NEW ISSUE

In the opinions of Nixon Peabody LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications of the Authority described herein, interest on the Fiscal 2026 EE Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Co-Bond Counsel are further of the opinion that, under existing law, interest on the Fiscal 2026 EE Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein.

$200,000,000
New York City
Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate
Fiscal 2026 Series EE

Dated: Date of Delivery **Due: June 15, as shown on the inside cover**

The Fiscal 2026 EE Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository for the Fiscal 2026 EE Bonds. Purchases of beneficial interests in such Fiscal 2026 EE Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Fiscal 2026 EE Bonds purchased by them. See "APPENDIX G – BOOK-ENTRY-ONLY FORM."

The Fiscal 2026 EE Bonds will bear interest initially at the Daily Rate. The Fiscal 2026 EE Bonds will be issued in the aggregate principal amount as set forth on the inside cover. Interest is payable on the Fiscal 2026 EE Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate on the 15th day of each month, commencing April 15, 2026. The Fiscal 2026 EE Bonds will be issued in minimum denominations of $100,000 and integral multiples of $5,000. The Fiscal 2026 EE Bonds bearing interest at the Daily Rate, a Two-Day Rate or a Weekly Rate may be tendered to the Tender Agent for purchase at the option of the Bondholder thereof under the circumstances described herein. The Fiscal 2026 EE Bonds are also subject to mandatory tender and to redemption prior to maturity, as described herein.

Liquidity support for the payment of the Purchase Price (as hereinafter defined) of tendered but unremarketed Fiscal 2026 EE Bonds is provided by Truist Bank.

The obligations of the Liquidity Provider (as hereinafter defined) are subject to immediate and automatic termination or suspension without notice upon the occurrence of certain events described herein. The Fiscal 2026 EE Bonds will not be subject to mandatory tender for purchase upon such termination or suspension. Any failure to pay the Purchase Price of Fiscal 2026 EE Bonds tendered for purchase is not an event of default under the Second Resolution. Upon any such failure such Fiscal 2026 EE Bonds will continue to be held by the tendering Bondholders and will bear interest from the Tender Date at the Maximum Rate. See "LIQUIDITY FACILITY FOR THE FISCAL 2026 EE BONDS."

The Fiscal 2026 EE Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and subordinate lien on the gross revenues of the System. The Authority has no taxing power. The Fiscal 2026 EE Bonds are not a debt of the State of New York, The City of New York or the New York City Water Board and none of the State of New York, The City of New York or the New York City Water Board is liable on the Fiscal 2026 EE Bonds.

The Fiscal 2026 EE Bonds are offered when and if issued by the Authority and received by the Underwriter and subject to the approval of legality by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, New York, New York and Holley & Pearson-Farrer LLP, New York, New York, Co-Special Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by Katten Muchin Rosenman LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., New York, New York. It is anticipated that the Fiscal 2026 EE Bonds will be available for delivery to The Depository Trust Company on or about April 7, 2026.

Truist Securities

March 19, 2026

$200,000,000
New York City
Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate
Fiscal 2026 Series EE
Price: 100%

Rate Mode at Delivery Date: Daily
Maturity Date: June 15, 2041
First Interest Payment Date: April 15, 2026
CUSIP[(1)]: 64972GT79

Liquidity Provider: Truist Bank
Liquidity Facility Scheduled Termination Date: April 7, 2031

---

(1) Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Fiscal 2026 EE Bonds and neither the Authority nor the Underwriter makes any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Fiscal 2026 EE Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Fiscal 2026 EE Bonds.

New York City Municipal Water Finance Authority
255 Greenwich Street, 6th Floor
New York, New York 10007
212-788-5876

Board of Directors

Sherif Soliman, *ex officio*	*Member*
Amanda Lefton, *ex officio*	*Member*
Jeffrey Shear, *ex officio*	*Member*
Lisa F. Garcia, *ex officio*	*Member*
James McSpiritt	*Member*
Max Von Hollweg	*Member*

Officers

David Womack	*Chief Executive Officer*
Philip Wasserman	*Executive Director*
Sanna Wong-Chen	*Deputy Executive Director*
Jeffrey M. Werner	*Secretary*
Deborah Cohen	*Assistant Secretary*
Michael Moore	*Assistant Secretary*
Raymond Lee	*Comptroller*
Nameca Sharma	*Deputy Comptroller*
Laura Neesley	*Assistant Treasurer*

New York City Water Board
59-17 Junction Boulevard, 8th Floor
Flushing, New York 11373-5108
718-595-4032

Water Board

Arlene M. Shaw	*Chair*
Alfonso L. Carney, Jr.	*Member*
Adam Freed	*Member*
Jukay Hsu	*Member*
Richard Miller	*Member*
Udai Tambar	*Member*
Daniel Zarrilli	*Member*

Officers

Nerissa Moray	*Executive Director*
Omar A. Nazem	*Treasurer*
Michael Moore	*Secretary*

Authority Consultants

Co-Bond Counsel	*Nixon Peabody LLP*
	Hardwick Law Firm, LLC
Co-Special Disclosure Counsel	*Orrick, Herrington & Sutcliffe LLP*
	Holley & Pearson-Farrer LLP
Co-Consulting Engineers	*AECOM USA, Inc.*
	Macan Deve Engineers, DPC
Financial Advisor	*Frasca & Associates, LLC*
Co-Rate Consultants	*Carollo Engineers, P.C.*
	Amawalk Consulting Group LLC

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Fiscal 2026 EE Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of any of the Fiscal 2026 EE Bonds and if given or made, such information or representation must not be relied upon. Neither the delivery of this Official Statement nor the sale of any of the Fiscal 2026 EE Bonds implies that there has been no change in the affairs of the Authority, the Board or the City or the other matters described herein since the date hereof.

The factors affecting the Authority's financial condition are complex. This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority, its independent auditors or the Underwriter that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Other than the information concerning the Liquidity Provider set forth in Appendix J, none of the information in this Official Statement has been supplied or verified by the Liquidity Provider, and the Liquidity Provider does not make any representation or warranty, express or implied, as to the accuracy or completeness of information it has neither supplied nor verified, the validity of the Fiscal 2026 EE Bonds or the tax-exempt status of the interest on the Fiscal 2026 EE Bonds.

Grant Thornton LLP, the Authority's independent auditor has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the Authority's financial statements for the fiscal years ended June 30, 2025 and 2024, which is a matter of public record, is included in this Official Statement. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FISCAL 2026 EE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

TABLE OF CONTENTS

Page

INTRODUCTORY STATEMENT 1
General 1
INCLUSION BY SPECIFIC REFERENCE 2
PLAN OF FINANCE 3
USE OF PROCEEDS 3
THE FISCAL 2026 EE BONDS 4
General 4
Record Dates and Bond Payment Dates 4
Conversion to an Alternate Rate Period 4
Interest Rates and Reset Dates 5
Certain Considerations Affecting Adjustable Rate Bonds 6
Optional Tender for Purchase 7
Mandatory Tender for Purchase 7
Fiscal 2026 EE Bonds Deemed Purchased 8
Purchase Price and Payment 8
Remarketing of Fiscal 2026 EE Bonds Upon Tender 9
Redemption 9
Selection of Bonds to be Redeemed 9
Notice of Redemption 9

Page

LIQUIDITY FACILITY FOR THE FISCAL 2026 EE BONDS 10
Liquidity Facility 10
Substitution of a Credit Facility 10
APPROVAL OF LEGAL PROCEEDINGS 10
RATINGS 10
UNDERWRITING 11
TAX MATTERS 11
Federal Income Taxes 11
State Taxes 11
Ancillary Tax Matters 11
Changes in Law and Post Issuance Events 12
APPENDIX E - FORM OF OPINIONS OF CO-BOND COUNSEL (FISCAL 2026 SERIES EE BONDS) E-1
APPENDIX J - DESCRIPTION OF THE LIQUIDITY PROVIDER AND SUMMARY OF THE LIQUIDITY FACILITY J-1

OFFICIAL STATEMENT

$200,000,000
NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY
WATER AND SEWER SYSTEM SECOND GENERAL RESOLUTION REVENUE BONDS, ADJUSTABLE RATE FISCAL 2026 SERIES EE

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the "Authority"), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the "Act"); the New York City Water Board (the "Board"), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the "State"); and the Authority's $200,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series EE (the "Fiscal 2026 EE Bonds"). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Glossary."

Pursuant to a lease agreement (the "Lease") between the Board and The City of New York (the "City"), dated as of July 1, 1985, as amended, the Board has leased from the City its facilities for the collection, transmission and distribution of water (the "Water System") and its facilities for the collection, treatment and disposal of sewage (the "Sewer System") (collectively, the "System"). As required by the Act and the Lease, the System is operated and maintained by the Department of Environmental Protection of the City ("DEP"). The Board has also entered into a financing agreement, dated as of July 1, 1985, as amended (the "Agreement"), with the Authority and the City for the financing of capital improvements to the System through the issuance of bonds, notes and other obligations under the Authority's Water and Sewer System General Revenue Bond Resolution adopted on November 14, 1985, as amended (the "First Resolution" and, bonds issued thereunder the "First Resolution Bonds"), or subordinate obligations of the Authority under its Second Resolution (defined below). Pursuant to the Lease and the Agreement, the Board has agreed to levy and collect rates, fees and charges. Pursuant to the Lease, the City may, with the prior written consent of the Board, grant interests in the Leased Property which, in the reasonable judgment of the Board, do not interfere with the operation and maintenance of the System and the collection of the Revenues from the System.

The Fiscal 2026 EE Bonds will be issued by the Authority pursuant to its Water and Sewer Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the "Second Resolution"), and its Supplemental Resolution No. 203 adopted on February 9, 2026 (the "Fiscal 2026 EE Supplemental Resolution"). All bonds issued under the Second Resolution are referred to herein as "Second Resolution Bonds." The Second Resolution and the Fiscal 2026 EE Supplemental Resolution are collectively referred to herein as the "Resolutions." U.S. Bank Trust Company, National Association serves as trustee under the Resolutions (in such capacity, the "Trustee") and will continue to serve as Trustee unless a successor is appointed in accordance with the Second Resolution.

The Second Resolution Bonds are special obligations of the Authority, payable solely from and secured by a pledge of amounts on deposit in the FGR Subordinated Indebtedness Fund established by the First Resolution and all moneys or securities in any of the funds and accounts established under the Second Resolution, subject only to provisions of the Second Resolution and the Agreement relating to the use and application thereof. The Board has covenanted in the Agreement to maintain rates, fees and charges at sufficient levels to produce in each twelve-month period beginning on July 1 (a "Fiscal Year") an amount equal to 115% of the Aggregate Debt Service and Projected Debt Service on all First Resolution Bonds to become due in such Fiscal Year on all First Resolution Bonds, plus 100% of the operation and maintenance expenses of the System certified by the City and of Required Deposits (which includes the debt service on the Second Resolution Bonds and other subordinate debt) to the extent required to be paid from Revenues. The Agreement requires a report of the Rate Consultant setting forth its recommendations as to any revisions of the rates, fees and charges necessary or advisable to meet the requirements of the rate covenant. The Board is obligated to take necessary action to cure or avoid any deficiency. See "SECURITY FOR THE SECOND RESOLUTION BONDS – Rate Covenant." The Agreement also requires a Consulting Engineer to review the operation and

maintenance of the System, with a corresponding report based on such review to be issued no later than March 1 of each year and further requires the City to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. See "SECURITY FOR THE SECOND RESOLUTION BONDS."

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval under current law except for the rates charged to a limited class of upstate users, representing approximately 2% of Revenues. See "RATES AND BILLINGS."

The federal government from time to time considers changes in existing federal spending programs, as well as regulations which could affect the System and the Authority. It is not possible at this time to predict what form these changes may ultimately take and, when taken as a whole, the effect they will have on the System and the Authority, including any federal funding of the System. DEP anticipates that any delays or cancellation to such funding would not have a material impact on the System's finances.

The Authority has relied upon AECOM USA, Inc. ("AECOM") and Macan Deve Engineers, DPC ("MDE"), its Co-Consulting Engineers, for certain engineering feasibility information and upon Carollo Engineers, P.C. ("Carollo"), its lead Co-Rate Consultant, for certain financial estimates and projections. The Authority has two Co-Rate Consultants, Carollo and Amawalk Consulting Group LLC. Currently, Carollo is acting as the Authority's lead Co-Rate Consultant and has examined certain financial forecasts contained in this Official Statement. See "ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS."

INCLUSION BY SPECIFIC REFERENCE

On March 19, 2026, the Authority delivered its official statement (the "Series 2026 DD Official Statement") relating to its Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD (the "Fiscal 2026 DD Bonds"). The information set forth in the Series 2026 DD Official Statement under the captions identified below is included herein by specific reference, subject to the information contained elsewhere herein. A copy of the Series 2026 DD Official Statement is delivered herewith.

INTRODUCTORY STATEMENT – Financial Projection Assumptions
SECURITY FOR THE SECOND RESOLUTION BONDS
THE AUTHORITY
THE BOARD
THE DEPARTMENT OF ENVIRONMENTAL PROTECTION
CAPITAL IMPROVEMENT AND FINANCING PROGRAM
FINANCIAL OPERATIONS
RATES AND BILLINGS
THE SYSTEM
ENVIRONMENTAL MATTERS
ECONOMIC AND DEMOGRAPHIC INFORMATION
LITIGATION
FINANCIAL ADVISOR
FURTHER INFORMATION
CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12
INVESTMENTS
LEGALITY FOR INVESTMENT AND DEPOSIT
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS
ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS
CERTAIN LEGAL OPINIONS
APPENDIX A – LETTER OF AECOM USA INC. AND MACAN DEVE ENGINEERS, DPC, CO-CONSULTING ENGINEERS
APPENDIX B – LETTER OF CAROLLO ENGINEERS, P.C., LEAD CO-RATE CONSULTANT
APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS
APPENDIX D – FINANCIAL STATEMENTS
APPENDIX F – ADJUSTABLE RATE BONDS
APPENDIX G – BOOK-ENTRY-ONLY FORM

APPENDIX H – SYSTEM MAPS
APPENDIX I – TABLES OF REFUNDED BONDS

Any reference to the "Fiscal 2026 DD Bonds" in the information incorporated herein by specific reference shall be read to be a reference to the Fiscal 2026 EE Bonds unless the context thereof clearly indicates that such information is only applicable to the Fiscal 2026 DD Bonds.

Descriptions of the Authority, the Board, the System and the Capital Improvement Program, together with other information, including summaries of the terms of the Agreement and the Lease, are set forth in the Series 2026 DD Official Statement. All references herein to the Second Resolution, the Agreement and the Lease are qualified by reference to the definitive bond forms, and the terms and provisions thereof contained in the Second Resolution.

PLAN OF FINANCE

A portion of the proceeds of the Fiscal 2026 EE Bonds is expected to be applied to redeem certain Outstanding Second Resolution Bonds on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS", with the maturity dates, and in the aggregate principal amounts set forth in "APPENDIX I – TABLES OF REFUNDED BONDS". Proceeds of the Fiscal 2026 EE Bonds are also expected to be applied to pay certain costs of issuance.

Contemporaneously with the issuance of the Fiscal 2026 EE Bonds, the Authority expects to issue $903,580,000 of the Fiscal 2026 DD Bonds to (i) refund certain Outstanding First Resolution Bonds and Second Resolution Bonds and (ii) pay certain costs of issuance. The Authority's outstanding Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2022 Series DD, originally issued as adjustable-rate, federally tax-exempt bonds in the ARRS℠ Daily Mode on February 10, 2022, will be remarketed as federally tax-exempt bonds in the Fixed Rate Mode to their final maturity.

In addition, contemporaneously with the issuance of the Fiscal 2026 EE Bonds, the issuance of the Fiscal 2026 DD Bonds and the remarketing of the Fiscal 2022 DD Bonds, the Authority expects to issue $203,830,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series FF (Adjustable Rate Remarketed Securities℠) to refund certain Outstanding Second Resolution Bonds on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS", with the maturity dates, and in the aggregate principal amounts set forth in "APPENDIX I – TABLES OF REFUNDED BONDS".

In addition, on March 17, 2026, the Authority issued $234,780,000 principal amount of its Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series 5 (the "Fiscal 2026 Series 5 Bonds"), which will be privately placed with the New York State Environmental Facilities Corporation (the "Corporation"). The Fiscal 2026 Series 5 Bonds, together with the proceeds of a contemporaneously issued direct loan to the Authority from the Corporation in the principal amount of $147,875,000, will be applied to refund certain Outstanding Second Resolution Bonds previously issued to secure Corporation bonds and pay certain of the Corporation's related costs of issuance.

USE OF PROCEEDS

The proceeds of the Fiscal 2026 EE Bonds are anticipated to be applied in the following manner:

Redemption of Bonds	$203,333,484.44
Underwriter's Expenses	18,800.16
Costs of Issuance	221,199.84
Total Uses of Proceeds	$203,573,484.44
Other Sources of Funds – Debt Service Funds	(3,573,484.44)
Par Amount of the Fiscal 2026 EE Bonds	$200,000,000.00

THE FISCAL 2026 EE BONDS

General

This Official Statement describes the Fiscal 2026 EE Bonds only while they are in a Daily Rate Mode, a Two-Day Rate Mode or a Weekly Rate Mode.

The Fiscal 2026 EE Bonds will be issued in the aggregate principal amount, and maturing on the date, as set forth on the cover and inside cover. The Fiscal 2026 EE Bonds will initially bear interest at the Daily Rate. Interest is payable on the Fiscal 2026 EE Bonds bearing interest at a Daily Rate, a Two-Day Rate or a Weekly Rate on the 15th day of each month (or, if such day is not a Business Day, on the next succeeding Business Day), commencing April 15, 2026. The Fiscal 2026 EE Bonds are subject to redemption prior to maturity as described under "Redemption" and to optional and mandatory tender for purchase as described under "Optional Tender for Purchase" and "Mandatory Tender for Purchase." The Fiscal 2026 EE Bonds will continue in a Daily Rate Period from the date of their issuance until converted to another Rate Period and will bear interest at a rate determined in accordance with the procedures for determining the interest rate during such Rate Period. See "Conversion to an Alternate Rate Period" and "Interest Rates and Reset Dates" below.

Principal and Purchase Price of, and redemption premium, if any, and interest on, the Fiscal 2026 EE Bonds will be payable in lawful moneys of the United States of America. The Fiscal 2026 EE Bonds will be issued only as fully registered bonds without coupons in minimum denominations of $100,000 and integral multiples of $5,000 in excess thereof when the Rate Period is the Daily Rate Period, the Two-Day Rate Period or the Weekly Rate Period. During the Daily Rate Period, the Two-Day Rate Period or the Weekly Rate Period, interest will be computed on the basis of a 365-day or 366-day year for the actual number of days elapsed.

U.S. Bank Trust Company, National Association, has been appointed as Tender Agent for the Fiscal 2026 EE Bonds. Truist Securities, Inc., which is the Underwriter of the Fiscal 2026 EE Bonds, has been appointed as the Remarketing Agent for the Fiscal 2026 EE Bonds (the "Remarketing Agent").

Record Dates and Bond Payment Dates

Record Dates. Interest on the Fiscal 2026 EE Bonds will be payable to the registered owner thereof as shown on the registration books kept by the Trustee at the close of business on the Record Date which will be the immediately preceding Business Day prior to a Bond Payment Date for Fiscal 2026 EE Bonds in a Daily Rate Period, a Two-Day Rate Period or a Weekly Rate Period.

Bond Payment Dates. Interest on the Fiscal 2026 EE Bonds will be payable on the 15th day of each calendar month when such Fiscal 2026 EE Bonds bear interest at a Daily Rate, a Two-Day Rate or a Weekly Rate (or, if such day is not a Business Day, on the next succeeding Business Day). Interest payable on each Bond Payment Date for Fiscal 2026 EE Bonds bearing interest in the Daily Rate Mode, the Two-Day Rate Mode or the Weekly Rate Mode will be the interest accruing and unpaid through and including the day preceding such Bond Payment Date. Each Mandatory Tender Date (defined below) will be a Bond Payment Date.

Conversion to an Alternate Rate Period

At the election of the Authority, the Fiscal 2026 EE Bonds may be converted to a different Rate Period by delivering a notice (the "Conversion Notice") to the Remarketing Agent, the provider of the Credit Facility (as defined in Appendix C) (the "Facility Provider"), DTC and the Tender Agent specifying, among other things, the new Rate Mode or Modes to which such Fiscal 2026 EE Bonds are then subject and the conversion date (which shall be a Reset Date or a Bond Payment Date) (a "Conversion Date"). The Authority must deliver such Conversion Notice at least fifteen (15) days prior to the Conversion Date (or if the Fiscal 2026 EE Bonds to be converted are Book-Entry Bonds, such shorter period as DTC will permit). The Tender Agent is to give written notice to the registered owner of each Fiscal 2026 EE Bond of the Authority's election to convert to another Rate Period and the Conversion Date. Such notice is to be given, by first class mail, not later than three calendar days after receipt by the Tender Agent of the Conversion Notice. See "Mandatory Tender for Purchase — *Notices of Mandatory Tender*."

No Fiscal 2026 EE Bonds may be converted from a Rate Mode to a new Rate Mode unless the Trustee and Tender Agent have received an Opinion of Bond Counsel by 10:00 a.m., New York City time, on the Conversion Date.

If the election to convert is withdrawn by the Authority, or if the Remarketing Agent notifies the Tender Agent that it is unable to remarket the Fiscal 2026 EE Bonds on the Conversion Date, the Fiscal 2026 EE Bonds will bear interest in the existing Rate Mode or, at the option of the Authority and in compliance with the provisions of the Resolutions regarding conversion of Rate Modes, any other Rate Period, which Rate Period will be in effect from and after the date on which the Rate Period was to be converted. However, if an Opinion of Bond Counsel is not delivered on or prior to the Conversion Date, the Rate Mode for the Fiscal 2026 EE Bonds not converted will be the existing Rate Mode.

Interest Rates and Reset Dates

General. The rate at which the Fiscal 2026 EE Bonds will bear interest during any Rate Period will be the rate of interest that, if borne by such Fiscal 2026 EE Bonds for such Rate Period, in the judgment of the Remarketing Agent, having due regard for the prevailing financial market conditions for revenue bonds or other securities the interest on which is excludable from gross income for federal income tax purposes of the same general nature as Fiscal 2026 EE Bonds and which are comparable as to credit and maturity or tender dates with the credit and maturity or tender dates of the Fiscal 2026 EE Bonds, would be the lowest interest rate that would enable such Fiscal 2026 EE Bonds to be sold at a price equal to the principal amount thereof, plus accrued interest thereon, if any.

"Maximum Rate" means, in the case of the Fiscal 2026 EE Bonds which are not Purchased Bonds, 9% per annum.

Daily Rate Period. The Daily Rate for the Fiscal 2026 EE Bonds for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on such Business Day. For any day which is not a Business Day, the Daily Rate will be the Daily Rate for the immediately preceding Business Day. The Fiscal 2026 EE Bonds will bear interest in the Daily Rate Mode unless and until converted to another Rate Mode.

If for any reason (i) the Daily Rate for a Daily Period is not established, (ii) there is no Remarketing Agent, (iii) the Daily Rate is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Daily Rate, then the Daily Rate in effect during the preceding Daily Rate Period will continue in effect on such Fiscal 2026 EE Bonds until a new Daily Rate is determined, but in no event for more than two weeks, and thereafter such Fiscal 2026 EE Bonds will bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Two-Day Rate Period. The Two-Day Rate for the Fiscal 2026 EE Bonds for any Business Day is to be determined by the Remarketing Agent and announced by 10:00 a.m., New York City time, on the first day of a period during which such Fiscal 2026 EE Bonds bear interest at a Two-Day Rate and on each Monday, Wednesday and Friday thereafter so long as interest on such Fiscal 2026 EE Bonds is to be payable at a Two-Day Rate or, if any Monday, Wednesday or Friday is not a Business Day, on the next Monday, Wednesday or Friday that is a Business Day. The Two-Day Rate set on any Business Day will be effective as of such Business Day and will remain in effect until the next day on which a Two-Day Rate is to be set in accordance with the preceding sentence.

If for any reason (i) the Two-Day Rate for a Rate Period is not established, (ii) there is no Remarketing Agent serving under the Resolutions, (iii) the Two-Day Rate is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Two-Day Rate, then the Two-Day Rate in effect during the preceding Two-Day Rate Period will continue in effect on such Fiscal 2026 EE Bonds until a new Two-Day Rate is determined, but in no event for more than two weeks, and thereafter such Fiscal 2026 EE Bonds will bear interest at the Maximum Rate until a Rate has been duly established by the Remarketing Agent.

Weekly Rate Period. Except as described below, the Weekly Rate is to be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on the Business Day immediately preceding the first day of each Weekly Rate Period. Each Weekly Rate will be in effect for a seven-day period commencing on Thursday and

continuing through the next succeeding Wednesday. However, if the Conversion Date upon which a Rate Period has been converted to a Weekly Rate Period is not a Thursday, the initial Weekly Rate will commence on the Conversion Date and will continue through the next succeeding Wednesday which may be less than seven days. The Weekly Rate for such Weekly Rate Period will be determined by the Remarketing Agent and announced by 4:00 p.m., New York City time, on the Business Day before the Conversion Date.

If for any reason (i) the Weekly Rate for a Weekly Rate Period is not established, (ii) no Remarketing Agent is then serving under the Resolutions, (iii) the Weekly Rate is held to be invalid or unenforceable or (iv) pursuant to the Remarketing Agreement the Remarketing Agent is not then required to establish a Weekly Rate, then, the Weekly Rate for such Weekly Rate Period will be equal to the prior Weekly Rate until a new Weekly Rate is determined, but in no event for more than two weeks, and, afterwards, the Weekly Rate will be equal to the Maximum Rate until the Remarketing Agent determines a Weekly Rate.

Certain Considerations Affecting Adjustable Rate Bonds

The information in this caption "Certain Considerations Affecting Adjustable Rate Bonds" was provided by the Remarketing Agent and is not the responsibility of the Authority.

