughout New York State,
not including New York City and Westchester County governmental customers. Subsequent requests for funding were approved in an aggregate amount of $1.12 billion to support projects under the Statewide EEP for a total of $1.15 billion.

Section 2879 of the Public Authorities Law and the Authority’s Guidelines for Procurement Contracts require the Trustee approval of procurement contracts involving services to be rendered for a period in excess of one year. In accordance with the Authority’s Expenditure Authorization Procedures, the award of non-personnel services or equipment contracts in excess of $3 million require the Trustee approval.

Both Governor Cuomo and the Mayor of the City of New York have identified reduced energy use, sustainability, and efficient operation of public facilities as one of the top priorities of their respective administrations. The Authority supports its customers statewide in meeting these goals and initiatives with the GCEEP and Statewide EEP.

DISCUSSION

On May 4th and May 11th of 2018, the Authority held supplier days at the Authority’s White Plains Office (WPO) to provide details about the Lean Supply Chain Model program. As part of this program, the Authority engaged suppliers that provide an array of products and services that would support multiple business lines across the Authority. Qualified suppliers would be invited to participate in future request for proposals.

On May 11, 2018, the Authority advertised in the New York State Contract Reporter a Request for Qualification (RFQ) (Q18-6448DK) soliciting company profile, qualifications, fiscal information, and references. A total of 167 suppliers expressed interest in the RFQ. On June 24th, 2018, fifty-seven (57) suppliers submitted detailed responses.

A cross-departmental evaluation team was formed to evaluate the proposals. In December 2018, the Authority informed the 57 suppliers that they were deemed qualified to provide one or more services outlined in the RFQ and would be notified of future RFP’s that aligned with the supplier’s qualifications. Based on a combination of supplier capabilities and interests, the 57 suppliers from the RFQ were down-selected to 36 suppliers.

The Authority identified there was a need to expand its supplier base to support the Energy Efficiency Program. The Energy Efficiency Program provides energy efficiency and renewable energy services to customers meeting the eligibility criteria under the Public Authorities Law, Section 1005. Energy efficiency services provided through the Energy Efficiency Program include investment grade audits (IGA), design, engineering, and installation services related to a wide variety of energy technologies and renewables.

On January 29, 2019, the Authority held a pre-bid conference at WPO to inform suppliers of the upcoming Request for Proposal (RFP) seeking suppliers interested in providing an array of services in support of the Energy Efficiency Program statewide. Previously qualified firms attended the pre-bid conference. On February 4, 2019, the Authority issued a Request for
Proposals (Q19-6616KS-I) to thirty-six (36) of the 57 previously qualified suppliers. Bidders had the options to provide proposals for a combination of services within regions in New York State. The services and regions are listed below:

Services:

- **Option A:** Audit Services
- **Option B:** Retro-Commissioning Services
- **Option C:** Design/Engineering (Small to Medium Facilities)
  - Design/Engineering (Large Facilities)
  - Design/Engineering (Clean Water/Wastewater processes)
- **Option D:** Construction Management (Small to Medium Facilities)
  - Construction Management (Large Facilities)
  - Construction Management (Clean Waste / Water Water Projects)
- **Option E:** Construction Trade Management
- **Option F:** Turnkey (Small to Medium Facilities)
  - Turnkey (Large Facilities)
  - Turnkey (Clean Waste / Water Water Projects)
- **Option G:** Design Build/ ESPC Services
- **Option H:** Additional Services

Regions:

- **Region 1** includes New York City
- **Region 2** includes Westchester, Nassau, Suffolk, Rockland, Putnam, Dutchess, Orange, Sullivan, and Ulster Counties.
- **Region 3** includes counties north of Region 2, east of Oswego, Onondaga, Cortland, and Broome Counties, excluding Oswego, Onondaga, Cortland and Broome Counties.
- **Region 4** includes Oswego, Onondaga, Cortland and Broome Counties and all counties west of these four counties.