The Remarketing Agent is Paid by the Authority. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the Fiscal 2026 EE Bonds that are optionally or mandatorily tendered by the Beneficial Owners thereof (subject, in each case, to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of Beneficial Owners and potential purchasers of Fiscal 2026 EE Bonds.

The Remarketing Agent May Purchase Fiscal 2026 EE Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of adjustable rate demand obligations issued by many issuers and, in its sole discretion, may purchase such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Fiscal 2026 EE Bonds for its own account and, in its sole discretion, may acquire such tendered Fiscal 2026 EE Bonds in order to achieve a successful remarketing of the Fiscal 2026 EE Bonds (i.e., because there otherwise are not enough buyers to purchase the Fiscal 2026 EE Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Fiscal 2026 EE Bonds and may cease doing so at any time without notice. If the Remarketing Agent ceases to purchase Fiscal 2026 EE Bonds, it may be necessary for the Trustee to draw on the Liquidity Facility to pay tendering Bondholders.

The Remarketing Agent may also sell any Fiscal 2026 EE Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce their exposure to the Fiscal 2026 EE Bonds. The purchase of Fiscal 2026 EE Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Fiscal 2026 EE Bonds in the market than is actually the case. The practices described above also may result in fewer Fiscal 2026 EE Bonds being tendered.

Fiscal 2026 EE Bonds may be Offered at Prices Other Than Par. Pursuant to the Remarketing Agreement, on each rate determination date, the Remarketing Agent is required to determine the interest rate that will be effective with respect to the Fiscal 2026 EE Bonds on the effective date. That rate is required by the Resolutions to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the Fiscal 2026 EE Bonds at par, plus accrued interest, if any, on the effective date. At the time the new rate becomes effective, the Remarketing Agent is required to use its best efforts to remarket the Fiscal 2026 EE Bonds at par. The interest rate will reflect, among other factors, the level of market demand for the Fiscal 2026 EE Bonds (including whether the Remarketing Agent is willing to purchase Fiscal 2026 EE Bonds for its own accounts). There may or may not be Fiscal 2026 EE Bonds tendered and remarketed on an effective date, and the Remarketing Agent may or may not be able to remarket any Fiscal 2026 EE Bonds tendered for purchase on such date at par. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Fiscal 2026 EE Bonds at the remarketing price.

The Ability to Sell the Fiscal 2026 EE Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may make a secondary market in the Fiscal 2026 EE Bonds by routinely purchasing and selling Fiscal 2026 EE Bonds other than in connection with an optional or mandatory tender and remarketing. However, it is

not required to make a secondary market in the Fiscal 2026 EE Bonds. Thus, investors who purchase Fiscal 2026 EE Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Fiscal 2026 EE Bonds other than by tendering the Fiscal 2026 EE Bonds in accordance with the tender process. The Liquidity Facility is not available to purchase Fiscal 2026 EE Bonds other than those tendered in accordance with a sale of Fiscal 2026 EE Bonds by the Bondholder to the Remarketing Agent. The Liquidity Facility will only be drawn when the Fiscal 2026 EE Bonds have been properly tendered in accordance with the terms of the transaction.

Under Certain Circumstances, the Remarketing Agent May Cease Remarketing the Fiscal 2026 EE Bonds. Under certain circumstances the Remarketing Agent may cease its remarketing efforts, subject to the terms of the Remarketing Agreement. The Remarketing Agreement provides that, unless the Authority has failed to pay remarketing fees to the Remarketing Agent, the Remarketing Agent may not resign until a successor has been appointed.

Optional Tender for Purchase

A Fiscal 2026 EE Bond or any portion thereof equal to an Authorized Denomination may be tendered for purchase, at the Purchase Price, at the option of its registered owner on any Business Day during a Daily Rate Period, a Two-Day Rate Period or a Weekly Rate Period upon giving notice of the registered owner's election to tender in the manner and at the times described below. Notice of an election to tender a Fiscal 2026 EE Bond registered in the name of Cede & Co., as nominee of DTC, is to be given by the DTC Participant on behalf of the Beneficial Owner of the Fiscal 2026 EE Bonds and will not be given by DTC.

Notice of the election to tender for purchase a Fiscal 2026 EE Bond registered in any other name is to be given by the registered owner of such Fiscal 2026 EE Bond or its attorney-in-fact.

The notice must state the name of the registered owner or the Beneficial Owner and the principal amount of the Fiscal 2026 EE Bond, the principal amount of such Fiscal 2026 EE Bond to be tendered for purchase and the Business Day on which such Fiscal 2026 EE Bond or portion thereof to be tendered for purchase is to be purchased.

A DTC Participant or the registered owner of a Fiscal 2026 EE Bond must give written notice of its irrevocable election to tender such Fiscal 2026 EE Bond or a portion thereof for purchase at its option to the Tender Agent, at its Delivery Office, and to the Remarketing Agent, (i) in the case of Fiscal 2026 EE Bonds bearing interest in a Daily Rate Mode, no later than 11:00 a.m. on any Business Day, (ii) in the case of Fiscal 2026 EE Bonds bearing interest in the Two-Day Rate Mode, no later than 3:00 p.m. on a Business Day at least two (2) Business Days prior to the Business Day on which such Fiscal 2026 EE Bond or portion thereof is to be purchased, and (iii) in the case of Fiscal 2026 EE Bonds bearing interest in a Weekly Rate Mode, by no later than 5:00 p.m., New York City time, on any Business Day which is at least seven (7) days prior to the Business Day on which such Fiscal 2026 EE Bond or portion thereof is to be purchased.

Mandatory Tender for Purchase

The Fiscal 2026 EE Bonds are subject to mandatory tender and purchase at the Purchase Price on the following dates (each a "Mandatory Tender Date"):

(a) on each Conversion Date for Fiscal 2026 EE Bonds being converted to a different Rate Mode other than a conversion between the Daily Rate Mode, the Two-Day Rate Mode and the Weekly Rate Mode;

(b) on the last Business Day of the Daily Rate Period, Two-Day Rate Period or Weekly Rate Period, as the case may be, next preceding the effective date of any expiration or earlier termination of the Credit Facility then in effect if at least fifteen (15) days prior to such termination date such Credit Facility has not been extended or a substitute Credit Facility has not been obtained;

(c) on the substitution date of a Credit Facility for an existing Credit Facility if, solely as a result of such substitution, any Rating Agency would reduce or withdraw any rating assigned;

(d) on the Business Day immediately preceding the date of termination specified in the Notice of Default delivered by a Facility Provider in accordance with the provisions of the Credit Facility; and

(e) on any Business Day determined in the Authority's discretion, upon 10 days' notice to the Holders, subject to the Authority identifying a source of payment therefor in accordance with the Second Resolution including, but not limited to, the proceeds of refunding bonds to be issued on or before the tender date.

Notices of Mandatory Tenders. Whenever Fiscal 2026 EE Bonds are to be tendered for purchase in accordance with the Resolutions, the Tender Agent will, not less than 15 days prior to the effective date of the expiration or substitution or ten days prior to the effective date of the earlier termination of a Credit Facility then in effect, give notice by first-class mail to the holders of the Fiscal 2026 EE Bonds that the Fiscal 2026 EE Bonds are subject to mandatory tender for purchase on the date specified in such notice, which will be the Business Day preceding the last Business Day of the applicable Rate Mode next preceding the effective date of such expiration or earlier termination.

Fiscal 2026 EE Bonds Deemed Purchased

The Fiscal 2026 EE Bonds or portions thereof required to be purchased upon a tender at the option of the registered owner thereof or upon a mandatory tender will be deemed to have been tendered and purchased for all purposes of the Resolutions, irrespective of whether such Fiscal 2026 EE Bonds have been presented and surrendered to the Tender Agent, if on the Tender Date moneys sufficient to pay the Purchase Price thereof are held by the Tender Agent. The former registered owner of a Tendered Bond or a Fiscal 2026 EE Bond deemed to have been tendered and purchased will have no claim thereunder or under the Resolutions or otherwise for payment of any amount other than the Purchase Price, and such Fiscal 2026 EE Bond or portion thereof will no longer be Outstanding for purposes of the Resolutions. However, the Authority has no obligation to furnish moneys for payment of the Purchase Price of Fiscal 2026 EE Bonds that have been tendered but not remarketed and for which moneys have not been provided for their purchase by a Facility Provider pursuant to a Credit Facility. Such Fiscal 2026 EE Bonds will continue to be held by the tendering Bondholders and will bear interest from the Tender Date at the Maximum Rate.

Purchase Price and Payment

The Purchase Price of a Fiscal 2026 EE Bond will be the principal amount of the Fiscal 2026 EE Bond to be tendered, plus accrued and unpaid interest from the immediately preceding Bond Payment Date.

The Purchase Price of a Fiscal 2026 EE Bond held in a book-entry-only system will be paid, in same-day funds, to DTC in accordance with DTC's standard procedures for effecting same-day payments, as described in "APPENDIX G — BOOK-ENTRY-ONLY FORM." Payment will be made without presentation and surrender of the Fiscal 2026 EE Bonds to the Tender Agent, and DTC will be responsible for effecting payment of the Purchase Price to the DTC Participants.

The Purchase Price of any other Fiscal 2026 EE Bonds will be paid, in same-day funds, only after presentation and surrender of the Fiscal 2026 EE Bond to the Tender Agent at its Delivery Office. Payment will be made by 3:00 p.m., New York City time, on the later of the Tender Date or the Business Day on which a Fiscal 2026 EE Bond is presented and surrendered to the Tender Agent.

The Purchase Price is payable solely from, and in the following order of priority, (i) the proceeds of the remarketing of Fiscal 2026 EE Bonds tendered for purchase, (ii) moneys made available by the Facility Provider under the Credit Facility, (iii) other moneys which have been on deposit with the Trustee or the Tender Agent, as applicable, for at least 124 days prior to and during which no petition by or against the Authority, under the United States Bankruptcy Code of 1978, as amended, 11 U.S.C. Sec. 101 et seq. (the "Bankruptcy Code") has been filed or any bankruptcy or similar proceeding has been commenced, unless such petition or proceeding has been dismissed and such dismissal is final and not subject to appeal, and (iv) any other moneys the application of which to the payment of the Purchase Price of the Fiscal 2026 EE Bonds would not, in the opinion of Bond Counsel, constitute a voidable preference in the case of a filing for protection of the Authority under the Bankruptcy Code (collectively, "Available Moneys"). The Authority has no obligation to furnish moneys under (iii) or (iv) of the preceding sentence.

Remarketing of Fiscal 2026 EE Bonds Upon Tender

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to remarket Fiscal 2026 EE Bonds tendered or deemed tendered for purchase. The Remarketing Agreement sets forth, among other things, certain conditions to the Remarketing Agent's obligations to remarket Fiscal 2026 EE Bonds. If any of the conditions is not satisfied, or if the Remarketing Agent is otherwise unable to remarket any Fiscal 2026 EE Bonds, the Purchase Price of such Fiscal 2026 EE Bonds will be paid from amounts obtained under the Credit Facility, as described below, or may be paid from any other Available Moneys furnished by or on behalf of the Authority.

On each Tender Date, the Remarketing Agent is to give notice to the Tender Agent specifying the principal amount of Fiscal 2026 EE Bonds which have been tendered for purchase and remarketed. The Tender Agent is, on such Tender Date, to obtain funds under the Credit Facility in accordance with its terms in an amount equal to the difference between the Purchase Price of the Fiscal 2026 EE Bonds subject to purchase and the remarketing proceeds available to the Tender Agent.

The Authority has no obligation to furnish moneys for payment of the Purchase Price and failure to pay the Purchase Price is not an Event of Default under the Resolutions. Upon any such failure, the Fiscal 2026 EE Bonds will continue to be held by the tendering Bondholder and will bear interest from the Tender Date at the Maximum Rate.

Redemption

Optional Redemption. The Fiscal 2026 EE Bonds, while they bear interest at a Daily Rate, Two-Day Rate or Weekly Rate, are subject to redemption prior to maturity at the election or direction of the Authority, on any Business Day, in whole or in part, at the redemption price of 100% of the principal amount of the Fiscal 2026 EE Bonds to be redeemed, plus accrued interest, if any, to the redemption date.

Selection of Bonds to be Redeemed

In the event less than all of the Outstanding Fiscal 2026 EE Bonds of like maturity are to be redeemed prior to maturity, the Trustee is to select for redemption, using such method of selection as it deems proper in its discretion, the Purchased Bonds (hereinafter defined) of such maturity before selecting any other Fiscal 2026 EE Bonds of such maturity for redemption. Fiscal 2026 EE Bonds of such maturity which are not Purchased Bonds will be selected by the Trustee in accordance with instructions from the Authority in such manner as the Trustee deems fair and appropriate.

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 20 days prior to the date fixed for redemption, to the registered owners of Fiscal 2026 EE Bonds to be redeemed at their addresses shown on the books of registry. So long as Cede & Co., as nominee of DTC, is the registered owner of the Fiscal 2026 EE Bonds, notice of redemption is to be sent to DTC at least 20 days prior to the date fixed for redemption or such shorter period as may be provided by DTC. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to Beneficial Owners.

If, on any redemption date, moneys for the redemption of the Fiscal 2026 EE Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available therefor on such date, and if notice of redemption has been mailed, then interest on the Fiscal 2026 EE Bonds to be redeemed will cease to accrue from and after the redemption date and such Fiscal 2026 EE Bonds will no longer be considered to be Outstanding under the Second Resolution.

The notice of redemption may provide that the Fiscal 2026 EE Bonds will be due and payable on the redemption date only if moneys sufficient to accomplish such redemption are held by the Trustee on the scheduled redemption date.

LIQUIDITY FACILITY FOR THE FISCAL 2026 EE BONDS

Liquidity Facility

The Authority will, on the date the Fiscal 2026 EE Bonds are issued, enter into a Standby Bond Purchase Agreement with respect to the Fiscal 2026 EE Bonds (the "Liquidity Facility") with Truist Bank (the "Liquidity Provider").

The obligation of the Authority to repay amounts advanced by the Liquidity Provider under the Liquidity Facility to purchase Fiscal 2026 EE Bonds will be evidenced by the Fiscal 2026 EE Bonds purchased by such Liquidity Provider (the "Purchased Bonds").

A description of the Liquidity Provider and a summary of certain provisions of the Liquidity Facility is set forth in APPENDIX J.

A redacted version of the Liquidity Facility will be available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System (www.emma.msrb.org) or may be obtained from the Remarketing Agent.

Substitution of a Credit Facility

The Authority may replace the Liquidity Facility with a substitute Credit Facility; provided, however, that the Fiscal 2026 EE Bonds will be subject to mandatory tender on the substitution date if, solely as a result of such substitution, any Rating Agency would reduce or withdraw any rating assigned to such Fiscal 2026 EE Bonds.

No later than five (5) Business Days prior to the effective date of a substitute Credit Facility the Tender Agent shall give notice to the Holders of the Outstanding Fiscal 2026 EE Bonds, which notice is to contain, among other things: (i) a description of such substitute Credit Facility (including the date of expiration of such substitute Credit Facility); (ii) the name of the Facility Provider of such substitute Credit Facility; (iii) a statement as to the ratings on such Fiscal 2026 EE Bonds as a result of the substitution of such substitute Credit Facility for the then existing Credit Facility; and (iv) a statement that the Opinion of Bond Counsel and the opinion of counsel to the Facility Provider necessary for such substitute Credit Facility to become effective have been obtained. The failure of any Holder of a Fiscal 2026 EE Bond to receive such notice will not affect the validity of the proceedings in connection with the effectiveness of such substitute Credit Facility.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Fiscal 2026 EE Bonds is subject to the approval of legality by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, New York, New York and Holley & Pearson-Farrer LLP, New York, New York, Co-Special Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by Katten Muchin Rosenman LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., New York, New York.

RATINGS

S&P Global Ratings has rated the Fiscal 2026 EE Bonds "AA+/A-1" (outlook stable). Fitch Ratings has rated the Fiscal 2026 EE Bonds "AA+/F1" (outlook stable). Moody's Ratings has rated the Fiscal 2026 EE Bonds "Aa1/VMIG 1" (outlook stable).

Such ratings reflect only the views of the respective rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that any rating will continue for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any such downward revision or withdrawal could have an adverse effect on the market price of the Fiscal 2026 EE Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

UNDERWRITING

Truist Securities, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Fiscal 2026 EE Bonds from the Authority at a price which is equal to the initial offering price thereof. The obligation of the Underwriter is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of such Fiscal 2026 EE Bonds if any of such Fiscal 2026 EE Bonds are purchased. The Fiscal 2026 EE Bonds may be offered and sold to certain dealers (including dealers depositing the Fiscal 2026 EE Bonds into investment trusts) and others at prices lower than such public offering price and such public offering price may be changed, from time to time, by the Underwriter.

"Truist Securities" is the trade name for the corporate and investment banking services of Truist Financial Corporation and its subsidiaries. Securities and strategic advisory services are provided by the Underwriter, a member of FINRA and SIPC. Lending, financial risk management, and treasury management and payment services are offered by the Liquidity Provider. Deposit products are offered by the Liquidity Provider, a member of FDIC. In its normal course of business, the Liquidity Provider may currently, or in the future, provide credit, treasury management, or other commercial banking services to the Authority or the City.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2026 EE Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Fiscal 2026 EE Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2026 EE Bonds. Pursuant to the Fiscal 2026 EE Supplemental Resolution and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2026 EE Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain other representations and certifications in the Fiscal 2026 EE Supplemental Resolution and the Tax Certificate relating to the tax exemption of the Fiscal 2026 EE Bonds. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinions of Nixon Peabody LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned tax covenants, and the accuracy of the representations and certifications described above, interest on the Fiscal 2026 EE Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Interest on the Fiscal 2026 EE Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

State Taxes

Co-Bond Counsel are also of the opinion that under existing law, interest on the Fiscal 2026 EE Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York). Co-Bond Counsel express no opinion as to other New York State or local tax consequences arising with respect to the Fiscal 2026 EE Bonds or as to the taxability of the Fiscal 2026 EE Bonds or the income therefrom under the laws of any jurisdiction other than the State of New York.

Ancillary Tax Matters

Ownership of the Fiscal 2026 EE Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property

and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Fiscal 2026 EE Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Fiscal 2026 EE Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Fiscal 2026 EE Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel are not rendering any opinion as to any federal or state tax matters other than those described in the opinion attached as APPENDIX E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Fiscal 2026 EE Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Fiscal 2026 EE Bonds for federal or state income tax purposes, and thus on the value or marketability of the Fiscal 2026 EE Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Fiscal 2026 EE Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Fiscal 2026 EE Bonds may occur. Prospective purchasers of the Fiscal 2026 EE Bonds should consult their own tax advisors regarding the impact of any change in law on the Fiscal 2026 EE Bonds.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Fiscal 2026 EE Bonds may affect the tax status of interest on the Fiscal 2026 EE Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Fiscal 2026 EE Bonds, or the interest thereon, if any action is taken with respect to the Fiscal 2026 EE Bonds or the proceeds thereof upon the advice or approval of other counsel.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

FORM OF OPINIONS OF CO-BOND COUNSEL
(Fiscal 2026 Series EE Bonds)

April __, 2026

New York City Municipal
Water Finance Authority
New York, New York 10007

Ladies and Gentlemen:

We have acted as co-bond counsel to, and examined a record of proceedings relating to the issuance of $200,000,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series EE (the "2026 Series EE Bonds") by, the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The 2026 Series EE Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted March 30, 1994 entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second Resolution"), and have been authorized to be issued by a resolution adopted February 9, 2026 entitled "Supplemental Resolution No. 203 Authorizing the Issuance of up to $250,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series EE" ("Supplemental Resolution No. 203"). Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Second Resolution.

Pursuant to the Act, the New York City Water Board (the "Board"), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the "City"), a municipal corporation of the State, have entered into an Agreement of Lease, dated as of July 1, 1985, as amended (the "Lease"), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a Financing Agreement, dated as of July 1, 1985, as amended (the "Financing Agreement"), related to, among other things, the financing of Water Projects.

The 2026 Series EE Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Second Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Second Resolution, as then in effect, and without limitation as to amount except as provided in the Second Resolution or as may be limited by law. The 2026 Series EE Bonds are being issued for the purposes set forth in the Second Resolution.

The Authority is authorized to issue Bonds, in addition to the 2026 Series EE Bonds, only upon the terms and conditions set forth in the Second Resolution, and such Bonds, when issued, shall, with the 2026 Series EE Bonds and with all other such Bonds theretofore and hereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second Resolution.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2026 Series EE Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2026 Series EE Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2026 Series EE Bonds. Pursuant to Supplemental Resolution No. 203 and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to

maintain the exclusion of the interest on the 2026 Series EE Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in Supplemental Resolution No. 203 and the Tax Certificate relating to the tax exemption of the 2026 Series EE Bonds. We have not independently verified the accuracy of those certifications and representations.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Second Resolution and Supplemental Resolution No. 203 and to issue the 2026 Series EE Bonds.

2. The Second Resolution and Supplemental Resolution No. 203 have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms. The Second Resolution and Supplemental Resolution No. 203 create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby for the repayment of the Bonds, subject only to the provisions of the Second Resolution, Supplemental Resolution No. 203 and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2026 Series EE Bonds have been duly and validly authorized and issued. The 2026 Series EE Bonds are valid and binding special obligations of the Authority payable as provided in the Second Resolution, are enforceable in accordance with their terms and the terms of the Second Resolution and are entitled, together with all other Bonds issued under the Second Resolution, to the benefits of the Second Resolution and the Act.

4. The 2026 Series EE Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Second Resolution. The 2026 Series EE Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Second Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2026 Series EE Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Interest on the 2026 Series EE Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

9. Under existing law, interest on the 2026 Series EE Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York).

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the 2026 Series EE Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2026 Series EE Bonds, or the interest thereon, if any action is taken with respect to the 2026 Series EE Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed 2026 Series EE Bond, and, in our opinion, the form of said bond and its execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2026 Series EE Bonds.

The enforceability of the Second Resolution, Supplemental Resolution No. 203, the 2026 Series EE Bonds, the Lease and the Financing Agreement is subject to (a) the overriding State interest in promoting the health, safety and welfare of the people of the State, (b) bankruptcy, insolvency, moratorium or other similar laws validly enacted and applicable to the enforcement of creditors' rights, and (c) general principles of equity regardless of whether the enforcement of a particular remedy is considered in a proceeding at law or in equity.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City.

In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

DESCRIPTION OF THE LIQUIDITY PROVIDER AND SUMMARY OF THE LIQUIDITY FACILITY

Liquidity Provider – Truist Bank

The following information concerning the Liquidity Provider has been provided by representatives of the Liquidity Provider and has not been independently confirmed or verified by the Authority or the Underwriter. No representation is made herein as to accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information given below is correct as of any time subsequent to its date.

CERTAIN INFORMATION CONCERNING TRUIST BANK

The Liquidity Provider is a wholly-owned subsidiary of Truist Financial Corporation (the "Corporation"), a North Carolina financial holding company. The Liquidity Provider is chartered under the laws of the State of North Carolina to engage in a general banking business.

The Liquidity Provider provides a full range of commercial banking, consumer banking and trust and investment services primarily through its branch network located in North Carolina, Virginia, Florida, Georgia, Maryland, South Carolina, Alabama, West Virginia, Kentucky, Tennessee, Texas, Indiana, Pennsylvania, New Jersey, Ohio, and Washington D.C. As of December 31, 2025, the Liquidity Provider had total assets of $548 billion, and total deposits of approximately $400 billion. On December 7, 2019, SunTrust Bank merged into Branch Banking and Trust Company which then changed its name to Truist Bank.

The Liquidity Provider submits quarterly to the Federal Deposit Insurance Corporation, its primary federal regulator, certain information regarding its financial condition entitled "Consolidated Reports of Conditions and Income for a Bank with Domestic and Foreign Offices" ("Call Reports"). All Call Reports may be obtained online at https://cdr.ffiec.gov or by calling the FDIC at (877) 275-3342.

Additionally, the Corporation is subject to certain reporting requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). The SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the SEC's website is http://www.sec.gov. The Corporation's SEC filings are also available through its website at https://ir.truist.com/sec-filings. Information on the Corporation's website is not part of or incorporated by reference into this Official Statement. The Liquidity Provider will provide copies of the Corporation's most recent Form 10-K, in each case as filed with the SEC, free of charge to any recipient of this document, upon written request of such person delivered in writing to: Truist Financial Corporation, 214 Tryon Street, Charlotte, North Carolina 28202, Attention: Investor Relations (telephone: (704) 499-3575).

The information concerning the Corporation and the Liquidity Provider contained herein is furnished solely to provide limited introductory information, is not intended to be comprehensive, and is qualified in its entirety by the detailed information appearing in the documents and filings (including all financial statements) referenced above.

Summary of Certain Provisions of the Liquidity Facility

General

The Liquidity Provider has agreed to provide support for the Fiscal 2026 EE Bonds in the form of the Liquidity Facility. The following summary of certain provisions of the Liquidity Facility does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Liquidity Facility to which reference is made hereby. Investors should obtain and review a copy of the Liquidity Facility in order to understand all of the terms of that document. A redacted version of the Liquidity Facility will be available on the Electronic Municipal

Market Access website of the Municipal Securities Regulatory Board (www.emma.msrb.org) ("EMMA"). The provisions of any substitute liquidity facility may be different from those summarized below.

The Liquidity Facility provides coverage for the principal of tendered Fiscal 2026 EE Bonds and up to 35 days accrued interest on such Fiscal 2026 EE Bonds at a maximum interest rate of 9% based upon a year of 365 days. The Scheduled Termination Date for the Liquidity Facility is April 7, 2031. The Liquidity Facility supports only the payment of the purchase price of the Fiscal 2026 EE Bonds bearing interest at a Daily Rate, Two-Day Rate or Weekly Rate (the "Eligible Rate") optionally tendered for purchase during the Purchase Period as described below (other than in connection with a mandatory tender of the Fiscal 2026 EE Bonds on an optional redemption date) and does not otherwise support the payment of the principal of or interest on the Fiscal 2026 EE Bonds.