On February 20, 2019, a second bidders’ conference was held at WPO to provide information regarding pricing structure. Nineteen (19) firms attended the second conference. Six (6) addendums were issued.

On March 21, 2019, twenty-three (23) of the 36 qualified firms submitted proposals for one or more of the aforementioned options. Of the remaining 13 firms, six (6) suppliers declined to bid, while seven (7) suppliers did not submit proposals.
Commercial evaluations of all bids were conducted by Strategic Supply Management to ensure the firms financial viability and determine if any exceptions requested were acceptable.


Throughout the evaluation process, multiple rounds of pricing negotiations were held with suppliers that allowed for a reduction in overall pricing by approximately six percent (6%).

FISCAL INFORMATION

The additional funding will be provided from the Authority’s Operating Fund monies transferred from time to time to the Capital Fund and/or from the proceeds of the Authority’s Commercial Paper Notes (as such terms are used in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (“Bond Resolution”)) or other financing instruments, as deemed applicable. In addition, projects may be funded, in part, with monies from Petroleum Overcharge Restitution (“POCR”) funds. Funding will be allocated as projects are assigned based on each firm’s performance and workload, subject to the Approval Limits for Execution of Commitments in the Authority’s Expenditure Authorization Procedures. All Authority costs, including Authority overheads and the costs of advancing funds, but excluding the POCR and certain types of grants, will be recovered.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve $1.5 billion in additional funding for GCEEP and Statewide EEP. It is also requested that the Finance Committee recommend that the Trustees approve nineteen (19) contract awards in the aggregate amount of $1.5 billion for a term of seven years to the following firms; AECOM USA, Inc., Arcadis of New York, Barile Gallagher Associates Consulting Engineers, Bette & Cring, LLC, CDM Constructors Inc., Dynamic Mechanical Contractors, Inc., Energy Systems Group, The Fulcrum Group, Guth DeConzo Consulting Engineers, Imperia Engineering Partners LLC, John W. Danforth Company, LaBella Associates Inc., LIRO Engineers, Macan Deve Engineers, Noresco, LLC, O’Brien & Gere Engineers Inc., Pres Energy Services, Wendel Energy Services LLC, and Willdan Energy Solutions.

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 Officer
RESOLUTION

RESOLVED, That the Finance Committee recommends that the Trustees authorize the President and Chief Executive Officer, the Chief Operating Officer, Chief Commercial Officer, the Senior Vice President – Clean Energy Solutions, the Vice President – Engineering & Construction Management, the Vice President – Business Development, and or such officer designated by the President and Chief Executive Officer to execute agreements and other documents between the Authority, the Governmental Customers EE Program (GCEEP) and the Statewide EE Program (Statewide EEP) participants and to execute agreements and other documents with contractors, such agreements having such terms and conditions as the executing officer may approve, subject to the approval of the form thereof by the Executive President and General Counsel, to facilitate the implementation of the GCEEP and Statewide EEP that the authorized funding level for each program be increased by $750M respectively as listed below:

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<tbody>
<tr>
<td>Previously Authorized</td>
<td>$2.73 billion</td>
<td>$1.15 billion</td>
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<tr>
<td>Additional Funding</td>
<td>$750 million</td>
<td>$750 million</td>
</tr>
<tr>
<td>Total Amount Authorized</td>
<td>$3.48 billion</td>
<td>$1.9 billion</td>
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AND BE IT FURTHER RESOLVED, That the Finance Committee recommends that the Trustees, in accordance with the Guidelines for Procurement Contracts adopted by the Authority and the Authority’s Expenditure Authorization Procedures, authorize an aggregate $1.5 billion be allocated among the two programs, GCEEP and Statewide EEP, to perform services which include energy audits, design, engineering, procurement, construction management, installation, design build, and energy services performance contracting services:
<table>
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<tr>
<th>Commercial Paper Program/ Capital Fund/POCR</th>
<th>Ceiling</th>
<th>Termination Date</th>
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Date: September 25, 2019