"Purchase Period" means, with respect to the Liquidity Provider's Available Commitment, the period from and including the effective date of the Liquidity Facility to and including the earliest to occur of (i) the Scheduled Termination Date (or, if such date is not a Business Day, the Business Day immediately preceding such date), (ii) the earlier of the date on which the Liquidity Provider honors a drawing thereunder in connection with the delivery of a substitute Credit Facility (as defined in the Second Resolution) or one (1) Business Day following the date of delivery of a substitute Credit Facility in accordance with the provisions of the Liquidity Facility and the Supplemental Resolution (as defined in the Liquidity Facility), (iii) the date on which all Fiscal 2026 EE Bonds have been paid in full (not including a defeasance in which such Fiscal 2026 EE Bonds continue to be subject to optional or mandatory tender for purchase) or redeemed, (iv) the earlier of the date on which the Liquidity Provider honors a drawing thereunder in connection with the interest rate on all of the Fiscal 2026 EE Bonds being converted to a rate other than an Eligible Rate or one (1) Business Day following the date of such conversion in accordance with the terms of such Fiscal 2026 EE Bonds (the Purchase Period to include the date of conversion to a rate other than an Eligible Rate), and (v) the date on which the Available Commitment or Commitment is terminated pursuant to the terms of the Liquidity Facility.

The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined in this Official Statement or, to the extent not defined in this Official Statement, in the Liquidity Facility, and reference thereto is made for a full understanding of their import.

Under certain circumstances described below, the obligation of the Liquidity Provider to purchase Fiscal 2026 EE Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender may be automatically and immediately terminated or suspended without notice to the bondholders. In such event, sufficient funds may not be available to purchase Fiscal 2026 EE Bonds tendered or deemed tendered by the owners thereof pursuant to an optional or mandatory tender. In addition, the Liquidity Facility does not provide support or security for the payment of principal of, premium, if any, or interest on the Fiscal 2026 EE Bonds.

Events of Termination

The following events are Events of Terminations under the Liquidity Facility. Upon the occurrence of an Event of Termination, the Available Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Fiscal 2026 EE Bonds immediately shall terminate without notice or demand to any person, and thereafter the Liquidity Provider shall be under no obligation to purchase the Fiscal 2026 EE Bonds.

(a) (i) the Authority shall fail to pay when due any principal of or premium, if any, or interest on the Fiscal 2026 EE Bonds or Purchased Bonds (as defined in the Liquidity Facility) (regardless of any waiver thereof by the holders of such Fiscal 2026 EE Bonds) (*provided*, *however*, that any failure of the Authority to pay any Purchased Bonds due solely as a result of an acceleration caused by the Liquidity Provider shall not constitute an Event of Termination), or (ii) any default by the Authority shall occur and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues (as defined in the Second Resolution) on a basis that is senior to or on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds (*provided*, *however*, that any failure of the Authority to pay any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds due solely as a result of an acceleration caused by a provider of credit and/or liquidity support

for such debt shall not constitute an Event of Termination), or (iii) pursuant to the provisions of any resolution, indenture, contract or other instrument, the maturity of any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds, as the result of the occurrence of any default with respect to the payment of any principal or interest thereunder, shall be accelerated or required to be paid prior to the stated maturity thereof; *provided*, *however*, that no such failure to pay under clauses (i), (ii) or (iii) hereof will constitute an Event of Default under the Liquidity Facility if (A) such failure to pay was caused solely by an error or omission of an administrative or operational nature, (B) funds were available to enable the Authority to make such payment when due, (C) the Authority files a notice on EMMA within one Business Day of the Authority's actual knowledge of such failure stating that such failure to pay was caused solely by an error or omission of an administrative or operational nature, funds were available to enable the Authority to make such payment when due and such payment will be made within the time period set forth in subclause (D) and (D) such payment is made within two (2) Business Days after the Authority's actual knowledge of such failure to pay; or

(b) each of Moody's, S&P and Fitch shall assign a rating to any indebtedness of the Authority secured by or payable from the Revenues on a basis that is on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds below "Baa3" in the case of Moody's and below "BBB-" in the case of S&P and Fitch, or withdraw or suspend all such ratings for a credit-related reason; or

(c) (i) (A) the Authority shall impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Fiscal 2026 EE Bonds or any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by a lien on Revenues senior to or on a parity with the Fiscal 2026 EE Bonds or the Purchased Bonds or (B) the State or any other governmental authority having jurisdiction over the Authority shall, as a result of a finding or ruling or any other official action of the State or such governmental authority, impose a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on repayment when due and payable of the principal of or interest on the Fiscal 2026 EE Bonds or all debt obligations of the Authority secured by a lien on Revenues senior to or on parity with the Fiscal 2026 EE Bonds or (ii) the Authority shall (A) apply for or consent to the appointment of, or there shall occur the taking or possession by, a receiver, custodian, trustee, liquidator or sequestrator (or other similar official) of itself or of all or substantially all of its property or assets, (B) admit in writing its inability to pay its debts as they become due or shall become insolvent within the meaning of Section 101(32) of the Bankruptcy Code, (C) make a general assignment for the benefit of creditors, (D) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, liquidation, winding-up or composition or adjustment of debts or (E) take any action for the purpose of effecting any of the acts set forth in clauses (A) through (D) above or (iii) an involuntary case or other proceeding shall be commenced against the Authority seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or substantially all of its property or assets, and such involuntary case shall remain undismissed and unstayed for a period of 60 days; or (iv) an order for relief shall be entered against the Authority under the federal bankruptcy laws as now or hereafter in effect; or

(d) a final, non-appealable judgment shall be issued by a court of competent jurisdiction that the Fiscal 2026 EE Bonds (including Purchased Bonds) or any provision of the Liquidity Facility or of the Second Resolution relating to (A) the payment of principal or interest on any of the Fiscal 2026 EE Bonds (including Purchased Bonds) or (B) the pledge of the Revenues supporting the Fiscal 2026 EE Bonds and Purchased Bonds shall cease for any reason to be valid and binding; or

(e) the Authority shall initiate legal proceedings or assert in legal proceedings or otherwise repudiate or publicly contest, acting through an official of the Authority having authority to do so, that the Fiscal 2026 EE Bonds or any provision of the Liquidity Facility or of the Second Resolution relating to (A) the payment of principal or interest on any of the Fiscal 2026 EE Bonds (including Purchased Bonds) or (B) the pledge of the Revenues supporting the Fiscal 2026 EE Bonds and Purchased Bonds is invalid or that the Authority has no liability thereon; or

(f) a final, non-appealable money judgment shall be entered by a court or other regulatory body of competent jurisdiction against the Authority in an amount in excess of $25,000,000 and the Authority shall have failed

to satisfy said money judgment within 90 days from the first date when said judgment shall have become enforceable and subject to collection in accordance with its terms.

Events of Default Permitting Mandatory Tender or Conversion of Interest Rate

In the case of a Mandatory Tender or Conversion Event, the Liquidity Provider, in its sole discretion, may (x) give written notice of such Mandatory Tender or Conversion Event to the Remarketing Agent(s) and to the Tender Agent requesting a mandatory tender of all of the Fiscal 2026 EE Bonds pursuant to the Second Resolution and stating that the obligation of the Liquidity Provider to purchase such Fiscal 2026 EE Bonds shall terminate 30 days after such notice is received by the Tender Agent, and on such date the Available Commitment and the Commitment shall terminate and the Liquidity Provider shall be under no obligation under the Liquidity Facility to purchase such Fiscal 2026 EE Bonds after such date or (y) give a written notice to the Authority directing the Authority to convert the interest rate on all or any portion of the Fiscal 2026 EE Bonds to an interest rate other than an Eligible Rate in accordance with the terms of the Liquidity Facility. Upon conversion to a rate other than an Eligible Rate, the Liquidity Provider agrees to purchase the Fiscal 2026 EE Bonds so converted and not remarketed, subject to and in accordance with the Liquidity Facility and thereafter such Fiscal 2026 EE Bonds shall bear interest at the Default Rate (as defined in the Liquidity Facility) so long as the Bank is the owner of such Fiscal 2026 EE Bonds.

The following are Mandatory Tender or Conversion Events:

(a) the Authority shall fail to pay when due any amount payable with respect to fees or certain other amounts (excluding debt service on any Purchased Bonds) payable to the Liquidity Provider under the Liquidity Facility or Fee Agreement (as defined in the Liquidity Facility) and such failure shall continue for seven (7) days; *provided*, *however*, that no such failure to pay shall constitute an Event of Default under the Liquidity Facility if (A) such failure to pay was caused solely by an error or omission of an administrative or operational nature, (B) funds were available to enable the Authority to make such payment when due and (C) such payment is made within two (2) Business Days after the Authority's actual knowledge of such failure to pay; or

(b) the Authority shall fail to observe one or more affirmative or negative covenants specified in the Liquidity Facility; or

(c) the Authority shall fail to pay when due any principal of or premium, if any, or interest on any Fiscal 2026 EE Bonds or Purchased Bonds (regardless of any waiver thereof by the holders of the Fiscal 2026 EE Bonds), *but solely resulting from* a failure of the Authority to pay any Purchased Bonds due solely as a result of an acceleration caused by the Liquidity Provider; or

(d) any default by the Authority shall occur and be continuing in the payment of principal of or premium, if any, or interest on any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues (as defined in the Second Resolution) on a basis that is senior to or on a parity with Fiscal 2026 EE Bonds and Purchased Bonds, *but solely resulting from* a failure of the Authority to pay any bond, note or other similar evidence of indebtedness issued or assumed by the Authority that is secured by or payable from the Revenues on a basis that is senior to or on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds due solely as a result of an acceleration caused by a provider of credit and/or liquidity support for such debt; or

(e) the occurrence and continuance of an Event of Default under the Second Resolution described under clauses (iii) or (iv) of "Summary of the Second Resolution – Defaults and Remedies" in Appendix C incorporated by reference; or

(f) any of Moody's, S&P or Fitch shall assign a rating to any indebtedness of the Authority secured by or payable from the Revenues on a basis that is on a parity with the Fiscal 2026 EE Bonds and Purchased Bonds below "Baa1" in the case of Moody's or "BBB+" in the case of S&P or Fitch, or withdraw or suspend any such rating for a credit-related reason; or

(g) any material provision of the Liquidity Facility, the Second Resolution, the Fee Agreement or the Fiscal 2026 EE Bonds, other than a provision described in clause (d) under the heading "Events of Termination" above, shall at any time for any reason cease to be valid and binding on the Authority as a result of a ruling, finding, decree, order, legislative act or similar action by a governmental authority having jurisdiction over the Authority, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the Authority to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the Authority, acting through an official of the Authority having the authority to do so.

Nonfinal Invalidity Judgment

In the event of the issuance of any judgment that is appealable or not final but is otherwise described in clause (d) above under "Events of Termination" (such judgment a "Nonfinal Invalidity Judgment"), if such Nonfinal Invalidity Judgment has not been overturned or stayed upon appeal within 30 days after issuance thereof, the Commitment and the obligation of the Liquidity Provider under the Liquidity Facility to purchase Fiscal 2026 EE Bonds shall be suspended without notice or demand to any person, and thereafter the Liquidity Provider shall be under no obligation to purchase Fiscal 2026 EE Bonds, from the thirtieth (30th) day after issuance of such Nonfinal Invalidity Judgment until such obligation is reinstated as specified below. The Liquidity Provider's obligation to purchase Fiscal 2026 EE Bonds following the stay of any Nonfinal Invalidity Judgment shall be suspended immediately (without the lapse of another thirty day time period) if such stay is lifted pursuant to a subsequent Nonfinal Invalidity Judgment. Following any such suspension, the Commitment and the obligation of the Liquidity Provider to purchase the Fiscal 2026 EE Bonds under the Liquidity Facility each immediately shall terminate and the Liquidity Provider shall be under no further obligation to purchase the Fiscal 2026 EE Bonds thereunder (i) from the date on which a court of competent jurisdiction shall enter a final, non-appealable judgment that the Fiscal 2026 EE Bonds or any provision of the Liquidity Facility or of the Second Resolution relating to (A) the payment of principal of or interest on the Fiscal 2026 EE Bonds and/or Purchased Bonds or (B) the pledge of Revenues supporting the Fiscal 2026 EE Bonds and Purchased Bonds, as applicable, shall cease for any reason to be valid and binding and (ii) from the date that is the earlier to occur of the Scheduled Termination Date and the date that is three years after the date of issuance of the relevant Nonfinal Invalidity Judgment, if on such date the relevant litigation is still pending and a final and non-appealable judgment related thereto has not been obtained. The Commitment and the obligation of the Liquidity Provider to purchase the Fiscal 2026 EE Bonds under the Liquidity Facility immediately shall be reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Liquidity Facility shall otherwise have terminated by its terms) as if there had been no such suspension on the date on which a court of competent jurisdiction shall issue a judgment that the Fiscal 2026 EE Bonds or any provision of the Liquidity Facility or of the Second Resolution, as applicable, relating to (A) the payment of principal of or interest on the Fiscal 2026 EE Bonds or Purchased Bonds or (B) the pledge of Revenues supporting the Fiscal 2026 EE Bonds and Purchased Bonds is valid and binding.

Other Remedies Under the Liquidity Facility

Upon the occurrence of any Event of Default under the Liquidity Facility, the Liquidity Provider may deliver a notice (a "Default Rate Notice") to the Authority for purposes of increasing the Bank Rate (as defined in the Liquidity Facility) payable on the Fiscal 2026 EE Bonds to the Default Rate (as defined in the Liquidity Facility) or take any other actions permitted by applicable law. The Liquidity Provider may at any time revoke a Default Rate Notice by written notice to the Authority. Upon any such revocation of a Default Rate Notice or upon cure of an Event of Default pursuant to which a Default Rate Notice was delivered, such Default Rate Notice shall be deemed no longer to be in effect. Additionally, upon the occurrence of any Event of Default, the Liquidity Provider may exercise all available remedies under the Related Documents or otherwise available at law or in equity.

Amendments and Waivers

Any provision of the Liquidity Facility may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Authority and the Liquidity Provider (and, if required under the Supplemental Resolution, consented to by the Tender Agent); *provided, however*, that the Authority and the Liquidity Provider agree not to amend any Event of Termination or Suspension Event set forth in the Liquidity Facility during the term of the Liquidity Facility, unless such amendment is in conjunction with a mandatory tender of the Fiscal 2026 EE Bonds. The Authority shall send to Moody's, S&P and Fitch a copy of any amendment to the Liquidity Facility; *provided,*

however, that the Authority shall deliver a copy of an amendment to any Event of Termination or Suspension Event, made in accordance with the Liquidity Facility, to the Rating Agencies ten (10) calendar days prior to the effectiveness of any such amendment.

[Remainder of page intentionally left blank]

Fiscal 2026 DD Bonds – NEW ISSUE
Fiscal 2022 DD Bonds – EXISTING ISSUE REMARKETED

In the opinions of Nixon Peabody LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications of the Authority described herein, interest on the Fiscal 2026 Series DD Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Co-Bond Counsel are further of the opinion that, under existing law, interest on the Fiscal 2026 Series DD Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). On the date of the original delivery of the Fiscal 2022 Series DD Bonds, Co-Bond Counsel delivered their opinions (the "Original 2022DD Opinion") stating that, under then existing law and assuming compliance with the tax covenants described therein, and the accuracy of certain representations and certifications of the Authority, interest on the Fiscal 2022 Series DD Bonds was excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code. On the Mandatory Tender Date, Co-Bond Counsel will deliver opinions stating that, among other matters, the conversion of the Fiscal 2022 Series DD Bonds to the Fixed Rate Mode will not, in and of itself, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Fiscal 2022 Series DD Bonds. Co-Bond Counsel have not taken and do not intend to take any action to update the Original 2022DD Opinion, or to determine whether interest on the Fiscal 2022 Series DD Bonds is presently excluded from gross income for federal income tax purposes. See "TAX MATTERS" herein.

$991,105,000
New York City
Municipal Water Finance Authority

$903,580,000
Water and Sewer System Second General Resolution Revenue Bonds
Fiscal 2026 Series DD

$87,525,000
Water and Sewer System Second General Resolution Revenue Bonds
Fiscal 2022 Series DD

Dated: Date of Delivery **Due: June 15, as shown on the inside cover**

The Fiscal 2026 DD Bonds and the Fiscal 2022 Series DD Bonds are collectively referred to herein as the "Offered Bonds." The Offered Bonds will be issued or reoffered, as applicable, as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company which will act as securities depository for the Offered Bonds. Purchases of beneficial interests in such Offered Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Offered Bonds purchased by them. See "APPENDIX G – BOOK-ENTRY-ONLY FORM."

Interest on the Offered Bonds will accrue from their date of delivery and will be payable semiannually on each June 15 and December 15, commencing June 15, 2026. The Offered Bonds will be issued or reoffered, as applicable, in authorized denominations of $5,000 and integral multiples thereof. The Offered Bonds are subject to redemption prior to maturity as described herein. The proceeds of the Fiscal 2026 DD Bonds are expected to be applied to (i) refund certain Outstanding First Resolution Bonds and Second Resolution Bonds and (ii) pay certain costs of issuance.

The Offered Bonds are special obligations of the Authority, payable solely from and secured by a pledge of and subordinate lien on the gross revenues of the System. The Authority has no taxing power. The Offered Bonds are not a debt of the State of New York, The City of New York or the New York City Water Board and none of the State of New York, The City of New York or the New York City Water Board is liable on the Offered Bonds.

The Fiscal 2026 DD Bonds are offered when and if issued by the Authority and received by the Underwriters and subject to the approval of legality by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters with respect to the remarketing of the Fiscal 2022 DD Bonds will be passed upon by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, New York, New York and Holley & Pearson-Farrer LLP, New York, New York, Co-Special Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Katten Muchin Rosenman LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., New York, New York. It is anticipated that the Offered Bonds will be available for delivery to The Depository Trust Company on or about April 7, 2026.

Raymond James

Barclays **BofA Securities** **Goldman Sachs & Co. LLC**
Loop Capital Markets **Siebert Williams Shank & Co., LLC**

Academy Securities **Blaylock Van, LLC** **Drexel Hamilton, LLC**
FHN Financial Capital Markets **Fidelity Capital Markets** **Great Pacific Securities**
J.P. Morgan **Jefferies** **Morgan Stanley**
Ramirez & Co., Inc. **RBC Capital Markets** **Rice Financial Products Company**
Roosevelt & Cross Incorporated **Stern Brothers & Co.** **Stifel, Nicolaus & Company, Incorporated**
TD Financial Products **U.S. Bancorp Investments, Inc.** **Wells Fargo Securities**

March 19, 2026

$991,105,000
New York City
Municipal Water Finance Authority

$903,580,000
Water and Sewer System Second General Resolution Revenue Bonds
Fiscal 2026 Series DD

Due June 15,	Principal Amount	Interest Rate	Yield	CUSIP[1] (Base CUSIP 64972G)
2027	$ 38,165,000	5%	2.16%	U36
2028	11,820,000	5	2.20	U44
2030	13,330,000	5	2.38	U51
2032	141,000,000	5	2.69	U69
2034	11,780,000	5	2.85	U77
2035	40,190,000	5	3.00	U85
2036	74,265,000	5	3.13	U93
2037	62,535,000	5	3.26	V27
2038	97,785,000	5	3.40[2]	V50
2038	97,785,000	5	3.45	V68
2039	82,710,000	5	3.50[2]	V35
2046	232,215,000	5	4.21[2]	V43

$87,525,000
Water and Sewer System Second General Resolution Revenue Bonds
Fiscal 2022 Series DD

Due June 15,	Principal Amount	Interest Rate	Yield	CUSIP[1] (Base CUSIP 64972G)
2033	$87,525,000	5%	2.78%	V76

(1) Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance or reoffering, as applicable, of the Offered Bonds, and neither the Authority nor the Underwriters make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance or reoffering, as applicable, of the Offered Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Offered Bonds.

(2) Yield to first optional redemption date of June 15, 2036.

New York City Municipal Water Finance Authority
255 Greenwich Street, 6th Floor
New York, New York 10007
212-788-5876

Board of Directors

Sherif Soliman, *ex officio*	*Member*
Amanda Lefton, *ex officio*	*Member*
Jeffrey Shear, *ex officio*	*Member*
Lisa F. Garcia, *ex officio*	*Member*
James McSpiritt	*Member*
Max Von Hollweg	*Member*

Officers

David Womack	*Chief Executive Officer*
Philip Wasserman	*Executive Director*
Sanna Wong-Chen	*Deputy Executive Director*
Jeffrey M. Werner	*Secretary*
Deborah Cohen	*Assistant Secretary*
Michael Moore	*Assistant Secretary*
Raymond Lee	*Comptroller*
Nameca Sharma	*Deputy Comptroller*
Laura Neesley	*Assistant Treasurer*

New York City Water Board
59-17 Junction Boulevard, 8th Floor
Flushing, New York 11373-5108
718-595-4032

Water Board

Arlene M. Shaw	*Chair*
Alfonso L. Carney, Jr.	*Member*
Adam Freed	*Member*
Jukay Hsu	*Member*
Richard Miller	*Member*
Udai Tambar	*Member*
Daniel Zarrilli	*Member*

Officers

Nerissa Moray	*Executive Director*
Omar A. Nazem	*Treasurer*
Michael Moore	*Secretary*

Authority Consultants

Co-Bond Counsel	*Nixon Peabody LLP*
	Hardwick Law Firm, LLC
Co-Special Disclosure Counsel	*Orrick, Herrington & Sutcliffe LLP*
	Holley & Pearson-Farrer LLP
Co-Consulting Engineers	*AECOM USA, Inc.*
	Macan Deve Engineers, DPC
Financial Advisor	*Frasca & Associates, LLC*
Co-Rate Consultants	*Carollo Engineers, P.C.*
	Amawalk Consulting Group LLC

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Offered Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of any of the Offered Bonds and if given or made, such information or representation must not be relied upon. Neither the delivery of this Official Statement nor the sale of any of the Offered Bonds implies that there has been no change in the affairs of the Authority, the Board or the City or the other matters described herein since the date hereof.

The factors affecting the Authority's financial condition are complex. This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

This Official Statement contains forecasts, projections and estimates that are based on expectations and assumptions which existed at the time such forecasts, projections and estimates were prepared. The inclusion in this Official Statement of such forecasts, projections and estimates should not be regarded as a representation by the Authority, its independent auditors or the Underwriters that such forecasts, projections and estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Grant Thornton LLP, the Authority's independent auditor, has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the Authority's financial statements for the fiscal years ended June 30, 2025 and 2024, which is a matter of public record, is included in this Official Statement. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Official Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for the purposes of Rule 15c2-12 adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934.

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

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

TABLE OF CONTENTS

Page

SUMMARY STATEMENT v
INTRODUCTORY STATEMENT 1
General 1
Financial Projection Assumptions 2
PLAN OF FINANCE 2
USE OF PROCEEDS 3
THE OFFERED BONDS 4
General 4
Book-Entry-Only 4
Redemption 4
Notice of Redemption 5
SECURITY FOR THE SECOND RESOLUTION BONDS 5
Revenues 5
Debt Service Reserve Fund 7
Rate Covenant 7
Additional Second Resolution Bonds 8
Authority Debt 9
Refundable Principal Installments 9
Derivatives 10
Covenant of the State 10
THE AUTHORITY 10
Purpose and Powers 10
Membership 10
THE BOARD 12
Purpose and Powers 12
Membership 12
THE DEPARTMENT OF ENVIRONMENTAL PROTECTION 13
Organization 13
Cybersecurity 17
Labor Relations 18
CAPITAL IMPROVEMENT AND FINANCING PROGRAM 18
Current Capital Plan and the Capital Improvement Program 18
Historical Capital Program 23
Financing Program 23
Sources and Uses of Capital Funds 24
Debt Service Requirements 25
FINANCIAL OPERATIONS 29
Historical Financial Operations 29
Projected Revenues 30
Projected Operating and Maintenance Expenses 33
Projected Financial Operations 35
RATES AND BILLINGS 37
Rates 37
Accounts, Billing and Collection 40
THE SYSTEM 42
Overview 42
The Water System 42
Water Collection and Distribution 42
Drought Response Measures 46
Governmental Regulation 47
The Sewer System 50
Sewage Collection and Treatment 50
Governmental Regulation 51
ENVIRONMENTAL MATTERS 55
Climate Change: Storms, Strategic Planning and Resiliency 55
Superstorm Sandy 55
Post-Tropical Cyclone Ida 55
Strategic Planning and Resiliency 56
ECONOMIC AND DEMOGRAPHIC INFORMATION 57
New York City Economy 57
Personal Income 58
Employment Trends 58
Sectoral Distribution of Employment and Earnings 59
Population 60
LITIGATION 60
APPROVAL OF LEGAL PROCEEDINGS 62
FINANCIAL ADVISOR 62
FURTHER INFORMATION 62
CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12 63
INVESTMENTS 65
VERIFICATION OF MATHEMATICAL CALCULATIONS 65
RATINGS 65
UNDERWRITING 66
LEGALITY FOR INVESTMENT AND DEPOSIT 66
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS 66
ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS 67
TAX MATTERS 67
Fiscal 2026 Series DD Bonds 67
Federal Income Taxes 67
State Taxes 68
Original Issue Premium 68
Ancillary Tax Matters 68
Changes in Law and Post Issuance Events 68
Fiscal 2022 Series DD Bonds 69
General 69
Federal Income Taxes 69
Premium 70
Ancillary Tax Matters 70
Changes in Law and Post Issuance Events 70
CERTAIN LEGAL OPINIONS 71
APPENDICES
APPENDIX A – LETTER OF AECOM USA, INC. AND MACAN DEVE ENGINEERS, DPC, CO-CONSULTING ENGINEERS A-1
APPENDIX B – LETTER OF CAROLLO ENGINEERS, P.C., LEAD CO-RATE CONSULTANT B-1
APPENDIX C - GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS C-1
APPENDIX D – FINANCIAL STATEMENTS D-1
APPENDIX E - FORMS OF OPINIONS OF CO-BOND COUNSEL E-1
APPENDIX F - ADJUSTABLE RATE BONDS F-1
APPENDIX G - BOOK-ENTRY-ONLY FORM G-1
APPENDIX H – SYSTEM MAPS H-1
APPENDIX I – TABLES OF REFUNDED BONDS I-1

SUMMARY STATEMENT

The following is a brief summary of the information contained in this Official Statement and is subject in all respects to the additional information contained herein, including the appendices attached hereto. Defined terms have the same meaning herein as elsewhere in this Official Statement.