To: THE FINANCE COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Actions in Support of the Authority’s Customer Energy Efficiency Programs – Allocation and Transfer of Operating Funds and Increase in Borrowing Capacity under a Revolving Credit Agreement

SUMMARY

In connection with the Authority’s Energy Efficiency Program and the parallel request of the Trustees for Authorization to Expand Program Funding and Award Services Contracts to Support the Energy Efficiency Program, the Trustees will be requested at their September 25, 2019 meeting to authorize the allocation of up to an additional $150,000,000 of operating funds for the Authority’s Governmental Customer Energy Efficiency Program (“GCEEP”) and Statewide Energy Efficiency Program (“Statewide EEP” and, together with the GCEEP, “Customer Energy Efficiency Programs”). This funding will increase support for the Authority’s Customer Energy Efficiency Programs for additional future energy efficiency projects for eligible program participants across New York State. The amount requested is in addition to the $300,000,000 that the Trustees allocated on January 28, 2014, increasing to $450,000,000 the total amount of Operating Funds allocated to the Authority’s Customer Energy Efficiency Programs. To the extent costs associated with Customer Energy Efficiency Programs constitute Capital Costs as described below, such funds are authorized to be transferred from time to time to the Capital Fund for expenditure.

In addition, the Trustees will be further requested to approve an increase of up to $100,000,000 in the borrowing capacity under the 2019 Revolving Credit Agreement, dated January 16, 2019, among the Authority, the Banks identified therein and JP Morgan Chase Bank, N.A., as Administrative Agent (the “2019 RCA”). The 2019 RCA provides liquidity support for the Authority’s Series 1, 2 and 3 Commercial Paper Notes the proceeds of which, among other authorized uses, support the Authority’s Customer Energy Efficiency Programs. The 2019 RCA was the result of a competitive procurement (RFP No. Q18-6526RM) and was approved by the Trustees on December 11, 2018 with, among other terms and conditions, a borrowing capacity not to exceed $600,000,000. The request would increase the authorized borrowing capacity under the 2019 RCA from $600,000,000 to $700,000,000 and authorize the payment of associated fees and expenses.

The Finance Committee is requested to recommend that the Trustees authorize the allocation of up to an additional $150,000,000 of operating funds for the Authority’s Customer Energy Efficiency Programs. The Finance Committee is further requested to recommend that the Trustees approve an increase of up to $100,000,000 in the borrowing capacity under the 2019 RCA.

BACKGROUND
As deemed feasible and advisable by the Trustees, the Authority has been authorized to finance and design, develop, construct, implement, provide and administer energy-related projects, programs and services for eligible customers. See, e.g., Public Authorities Law § 1005-17. In addition, the Authority is authorized to issue bonds for the purpose of financing any authorized project and to issue notes in the same manner as bonds. See, e.g., Public Authorities Law § 1010 § 1009-a. Capital Costs as defined in the Authority’s General Resolution Authorizing Revenue Obligations dated February 24, 1998, as amended and supplemented (“Bond Resolution”) include the Authority’s costs of any other purpose for which bonds, notes or other obligations of the Authority may be issued. Accordingly, a substantial portion of expenditures for the Authority’s Customer Energy Efficiency Programs constitute Capital Costs under the Bond Resolution.

Upon compliance with provisions requiring prior application of funds (generally the payment of the Authority’s operating expenses, senior debt and subordinated debt), the Bond Resolution permits the Authority to withdraw monies from the Operating Fund for deposit in the Capital Fund. Amounts in the Capital Fund may be applied solely to the payment of Capital Costs of the Authority. Prior to expenditure, such funds remain subject to the lien of the Bond Resolution and repayments received by the Authority from participants in the Authority’s Customer Energy Efficiency Programs will constitute Revenues subject to the lien of the Bond Resolution.

The Authority currently has approximately $600 million of Series 1, 2 and 3 Commercial Paper Notes outstanding in aggregate, supporting numerous projects and programs including the Customer Energy Efficiency Programs. In accordance with the ‘Resolution Authorizing Commercial Paper Notes’ adopted by the Authority on June 28, 1994, as amended, supplemented and restated, the Authority is required to maintain in full force and effect a credit agreement while the Notes are outstanding. The 2019 RCA has an initial term extending to February 1, 2022 and may be extended by two, one year extensions not to exceed February 1, 2024.