Use of Proceeds:	The proceeds of the Authority's Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD (the "Fiscal 2026 DD Bonds") are expected to be applied to (i) refund certain Outstanding First Resolution Bonds (as defined below) and Second Resolution Bonds (as defined below) and (ii) pay certain costs of issuance.
Description of the Offered Bonds:	The Fiscal 2026 DD Bonds are being issued by the Authority in the principal amount of $903,580,000 pursuant to its Water and Sewer System Second General Revenue Bond Resolution, adopted on March 30, 1994, as amended (the "Second Resolution"), and its Supplemental Resolution No. 202 adopted on February 9, 2026. The Fiscal 2026 DD Bonds are issued in authorized denominations of $5,000 and integral multiples thereof. The Authority's outstanding $87,525,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2022 Series DD (the "Fiscal 2022 DD Bonds" and, together with the Fiscal 2026 DD Bonds, the "Offered Bonds"), originally issued as adjustable-rate, federally tax-exempt bonds in the ARRS[SM] Daily Mode on February 10, 2022, will be remarketed as federally tax-exempt bonds in the Fixed Rate Mode to their final maturity.
Ratings:	*Rating Agency* — *Rating* — *Outlook* S&P: AA+ Stable Fitch: AA+ Stable Moody's: Aa1 Stable
Redemption Provisions:	The Offered Bonds are subject to redemption prior to maturity as described herein.
The System:	The Water System provides approximately 1,000 million gallons per day ("mgd") of water to approximately 839,800 accounts in the City. It supplies water to approximately 9.5 million residents, of which approximately 8.5 million are in the City and the balance are in Westchester, Putnam, Orange and Ulster Counties. The Sewer System is comprised of an extensive network of sewage collection and treatment facilities that treat approximately 1,230 mgd of wastewater. Under the Act, the Lease and the Agreement, the Board is obligated to pay the operating expenses of the System. The City is obligated to operate and maintain the System regardless of payment by the Board.

Revenue Bond Coverage (Cash Basis):

(in millions)

Line No.		Historical (1) FY 2023	Historical (1) FY 2024	Historical (1) FY 2025	Projected (2) FY 2026	Projected (2) FY 2027
1	Revenues Available for First Resolution Debt Service	$4,179.7	$4,339.8	$ 4,891.0	$ 4,700.1	$ 4,925.0
2	Authority Expenses	42.7	42.1	39.5	56.1	58.9
3	Revenues Available for First and Second Resolution Debt Service	$4,137.0	$4,297.7	$ 4,851.5	$ 4,644.0	$ 4,866.1
4	Total First Resolution Debt Service	$ 17.4	$ 15.6	$ 13.5	$ 7.5	$ 7.5
5	Net Debt Service on Second Resolution Bonds (3)	$ 300.9	$ 159.4	$ 37.1	$ 227.1	$ 434.7
6	First Resolution Debt Service Coverage (line 1/line 4)	240.90x	277.82x	362.30x	622.94x	652.75x
7	First and Second Resolution Debt Service Coverage (line 3/(line 4+line 5)) (3)	13.00x	24.56x	95.88x	19.79x	11.00x
8	Rate Increases	4.90%	4.42%	8.50%	3.70%(4)	7.00%(5)

Totals may not add due to rounding. Figures are calculated on a cash basis. Coverage calculations are based on numbers prior to rounding.

(1) Historical figures, which are derived from the accounting records used to prepare the statements of cash flows contained in the annual financial statements, and projected figures are shown on a cash basis.

(2) Projections are as of June 23, 2025.

(3) Reflects reduction of debt service by subsidies provided by the Corporation (as defined herein) and carryforward revenues in each year.

(4) Adopted rate increase.

(5) Projected rate increase.

Total Authority Debt Outstanding: As of the date of this Official Statement, the Authority has approximately $190 million of First Resolution Bonds and $35.0 billion of Second Resolution Bonds Outstanding, (i) not including $11 million in draws on bond anticipation notes issued to the New York State Environmental Facilities Corporation (the "Corporation") and debt that is subject to an in-substance defeasance, and (ii) accounting for certain anticipated transactions, including the sale of the Authority's Fiscal 2026 Series 5 Bonds (defined herein) and a direct loan to the Authority from the Corporation. See "PLAN OF FINANCE" and "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Debt Service Requirements." In addition, the Authority has a $600 million commercial paper program, none of which is currently outstanding.

Capital Program: The City's Current Capital Plan (the "Current Capital Plan"), which covers Fiscal Years 2026 through 2029, was published on September 30, 2025 and is typically updated three times each Fiscal Year. Simultaneously with the release of the Current Capital Plan, the Department of Environmental Protection of the City updated projected capital commitments for the ten-year period covering Fiscal Years 2026 through 2035 referred herein as the Capital Improvement Program (the "CIP"). The City's Updated Current Capital Plan (defined below) covering Fiscal Years 2026 through 2030 was published on February 17, 2026. For Fiscal Years 2026 through 2030, the Updated Current Capital Plan reflects an increase in Total Funds of approximately $87 million compared to those same years in the CIP.

	The CIP is designed to maintain a satisfactory level of service, to improve operation of the System and to address future System requirements.
Bond Financing Program:	The following table shows, as of June 23, 2025, the total amount of Bonds expected to be issued, excluding refunding bonds, from Fiscal Year 2026 to Fiscal Year 2030.

(in millions)

FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Period Total
$2,502	$2,716	$2,958	$3,191	$3,266	$14,633

As of the date of this Official Statement, during Fiscal Year 2026 the Authority has not issued any First Resolution Bonds, has issued approximately $3.1 billion Second Resolution Bonds, including $1.1 billion refunding bonds and $2.1 billion in new money, and has not issued any Commercial Paper Notes. During Fiscal Year 2026, the Authority has drawn approximately $100 million from its previously existing bond anticipation notes.

Security for the Second Resolution Bonds:

Revenue Pledge:	The Second Resolution Bonds are special obligations of the Authority, payable solely from and secured by a pledge of amounts on deposit in the FGR Subordinated Indebtedness Fund established under the First Resolution and all moneys and securities in any of the funds and accounts established under the Second Resolution, except the Arbitrage Rebate Fund and the Debt Service Reserve Fund.
Rate Covenant:	The Board has covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of 115% of Aggregate Debt Service on all First Resolution Bonds Outstanding and on any Projected Series of First Resolution Bonds (excluding Refundable Principal Installments for the payment of which funds are held in trust) payable in such Fiscal Year, and 100% of the Operating Expenses and Required Deposits (which includes debt service on the Second Resolution Bonds and other FGR Subordinated Indebtedness) to the extent required to be paid from Revenues for such Fiscal Year.
Additional Bonds Test:	Additional Second Resolution Bonds may be issued for capital purposes under the Second Resolution only if the Revenues for either of the last two Fiscal Years preceding the Fiscal Year in which the Second Resolution Bonds are to be issued were at least equal to the sum of (i) 110% of the Aggregate Debt Service for such Fiscal Year on the First Resolution Bonds, the Second Resolution Bonds and certain other FGR Subordinated Indebtedness issued on parity with Second Resolution Bonds (excluding any Debt Service paid from sources other than the Revenues) and (ii) 100% of the sum of Operating Expenses and Required Deposits for such Fiscal Year (excluding Required Deposits for the payment of Outstanding Second Resolution Bonds and certain other FGR Subordinated Indebtedness issued on parity with Second Resolution Bonds). Second Resolution Refunding

	Bonds may be issued under the Second Resolution either upon satisfaction of such conditions or other conditions.
No Debt Service Reserve Fund:	The Offered Bonds will not be secured by the Debt Service Reserve Fund.
Summary of Certain Legal Opinions:	Co-Bond Counsel have rendered opinions to the effect that, in the event of a bankruptcy of the City, a court, exercising reasonable judgment after full consideration of all relevant factors, (i) would not hold that the Revenues are property of the City and thus (ii) would not hold that the Board's rights to, and the Authority's interest in, the Revenues are subject to a stay, and (iii) would not order the substantive consolidation of the assets and liabilities of the Board and/or the Authority with those of the City and (iv) the Board, in the event the City should reject the Lease, would be entitled to elect to retain its rights under the Lease and remain in possession of the System for the balance of the Lease term. Co-Bond Counsel have also opined that under current law neither the Board nor the Authority qualifies as a debtor under the United States Bankruptcy Code.
Rates:	Rates, fees and charges are imposed by the Board and are not subject to regulatory approval except for those rates charged to a limited class of upstate users representing approximately 2% of Revenues.
The Authority:	The Authority, a separate legal entity established in 1984, has the power to (i) issue bonds, bond anticipation notes and other obligations for the purpose of financing the renovation and improvement of the System, (ii) refund its bonds and notes and general obligation bonds of the City issued for water or sewer purposes, (iii) require the Board to fix rates sufficient to pay the costs of operating and financing improvements to the System and (iv) require the City to maintain the System adequately. The Authority has no taxing power.
The Board:	The Board, a separate legal entity established in 1984, has leased the System from the City. It is authorized to fix and collect rates, fees and charges adequate to pay the cost of operating and financing the System.
The Agreement:	Pursuant to the Agreement, the Authority has agreed to finance capital projects for the System through the issuance of bonds, notes or other indebtedness secured by revenues of the System.
The Lease:	Pursuant to the Lease, the Board has acquired the System from the City for a term continuing until provision has been made for the repayment of all Outstanding First Resolution Bonds, Second Resolution Bonds or other indebtedness of the Authority.

OFFICIAL STATEMENT

$903,580,000
NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY
WATER AND SEWER SYSTEM SECOND GENERAL RESOLUTION REVENUE BONDS,
FISCAL 2026 SERIES DD

$87,525,000
NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY
WATER AND SEWER SYSTEM SECOND GENERAL RESOLUTION REVENUE BONDS,
FISCAL 2022 SERIES DD

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to set forth certain information pertaining to the New York City Municipal Water Finance Authority (the "Authority"), a public benefit corporation duly created and existing under the New York City Municipal Water Finance Authority Act, as amended (the "Act"); the New York City Water Board (the "Board"), a public benefit corporation created and existing under Chapter 515 of the Laws of 1984, both of which laws were enacted by the Legislature of the State of New York (the "State"); and the Authority's (i) $903,580,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD (the "Fiscal 2026 DD Bonds") and (ii) $87,525,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2022 Series DD (the "Fiscal 2022 DD Bonds" and, together with the Fiscal 2026 DD Bonds, the "Offered Bonds"). Capitalized terms used in this Official Statement and not defined herein shall have the meanings ascribed thereto in "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Glossary."

The System (as defined below) and the City are large and complex, and information about the System, the City, the Authority, the Board and DEP (as defined below) changes on an ongoing basis. This final Official Statement has been updated to include certain information reflecting changes since the date of the Preliminary Official Statement. "PLAN OF FINANCE" has been updated to reflect the Authority's issuance of the Fiscal 2026 Series 5 Bonds (as defined herein).

Pursuant to a lease agreement (the "Lease") between the Board and The City of New York (the "City"), dated as of July 1, 1985, as amended, the Board has leased from the City its facilities for the collection, transmission and distribution of water (the "Water System") and its facilities for the collection, treatment and disposal of sewage (the "Sewer System") (collectively, the "System"). As required by the Act and the Lease, the System is operated and maintained by the Department of Environmental Protection of the City ("DEP"). The Board has also entered into a financing agreement, dated as of July 1, 1985, as amended (the "Agreement"), with the Authority and the City for the financing of capital improvements to the System through the issuance of bonds, notes and other obligations under the Authority's Water and Sewer System General Revenue Bond Resolution adopted on November 14, 1985, as amended (the "First Resolution" and, bonds issued thereunder, the "First Resolution Bonds"), or subordinate obligations of the Authority under its Second Resolution (defined below). Pursuant to the Lease and the Agreement, the Board has agreed to levy and collect rates, fees and charges. Pursuant to the Lease, the City may, with the prior written consent of the Board, grant interests in the Leased Property which, in the reasonable judgment of the Board, do not interfere with the operation and maintenance of the System and the collection of the Revenues from the System.

The Fiscal 2026 DD Bonds will be issued by the Authority pursuant to its Water and Sewer System Second General Revenue Bond Resolution adopted on March 30, 1994, as amended (the "Second Resolution"), and its Supplemental Resolution No. 202 adopted on February 9, 2026 (the "Fiscal 2026 DD Supplemental Resolution"). All bonds issued under the Second Resolution are referred to herein as "Second Resolution Bonds." The Second Resolution and the Fiscal 2026 DD Supplemental Resolution are collectively referred to herein as the "Resolutions." U.S. Bank Trust Company, National Association, which is an affiliate of U.S. Bancorp Investments, Inc., which is one of the Underwriters of the Fiscal 2026 DD Bonds, serves as trustee under the Resolutions (in such capacity, the "Trustee") and will continue to serve as Trustee unless a successor is appointed in accordance with the Second Resolution.

The Second Resolution Bonds are special obligations of the Authority, payable solely from and secured by a pledge of amounts on deposit in the FGR Subordinated Indebtedness Fund established by the First Resolution and all moneys or securities in any of the funds and accounts established under the Second Resolution, subject only to provisions of the Second Resolution and the Agreement relating to the use and application thereof. The Board has covenanted in the Agreement to maintain rates, fees and charges at sufficient levels to produce in each twelve-month period beginning on July 1 (a "Fiscal Year") an amount equal to 115% of the Aggregate Debt Service and Projected Debt Service on all First Resolution Bonds to become due in such Fiscal Year, plus 100% of the operation and maintenance expenses of the System certified by the City and of Required Deposits (which includes the debt service on the Second Resolution Bonds and other subordinate debt) to the extent required to be paid from Revenues. The Agreement requires a report of the Rate Consultant setting forth its recommendations as to any revisions of the rates, fees and charges necessary or advisable to meet the requirements of the rate covenant. The Board is obligated to take necessary action to cure or avoid any deficiency. See "SECURITY FOR THE SECOND RESOLUTION BONDS – Rate Covenant." The Agreement also requires a Consulting Engineer to review the operation and maintenance of the System, with a corresponding report (the "Consulting Engineer Report") based on such review to be issued no later than March 1 of each year, and further requires the City to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. See "SECURITY FOR THE SECOND RESOLUTION BONDS."

Rates, fees and charges are imposed by the Board and are not subject to regulatory approval under current law except for the rates charged to a limited class of upstate users, representing approximately 2% of Revenues. See "RATES AND BILLINGS."

The federal government from time to time considers changes in existing federal spending programs, as well as regulations which could affect the System and the Authority. It is not possible at this time to predict what form these changes may ultimately take and, when taken as a whole, the effect they will have on the System and the Authority, including any federal funding of the System. DEP anticipates that any delays or cancellation to such funding would not have a material impact on the System's finances.

The Authority has relied upon AECOM USA, Inc. ("AECOM") and Macan Deve Engineers, DPC ("MDE"), its Co-Consulting Engineers, for certain engineering feasibility information and upon Carollo Engineers, P.C. ("Carollo"), its lead Co-Rate Consultant, for certain financial estimates and projections. The Authority has two Co-Rate Consultants, Carollo and Amawalk Consulting Group LLC ("Amawalk Consulting"). Currently, Carollo is acting as the Authority's lead Co-Rate Consultant and has examined certain financial forecasts contained in this Official Statement. See "ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS."

Financial Projection Assumptions

The financial projections contained in this Official Statement, including operating and maintenance expenses, revenues, and forecasted cash flows and rate increases, were prepared as of June 23, 2025, and are expected to be updated periodically. All estimates and projections contained in this Official Statement are subject to a variety of risks and uncertainties including, among others, general economic conditions, legislative, regulatory and policy initiatives, the receipt of State and federal aid and other State and federal actions and inactions. Consequently, actual results may differ materially from such estimates and projections. The Authority makes no representation or warranty that these estimates and projections will be realized.

PLAN OF FINANCE

A portion of the proceeds of the Fiscal 2026 DD Bonds, together with other available funds of the Authority, is expected to be applied to redeem on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS" the First Resolution Bonds (the "First Resolution Refunded Bonds") and Second Resolution Bonds (the "Second Resolution Refunded Bonds" and, together with the First Resolution Refunded Bonds, the "Refunded Bonds") of the Series, with the maturity dates, and in the aggregate principal amounts set forth in "APPENDIX I – TABLES OF REFUNDED BONDS". A portion of the proceeds of the Fiscal 2026 DD Bonds is also expected to be applied to pay certain costs of issuance. Upon the issuance of the Offered Bonds and the redemption of the First Resolution Refunded Bonds, no First Resolution Bonds will be Outstanding under the First Resolution. The First Resolution and the pledge of Revenues and Funds securing First Resolution Bonds issued thereunder will remain in full force and effect. The Authority reserves the right to issue additional First Resolution Bonds in the future.

The Authority's outstanding Fiscal 2022 DD Bonds, originally issued as adjustable-rate, federally tax-exempt bonds in the ARRS℠ Daily Mode on February 10, 2022, will be remarketed as federally tax-exempt bonds in the Fixed Rate Mode to their final maturity.

Contemporaneously with the issuance of the Fiscal 2026 DD Bonds and remarketing of the Fiscal 2022 DD Bonds, the Authority expects to issue $200,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series EE (the "Fiscal 2026 EE Bonds"), in the daily interest rate mode. The Authority expects to use the proceeds of the Fiscal 2026 EE Bonds to refund certain Outstanding Second Resolution Bonds on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS", with the maturity dates, and in the aggregate principal amounts set forth in "APPENDIX I – TABLES OF REFUNDED BONDS". Liquidity support for the Fiscal 2026 EE Bonds will be provided by a Standby Bond Purchase Agreement from Truist Bank.

In addition, contemporaneously with the issuance of the Fiscal 2026 DD Bonds, the remarketing of the Fiscal 2022 DD Bonds and the issuance of the Fiscal 2026 EE Bonds, the Authority expects to issue $203,830,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2026 Series FF (Adjustable Rate Remarketed Securities℠) (the "Fiscal 2026 FF Bonds") to refund certain Outstanding Second Resolution Bonds on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS", with the maturity dates, and in the aggregate principal amounts set forth in "APPENDIX I – TABLES OF REFUNDED BONDS".

In addition, on March 17, 2026, the Authority issued $234,780,000 principal amount of its Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series 5 (the "Fiscal 2026 Series 5 Bonds"), which will be privately placed with the Corporation. The Fiscal 2026 Series 5 Bonds, together with the proceeds of a contemporaneously issued direct loan to the Authority from the Corporation in the principal amount of $147,875,000 will be applied to refund certain Outstanding Second Resolution Bonds previously issued to secure Corporation bonds and pay certain of the Corporation's related costs of issuance.

USE OF PROCEEDS

The proceeds of the Fiscal 2026 DD Bonds and other available funds are anticipated to be applied in the following manner:

Payment of, and deposit to Escrow Account for, Refunded Bonds	$1,013,687,846.73
Underwriters' Discount	3,938,032.02
Costs of Issuance	598,315.07
Other Sources of Funds – Debt Service Funds	(8,477,968.32)
Total Uses of Proceeds	$1,009,746,225.50
Original Issue Premium	(106,166,225.50)
Par Amount of the Fiscal 2026 DD Bonds	$903,580,000.00

The proceeds of the Fiscal 2022 DD Bonds and other available funds are anticipated to be applied in the following manner:

Payment of tender price of the Fiscal 2022 DD Bonds	$100,105,000.00
Underwriters' Fee	351,239.52
Costs of Issuance	56,874.14
Other Sources of Funds – Authority Contribution for Issuance Costs	(409,895.91)
Total Uses of Proceeds	$100,103,217.75
Premium	(12,578,217.75)
Par Amount of the Fiscal 2022 DD Bonds	$87,525,000.00

THE OFFERED BONDS

General

The Offered Bonds will be dated the date of their delivery. The Offered Bonds will mature on the dates and will bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Offered Bonds will be payable on each June 15 and December 15, commencing June 15, 2026.

Principal and purchase price of, redemption premium, if any, and interest on, the Offered Bonds will be payable in lawful moneys of the United States of America. The Offered Bonds are issued in authorized denominations of $5,000 and integral multiples thereof. The Record Date is the first day of a calendar month in which there occurs a Bond Payment Date.

Book-Entry-Only

The Offered Bonds will be issued or reoffered, as applicable, as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Offered Bonds. Purchases of beneficial interests in such Fiscal 2026 DD Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the Offered Bonds purchased by them. See "APPENDIX G – BOOK-ENTRY-ONLY FORM."

Redemption

The Fiscal 2022 DD Bonds are not subject to redemption prior to maturity.

Optional Redemption. The Fiscal 2026 DD Bonds maturing on or after June 15, 2038, except for the Fiscal 2026 DD Bonds maturing on June 15, 2038 (CUSIP Number 64972GV68; Yield 3.45%), are subject to redemption prior to maturity at the election or direction of the Authority, from any moneys available therefor on and after June 15, 2036 in whole or in part, in such manner as determined by the Authority and within a maturity by lot at the redemption price of par plus accrued interest to the redemption date.

Make-Whole Optional Redemption. The Fiscal 2026 DD Bonds maturing on or before June 15, 2037, and the Fiscal 2026 DD Bonds maturing on June 15, 2038 (CUSIP Number 64972GV68; Yield 3.45%), are subject to redemption prior to maturity at the election or direction of the Authority, from any moneys available therefor at any time, in whole or in part, in such manner as determined by the Authority and within a maturity by lot at the Make-Whole Redemption Price (as defined below), plus accrued interest to the redemption date.

The "Make-Whole Redemption Price" will be equal to the greater of (1) 100% of the Amortized Value (as defined below) of such Fiscal 2026 DD Bonds to be redeemed; or (2) the sum of the present values of the remaining unpaid payments of principal and interest to be paid on any such Fiscal 2026 DD Bonds being redeemed from and including the redemption date to the stated maturity date of such Fiscal 2026 DD Bonds (exclusive of interest accrued to the date of redemption), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below).

The "Amortized Value" will equal the principal amount of such Fiscal 2026 DD Bonds to be redeemed multiplied by the price of such Fiscal 2026 DD Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the redemption date, a maturity date equal to the stated maturity date of such Fiscal 2026 DD Bonds and a yield equal to such Fiscal 2026 DD Bonds' original reoffering yield as set forth on the inside cover page of this Official Statement.

The "Applicable Tax-Exempt Municipal Bond Rate" means the "Interpolated AAA Yields" rate for the maturity date of the Fiscal 2026 DD Bonds to be redeemed or tendered, as published by the Municipal Market Data ("MMD") at least five (5) calendar days, but not more than 45 calendar days, prior to the redemption date, or if no such rate is established for the applicable maturity date, the "Interpolated AAA Yields" rate for the published maturities closest to the applicable maturity date.

Should the MMD no longer publish the "Interpolated AAA Yields" rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the "BVAL Muni AAA Monthly Callable Yields" rate for the maturity date (made available by Bloomberg at the close of each business day). In the further event that Bloomberg no longer publishes the "BVAL Muni AAA Monthly Callable Yields" rate, the Applicable Tax-Exempt Municipal Bond Rate for such Fiscal 2026 DD Bonds will be determined by an independent verification agent appointed by the Authority, based upon the rate per annum equal to the semiannual equivalent yield to maturity for those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. and S&P Global Ratings, with a maturity date equal to the stated maturity date of such Fiscal 2026 DD Bonds to be redeemed having characteristics (other than the ratings) most comparable to those of such Fiscal 2026 DD Bonds in the judgment of the verification agent. The verification agent's determination of the Applicable Tax-Exempt Municipal Bond Rate shall be final and binding in the absence of manifest error.

The Make-Whole Redemption Price will be determined by an independent verification agent, investment banking firm or financial advisor (which verification agent, investment banking firm or financial advisor shall be retained by the Authority at the expense of the Authority) in order to calculate such Make-Whole Redemption Price. The Trustee and the Authority may conclusively rely on such verification agent's, investment banking firm's or financial advisor's determination of such Make-Whole Redemption Price and will bear no liability for such reliance.

Notice of Redemption

Notice of redemption is to be given by first class mail, postage prepaid, at least 20 days prior to the date fixed for redemption, to the registered owners of Offered Bonds to be redeemed at their addresses shown on the books of registry. So long as Cede & Co., as nominee of DTC, is the registered owner of the Offered Bonds, notice of redemption is to be sent to DTC at least 20 days prior to the date fixed for redemption or such shorter period as may be provided by DTC. No assurance can be given by the Authority that DTC and DTC participants will promptly transmit notices of redemption to Beneficial Owners.

If, on any redemption date, moneys for the redemption of the Offered Bonds to be redeemed, together with interest thereon to the redemption date, are held by the Trustee so as to be available therefor on such date, and if notice of redemption has been mailed, then interest on the Offered Bonds to be redeemed will cease to accrue from and after the redemption date and such Offered Bonds will no longer be considered to be Outstanding under the Second Resolution.

The notice of redemption may provide that the Offered Bonds will be due and payable on the redemption date only if moneys sufficient to accomplish such redemption are held by the Trustee on the scheduled redemption date.

SECURITY FOR THE SECOND RESOLUTION BONDS

Revenues

The Act empowers the Board to establish and collect rates, fees and charges for the use of service provided by the System in order to receive Revenues, which together with other available amounts, will be sufficient to place the System on a self-sustaining basis. All Revenues of the System are deposited by the Board in the Local Water Fund held by the Board. The Authority holds a statutory and contractual first lien on the Revenues for the payment of all amounts due to the Authority under the Agreement. In the event that the Board fails to make any required payment to the Authority, the Authority or the Trustee may petition for the appointment, by any court having jurisdiction, of a receiver to administer the affairs of the Board, and, with court approval, establish rates and charges to provide Revenues sufficient to make required payments. However, no holder or owner of any bond or note issued by the Authority, or any receiver of the System, may compel the sale of any part of the System.

The City has covenanted in the Agreement to operate and maintain the System in accordance with the advice and recommendations of the Consulting Engineer. Such obligation to operate and maintain the System may be enforced by the Authority in accordance with the provisions of the Act and the terms of the Agreement and the Lease and is not contingent on payment by the Board. The amounts required to operate and maintain the System are certified to the Board by the City and reviewed by the Consulting Engineer.

Beginning on the first day of each month the Board is required to pay to the Trustee under the First Resolution the Revenues in the Local Water Fund, for deposit in the Revenue Fund established under the First Resolution until the amount so deposited equals the Minimum Monthly Balance and the Required Deposits for such month. The Minimum Monthly Balance is the amount required to accumulate the funds necessary for timely payment of all debt service on Outstanding First Resolution Bonds. Required Deposits are the amounts required to be paid from Revenues for deposit to the Authority Expense Fund (including both periodic and termination payments under Interest Rate Exchange Agreements (see "APPENDIX D – FINANCIAL STATEMENTS – Note 4")), the Debt Service Reserve Fund and the FGR Subordinated Indebtedness Fund, including amounts required for payment of the Second Resolution Bonds and other subordinate debt. See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Agreement – Minimum Monthly Balance."

After the Board makes the deposits described above to the First Resolution Revenue Fund in such month from the balance remaining in the Local Water Fund, the Board is required, after paying monthly Board Expenses, to pay the City 1/12 of the Operating Expenses for such Fiscal Year. After making such payments, any amounts remaining in the Local Water Fund in each month are paid proportionately (a) to the Trustee for deposit in the First Resolution Revenue Fund until the total of all amounts deposited in the First Resolution Revenue Fund equals the Cash Flow Requirement for such Fiscal Year and (b) to the City until all amounts required to be paid to the City for Operating Expenses for such Fiscal Year have been paid. Pursuant to the Second Resolution, amounts deposited into the First Resolution Revenue Fund in any Fiscal Year in excess of the amounts required to be deposited into the First Resolution's Debt Service Fund, Authority Expense Fund, Debt Service Reserve Fund, and Arbitrage Rebate Fund are to be deposited into the FGR Subordinated Indebtedness Fund established under the First Resolution until the amount on deposit therein, together with the amounts on deposit in the Revenue Fund and Debt Service Fund established under the Second Resolution, equals the Aggregate Debt Service for such Fiscal Year on Second Resolution Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations. For a more complete description of the required payments from the Local Water Fund, see "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the First Resolution" and "Summary of the Agreement."

Amounts on deposit in the FGR Subordinated Indebtedness Fund will be available to pay debt service on Second Resolution Bonds to the extent not utilized under the terms of the First Resolution to pay debt service on First Resolution Bonds. As soon as practicable in each calendar month a portion of the amounts on deposit in the FGR Subordinated Indebtedness Fund will be transferred free and clear of the lien of the First Resolution to the Revenue Fund under the Second Resolution in an amount sufficient, together with the amount on deposit in the Revenue Fund and Debt Service Fund established under the Second Resolution, to make the amount on deposit therein equal the Monthly Balance (as defined in the Second Resolution). The Monthly Balance is the amount required to provide for timely payment of all Debt Service on Outstanding Second Resolution Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations. See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – GLOSSARY – Definition of Certain Terms Used in Second Resolution – Monthly Balance."

In addition, beginning on the day when no First Resolution Bonds are Outstanding, Revenues are to be deposited from the Local Water Fund into the Revenue Fund established under the Second Resolution. As described below, such Revenues will be used to make payments to the Authority Expense Fund, the Arbitrage Rebate Fund and the SGR Subordinated Indebtedness Fund established under the Second Resolution.

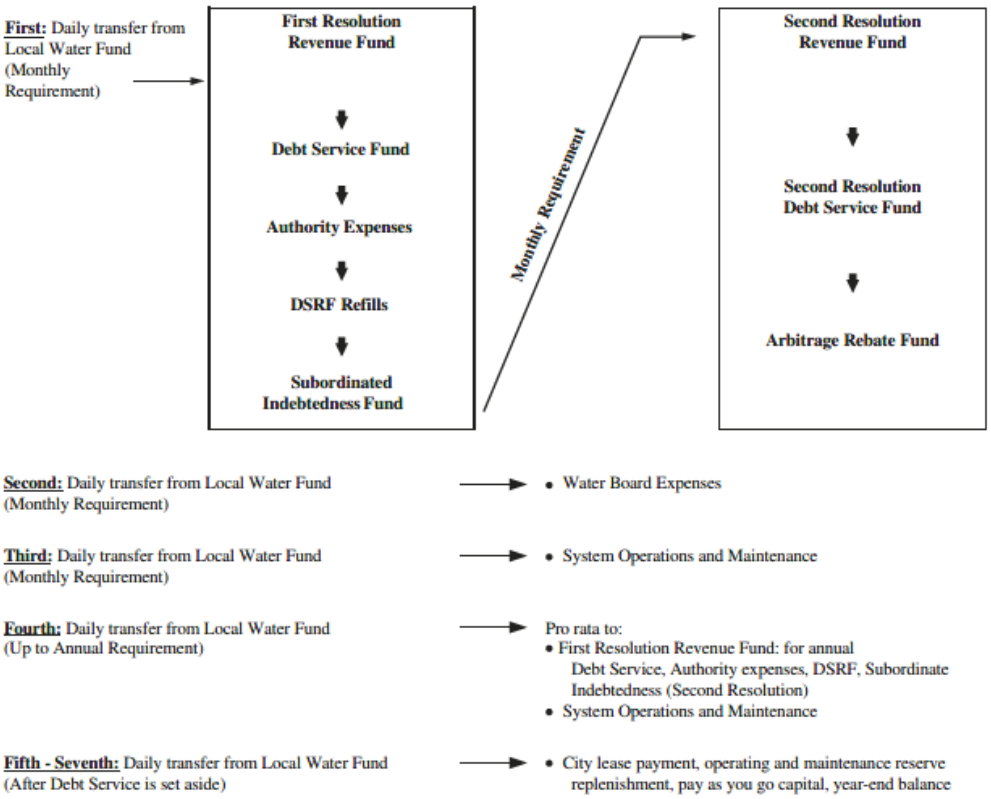
Amounts on deposit in the Revenue Fund established under the Second Resolution are to be paid to the following funds established under the Second Resolution in the following order of priority: first, to the Debt Service Fund; second, if no First Resolution Bonds are then Outstanding, to the Authority Expense Fund; third, to the Debt Service Reserve Fund to replenish any deficiency therein; fourth, to the Arbitrage Rebate Fund; and fifth, if no First Resolution Bonds are then Outstanding, to the SGR Subordinated Indebtedness Fund established under the Second Resolution, the amount required to be deposited in such Fund for such month in accordance with the Authority Budget. See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Second Resolution – Payments into Certain Funds."

The Offered Bonds will be on a parity with all other Outstanding Second Resolution Bonds heretofore and hereafter issued. The Offered Bonds are payable from and secured by a pledge of (a) amounts on deposit in the FGR Subordinated Indebtedness Fund, subject, however, to the first lien on such amounts in favor of First Resolution Bonds and (b) except as described below under the heading "Debt Service Reserve Fund," all moneys or securities in any of the funds and accounts established under the Second Resolution, except the Arbitrage Rebate Fund. See "APPENDIX C

– GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Second Resolution" and "Summary of the Agreement."

Pursuant to the Agreement, the First Resolution and the Second Resolution, the Revenues received by the Board will be applied in the manner set forth in the following chart. The information contained in such chart is qualified by reference to the Agreement, the First Resolution and the Second Resolution.

Consolidated Flow of Funds



Debt Service Reserve Fund

No deposit will be made to the Debt Service Reserve Fund established under the Second Resolution upon the issuance of the Offered Bonds, and the Offered Bonds will not be secured by any amounts on deposit in such Debt Service Reserve Fund in the future. For a discussion of the Debt Service Reserve Fund established under the Second Resolution, see "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Second Resolution – Debt Service Reserve Fund."

Rate Covenant

The Board has covenanted in the Agreement to establish, fix, revise and collect rates, fees and charges for the use of, or the services furnished by the System, adequate, together with other available funds, to provide for (i) the timely payment of Principal Installments of and interest on all First Resolution Bonds, and the principal of and interest on any other indebtedness of the Authority (which includes Second Resolution Bonds and other subordinate debt) payable from Revenues, (ii) the proper operation and maintenance of the System, (iii) all other payments required for the System not otherwise provided for, and (iv) all other payments required pursuant to the Agreement and the Lease.

Without limiting the generality of the foregoing, the Board has covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of 115% of Aggregate Debt Service and Projected Debt Service on all First Resolution Bonds (excluding Refundable Principal Installments for the payment of which funds are held in trust) payable in such Fiscal Year, and 100% of the Operating Expenses and Required Deposits (including debt service on Second Resolution Bonds and other subordinate debt) required to be paid from Revenues for such Fiscal Year (the "Rate Covenant"). For information about the treatment under the Rate Covenant of Refundable Principal Installments designated under the Second Resolution, see "– Refundable Principal Installments" below.

Under the First Resolution and the Second Resolution, the Authority is required to submit to the Board by May 1 of each year the Authority Budget for the ensuing Fiscal Year showing the itemized estimated Cash Flow Requirement for such Fiscal Year. At the beginning of each month, the Authority is to recalculate the Cash Flow Requirement for the then current Fiscal Year and to submit any revisions to the Authority Budget required as a consequence to the Board. The Authority Budget and Cash Flow Requirement are to be used by the Board to set rates, fees and charges.

The Board has covenanted in the Agreement to review the adequacy of rates, fees and charges at least annually. If such annual review, or the report of the Rate Consultant required pursuant to the Agreement, indicates that the rates, fees and charges are or will be insufficient to meet the requirements of the Rate Covenant described above, the Board will promptly take the necessary action to cure or avoid any such deficiency. In addition, under the Agreement, the City, which is responsible for billing, collecting and enforcing collections of rates and charges established by the Board, has agreed that it will diligently pursue all actions necessary to cure or avoid any such deficiency.

The Board has covenanted in the Agreement that it will not furnish or supply or cause to be furnished or supplied any product, use or service of the System free of charge or at a nominal charge, and will enforce (or cause the City to enforce) the payment of any and all amounts owing to the Board for use of the System, except to the extent required by the Act, as in effect on July 24, 1984.

Additional Second Resolution Bonds

The Authority may issue additional Second Resolution Bonds to pay for capital improvements to the System, to pay or provide for the payment of First Resolution Bonds, Second Resolution Bonds, bond anticipation notes, including commercial paper notes, to refund general obligation bonds of the City issued for water or sewer purposes and to fund certain reserves. Under the Second Resolution such additional Second Resolution Bonds may be issued on a parity with all Outstanding Second Resolution Bonds only upon satisfaction of certain requirements including receipt by the Trustee of a certificate by an Authorized Representative of the Authority to the effect that the Revenues for either of the last two Fiscal Years immediately preceding the Fiscal Year in which such Second Resolution Bonds are to be issued were at least equal to the sum of 110% of the Aggregate Debt Service on Outstanding First Resolution Bonds, Second Resolution Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations during such Fiscal Year (excluding from Aggregate Debt Service the amount thereof paid from a source other than Revenues), and 100% of the sum of the Operating Expenses of the System certified by the City and the Required Deposits for such Fiscal Year (excluding Required Deposits for the payment of Outstanding Second Resolution Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations).

The Authority may issue additional Second Resolution Bonds for the purpose of refunding Outstanding Second Resolution Bonds without satisfaction of the requirements described above only if:

(a) the average annual debt service on the refunding Second Resolution Bonds does not exceed the average annual debt service on the Second Resolution Bonds to be refunded, and

(b) the maximum debt service in any Fiscal Year on the refunding Second Resolution Bonds does not exceed the maximum debt service in any Fiscal Year on the Second Resolution Bonds to be refunded.

See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Second Resolution."

Authority Debt

As of the date of this Official Statement, the Authority has approximately $190 million aggregate principal amount of Outstanding First Resolution Bonds, and such Outstanding First Resolution Bonds are expected to be redeemed with a portion of the proceeds of the Fiscal 2026 DD Bonds. The First Resolution and the pledge of Revenues and Funds securing First Resolution Bonds issued thereunder will remain in full force and effect. The Authority reserves the right to issue additional First Resolution Bonds in the future. In addition, as of the date of this Official Statement, the Authority has approximately $35.0 billion aggregate principal amount of Outstanding Second Resolution Bonds, (i) not including $11 million in draws on bond anticipation notes issued to the Corporation and debt that is subject to an in-substance defeasance, and (ii) accounting for certain anticipated transactions, including the sale of the Authority's Fiscal 2026 Series 5 Bonds and a direct loan to the Authority from the Corporation. Of such First Resolution Bonds and Second Resolution Bonds, approximately $4.1 billion are adjustable rate demand bonds, $350 million are index rate bonds, and $100 million are Adjustable Rate Remarketed Securities[SM] (expected to be remarketed in the Fixed Rate Mode to their final maturity on or about the date of issuance of the Offered Bonds), none of which is insured. The Authority has no auction rate bonds outstanding.

Second Resolution Bonds are payable from, among other sources, and secured by a pledge of, amounts on deposit in the FGR Subordinated Indebtedness Fund, subject to the first lien on such amounts in favor of the First Resolution Bonds. Amounts on deposit in the FGR Subordinated Indebtedness Fund will be available, to the extent not utilized for First Resolution Bonds, to pay debt service on Second Resolution Bonds.

The Authority's adjustable rate demand bonds are all supported by liquidity facilities with various financial institutions in the form of standby bond purchase agreements or letters of credit. None of the standby bond purchase agreements or letters of credit supporting adjustable rate demand bonds provides for acceleration or a mandatory term out of bonds purchased thereunder, but all have provisions for the rates to be adjusted upward (up to 25% in the case of bonds held by a liquidity provider) in the event of the inability to remarket such bonds. The Authority's index rate bonds consist of bonds that were purchased by a financial institution through direct placement and were not offered to the public. Such bonds pay interest based on a specified index and provide for an increased rate of interest of 9% commencing on an identified step up date if such bonds are not converted or refunded. The Authority's Adjustable Rate Remarketed Securities[SM], including the Fiscal 2026 FF Bonds expected to be issued on the date of issuance of the Offered Bonds, are not supported by a credit or liquidity facility. Upon any failure to remarket tendered Adjustable Rate Remarketed Securities[SM], including the Fiscal 2026 FF Bonds, such Adjustable Rate Remarketed Securities[SM], if not purchased by the Authority, will continue to be held by the tendering holders, and all of the Adjustable Rate Remarketed Securities[SM], including the Fiscal 2026 FF Bonds, of the applicable series will bear interest at an increased rate of interest of 12%. For a list of adjustable rate bonds and information relating to agreements supporting the Authority's adjustable rate demand bonds, see APPENDIX F hereto.

The Authority is currently authorized to have outstanding up to $600 million of commercial paper notes, including up to $400 million of Extendable Municipal Commercial Paper Notes (collectively, the "Commercial Paper Notes"), none of which is currently outstanding.

Refundable Principal Installments

As permitted by the Second Resolution, the Authority has designated the maturities of certain Second Resolution Bonds as "Refundable Principal Installments." A "Refundable Principal Installment" is an installment of principal of such Second Resolution Bonds which the Authority intends to pay with moneys that are not Revenues. In calculating Adjusted Debt Service for purposes of the additional bonds test under the Second Resolution, the stated principal amount of a Refundable Principal Installment is treated as if it were payable over a period extending from the maturity date of such Refundable Principal Installment through the last date on which it could have been authorized to be paid under the Act. The assumed amortization is calculated based upon equal annual payments of principal and interest over such period, with interest at the actual interest cost of the Series of Bonds that include the Refundable Principal Installment. The Adjusted Debt Service will continue to be calculated in this manner through the Fiscal Year in which each Refundable Principal Installment is stated to be due, unless the Authority has not made provision for its payment from sources other than Revenues by the time it adopts its budget for the Fiscal Year in which a Refundable Principal Installment is stated to be due. If provision has not been made by that time, Adjusted Debt Service for the Fiscal Year in which the Refundable Principal Installment comes due will include the full amount of the Refundable Principal Installment. The table entitled "Refundable Principal Installments" under "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Debt Service Requirements" sets forth, by applicable Series, the outstanding Refundable

Principal Installments, the stated maturity dates thereof, the actual interest costs at which the assumed amortizations are calculated and the last dates on which such Series could have been authorized to be paid under the Act.

For purposes of the Board's rate covenant, Refundable Principal Installments may be excluded from Debt Service to the extent they are payable from funds held in trust therefor. See "– Rate Covenant."

Derivatives

The Authority has no interest rate exchange agreements outstanding at this time.

Covenant of the State

Section 1045-t of the Act constitutes a pledge of the State to the holders of First Resolution Bonds and Second Resolution Bonds not to limit or alter the rights vested in the Authority or the Board by the Act to fulfill the terms of any agreement made with or for the benefit of the holders of the First Resolution Bonds and Second Resolution Bonds until such obligations together with the interest thereon are fully met and discharged.

THE AUTHORITY

Purpose and Powers

The Authority is a public benefit corporation created pursuant to the Act. Among its powers under the Act, the Authority may borrow money, issue debt and enter into the Agreement, and refund its bonds and notes and general obligation bonds of the City issued for water or sewer purposes. Additionally, the Authority has the power to require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System and to enforce the obligation of the City to adequately operate and maintain the System, regardless of reimbursement by the Board of costs incurred by the City for operation and maintenance.

Pursuant to the Act, there is a statutory first lien on the Revenues in favor of the payment of all amounts due to the Authority under the Agreement. The Revenues remain subject to this lien until provision for payment of all indebtedness issued by the Authority has been made.

Membership

The Act authorizes a seven-member board to administer the Authority (there is currently one vacancy). Four of the members of the Board of Directors are designated in the Act as *ex officio* members: the Commissioner of Environmental Protection of the City, the Director of Management and Budget of the City, the Commissioner of Finance of the City and the Commissioner of Environmental Conservation of the State. Of the three remaining public members, two are appointed by the Mayor and one is appointed by the Governor. The public members have terms of two years. Pursuant to the Act, all members continue to hold office until their successors are appointed and qualified.

The current members of the Board of Directors are:

Member	Occupation
Sherif Soliman (1)	Director of Management and Budget of the City
Amanda Lefton (1)	Commissioner of Environmental Conservation of the State
Jeffrey Shear (1)	Acting Commissioner of Finance of the City
Lisa F. Garcia (1)	Commissioner of Environmental Protection of the City
James McSpiritt (2)	Member of Board of Directors, New York City Economic Development Corporation
Max Von Hollweg (2)	Retired Partner, Sidley Austin LLP

(1) *Ex officio*.
(2) Appointed by the Mayor.

The following is a brief description of certain officers and staff members of the Authority:

David Womack, Chief Executive Officer

Mr. Womack was appointed Chief Executive Officer in November 2020. Mr. Womack also serves as Deputy Director of Financing Policy and Coordination for the New York City Mayor's Office of Management and Budget ("OMB"). Mr. Womack is a senior municipal finance professional with over 35 years' experience as an investment banker and financial advisor. Prior to joining OMB in November 2020, Mr. Womack served as Executive Vice President and Head of Public Finance Banking for Blaylock Van, LLC, directing the public finance origination efforts and transaction execution for state and local municipal bond issuers nationwide. He has also served as a banker with firms including J.P. Morgan, Citigroup, and Rice Financial Products Company. He is a graduate of Yale University and received an M.B.A. from the Tuck School of Business Administration at Dartmouth College.

Philip Wasserman, Executive Director

Mr. Wasserman was appointed Executive Director in July 2023. Mr. Wasserman has over 20-years' experience in public finance, including 13 years with OMB. During his tenure at OMB, he served as Deputy Treasurer for the Authority as well as several of the City's other bond financing entities. Mr. Wasserman was most recently a Senior Vice President at Sycamore Advisors, a municipal financial advisory firm, and previously served as Deputy Director for the Nassau County, New York, Office of Management and Budget. He has also worked as an investment banker, structuring bond offerings and providing quantitative support for municipal issuers. Prior to his career in finance, Mr. Wasserman worked as an engineer developing nuclear waste treatment facilities. He holds an MPA from Columbia University, an MS from the University of Texas, and a BS from Cornell University.

Sanna Wong-Chen, Deputy Executive Director

Ms. Wong-Chen was appointed Deputy Executive Director in June 2017. Ms. Wong-Chen also serves as Associate Director of Financing Policy and Coordination for OMB. Prior to joining OMB in September 2016, Ms. Wong-Chen most recently served as Director of Finance at the Long Island Power Authority and prior to that as a Senior Vice President at Siebert Brandford Shank & Co., L.L.C., a public finance investment bank. Ms. Wong-Chen previously worked at OMB for approximately six years, ending in 2008, where she served in several capacities. Ms. Wong-Chen received her Bachelor of Science Degree from Cornell University in 2000.

Jeffrey M. Werner, Secretary

Mr. Werner was appointed Secretary in September 2023, after having served as Assistant Secretary since March 2004. Mr. Werner also serves as General Counsel to OMB. He is a graduate of Bowdoin College and Columbia Law School.

Deborah Cohen, Assistant Secretary

Ms. Cohen was appointed Assistant Secretary in January 2024. She also serves as Deputy General Counsel to OMB. Ms. Cohen has worked in Counsel's Office at OMB since 2011. Ms. Cohen is a graduate of the University at Buffalo and the George Washington University Law School.

Michael Moore, Assistant Secretary

Mr. Moore currently serves as Chief of the Municipal Finance Division of the New York City Law Department. Mr. Moore has served at the Law Department since 2012. Mr. Moore is a graduate of Seton Hall University and Rutgers Law School.

Raymond Lee, Comptroller

Mr. Lee was appointed Comptroller in November 2022. Prior to joining the Authority, Mr. Lee worked at OMB, where he served in a variety of roles starting in 2014. Most recently, Mr. Lee served as OMB's Assistant

Director for Accounting Services, Internal Audit, and Single Audit. He received his B.S. and M.S. in Accounting from the New York University Stern School of Business and is a Certified Public Accountant.

Nameca Sharma, Deputy Comptroller

Ms. Sharma was appointed Deputy Comptroller in October 2019, after having served as Assistant Comptroller since February 2015. Ms. Sharma has been employed in the Accounting Department of the Authority since November 2007. She is a graduate of York College of the City University of New York and is a Certified Public Accountant currently licensed to practice in the State of New York.

Laura Neesley, Assistant Treasurer

Ms. Neesley was appointed Assistant Treasurer in June 2017. Ms. Neesley also serves as a Senior Assistant Director in the Financing Policy and Coordination Unit at OMB, where she has worked since 2008. Prior to her work at OMB, she worked as a municipal credit analyst for CIFG Services, Inc. Ms. Neesley received a Bachelor of Science degree from Cornell University.

THE BOARD

Purpose and Powers

The Board is a public benefit corporation of the State created by Chapter 515 of the Laws of 1984. The primary responsibility of the Board is to fix, revise, charge, collect and enforce rates and other charges for the System.

Pursuant to the Act, all seven members of the Board are appointed by the Mayor. There are currently two bills before the State Legislature which would change the appointment process to reduce the number of members appointed by the Mayor and give appointment authority over some of the members to others, including the City Council and the City Comptroller. One of the bills would make all members subject to City Council confirmation. Versions of these bills have been introduced in the past but have never been enacted into law. The City intends to oppose these bills.

The Board is required under the Act to establish rates that will provide adequate funds to pay the debt service on outstanding Authority indebtedness and the City's cost of operating and maintaining the System. In each Fiscal Year, any amounts remaining in the Local Water Fund, after making the required payments under the Agreement, shall be deposited in the General Account in the Operation and Maintenance Reserve Fund and shall be available either as a source of funding for System expenditures or upon certification of the City for deposit to the Authority's Construction Fund to pay for the costs of System capital projects. See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Agreement – Application of Moneys in the Operation and Maintenance Reserve Fund."

Pursuant to the Lease, the Board has a leasehold interest in the System for a term continuing until all Bonds or other obligations issued by the Authority are paid in full or provision for payment has been made. Under the Lease, the City is required to provide billing, collection, enforcement and legal services to the Board. The Board is required to compensate the City for the cost of these services.

Membership

The Board consists of seven members who are appointed by the Mayor for terms of two years. The Act provides that at least one member will have experience in the science of water resource development and that no member of the Board will be a member of the Authority. The Chairman is appointed by the Mayor. Pursuant to the Act, all members continue to hold office until their successors are appointed and qualified.

The current members of the Board are:

Member	Occupation
Arlene M. Shaw, Chair …….	Managing Director, Brightwood Capital Advisors, LLC
Alfonso L. Carney, Jr.	Principal, Rockwood Partners LLC
Adam Freed	Principal, Sustainability Practice, Bloomberg Associates
Jukay Hsu	Founder, Pursuit
Richard Miller	Chair, Brooklyn Greenway Initiative
Udai Tambar	Chief Executive Officer and President, New York Junior Tennis & Learning
Daniel Zarrilli	Special Advisor for Climate and Sustainability, Columbia University

The following is a brief description of the staff members of the Board:

Nerissa Moray, Executive Director

Ms. Moray was appointed Executive Director of the Board in June 2024, also serving as Chief Financial Officer of DEP since that time. Ms. Moray joined DEP in June 2022, where she was a Senior Advisor in the Office of the Commissioner. Prior to joining DEP, Ms. Moray worked at Sidewalk Labs, the urban innovation arm of Alphabet (Google), where she was a Senior Director in the Urban Development team and before which she worked in senior roles at New York based consulting engineering and planning firms including BuroHappold Engineering. Earlier in her career, Ms. Moray worked as a management consultant at Deloitte Consulting and Fujitsu across the government, finance, and manufacturing sectors, as well as working in-house at a number of private sector finance firms including Manulife Financial and John Hancock. Ms. Moray is a graduate of the University of Illinois at Urbana-Champaign and Nanzan University in Nagoya, Japan.