DISCUSSION

With these authorizations, staff believes that the Authority’s Customer Energy Efficiency Programs will have sufficient medium-term funding, given projected repayments, new originations and the development of additional external long-term funding sources.

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 allocate such amounts to the Authority’s Customer Energy Efficiency Programs and apply such amounts consistent with the terms of the Bond Resolution to fund Capital Costs associated with such programs.

In addition, staff believes an amendment of the 2019 RCA to increase the borrowing capacity thereunder is the most cost effective and expeditious alternative to provide increased support to these important programs. Staff expects increased fees and expenses associated with an amendment of the 2019 RCA to be not materially different from those presented to the Trustees for their December 11, 2018 approval.

FISCAL INFORMATION

Staff has determined that sufficient funds are available in the Operating Fund to allocate an additional up to $150,000,000 million in funding to support the Authority’s Customer Energy Efficiency Programs.

The annual cost of the 2019 RCA, including those associated with an increase in the borrowing capacity thereunder, along with Administrative Agent and legal fees, will be paid from
the Operating Fund. A portion of fees commensurate with the percentage of Commercial Paper Notes issued in support of the Authority’s Customer Energy Efficiency Program will be fully recoverable from Customer Energy Efficiency Program participants.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees authorize the allocation of up to an additional $150,000,000 million in funding to support the financing of the Authority’s Customer Energy Efficiency Programs.

It is further requested that the Finance Committee recommend that the Trustees approve an amendment of the 2019 RCA increasing the borrowing capacity thereunder by an amount not to exceed $100,000,000 and on terms otherwise not materially different from those previously approved by the Trustees.

For the reasons stated, I recommend the approval of the above-requested actions 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 allocation of up to an additional $150,000,000 million in funding from the Operating Fund to support the Authority’s Customer Energy Efficiency Programs, as discussed in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Finance Committee hereby recommends that the Trustees authorize the execution by the Executive Vice President and Chief Financial Officer, the Treasurer or Deputy Treasurer, subject to the approval of the form thereof by the Executive Vice President and General Counsel, on behalf of the Authority, of an amendment of the 2019 Revolving Credit Agreement, dated as of January 16, 2019, among the Authority and JP Morgan Chase Bank, N.A., as Administrative Agent and the banks identified therein, such amendment consistent with the foregoing report of the President and Chief Executive Officer and having such terms and conditions as the executing officer deems necessary or advisable, such execution to be conclusive evidence of such determinations, provided that such amendment shall not exceed an additional $100,000,000 in borrowing capacity.
Date: September 25, 2019

To: THE FINANCE COMMITTEE

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: Appointment of Prequalified Pool of Financial Institutions

SUMMARY

The Trustees will be requested at their September 25, 2019 meeting to approve the appointment for a period of five years of a prequalified pool of financial institutions to assist the Authority in the securitization, monetization or other disposition from time to time of all or a portion of the Authority’s portfolio of project financings for the Authority’s Customer Energy Efficiency Programs. The purpose of this initiative, among others, is to recapitalize the Customer Energy Efficiency Programs and develop a more efficient long-term project funding structure for these programs. The selected financial institutions, individually or as a group, will assist the Authority in structuring and implementing, through an underwriting or a direct placement (acting as principal or agent) of a limited recourse project funding facility for the Authority’s Energy Efficiency Programs and provide related financial advisory services.

The Finance Committee is requested to recommend that the Trustees approve the appointment for a period of five years of a prequalified pool of financial institutions for the purposes stated above.

BACKGROUND

To be able to evaluate financing structures to meet the financing needs of the Authority’s Energy Efficiency program, the Authority issued a Request for Proposal (“RFP”) No. Q19-6613RM to solicit proposals from qualified financial institutions interested in providing a limited recourse project funding facility to fund taxable and tax-exempt instruments originating from the Authority’s Energy Efficiency Programs.