Omar A. Nazem, Treasurer

Mr. Nazem was appointed Treasurer in March 2016. Prior to joining DEP, Mr. Nazem worked in investment management, most recently at Exium Partners, Coller Capital, and J.P. Morgan Asset Management. Mr. Nazem is a graduate of Harvard University and is a CFA charterholder.

Michael Moore, Secretary

Mr. Moore currently serves as Chief of the Municipal Finance Division of the New York City Law Department. Mr. Moore has served at the Law Department since 2012. Mr. Moore is a graduate of Seton Hall University and Rutgers Law School.

THE DEPARTMENT OF ENVIRONMENTAL PROTECTION

Organization

Over 5,600 DEP staff members are assigned to the System. Approximately 800 people within the System staff are assigned to the design and construction of ongoing capital projects, including projects within the CIP, as hereinafter defined, and approximately 400 provide administrative and support services to both System and non-System staff. There are approximately 180 additional employees within the DEP staff whose duties are not related to water and sewer service and whose cost is not included as a System cost.

As of November 2025, the number of vacancies at DEP was approximately 770, or 12% of DEP's workforce, compared to 300 vacancies, or 4% of DEP's workforce, as of January 2020. This increase is attributable to attrition and retirements, along with certain hiring restrictions put in place after the outbreak of COVID-19, which were lifted on November 21, 2022.

The New York City Department of Design and Construction (the "DDC") has responsibility for the construction and reconstruction of water and sewer mains in the City. Based upon current workloads, a proportion of DDC's staff equivalent to 350 full-time positions is devoted to System construction projects.

DEP is managed by a Commissioner, who is appointed by the Mayor. It is organized into eight functional areas: (1) Utility Operations and Customer Service, (2) Capital Program Delivery, (3) Sustainability and Regulatory Compliance, (4) Financial Management and Administration, (5) Legal Affairs, (6) Police and Security, (7) Executive and Administrative Support, and (8) Office of Strategy and Innovation.

The Chief Operating Officer assists the Commissioner in overseeing Utility Operations, which consists of the Bureau of Wastewater Treatment; the Bureau of Water Supply; and the Bureau of Water and Sewer Operations.

Capital Program Delivery is managed by the Bureau of Engineering, Design and Construction, which manages the design and construction of major capital projects, including major water transmission facilities, water treatment facilities, wastewater treatment and disposal facilities, wastewater pumping stations and stormwater/Combined Sewer Overflow facilities.

The Bureau of Sustainability is managed by the Sustainability group, which is responsible for the development and implementation of environmental policy and strategy, including water and air quality, the noise code, and other quality of life issues. Sustainability includes the Office of Green Infrastructure, and the Bureau of Environmental Planning and Analysis.

The Chief Financial Officer oversees the Budget Office, the Office of the Agency Chief Contracting Officer, Bureau of Business Information Technology, Bureau of Customer Services, Engineering Audit, Fleet Management and other administrative divisions.

Legal Affairs is responsible for handling DEP's legal matters. The Bureau of Police and Security is responsible for protecting the City water supply and the associated critical infrastructure from terrorism, pollution and crime.

Executive and Administrative Support includes the Commissioner and Chief of Staff, as well as the Bureaus of Public Affairs and Organizational Development and Human Resources.

The Bureau of Environmental Compliance oversees the rulemaking and enforcement of portions of the City's environmental laws and regulations, including regulating air and noise pollution and administering DEP's asbestos control program.

The following are brief descriptions of certain management personnel responsible for the operation of the System.

Lisa F. Garcia, Commissioner

Ms. Garcia was appointed Commissioner of DEP in January 2026. Ms. Garcia previously served as the USEPA Administrator for Region 2, overseeing the Biden Administration's environmental agenda in New York, New Jersey, Puerto Rico, the U.S. Virgin Islands, and eight Indian Nations. Previously, Ms. Garcia led the Climate Solutions Lab at Grist Magazine, was Vice President for Litigation at EarthJustice and served as an Associate Administrator at the USEPA under the Obama Administration. Along with experience at the NYSDEC and the New York State Attorney General's Environmental Protection Bureau, Ms. Garcia previously served as an Associate Professor at Rutgers Law School and as Adjunct Faculty at Columbia University and New York University School of Law. Ms. Garcia received a Bachelor of Arts from Stony Brook University and a J.D. from Brooklyn Law School.

Anastasios Georgelis, P.E., Acting Chief Operating Officer

Mr. Georgelis was appointed Acting Chief Operating Officer in January 2025, having previously served as Deputy Commissioner of the Bureau of Water and Sewer Operations since July 2018. Mr. Georgelis has been with DEP since June 1992, serving in numerous capacities. Since November 2009, Mr. Georgelis has served as Director of Field Operations with overall responsibility for maintenance and repair of infrastructure and

appurtenances throughout the City's five boroughs. Prior to that, from 2001 to 2009, Mr. Georgelis served as Deputy Chief of Construction where he managed a staff of Engineers engaged in construction, inspections and capital projects citywide. Mr. Georgelis is a Registered Professional Engineer and a graduate of the Cooper Union for the Advancement of Science and Art, New York, where he earned his Bachelor's Degree in Civil Engineering. In 2001, DEP named Mr. Georgelis the Thomas D. O'Connell P.E., Water Supply Engineer of the Year in recognition of his outstanding contribution in the area of potable water supply to the City.

Nerissa Moray, Chief Financial Officer

Ms. Moray was appointed Chief Financial Officer of DEP in June 2024. Ms. Moray joined DEP in June 2022 as a Senior Advisor in the Office of the Commissioner. Prior to joining DEP, Ms. Moray was a Senior Director in the Urban Development team at Sidewalk Labs, and worked in senior roles in New York-based consulting engineering and planning organizations. Ms. Moray began her career as a management consultant at Deloitte Consulting and Fujitsu, and worked in-house at Manulife Financial and John Hancock. Ms. Moray is a graduate of the University of Illinois at Urbana-Champaign and Nanzan University in Nagoya, Japan.

Ana Barrio, Deputy Commissioner, Bureau of Engineering Design and Construction

Ms. Barrio was appointed Deputy Commissioner of the Bureau of Engineering Design and Construction in July 2018. Prior to joining DEP in 2018, Ms. Barrio had worked for the New York City Department of Design and Construction since 1996, most recently serving as Acting Commissioner. Ms. Barrio received a Bachelor of Science in Industrial Engineering from the New York Institute of Technology and is a graduate of Brooklyn Technical High School.

Zoe Ann Campbell, Deputy Commissioner of Organizational Development and Human Resources

Ms. Campbell was appointed Deputy Commissioner, Organizational Development and Human Resources in November 2017. She has spent her entire career in DEP, first joining the Agency in November 1978. In January 2021, Ms. Campbell also assumed the responsibilities for labor relations and discipline. Prior to being appointed Deputy Commissioner, Organizational Development and Human Resources, she served in various capacities including Deputy Commissioner, Human Resources from February 2008 to November 2017; Assistant Commissioner, Human Resources from November 2003 to February 2008; and Director of Human Resources from April 2002 to November 2003. Ms. Campbell received her Bachelor of Arts in American Literature from Queens College.

Elissa Stein Cushman, General Counsel

Ms. Cushman was appointed General Counsel in January 2016. Ms. Cushman previously served as Deputy General Counsel of DEP's Bureau of Legal Affairs, with a focus on business and employment issues, from 2010 to 2012. From 2012 to 2015 she served as Deputy Commissioner at the New York City Department of Information Technology and Telecommunications and General Counsel of the New York City Technology Development Corporation. From 2002 to 2010, she served as Chief of the Legal Counsel Bureau of the Nassau County Attorney's Office. She started her legal career in 1988 as an Assistant Corporation Counsel in the Legal Counsel Division of the New York City Law Department. Ms. Cushman received a Master's degree in Public Administration from the Kennedy School of Government at Harvard University and a J.D. from Harvard Law School.

Angela DeLillo, P.E., Deputy Commissioner, Bureau of Wastewater Treatment

Ms. DeLillo was appointed Deputy Commissioner of the Bureau of Wastewater Treatment in May 2023, having served as Acting Deputy Commissioner of the Bureau since August 2022. Ms. DeLillo is a New York State licensed professional engineer and has been with DEP since September 1992. She has served in numerous roles across three operating bureaus including engineering, capital project management, and operations supervision. Most recently, Ms. DeLillo served as the Bureau of Wastewater Treatment's Assistant Commissioner

from January 2018 until her appointment as Acting Deputy Commissioner. She holds a Master of Science degree in Environmental Engineering and a Bachelor's Degree in Civil Engineering, both from Manhattan College.

Michael Farnan, P.E., Acting Deputy Commissioner, Bureau of Water and Sewer Operations

Mr. Farnan was appointed Acting Deputy Commissioner of the Bureau of Water and Sewer Operations in January 2025. Mr. Farnan previously served as Assistant Commissioner of Operations and Executive Director of Operations, holding management responsibilities across the Bureau's activities in the areas of contract repairs and maintenance, distribution operations, and field operations. Mr. Farnan joined DEP in 1989, originally working in the Bureau of Water Supply, before joining the New York City Department of Design and Construction in 1996. Between 1999 and 2002, Mr. Farnan worked for Tully Construction, before returning to DEP in 2002 as Chief of Distribution and Pumping and as Director of Distribution Operations. Mr. Farnan is a Registered Professional Engineer and a graduate of Manhattan College.

Albert Kramer, Deputy Commissioner, Bureau of Customer Services

Mr. Kramer was appointed Acting Deputy Commissioner, Bureau of Customer Services in January 2024 and Deputy Commissioner in August 2024. Since joining DEP in 2011, Mr. Kramer has held several roles in the agency, including serving as Chief of Staff in the office of the First Deputy Commissioner and in the Bureau of Customer Services, as well as holding operational roles within the technology and customer service functions that included Program Manager for Process Improvement and Director of Business Services. He began his career with the City as an Urban Fellow in the Mayor's Office of Long-Term Planning and Sustainability. Mr. Kramer holds a Bachelor's degree from Wheaton College and a Master of Business Administration degree from the Stern School of Business at New York University.

Angela Licata, Deputy Commissioner, Bureau of Sustainability

Ms. Licata was appointed Deputy Commissioner for Sustainability in December 2011. She has been with DEP since 1988 and has served in numerous positions, most recently as Deputy Commissioner of the Bureau of Environmental Planning and Analysis. In her current position overseeing the Bureau of Environmental Planning and Analysis, Bureau of Environmental Compliance, and the Office of Green Infrastructure, she is responsible for implementing critical initiatives for stormwater management, regulatory reform, ecological restoration, Superfund cleanups, air quality, and noise reduction. Ms. Licata has helped launch many innovative projects and developed an impressive list of studies, including rate studies, consumption tracking, and demand projections. Ms. Licata is a graduate of Harpur College, Binghamton University.

Patricia Lyons, Deputy Commissioner of Budget

Ms. Lyons was appointed Deputy Commissioner of Budget in January 2024. Ms. Lyons began her career in City service in May 1999 at the Mayor's Office of Management and Budget. Ms. Lyons has served in budget, financial and operational management positions with the New York City Police Department, New York City Department of Transportation and New York City Department of Correction. Ms. Lyons holds a Bachelor of Arts in Economics from Queens College of the City University of New York.

Ari Maas, Deputy Commissioner, Bureau of Police and Security

Mr. Maas was appointed Deputy Commissioner of the Bureau of Police and Security in May 2024. Mr. Maas joined DEP from the New York City Police Department where he has served for over 18 years and holds the rank of Deputy Inspector. Prior to joining the New York City Police Department, Mr. Maas was a police officer with the West Orange Police Department in New Jersey. Mr. Maas holds a Bachelor of Science degree in Civil Engineering from Rutgers University, a Master of Public Policy degree from Princeton University, and a J.D. from New York Law School.

Paul Rush, P.E., Deputy Commissioner, Bureau of Water Supply

Mr. Rush was appointed Deputy Commissioner of the Bureau of Water Supply in December 2006. He has been with the DEP since 1992. Most recently, Mr. Rush served as the Director, West of Hudson Operations Division of the Bureau of Water Supply and prior to that he held positions as District Engineer and Chief of

Operations for the City's Delaware Water Supply System. Prior to joining DEP, Mr. Rush served on active duty with the United States Army as an Engineer Officer. Mr. Rush holds a Master of Science degree in Civil Engineering from Michigan Technological University and Bachelor of Science degree in Civil Engineering from the United States Military Academy. He is a Registered Professional Engineer in the State of New York.

Cybersecurity

The System relies on a large and complex technological environment to conduct its operations. As a recipient and provider of personal, private or sensitive information, the System and the City, including DEP, face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems.

DEP

To protect the System from cyber-attacks, DEP, through its Bureau of Business Information Technology, works with a range of City, State, and federal law enforcement and technology agencies, including the City's Office of Technology and Innovation ("OTI") (formerly the Department of Information Technology and Telecommunications), the New York City Cyber Command ("NYC Cyber Command") and the Federal Bureau of Investigation's Joint Terrorism Task Force. In addition, DEP works with other utilities around the country and is a member of various industry organizations, including the Water Information Sharing and Analysis Center (WaterISAC), the American Water Works Associations (AWWA), and the Water Environment Federation (WEF), to address cybersecurity risks and to share best practices surrounding cybersecurity.

NYC Cyber Command

NYC Cyber Command, which was created in 2017, is charged with setting information security policies and standards for the City, for directing the City's citywide cyber defense and incident response, deploying defensive technical and administrative controls and providing guidance to the Mayor and City agencies, including DEP, on cyber defense. In January 2022, NYC Cyber Command became part of OTI. NYC Cyber Command works with DEP to advance its cybersecurity capabilities in a number of areas. In 2023, NYC Cyber Command established the NYC Vulnerability Disclosure Program to broaden the scope of the City's efforts to identify and address vulnerabilities within its publicly accessible digital resources. By establishing guidelines, rules of engagement, and a secure channel for security researchers to send vulnerability submissions, the program complements existing citywide cybersecurity initiatives, facilitating timely remediation of identified risks.

NYC Cyber Command has over 100 full-time employees and works with designated cybersecurity contacts at each City agency as part of the Citywide Cybersecurity Program. The City's financial plan released in February 2026 (the "February 2026 Financial Plan") reflects funding for Cyber Command of $105.8 million for fiscal year 2026 and $104.3 million for fiscal years 2027 and 2028. Such funding does not account for cybersecurity funding at other City agencies, including DEP. NYC Cyber Command is built around two core cybersecurity functions: (1) threat management, which manages incident response and cyber threat intelligence and vulnerability management, which helps agencies prioritize remediation efforts on identified unpatched systems in the City's networks; and (2) security sciences, which manages strategic and tactical cyber defense technologies and initiatives.

In carrying out its functions, NYC Cyber Command works with a range of City, State, and federal law enforcement agencies, including the New York City Police Department and the Federal Bureau of Investigation's Joint Terrorism Task Force. In February 2022, the City and the State, along with the mayors of Albany, Buffalo, Rochester, Syracuse, and Yonkers, unveiled the Joint Security Operations Center. The center has enhanced coordination of cybersecurity efforts across the State, helping to foster collaboration among city, State, and federal entities. NYC Cyber Command also regularly works with other states and municipalities throughout the country to share cybersecurity threat intelligence and best practices, as well as with non-governmental entities such as utilities, telecommunications providers and financial services companies for the purpose of enhancing collective cyber defenses. The City has developed standard cybersecurity policies and standards for third party vendors of the City to follow, and security provisions for contracts with vendors, which help ensure that the City is notified of cyber breaches and suspected cyber breaches of a vendor's network environment. The City has also developed a Citywide Incident

Response Policy, which requires City agencies to develop incident response plans in accordance with Cyber Command policies and standards.

While periodic tests and reviews of the City networks, including the System's computer and information technology systems, are performed, no assurances can be given that such security and operational control measures will be successful in guarding against all cyber threats and attacks. New technical cyber vulnerabilities are discovered in the United States daily. In addition, cyber attacks have become more sophisticated and are increasingly capable of impacting municipal control systems and components. The techniques used to obtain unauthorized access to, or to disable or degrade, electronic networks, computers, systems and solutions are rapidly evolving and have become increasingly complex and sophisticated. As cybersecurity threats continue to evolve, the City may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. The results of any successful attack on the System's computer and information technology systems could impact its operations and damage the System's digital networks and systems, and the costs of remedying any such damage could be substantial. The City does not carry insurance against cyber attacks, consistent with the City's general policy of self-insurance.

Labor Relations

Approximately 95% of DEP's employees are members of labor unions which represent such employees in collective bargaining with the City. The majority of DEP employees who are members of unions are members of District Council 37 of the American Federation of State, County and Municipal Employees ("DC 37"). Those DEP employees who are not members of labor unions have generally received salary and benefit increases consistent with DC 37. The City has reached a labor contract settlement with DC 37 for the 2021-2026 round of collective bargaining, which has been ratified by the union. The settlement provides for annual wage increases of 3% in each of the first four years of the settlement, commencing retroactively on May 26, 2021, followed by a 3.25% wage increase commencing on May 26, 2025. The settlement also included a $3,000 ratification bonus. The DC 37 agreement runs through November 2026.

It is estimated that the projected operation and maintenance expenses include sufficient funds to cover the impact of the settlement described above, including if the DC 37 settlement pattern is applied to all other DEP employees who are not DC 37 members. For information on other assumptions related to personal services costs, see "Financial Operations – Projected Operating and Maintenance Expenses."

CAPITAL IMPROVEMENT AND FINANCING PROGRAM

Current Capital Plan and the Capital Improvement Program

The City's Current Capital Plan (the "Current Capital Plan"), which covers Fiscal Years 2026 through 2029, was published on September 30, 2025 and is typically updated three times each Fiscal Year. Simultaneously with the release of the Current Capital Plan, DEP updated projected capital commitments for the ten-year period covering Fiscal Years 2026 through 2035, referred herein as the Capital Improvement Program (the "CIP"). The City's Current Capital Plan covering Fiscal Years 2026 through 2030 was published on February 17, 2026 (the "Updated Current Capital Plan"). For Fiscal Years 2026 through 2030, the Updated Current Capital Plan reflects an increase in Total Funds of approximately $87 million compared to those same years in the CIP.

The dollar amounts in the CIP are a projection of contractual obligations to be entered into during each Fiscal Year and not a projection of capital expenditures. See "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Sources and Uses of Capital Funds" for projected capital expenditures.

The CIP establishes long range programmatic goals for the System and reflects a review of the present condition and long-term needs of the plant and equipment constituting the System. The CIP incorporates the replacement cycle for System facilities, extensions to the present service area, and programs to enhance and optimize the operation of the System. Allowances are included in the CIP for emergency repair and replacement. The value of the actual work done in any given year will differ from that outlined in the CIP.

The CIP was evaluated independently by AECOM and MDE, which have jointly concluded that the CIP is responsive to the long-term operating requirements of the area served by the System. See "APPENDIX A – LETTER OF AECOM USA, INC. AND MACAN DEVE ENGINEERS, DPC, CO-CONSULTING ENGINEERS."

Amawalk Consulting, the Authority's Co-Rate Consultant, has compared the anticipated capital commitments as reflected in the CIP with the capital improvement programs of other large U.S. cities and has concluded that the CIP commitments per capita are reasonable compared to other cities.

[Remainder of page intentionally left blank]

The CIP is presented in the following table:

CAPITAL IMPROVEMENT PROGRAM
(Thousands of Dollars)

CITY FUNDS	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	Total
WATER SUPPLY AND TRANSMISSION											
Conveyance/Water For The Future	$ 6,784	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,784
Hillview Reservoir Improvements	67,402	1,596	-	243,777	-	-	-	-	162,000	-	474,775
City Tunnel No. 3, Stage 2	82,143	384,390	15,402	8,000	25,000	-	33,000	30,850	25,000	25,000	628,785
Kensico-Eastview Tunnel	86,169	-	774,953	195,603	-	-	-	-	-	40,792	1,097,517
Miscellaneous Programs	-	-	-	62,000	-	-	-	-	-	-	62,000
Subtotal	242,498	385,986	790,355	509,380	25,000	-	33,000	30,850	187,000	65,792	2,269,861
WATER DISTRIBUTION											
Croton Filtration Project	$ 6,948	$ 12,503	$ -	$ -	$ 19,686	$ 1,341	$ -	$ 30	$ 19,140	$ -	$ 59,648
Dam Safety Program	11,388	93,300	43,841	490,407	-	24,300	10,000	190,000	260,947	-	1,124,183
Trunk Distribution and Main Extension	11,617	404	46,009	6,404	79,987	28,040	15,588	69,532	414,052	14,810	686,443
Trunk Distribution and Main Replacement	97,060	298,046	154,551	263,575	183,965	55,340	197,020	129,337	33,247	309,439	1,721,580
Water Quality Preservation	465,028	191,507	250,581	291,375	107,000	73,500	212,762	89,050	50,111	123,318	1,854,232
Extensions	325	49,570	24,000	-	-	-	-	994	-	-	74,889
Other System Improvements	160,436	176,092	163,715	46,874	79,148	28,450	11,743	170,619	12,174	410,950	1,260,201
Subtotal	752,802	821,422	682,697	1,098,635	469,786	210,971	447,113	649,562	789,671	858,517	6,781,176
WATER POLLUTION CONTROL											
Consent Decree Upgrading & Construction	$ 4,056	$ 25,060	$ 9,224	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 38,340
Plant Upgrading & Reconstruction	963,879	1,301,297	1,176,183	1,567,459	775,896	767,696	347,176	368,331	640,758	111,673	8,020,348
Plant Component Stabilization	87,920	-	570	-	-	-	-	-	-	-	88,490
Green Infrastructure Program	299,556	62,062	200,294	18,482	26	109,274	26,250	26,988	124,394	20,000	887,326
Water Quality Mandates	481,897	470,905	299,740	932,432	676,584	529,062	663,000	580,431	1,764	-	4,635,815
Subtotal	1,837,308	1,859,324	1,686,011	2,518,373	1,452,506	1,406,032	1,036,426	975,750	766,916	131,673	13,670,319
SEWERS											
Replacement or Augmentation	$ 450,535	$ 285,492	$ 303,495	$ 472,069	$ 723,811	$ 232,629	$ 348,526	$ 875,707	$ 435,102	$ 616,915	$ 4,744,281
Extensions to Accommodate New Development	6,161	8,830	84,636	37,607	69,470	78,270	198,561	526,452	301,089	879,483	2,190,559
Programmatic Replacement and Reconstruction	2,742	1	1,840	-	-	-	-	5,472	50,000	50,000	110,055
Replacement of Chronically Failing Components	154,576	64,957	29,333	130,173	213,544	116,268	142,800	53,204	156,389	165,759	1,227,003
Bluebelt Program	79,777	167,076	135,022	163,722	20,000	52,262	19,512	10,865	-	-	648,236
Trunks	21,722	10,730	14,398	6,312	9,624	-	-	-	-	-	62,786
Subtotal	715,513	537,086	568,724	809,883	1,036,449	479,429	709,399	1,471,700	942,580	1,712,157	8,982,920
EQUIPMENT											
Conservation	$ 110,165	$ 33,507	$ 36,904	$ 28,398	$ 9,822	$ 28,142	$ 1,938	$ 63,690	$ 32,156	$ 3,095	$ 347,817
Management Information Systems	11,825	4,932	273	18,960	-	62,000	30,000	-	-	-	127,990
Facility Purchases & Reconstruction	136,500	24,599	19,030	17,482	2,000	2,868	73,906	32,100	3,283	-	311,768
Utility Relocation	16,583	9,897	325	400	13,831	4,129	4,129	4,129	8,258	88,748	150,429
Water Meter	59,153	11,170	-	15,009	-	-	-	-	-	-	85,332
Vehicles and Equipment	38,271	39,627	30,761	32,522	10,929	12,859	10,000	10,000	10,000	10,000	204,969
Subtotal	372,497	123,732	87,293	112,771	36,582	109,998	119,973	109,919	53,697	101,843	1,228,305
TOTAL CITY FUNDS	**3,920,618**	**3,727,550**	**3,815,080**	**5,049,042**	**3,020,323**	**2,206,430**	**2,345,911**	**3,237,781**	**2,739,864**	**2,869,982**	**32,932,581**
STATE, FEDERAL, AND PRIVATE FUNDS											
Plant Upgrading & Reconstruction	$ 232,862	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 232,862
Plant Component Stabilization	13,448	-	-	-	-	-	-	-	-	-	13,448
Green Infrastructure Program	7,000	-	-	-	-	-	-	-	-	-	7,000
Water Quality Preservation	130,800	-	33,200	36,000	-	-	-	-	-	-	200,000
Trunk Distribution and Main Replacement	7,011	-	-	8	-	-	-	-	-	-	7,019
Other System Improvements	49,403	3	-	-	-	-	-	-	-	-	49,406
Bluebelt Program	8,359	-	28,091	-	-	-	-	-	-	-	36,450
TOTAL NON-CITY FUNDS	**448,883**	**3**	**61,291**	**36,008**	**-**	**-**	**-**	**-**	**-**	**-**	**546,185**
TOTAL FUNDS	**$ 4,369,501**	**$ 3,727,553**	**$ 3,876,371**	**$ 5,085,050**	**$ 3,020,323**	**$ 2,206,430**	**$ 2,345,911**	**$ 3,237,781**	**$ 2,739,864**	**$ 2,869,982**	**$ 33,478,766**

Following is an explanation of the major capital program elements within the CIP. For additional information about this infrastructure and the associated projects and regulatory requirements, see "THE SYSTEM."