DISCUSSION

On April 4, 2019, the Authority issued the RFP to solicit proposals from qualified financial institutions interested in providing up to $300mm as a Limited Recourse Project Funding Facility. The RFP was advertised on NYPA.gov and in the New York State Contract Reporter. On June 7, 2019 the Authority received a total of eight (8) proposals.

Authority staff reviewed each proposal, taking into consideration several qualitative characteristics essential for a successful underwriting team. This included: (a) firm experience in structuring, underwriting and providing both tax-exempt and taxable financing solutions; (b) ability to provide solutions that meet the Authority’s goals of structuring a limited recourse facility, utilizing repeatable and simple loan documentation, retaining a customer credit assessment role for the Authority, maintaining transparent and competitive pricing methodology, creating an execution process that works for the Authority’s Energy Efficiency customers, providing a variety
of tenors, and covering a variety of technologies; (c) diversity and commitment to equal employment opportunities, and (d) financial strength and capital position.

Based on staff’s evaluation, the following firms exhibit the qualifications that would make them suited to assist the Authority in the securitization, monetization or other disposition from time to time of all or a portion of the Authority’s portfolio of project financings for the Authority’s Customer Energy Efficiency Programs.

- Bank of America Merrill Lynch*
- Goldman Sachs & Co. LLC
- JP Morgan Chase Bank, N.A.

*Bank of America Merrill Lynch is the marketing name for the global banking and global markets businesses of Bank of America Corporation. Some services may be performed by affiliates of Bank of America Corporation.

Firm assignments to the prequalified pool of financial institutions will be established on an as needed basis, in each case subject to the Authority’s Expenditure Authorization Procedures.

FISCAL INFORMATION

There is no fiscal impact associated with the selection of a prequalified pool of financial institutions. Any firm assignments to the prequalified pool of financial institutions will be funded out of the Authority’s Operating Fund or the proceeds of financing transactions and subject to the Authority’s Expenditure Authorization Procedures.

RECOMMENDATION

It is requested that the Finance Committee recommend that the Trustees approve the appointment for a period of five years of Bank of America Merrill Lynch, Goldman Sachs & Co. LLC, and JP Morgan Chase Bank, N.A. as a prequalified pool of financial institutions to assist the Authority in the securitization, monetization or other disposition from time to time of all or a portion of the Authority’s portfolio of project financings for the Authority’s Customer Energy Efficiency Programs. It is further requested that the Finance Committee recommend the Trustees authorize the selected financial institutions, individually or as a group, to assist the Authority in structuring and implementing, through an underwriting or a direct placement (acting as principal or agent) of a limited recourse project funding facility for the Authority’s Energy Efficiency Programs and provide related financial advisory services.

For the reasons stated, I recommend the approval of the above-requested actions 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 approve the appointment of Bank of America Merrill Lynch, Goldman Sachs & Co. LLC, and JP Morgan Chase Bank, N.A. for a period of five years as prequalified firms to serve as financial institutions to assist the Authority in the securitization, monetization or other disposition from time to time of all or a portion of the Authority’s portfolio of project financings for the Authority’s Customer Energy Efficiency Programs as recommended in the foregoing report of the President and Chief Executive Officer; and be it further.

RESOLVED, that the Finance Committee further recommends that the Trustees authorize the prequalified financial institutions named above, individually or as a group, for a period of five years to assist the Authority in structuring and implementing, through an underwriting or a direct placement (acting as principal or agent) of a limited recourse project funding facility for the Authority’s Energy Efficiency Programs and provide related financial advisory services.
Date: September 25, 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 September 25, 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 $64.8 million that the Trustees authorized through July 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 October and December 2018 meetings, (ii) the release of $30 million in Recharge New York Discounts for 2019, (iii) the release of $64.8 million in Canal related operating expenses for 2019 previously authorized at the December 2018, March 2019, and May 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 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, 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.
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.