Water Supply and Transmission

Conveyance and Water Supply/Water for the Future. DEP has completed construction of a two and one-half miles long bypass tunnel which will be connected to the Rondout-West Branch Tunnel. For additional information, see "THE SYSTEM – The Water System – Water Collection and Distribution – *The Rondout-West Branch Tunnel*."

Hillview Reservoir Improvements. The improvements include new chemical addition facilities and flow control improvements. For additional information regarding Hillview Reservoir, see "THE SYSTEM – The Water System – *Governmental Regulation – Hillview Reservoir*."

Tunnel 3. Stage II includes completion of the Brooklyn/Queens segment. Stage I became operational in July 1998. The Manhattan segment of Stage II was completed in October 2013. Completion of the Brooklyn/Queens segment of Stage II will improve services to Staten Island, Brooklyn and Queens. See "THE SYSTEM – The Water System – Water Collection and Distribution."

Kensico-Eastview Connection. The Kensico-Eastview Connection will provide a second connection between the Kensico Reservoir and the Catskill/Delaware ultraviolet treatment facility, which is necessary to provide redundancy in the water supply system.

Water Distribution

Croton Filtration Project. The City operates a water treatment facility to filter Croton System water. See "THE SYSTEM – The Water System – *Governmental Regulation*."

Dam Safety Program. DEP has a dam safety program for dams within the City, including the dams at Jerome Park, Central Park, and Silver Lake reservoirs, as well as for dams at Hillview Reservoir and in the watershed.

Trunk Distribution and Main Extension and Replacement. This program includes the improvement and extension of the water distribution network for both trunk and distribution water mains. The program facilitates the replacement of undersized or failing system elements and enhances network reliability.

Water Quality Preservation. The City provides for improvements to the upstate watersheds including projects undertaken pursuant to the FADs (as hereinafter defined) for the Catskill and Delaware watersheds such as the acquisition of environmentally sensitive property, the creation of community wastewater management systems in areas where because of historic development patterns, individual septic systems do not provide adequate treatment, and retrofits to capture and treat stormwater from developed areas. See "THE SYSTEM – The Water System – *Governmental Regulation*," "THE SYSTEM – Overview," and "THE SYSTEM – The Water System – Water Collection and Distribution."

Water Pollution Control

Consent Decree Upgrading and Construction. The Clean Water Act (as hereinafter defined) and several consent decrees and orders between DEP and the New York State Department of Environmental Conservation ("NYSDEC") require improvements to the City's wastewater treatment infrastructure. Certain plant upgrades, including the retrofitting of eight plants to achieve additional nitrogen treatment and upgrades at the Newtown Creek plant to improve plant operations, have been completed. DEP is also required to implement measures to address discharges through the City's combined sewer overflow ("CSO") outfalls which, during periods of heavy rainfall, release a combination of stormwater and sewage that bypasses treatment into the City's waterways. DEP may be required to implement further improvements, beyond the cost of those currently reflected in the CIP. See "THE SYSTEM – The Sewer System – *Governmental Regulation - Combined Sewer Overflows*."

Plant Upgrading and Reconstruction. This program includes various projects undertaken to upgrade or reconstruct treatment plants, sewage pump stations, motor vessels, regulators and components of the plant treatment system.

Plant Component Stabilization. This program includes the replacement and reconstruction of failing components within the fourteen plants and their related facilities necessary to maintain reliability and to decrease discharges into the surrounding water.

Green Infrastructure. The Green Infrastructure Program is an approach to managing stormwater and improving water quality by reducing the frequency of CSO events through a wide variety of practices at multiple scales to manage stormwater, maintain and restore natural hydrology and ecological function by infiltration, evapotranspiration, capture and reuse of stormwater, filtration and detention that includes the restoration of historic streambeds, construction of rainwater capture facilities such as bioswales and green roofs, cloudburst structures and permeable pavement.

Water Quality Mandates. USEPA and NYSDEC have imposed various water quality requirements on DEP, including mandates to mitigate CSOs, mandates to reduce chlorine levels in treated effluent discharged at wastewater treatment plants and mandates to reduce pollutants in stormwater runoff in areas of the City served by separate sewers designed to carry only stormwater. DEP is working with USEPA and NYSDEC to address these mandates.

Sewers

Replacement or Augmentation. This program provides for projects that expand the capacity of the Sewer System.

Extensions. The City constructs sewers to replace septic systems in populated areas to avoid health problems associated with viruses, bacteria and other sewage-related pollutants and to minimize stormwater flooding.

Programmatic Replacement and Reconstruction. This program provides for replacement and reconstruction of storm sewers for the alleviation of flooding.

Replacement of Chronically Failing Components. This program provides for the replacement of sewers that have already collapsed or experience chronic malfunctions (for example, sagging, bends or improper alignment) that cannot be addressed through maintenance or experience chronic malfunction due to inadequate capacity.

Bluebelt Program. The Bluebelt System is a cost-effective stormwater management system that connects natural drainage corridors, such as streams and wetlands, to conventional storm sewers to reduce local flooding.

Equipment

Conservation. This program includes toilet replacement, leak detection and the installation and replacement of water meters in residential and commercial properties.

Utility Relocation for Sewers and Water Main Projects. Under the City's cost-sharing agreement with gas utilities, the City is required to pay 51% of utility work required as a result of water main and sewer construction projects.

[Remainder of page intentionally left blank]

Historical Capital Program

The following table presents capital commitments and capital expenditures of the System for Fiscal Years 2022 through 2025. Capital commitments are contractual obligations entered into during the Fiscal Year while capital expenditures represent cash payments made during the Fiscal Year.

System Capital Commitments and Expenditures
(Millions of Dollars)*

	FY 2022		FY 2023		FY 2024		FY 2025	
Commitments	System Funds	All Funds	System Funds	All Funds	System Funds	All Funds	System Funds	All Funds
Water Supply and Transmission	$ 62	$ 62	$ 38	$ 38	$ 434	$ 434	$ 1,952	$ 1,952
Water Distribution	197	197	309	326	343	350	331	371
Water Pollution Control	758	777	1,426	1,429	1,352	1,473	610	615
Sewers	533	543	464	480	224	234	177	205
Equipment (1)(2)	30	30	130	130	10	10	79	79
Total	$ 1,580	$ 1,609	$ 2,367	$ 2,402	$ 2,363	$ 2,501	$ 3,149	$ 3,222

	FY 2022		FY 2023		FY 2024		FY 2025	
Expenditures	System Funds	All Funds	System Funds	All Funds	System Funds	All Funds	System Funds	All Funds
Water Supply and Transmission	$ 255	$ 266	$ 165	$ 141	$ 157	$ 153	$ 267	$ 289
Water Distribution	420	395	339	342	296	286	318	319
Water Pollution Control	548	527	646	678	798	887	1,025	1,034
Sewers	549	530	401	401	353	345	336	337
Equipment	46	48	29	30	49	46	38	48
Total	$ 1,818	$ 1,766	$ 1,580	$ 1,593	$ 1,653	$ 1,717	$ 1,984	$ 2,027

Totals may not add due to rounding.

* System Funds are shown on a modified cash basis and reflect cash expended for System capital commitments, excluding federal and State grant-funded expenditures. All Funds, which include federal and State grant-funded expenditures, are shown on an accrual basis. Instances where the All Funds expenditure level falls below the System Funds level, including payment refunds, are due to accounting adjustments.

(1) System Funds include the proceeds of Authority bonds sold directly to the public and those privately placed with the Corporation under the revolving loan program and System revenues.

(2) All Funds include federal and State capital grants.

Financing Program

Prior Financing. Since the first issuance of bonds by the Authority in 1985, capital improvements to the System have been financed primarily with (i) proceeds of bonds sold directly to the public and privately placed with the Corporation in connection with the revolving loan fund program described below, (ii) federal and State capital grants, and (iii) cash-financed capital construction paid from System revenues. See "Debt Service Requirements" below.

Future Financing. The Authority estimates that 98% of the System's capital costs will be paid from: (i) proceeds of bonds and other forms of indebtedness sold to the public and privately placed with, or supported by, the Corporation and (ii) System revenues. Implementation of the CIP is dependent upon the Authority's ability to market its securities successfully in the public credit markets. For purposes of forecasting revenue requirements for the System, the principal amount of bonds estimated to be issued for capital purposes as of June 23, 2025, excluding refunding bonds, in each of Fiscal Years 2026 through 2030 averages approximately $2.9 billion per year. Projected Authority capital spending reflects commitments from both current and prior years. See the table entitled "Sources and Uses of Capital Funds" below.

Historically, federal grant funds were provided pursuant to the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and by the Water Quality Act of 1987 (the "Clean Water Act"), in a program administered by the states, for construction and reconstruction of water pollution control facilities. The City has used these grant funds for five water pollution control plants: Oakwood Beach, Coney Island, Owls Head, Red Hook and North River. The Clean Water Act currently requires states to use federal funds in revolving loan programs in lieu of

a federal grant program for water pollution control facilities. To this end, a revolving loan program has been established by the State and administered by the Corporation in order to use federal financial assistance together with State matching grants in a program to assist municipalities to construct eligible sewage facilities by providing subsidized loans. In addition, pursuant to the Safe Drinking Water Act Amendments of 1996, the State has also initiated a revolving loan program, also administered by the Corporation, to provide loans for drinking water projects. The Authority has participated in loans under both of the revolving loan programs and anticipates receiving additional financial assistance under the programs. These revolving loan programs have routinely featured the public sale of bonds by the Corporation to finance the purchase by the Corporation of Second Resolution Bonds.

Pursuant to agreements between the Corporation and the Authority, the Corporation agreed to provide the Authority with proceeds of bond anticipation notes for certain projects through the Clean Water and Drinking Water State Revolving Funds. As of the date of the Preliminary Official Statement, the Authority has $10.9 million of outstanding draws and can draw an additional $27.9 million pursuant to the agreements. The Authority expects to receive all or a part of the undrawn proceeds of the bond anticipation notes issued in the future and from time to time expects to enter into new agreements with the Corporation relating to both the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund.

Sources and Uses of Capital Funds

The following table presents the projected sources and uses of the funds for the System as of June 23, 2025. See "INTRODUCTORY STATEMENT – Financial Projection Assumptions."

Sources and Uses of Capital Funds
(Millions of Dollars)

Line No.	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	Period Total
	Sources of Funds						
1	Proceeds from Sale of Bonds	$ 2,502.0	$ 2,716.0	$ 2,958.0	$ 3,191.0	$ 3,266.0	$ 14,633.0
2	Proceeds from Commercial Paper Notes & BANs	290.0	290.0	290.0	290.0	290.0	1,450.0
3	Total Sources of Funds	2,792.0	3,006.0	3,248.0	3,481.0	3,556.0	16,083.0
	Uses of Funds						
4	Deposit to Construction Fund	2,429.9	2,637.0	2,872.0	3,097.0	3,170.0	14,205.9
5	Retirement of Commercial Paper Notes & BANs (1)	290.0	290.0	290.0	290.0	290.0	1,450.0
6	Other (2)	72.1	79.0	86.0	94.0	96.0	427.1
7	Total Uses of Funds	2,792.0	3,006.0	3,248.0	3,481.0	3,556.0	16,083.0
	Construction Fund						
8	Beginning Balance	1,065.1	888.9	849.0	929.0	959.0	1,065.1
9	Transfer from Proceeds from Commercial Paper Notes & BANs	2,429.9	2,637.0	2,872.0	3,097.0	3,170.0	14,205.9
10	Cash Financed Capital Construction (3)	236.0	225.0	225.0	250.0	250.0	1,186.0
11	Total Available Construction Funds	3,730.9	3,751.0	3,946.0	4,276.0	4,379.0	16,457.0
12	Less: Total Capital Spending (4)	(2,842.0)	(2,902.0)	(3,017.0)	(3,317.0)	(3,440.0)	(15,518.0)
13	Ending Balance	$ 888.9	$ 849.0	$ 929.0	$ 959.0	$ 939.0	$ 939.0

Totals may not add due to rounding.
(1) Includes provisions for the takeout of a Corporation BAN in Fiscal Year 2027.
(2) Reflects costs of issuance, including underwriters' discount.
(3) Funds projected for Cash Financed Capital Construction may also be used for the defeasance of bonds. Includes the release of moneys from the Debt Service Reserve Fund in Fiscal Year 2026.
(4) Capital spending reflects commitments from current and prior years.

The following table shows projected debt service requirements, including payments on outstanding bonds and on future bonds projected to be issued as of June 23, 2025. For additional information, see "– Debt Service Requirements."

Forecasted Debt Service Requirements
(Millions of Dollars)

Line No.	Description	Bond Issues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	First Resolution Debt Service						
1	Outstanding Bonds		$ 7.5	$ 7.5	$ 7.5	$ 7.5	$ 7.5
3	Fiscal Year 2026 Bonds	–	–	–	–	–	–
4	Fiscal Year 2027 Bonds	–	–	–	–	–	–
5	Fiscal Year 2028 Bonds	–	–	–	–	–	–
6	Fiscal Year 2029 Bonds	–	–	–	–	–	–
7	Fiscal Year 2030 Bonds	–	–	–	–	–	–
8	Total First Resolution Debt Service		7.5	7.5	7.5	7.5	7.5
	Subordinated Obligations						
	Second Resolution Debt Service (1)						
9	Outstanding Second Resolution Bonds issued to the Public (2)		1,568.8	1,514.6	1,600.3	1,578.9	1,559.6
	Anticipated Future Second Resolution Bonds to be issued to the Public						
10	Fiscal Year 2026 Bonds	2,203.0	64.1	134.5	134.5	134.5	134.5
11	Fiscal Year 2027 Bonds	2,417.0	–	70.4	147.7	147.7	147.7
12	Fiscal Year 2028 Bonds	2,659.0	–	–	77.4	162.4	162.4
13	Fiscal Year 2029 Bonds	2,892.0	–	–	–	84.2	176.5
14	Fiscal Year 2030 Bonds	2,967.0	–	–	–	–	86.4
15	Interest Payments on Commercial Paper Notes		17.0	17.0	17.0	17.0	17.0
16	Outstanding Second Resolution Bonds issued to Corporation		450.2	428.9	404.5	393.3	399.6
	Anticipated Future Second Resolution Bonds to be issued to the Corporation						
17	Fiscal Year 2026 Bonds	299.0	8.9	21.6	21.6	21.6	21.6
18	Fiscal Year 2027 Bonds	299.0	–	8.9	21.6	21.6	21.6
19	Fiscal Year 2028 Bonds	299.0	–	–	8.9	21.6	21.6
20	Fiscal Year 2029 Bonds	299.0	–	–	–	8.9	21.6
21	Fiscal Year 2030 Bonds	299.0	–	–	–	–	8.9
22	Less: Current Corporation Subsidy (2)		(96.0)	(91.5)	(86.2)	(80.7)	(75.0)
23	Less: Future Corporation Subsidy (3)		(2.9)	(8.8)	(14.6)	(20.3)	(26.0)
24	Total Debt Service on FGR Subordinated Indebtedness		2,010.0	2,095.6	2,332.6	2,490.6	2,678.0
25	Less: Carryforward Net Year-end Balance		(1,782.9)	(1,660.9)	(1,627.8)	(1,581.1)	(1,628.6)
26	Net Debt Service on FGR Subordinated Indebtedness		227.10	434.70	704.80	909.50	1,049.40
27	Total Debt Service Payable from Current Revenues		$234.70	$442.30	$712.40	$917.00	$1,056.90

Totals may not add due to rounding.
(1) Debt service does not reflect federal interest subsidy payments on Build America Bonds. Federal subsidy payments on outstanding Build America Bonds are included as Revenues. See "FINANCIAL OPERATIONS – Projected Revenues."
(2) Includes the estimated Corporation subsidy on Outstanding Second Resolution Bonds.
(3) Includes the estimated Corporation subsidy on anticipated future Second Resolution Bonds.

For purposes of these projections, the Authority has assumed that interest rates on future fixed rate First Resolution Bonds and Second Resolution Bonds issued to the public will be 6.00% for Fiscal Year 2026 through Fiscal Year 2030. Interest rates on future fixed rate Second Resolution Bonds issued to the Corporation are assumed to be 5.95% for Fiscal Year 2026 through Fiscal Year 2030, prior to expected interest rate subsidies. Existing and future adjustable rate bonds and Commercial Paper Notes are assumed to bear interest at 4.25% for Fiscal Year 2026 through Fiscal Year 2030.

Debt Service Requirements

The debt service requirements schedule on the following page sets forth as of the date of this Official Statement the amount required during each Fiscal Year (ending June 30) shown therein for the payment of the principal of and the interest on Outstanding First Resolution Bonds and Second Resolution Bonds assuming that all adjustable rate bonds bear interest at a rate of 4.25% for each Fiscal Year, with interest computed on the basis of a 30-day month

and a 360-day year. The debt service requirements schedule does not include debt service on any outstanding Commercial Paper Notes or payments under interest rate exchange agreements.

Refundable Principal Installments in the aggregate principal amount of $532,920,000 are assumed to be amortized as described herein under "SECURITY FOR THE SECOND RESOLUTION BONDS – Refundable Principal Installments" at the following interest rates from the Series maturity dates through the following assumed amortization dates (*i.e.*, the last date on which the Series could have been authorized to be paid under the Act):

Refundable Principal Installments

Series	Maturity Date (June 15)	Principal Amount	Assumed Interest Rate[(1)]	Assumed Amortization Through (June 15)
2021 Subseries CC-2	2028	$75,000,000	2.78%	2060
2022 Subseries AA-2	2028	50,000,000	2.94	2061
2023 Subseries AA-2	2028	19,880,000	4.67	2052
2023 Subseries AA-2	2028	5,035,000	4.67	2053
2020 Subseries GG-2	2029	65,000,000	3.02	2059
2023 Subseries AA-2	2029	27,150,000	4.67	2058
2024 Subseries AA-2	2030	88,710,000	4.67	2063
2023 Subseries AA-2	2032	27,145,000	4.67	2058
2022 Subseries CC-2	2035	50,000,000	3.31	2061
2024 Subseries AA-2	2035	125,000,000	4.67	2063

(1) The interest rate assumed for the calculation of debt service from the maturity dates through the assumed amortization dates is the actual interest cost of the Series of Bonds that include the Refundable Principal Installment.

For additional information regarding Refundable Principal Installments, see "SECURITY FOR THE SECOND RESOLUTION BONDS – Refundable Principal Installments."

[Remainder of page intentionally left blank]

Debt Service Requirements

FY Ending June 30	Debt Service on Outstanding Authority Bonds: First Resolution Bonds (1)	Debt Service on Outstanding Authority Bonds: Second Resolution Bonds (2)(3)(4)(5)(6)	Fiscal 2026 Series DD: Principal	Fiscal 2026 Series DD: Interest	Debt Service on Fiscal 2022 Series DD	Debt Service on Fiscal 2026 Series EE	Debt Service on Fiscal 2026 Series FF	Total Debt Service on Second Resolution Bonds, including Fiscal 2026 DD, Fiscal 2022 DD, Fiscal 2026 EE and Fiscal 2026 FF (1)(2)(3)(4)(5)(6)
2026	-	$1,171,213,952	-	$ 8,533,811	$ 826,625	$ 1,605,556	$ 1,636,302	$1,183,816,245
2027	-	1,843,323,283	$ 38,165,000	45,179,000	4,376,250	8,500,000	8,662,775	1,948,206,308
2028	-	1,938,556,911	11,820,000	43,270,750	4,376,250	8,500,000	8,662,775	2,015,186,686
2029	-	1,926,013,614	-	42,679,750	4,376,250	8,500,000	8,662,775	1,990,232,389
2030	-	1,903,604,255	13,330,000	42,679,750	4,376,250	8,500,000	8,662,775	1,981,153,030
2031	-	2,169,418,698	-	42,013,250	4,376,250	8,500,000	8,662,775	2,232,970,973
2032	-	1,985,464,801	141,000,000	42,013,250	4,376,250	8,500,000	8,662,775	2,190,017,076
2033	-	2,060,319,427	-	34,963,250	91,901,250	8,500,000	8,662,775	2,204,346,702
2034	-	2,147,398,842	11,780,000	34,963,250	-	8,500,000	8,662,775	2,211,304,867
2035	-	2,113,053,996	40,190,000	34,374,250	-	8,500,000	8,662,775	2,204,781,021
2036	-	2,127,991,171	74,265,000	32,364,750	-	8,500,000	8,662,775	2,251,783,696
2037	-	2,118,871,690	62,535,000	28,651,500	-	8,500,000	8,662,775	2,227,220,965
2038	-	1,956,120,535	195,570,000	25,524,750	-	8,500,000	8,662,775	2,194,378,060
2039	-	2,062,936,580	82,710,000	15,746,250	-	8,500,000	8,662,775	2,178,555,605
2040	-	2,331,890,623	-	11,610,750	-	8,500,000	8,662,775	2,360,664,148
2041	-	2,087,450,706	-	11,610,750	-	208,500,000	212,492,775	2,520,054,231
2042	-	2,446,574,677	-	11,610,750	-	-	-	2,458,185,427
2043	-	2,487,843,996	-	11,610,750	-	-	-	2,499,454,746
2044	-	2,386,448,682	-	11,610,750	-	-	-	2,398,059,432
2045	-	2,354,704,425	-	11,610,750	-	-	-	2,366,315,175
2046	-	2,290,718,839	232,215,000	11,610,750	-	-	-	2,534,544,589
2047	-	2,396,555,718	-	-	-	-	-	2,396,555,718
2048	-	2,360,512,785	-	-	-	-	-	2,360,512,785
2049	-	2,281,771,243	-	-	-	-	-	2,281,771,243
2050	-	1,883,459,641	-	-	-	-	-	1,883,459,641
2051	-	1,489,009,333	-	-	-	-	-	1,489,009,333
2052	-	1,282,173,620	-	-	-	-	-	1,282,173,620
2053	-	1,082,858,487	-	-	-	-	-	1,082,858,487
2054	-	927,751,474	-	-	-	-	-	927,751,474
2055	-	1,280,665,138	-	-	-	-	-	1,280,665,138
2056	-	894,766,388	-	-	-	-	-	894,766,388
2057	-	29,153,425	-	-	-	-	-	29,153,425
2058	-	29,153,425	-	-	-	-	-	29,153,425
2059	-	25,599,698	-	-	-	-	-	25,599,698
2060	-	22,273,713	-	-	-	-	-	22,273,713
2061	-	18,706,669	-	-	-	-	-	18,706,669
2062	-	13,419,573	-	-	-	-	-	13,419,573
2063	-	13,419,573	-	-	-	-	-	13,419,573
Total	**-**	**$59,941,169,606**	**$903,580,000**	**$554,232,811**	**$118,985,375**	**$329,105,556**	**$335,407,927**	**$62,182,481,274**

(*Footnotes on following page*)

(*Footnotes from prior page*)

Totals may not add due to rounding.

(1) Excludes debt service on the First Resolution Refunded Bonds.

(2) Excludes debt service on the Second Resolution Refunded Bonds and the Second Resolution Bonds anticipated to be refunded with proceeds of the Fiscal 2026 EE Bonds and Fiscal 2026 FF Bonds. Includes debt service on the Fiscal 2026 Series 5 Bonds and the direct loan to the Authority described in "PLAN OF FINANCE." Excludes debt service on the Second Resolution Bonds to be refunded with the proceeds of the Fiscal 2026 Series 5 Bonds and the direct loan to the Authority as described in "PLAN OF FINANCE."

(3) Net of projected subsidy from the Corporation.

(4) Does not reflect the interest subsidy provided by the federal government on Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009 (the "Recovery Act").

(5) Assumes that Refundable Principal Installments will be amortized as provided in the definition of Adjusted Debt Service rather than paid in full at maturity. See "SECURITY FOR THE SECOND RESOLUTION BONDS – Refundable Principal Installments" for additional information.

(6) Debt service on the Second Resolution Bonds is net of economically defeased Bonds.

[Remainder of page intentionally left blank]

FINANCIAL OPERATIONS

Historical Financial Operations

The following table shows a summary of the historical cash flows for the Authority for Fiscal Years 2021 through 2025.

Historical Cash Flows
(Millions of Dollars)

Line No.	Description	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
	Operating Revenues					
1	User Payments (1)	$3,428.8	$3,645.5	$3,921.6	$3,994.8	$4,501.4
2	Upstate Revenue	89.0	76.1	92.6	98.9	101.0
3	Miscellaneous Revenue (2)	57.9	50.1	41.3	67.4	83.9
	Other Revenues					
4	Interest on Funds (3)	25.8	15.9	75.9	154.6	158.5
5	Federal Subsidy on Outstanding Build America Bonds	80.5	48.4	48.3	24.1	46.2
6	Total Revenues	3,682.0	3,836.0	4,179.7	4,339.8	4,891.0
7	**Total First Resolution Debt Service**	8.6	8.8	17.4	15.6	13.5
	Debt Service on Second Resolution Bonds (4)					
8	Outstanding Second Resolution Bonds issued to the public	984.8	1,001.2	1,122.6	1,443.6	1,430.9
9	Interest Payments on Commercial Paper Notes	–	–	–	–	
10	Outstanding Second Resolution Bonds issued to the Corporation	466.4	530.8	566.6	539.6	542.5
11	Less: Corporation Subsidy and Capitalized Interest on FGR Subordinated Bonds	(103.2)	(98.9)	(101.8)	(97.4)	(102.3)
12	Total Debt Service on Second Resolution Bonds	1,348.0	1,433.1	1,587.4	1,885.8	1,871.1
13	Less: Carryforward Revenues	(1,081.0)	(1,080.3)	(1,286.5)	(1,726.4)	(1,833.9)
14	Net Debt Service on Second Resolution Bonds	267.0	352.8	300.9	159.4	37.1
15	Total Debt Service Payable from Current Revenues	275.6	361.6	318.3	175.0	50.6
	Operating Expenses					
16	Authority Operations	45.9	44.8	42.7	42.1	39.5
17	Board Operations	49.7	32.3	41.3	63.4	65.8
18	Water System	657.7	664.4	723.3	779.9	803.9
19	Sewer System	913.5	951.9	1,030.4	1,070.6	1,108.5
20	Indirect Expense	9.9	9.9	23.1	23.3	24.0
21	Judgments and Claims	8.0	8.0	8.0	8.0	8.0
22	Net Operating Expenses	1,684.8	1,711.4	1,868.8	1,987.3	2,049.7
23	(Credit)/Charge for Prior Year O&M Payment Reconciliation (5)	(93.7)	–	(98.2)	(74.8)	(74.0)
24	Deposits to O&M Reserve Fund	9.5	12.0	26.6	–	–
25	Base Rental Payment to the City (6)	137.0	–	–	145.0	289.0
26	Cash Defeasance of Debt	406.9	254.7	0.0	202.1	534.1
27	Cash Financed Capital Construction	300.0	325.0	425.0	118.5	0.0
28	Total Expenses	2,444.5	2,303.1	2,222.3	2,378.2	2,798.8
29	Cash Released from Escrow (7)	(118.4)	(115.2)	(87.3)	(47.3)	0.0
30	Net Year-end Balance (line 6-line 15-line 28-line 29)	$1,080.3	$1,286.5	$1,726.4	$1,833.9	$2,041.7
31	First Resolution Debt Service Coverage (line 6/line 7) (8)	428.14x	435.91x	240.90x	277.82x	362.30x
32	First and Second Resolution Debt Service Coverage ((line 6-line 16)/line 15) (8)	13.19x	10.48x	13.00x	24.56x	95.88x

Column subtotals and totals may reflect adjustments for rounding of amounts shown in individual line items.

(1) Includes both current payments and payments relating to accounts in arrears. Fiscal Year 2023 revenues reflect the impact of the amnesty program. Fiscal Year 2025 revenues reflect the lien sale that was completed in that Fiscal Year.

(2) Miscellaneous Revenue excludes subsidy payments from the Corporation on First Resolution Bonds or Second Resolution Bonds. Miscellaneous Revenue includes fees paid for a variety of services such as new connections to the System and fees paid for the review of developers' plans.

(3) Includes interest income on the Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Subordinated Indebtedness Fund and the Revenue Fund and interest earned in the Board's accounts.

(4) Does not reflect interest subsidy on Build America Bonds provided by the federal government pursuant to the Recovery Act.

(5) The underspending in Fiscal Year 2021 was not applied as a credit to Fiscal Year 2022. Instead, both the Fiscal Year 2021 underspending and the Fiscal Year 2022 underspending were combined for a total credit of $98.2 million, which was applied as an offset to Fiscal Year 2023 expenses.

(6) In Fiscal Years 2021, 2024 and 2025, the City requested a base rental payment of $137 million, $145 million and $289 million, respectively. In Fiscal Years 2022 and 2023, the City did not request the base rental payment.

(7) Funds released from escrows set up to economically defease Outstanding Second Resolution Bonds.

(8) Coverage calculations based on numbers prior to rounding.

Total Revenues shown in the table above record actual cash received by the System and do not reflect either accounts receivable or billing accruals. The System has consistently realized collections of cash revenues in amounts exceeding costs for debt service, current operations and required levels of coverage. This has been achieved while maintaining residential water and sewer service costs at a level which is below the average of comparable large cities.

The User Payments in Fiscal Year 2022 were $216.7 million or 6.3% greater than in Fiscal Year 2021 largely due to an increase in water consumption by customers billed at metered rates compared to the prior year, an increase in water and sewer rates for all customers of 2.76% and a slower rate of growth in delinquencies. The User Payments in Fiscal Year 2023 were $276.1 million or 7.6% greater than in Fiscal Year 2022 primarily due to the receipt of approximately $105 million from the one-time amnesty program offered by the Board and an increase in water and sewer rates for all customers of 4.90%. In Fiscal Year 2024, User Payments were $73.2 million or 1.9% greater than in Fiscal Year 2023. Such increase is less than in Fiscal Year 2023 due to an end to the amnesty program which partially offset an increase in water and sewer rates for all customers of 4.42%. The User Payments in Fiscal Year 2025 were $506.6 million or 12.7% greater than in Fiscal Year 2024 largely due to a lien sale in Fiscal Year 2025 generating over $180 million in collections and an increase in water and sewer rates for all customers of 8.50%. For additional information on delinquencies, see below and "– Projected Revenues." For additional information on assumptions relating to lien sales, see "– Projected Revenues" and "RATES AND BILLINGS – Accounts, Billing and Collection."

The System reimburses the City based on budgeted expense amounts certified by the City's Director of Management and Budget pursuant to the Lease. Credits or payments between the City and the System are made in the subsequent Fiscal Year based on a reconciliation between the actual expenses incurred and the amounts reimbursed to the City by the System. The credit or charge resulting from the reconciliation of prior year expenses is shown in line 23 of the Historical Cash Flows table.

Projected Revenues

As indicated in the table below, "Subtotal Service Revenue" is projected as of June 23, 2025 to increase from approximately $4.6 billion in Fiscal Year 2026 to approximately $5.9 billion in Fiscal Year 2030 due to projected rate increases set forth below in "RATES AND BILLINGS – Rates," as well as the assumptions outlined below.

Assumptions

All projected Revenues are as of June 23, 2025. The projected Revenues assume that water consumption will decline at the rate of 1% per year in Fiscal Years 2026 through 2030. This rate of decline is relatively consistent with the long-term trend in total water use in the City and the rates of decline in other large cities in the United States.

Projected Revenues for Fiscal Years 2026 through 2030 also assume the issuance of flat rate bills in mid-June of each year, timely receipt of the City payment for water and sewer charges in each year, the successful use of bill collection strategies by DEP in each year, as described below, and no limitations on the supply of water to the City and to upstate customers during the Rondout-West Branch Tunnel shutdown. See "THE SYSTEM – The Water System – Water Collection and Distribution – *The Rondout-West Branch Tunnel*." In addition, Projected Revenues assume a water and sewer lien sale in each of Fiscal Year 2026 though Fiscal Year 2030, which assumes the extension of the current lien sale authorization expiring on December 31, 2028. While the exact impact on Revenues of having a lien sale in each Fiscal Year is not known, Projected Revenues assume $75 million per Fiscal Year from lien sales in each Fiscal Year of the forecast period. It is now expected that no lien sale will occur in Fiscal Year 2026. For more information on the current lien sale authorization, see "RATES AND BILLINGS – Accounts, Billing and Collection."

Projected Revenues assume the successful impact of certain bill collection strategies aimed at reducing accounts receivable (the "A/R Reduction Strategy"), including strengthened collections enforcement, water service shut-offs, and additional incentives for customers to enroll in monthly paperless billing and automatic bill pay. On May 1, 2023, DEP began issuing water shut-off notices to a limited number of non-residential accounts as well as single family homes. Such notices are intended to prompt the specific customers receiving notices as well as the customer base in general to pay their outstanding bills. Additional shut-off notices were issued in Fiscal Year 2025 and are expected to be issued in subsequent years. DEP expects to shut-off water for those noticed customers that fail to either pay their delinquent bills in full or make down payments on the amounts owed and enter into payment agreements for the remaining balance. In Fiscal Year 2025, DEP issued 15-day shut-off notices to 1,000 customers

and received over $10 million in related payments. Payment agreements were completed for additional billings of over $13 million. DEP also increased its use of an outside law firm to enforce liens and claims against the properties of delinquent customers.

The Board has the option to increase water and sewer rates to mitigate all or part of the impact of shortfalls in User Payments, if any were to occur. The Board would be required to raise rates to increase Revenues if needed to provide adequate funds to pay the debt service on outstanding Authority indebtedness and the City's cost of operating and maintaining the System. DEP, the Authority, the Board and the Co-Rate Consultants routinely monitor actual cash receipts relative to the monthly forecast of such receipts.

Upstate revenues are projected to increase from approximately $98.9 million in Fiscal Year 2026 to approximately $120.3 million in Fiscal Year 2030. This projected growth in upstate revenues reflects anticipated increases in the cost of water supply services and resulting charges in each of those years. Anticipated revenues from upstate customers reflect the efforts by such customers in recent years to reduce consumption through leak repairs and other measures.

The City's February 2026 Financial Plan reflects the City's intent to request the maximum annual rental payment for Fiscal Years 2026 through 2030. The projections as of June 23, 2025 assume base rental payments at the projected maximum amounts in Fiscal Year 2026 through 2030 in the amounts of $295.8 million, $308.7 million, $344.2 million, $367.9 million and $396.0 million, respectively.

The impact of the base rental payment requests on Fiscal Year 2026 water rates was mitigated by several factors, including: a) actual carryforward revenues of $1.834 billion from Fiscal Year 2024 to Fiscal Year 2025 that were greater than projected, representing an increase of $158.6 million from the anticipated carryforward revenues of $1.675 billion; and b) underspending of $74 million in Fiscal Year 2024 which served as a credit to operation and maintenance expenses in Fiscal Year 2025. Fiscal Year 2027 rates are projected to benefit from higher than projected carryforward revenues from Fiscal Year 2025 to Fiscal Year 2026 of $259 million and higher than expected underspending in Fiscal Year 2025 of $59 million.

For the first seven months of Fiscal Year 2026, actual fixed interest rates and interest rates on variable rate obligations are lower than the assumed rates. Water and sewer payments for the first seven months of Fiscal Year 2026 were approximately $176 million, or 5.9%, higher than the amounts projected for this period as of June 23, 2025. It is too early in Fiscal Year 2026 to estimate whether full-year receipts or interest rates and resulting interest costs will be higher, lower or consistent with current expectations.

The table set forth below shows the System's projected Revenues as of June 23, 2025 for Fiscal Years 2026 through 2030. See "INTRODUCTORY STATEMENT – Financial Projection Assumptions."

[Remainder of page intentionally left blank]

Projected Revenues
(Millions of Dollars)

Line No.	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	Operating Revenues					
1	User Payments (1)	$ 4,474.6	$ 4,697.5	$ 5,028.7	$ 5,404.9	$ 5,812.1
2	Upstate Revenues	98.9	103.9	109.1	114.5	120.3
3	Subtotal Service Revenue	4,573.6	4,801.4	5,137.8	5,519.4	5,932.4
4	Miscellaneous Revenues (2)	25.3	26.6	27.9	29.3	30.8
5	Subtotal Operating Revenue	4,598.9	4,828.0	5,165.7	5,548.7	5,963.2
	Nonoperating Revenues					
6	Interest Income on System Funds (3)	55.9	51.7	54.7	57.7	60.1
7	Federal Subsidy on Build America Bonds (4)	45.3	45.3	45.3	45.3	45.3
8	Subtotal Nonoperating Revenue	101.2	97.0	100.0	103.0	105.5
9	Total Revenues	$ 4,700.1	$ 4,925.0	$ 5,265.7	$ 5,651.8	$ 6,068.6

Totals may not add due to rounding. Figures are calculated on a cash basis.
Source: Carollo.

(1) Includes both current payments and payments relating to accounts in arrears. Lien sales are assumed in each year. For more information on the current lien sale authorization, see "RATES AND BILLINGS – Accounts, Billing and Collection." No amnesty programs are authorized or assumed during the forecast period.

(2) Miscellaneous Revenues exclude subsidy payments from the Corporation on First Resolution Bonds or Second Resolution Bonds. Miscellaneous Revenues include fees paid for a variety of services provided by DEP such as new connections to the System and fees paid for the review of developers' plans.

(3) Includes interest income on the Construction Fund, the Debt Service Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund.

(4) Reflects a reduction of the federal subsidy due to federal sequestration, assumed to be 5.7% for each year through Fiscal Year 2030.

Metered Consumption

Projected revenues assume that billed water consumption by metered customers will decline at the rate of 1.0% per year. Billed water consumption for metered customers in Fiscal Year 2025 (i.e., July 2024 through June 2025) was 256.0 million hundred cubic feet (ccf), which was 0.7% higher than billed consumption during the prior fiscal year. Billed water consumption for metered customers in the first three months of Fiscal Year 2026 (i.e., July 2025 through September 2025), the most recent data available, was 1.7% lower than billed water consumption during the same period in the prior fiscal year.

Collections

The following table sets forth the System's accounts receivable outstanding as of December 31 in each of the following years: 2023, 2024 and 2025.

Accounts Receivable Balances
(Dollars in Millions)

	Accounts Receivable Outstanding for 30 Days or Longer			Accounts Receivable Outstanding for 90 Days or Longer			Accounts Receivable Outstanding for 180 Days or Longer		
Date	Balance	Increase (Decrease) from Prior Year	Number of Accounts	Balance	Increase (Decrease) from Prior Year	Number of Accounts	Balance	Increase (Decrease) from Prior Year	Number of Accounts
Dec. 31, 2023	$1,280.8	$104.0 / 8.8%	205,296	$1,144.6	$112.6 / 10.9%	128,640	$1,019.2	$104.9 / 11.5%	93,639
Dec. 31, 2024	$1,495.1	$214.3 / 16.7%	198,622	$1,342.5	$197.9 / 17.3%	129,501	$1,200.6	$181.4 / 17.8%	97,092
Dec. 31, 2025	$1,510.0	$14.9 / 1.0%	192,322	$1,365.2	$22.7 / 1.7%	127,522	$1,231.0	$30.4 / 2.5%	94,878

Projected Operating and Maintenance Expenses

The table set forth below shows, for Fiscal Years 2026 through 2030, the System's projected operation and maintenance expenses as of June 23, 2025. See "INTRODUCTORY STATEMENT – Financial Projection Assumptions."

Projected Operation and Maintenance Expenses
(Millions of Dollars)

Line No.	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Authority Operations	$ 56.1	$ 58.9	$ 61.9	$ 64.9	$ 66.9
2	Board Operations	75.1	77.4	79.7	82.1	84.5
	Water Operations					
3	Personal Services	361.9	373.5	384.4	395.4	407.3
4	Other Than Personal Services	522.0	504.3	524.5	548.0	564.4
5	Total Water Operations	883.8	877.8	908.9	943.4	971.7
	Wastewater Operations					
6	Personal Services	656.0	677.4	697.2	717.1	738.6
7	Other Than Personal Services	579.7	596.8	622.5	647.7	667.1
8	Total Wastewater Operations	1,235.7	1,274.2	1,319.7	1,364.8	1,405.8
9	Indirect Expenses	9.9	9.9	9.9	9.9	9.9
10	Judgments and Claims	8.0	8.0	8.0	8.0	8.0
11	Net Operating Expenses	2,268.6	2,306.2	2,388.0	2,473.1	2,546.8
12	Credit/Charge for Prior Year Excess O&M Payment (1)	–	–	–	–	–
13	Net Operating Expense Payments	2,268.6	2,306.2	2,388.0	2,473.1	2,546.8
14	Deposits to O&M Reserve Fund	15.1	15.1	15.1	15.1	15.1
15	Base Rental Payment to the City (2)	295.8	308.7	344.2	367.9	396.0
16	Cash Financed Capital Construction (3)	225.0	225.0	225.0	250.0	250.0
17	Total Expenses	$ 2,804.6	$ 2,854.9	$ 2,972.3	$ 3,106.1	$ 3,207.9

Totals may not add due to rounding. Figures are calculated on a cash basis.
Source: Carollo.

(1) As of June 23, 2025, no credit was assumed for underspending in Fiscal Year 2025. The actual underspending amount was $59.3 million, which will be applied as a credit towards Fiscal Year 2026 expenses.

(2) Projections for Fiscal Years 2026 through 2030 as of June 23, 2025, reflect the assumption of a base rental payment in Fiscal Year 2026 in the amount of $295.8 million, as well as maximum base rental payments in each year thereafter. See *"Assumptions."*

(3) Funds projected for Cash Financed Capital Construction may be used for the defeasance of bonds in addition to funds otherwise provided for the defeasance of bonds and may be increased or decreased by the Authority from the amounts projected in each year.

Operating expenses include administrative costs associated with the Authority and the Board, direct operating costs for the System, indirect operating costs of DEP, and other expenses and adjustments to annual operating expenses. Each of these is explained more fully below.

Authority Operations. Administrative expenses of the Authority, shown on Line 1 of the table above, include annual fees required by the Corporation in connection with the Authority's participation in the State Revolving Fund Program. These fees are projected to be $15.0 million in Fiscal Year 2026. Other expenses of the Authority include but are not limited to fees related to adjustable rate bonds, Commercial Paper Notes and the management of investments and arbitrage rebate payments.

Board Operations. The expenses of the Board include payments for the Service Line Protection Program ("SLPP") which is managed by a third party, American Water Resources. In Fiscal Year 2026, SLPP payments are expected to be $62 million. Corresponding revenues for the SLPP are included in User Payments and are based on monthly charges for water service lines and/or sewer service lines. Enrollment in the SLPP is optional for customers. Other expenses of the Board include lock box services and professional services firms retained by the Board.

Personal Services Cost. Personal services costs for both water operations and wastewater operations include direct salary costs plus fringe benefit and pension costs. The projected personal services costs for Fiscal Years 2026 through 2030 as of June 23, 2025, reflect an allowance for fringe benefit and pension costs of 54.18% of salaries and wages in each year. Total personal service costs are assumed to increase at a rate of approximately 3% annually, which reflects changes in salaries and wages, staffing levels, overtime and other labor-related expenses. For information on assumptions with respect to labor settlements, see "THE DEPARTMENT OF ENVIRONMENTAL PROTECTION – Labor Relations."

Water Operations. The operating costs of the Water System include direct operation and maintenance costs applicable to one or more functional areas of the Water System and the distribution system as well as certain indirect operating costs of the DEP which are allocated between the Water System and the Sewer System. The operating costs of the Water System are divided into personal services costs and other than personal services costs.

Other than personal services costs include property taxes paid to upstate communities for watershed properties as well as chemicals, electricity, and other expenses. All but a small percentage of the Water System functions by gravity so that electricity costs necessary to maintain normal water transmission and distribution are relatively small.

Property tax payments for City-owned watershed lands are expected to be approximately $169.0 million in Fiscal Year 2026. Property taxes on all watershed properties are assumed to increase at the rate of 3% annually through Fiscal Year 2030.

DEP adds chemicals, including fluoride and chlorine, to drinking water and uses other chemicals in the treatment of wastewater. In Fiscal Year 2026, the anticipated cost of chemicals for the System is approximately $160 million.

In accordance with the watershed protection agreement, DEP will implement additional programs which will enhance the ability of the City and the communities located in the watershed area to protect the quality of the water supply. The projected other than personal services costs for Fiscal Year 2026 include $68 million for programs related to filtration avoidance including the operation and maintenance of wastewater treatment facilities in the watershed. The budgeted amounts will increase in subsequent years. Such programs also include certain capital investments which are contained within the CIP. The forecasted operation and maintenance expenses for the Water System reflect operation and maintenance costs due to the Watershed Agreement.

In Fiscal Year 2026, operation and maintenance expenses for the Croton Filtration Plant and the UV Facility (defined below) are projected to be a total of $74 million. This amount includes allowances for police and security but excludes property taxes for the UV Facility. Operating expenses at these plants are assumed to increase at the rate of 3% annually through Fiscal Year 2030.

Budgeted Water System expenses for Fiscal Year 2025 included an allowance of $25.5 million on a one-time basis for non-labor costs associated with the Delaware Aqueduct repairs. As a result of the delay of the Delaware Aqueduct shutdown, the majority of these funds were not spent. It is anticipated that when the shutdown recommences, expenses related to the shutdown, the total amount of which is not certain at this time, will be added to future budgets.

Wastewater Operations. The operating costs of the Sewer System include direct operation and maintenance costs applicable to one or more functional areas of the Sewer System as well as certain indirect operating costs of DEP allocated to the Water System and the Sewer System. The operating costs of the Sewer System are also divided into personal services and other than personal services costs.

Other than personal services costs are assumed to increase at an estimated rate of 3% per year for the forecast period. Other than personal services costs include electricity for the water pollution control plants, pump stations and service yards, chemicals, and other expenses. Electricity, which represents a significant expense in operating the treatment plants and pump stations, is supplied primarily by the Power Authority of the State of New York. The estimated costs for heat, light and power for the Water System and the Sewer System in Fiscal Year 2026 are approximately $141 million. The vast majority of such expenses are for electricity for the Sewer System. The allowance for fuel oil and gasoline in Fiscal Year 2026 is $10 million. Another major component of other than personal services costs for the Sewer System is biosolids management, which is projected to be $63 million in Fiscal Year 2026.

Projected operating expenses for the System do not include provisions for the payment of any potential fines or penalties. See "THE SYSTEM." In the event that fines or penalties are required to be paid, operating expenses will increase in the year in which such payments are made.

Other Expenses. Other expenses of the System include indirect expenses and judgments and claims. Indirect expenses, shown on Line 9 of the table, reflect costs allocated to the System for support provided by various City agencies and departments. Services provided include budget preparation and review, cost and revenue accounting,

billing and collection, and legal support. The method of allocating these costs to the System is based upon costs initially allocated to DEP and subsequently divided between those attributable to water and sewer and those costs associated with other activities of DEP. The costs allocated to DEP as a whole are derived from the total costs of City support agencies and departments and a formalized cost allocation plan which distributes the costs to affected departments and agencies. DEP's billing and collection expenses are included in the operation and maintenance costs of the Water System and the Sewer System.

The base rental payment is described in Section 8.2 of the Lease. See "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Summary of the Lease – Base Rental Payments." The City requested a base rental payment in Fiscal Years 2024 and 2025. The City's February 2026 Financial Plan reflects the City's intent to request the projected maximum annual rental payment for Fiscal Years 2026 through 2030. The projections as of June 23, 2025, assume that base rental payments in the maximum amounts of $295.8 million, $308.7 million, $344.2 million, $367.9 million and $396.0 million will be made in Fiscal Years 2026 through 2030, respectively. Base rental payments are subordinate to required daily deposits for Authority expenses, Authority debt service, Board expenses, and System operation and maintenance expenses. See "Assumptions."

Projected Financial Operations

The following table shows a summary of the forecasted cash flows for the Authority as of June 23, 2025 for Fiscal Year 2026 through Fiscal Year 2030. See "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Debt Service Requirements." See "RATES AND BILLINGS – Rates – Projected Rates." The projected rate increases described herein under "RATES AND BILLINGS – Rates" have been assumed in order to meet projected cash expenditures in compliance with the Rate Covenant. See "FINANCIAL OPERATIONS – Projected Revenues." As shown on Line 33 of the following table, positive net year-end balances are projected to be maintained throughout the reporting period. Line 34 illustrates the projected coverage of First Resolution debt service by current revenues available for debt service. Line 35 illustrates the projected coverage of First Resolution and Second Resolution debt service by current revenues available for debt service less Authority expenses.

As of July 21, 2025, funds to pay 100% of Fiscal Year 2026 projected debt service payments (net of projected carryforward revenues) and Authority expenses were being held by the Trustee or have been paid. With respect to Fiscal Years 2021, 2022, 2023, 2024 and 2025, funds to pay 100% of projected debt service payments (net of projected carryforward revenues) and Authority expenses were held or paid by August 18, 2020, September 16, 2021, August 1, 2022, August 10, 2023, and August 10, 2024, respectively.

The projected Revenues in Fiscal Year 2026 reflect the adopted annual increase in rates of 3.70% for Fiscal Year 2026. The projected Revenues assume a rate increase of 7.00% in Fiscal Year 2027 and 8.5% annually in Fiscal Years 2028 through 2030. Such rate increases have not been adopted. See "RATES AND BILLINGS – Rates."

[Remainder of page intentionally left blank]

Forecasted Cash Flows
(Millions of Dollars)

Line No.	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
	Operating Revenues					
1	User Payments (1)	$ 4,474.6	$ 4,697.5	$ 5,028.7	$ 5,404.9	$ 5,812.1
2	Upstate Revenue	98.9	103.9	109.1	114.5	120.3
3	Miscellaneous Revenue (2)	25.3	26.6	27.9	29.3	30.8
	Other Revenues					
4	Interest on Funds (3)	55.9	51.7	54.7	57.7	60.1
5	Federal Subsidy on Outstanding Build America Bonds (4)	45.3	45.3	45.3	45.3	45.3
6	Total Revenues	4,700.1	4,925.0	5,265.7	5,651.8	6,068.6
	First Resolution Debt Service					
7	Outstanding Bonds	7.5	7.5	7.5	7.5	7.5
8	Anticipated Future Bonds	–	–	–	–	–
9	Total First Resolution Debt Service	7.5	7.5	7.5	7.5	7.5
	Debt Service on Second Resolution Bonds (5)					
10	Outstanding Second Resolution Bonds issued to the public	1,568.8	1,514.6	1,600.3	1,578.9	1,559.6
11	Anticipated Future Second Resolution Bonds to be issued to the public	64.1	204.8	359.5	528.7	707.4
12	Interest Payments on Commercial Paper Notes	17.0	17.0	17.0	17.0	17.0
13	Outstanding Second Resolution Bonds issued to the Corporation	450.2	428.9	404.5	393.3	399.6
14	Anticipated Future Second Resolution Bonds to be issued to the Corporation	8.9	30.5	52.1	73.7	95.3
15	Less: Corporation Subsidy and Capitalized Interest on FGR Subordinated Bonds	(99.0)	(100.3)	(100.8)	(101.0)	(100.9)
16	Actual Debt Service on FGR Subordinated Indebtedness	2,010.0	2,095.6	2,332.6	2,490.6	2,678.0
17	Less: Carryforward Revenues (6)	(1,782.9)	(1,660.9)	(1,627.8)	(1,581.1)	(1,628.6)
18	Net Debt Service on FGR Subordinated Indebtedness	227.1	434.7	704.8	909.5	1,049.4
19	Total Debt Service Payable from Current Revenues	234.7	442.3	712.4	917.0	1,056.9
	Operating Expenses					
20	Authority Operations	56.1	58.9	61.9	64.9	66.9
21	Board Operations	75.1	77.4	79.7	82.1	84.5
22	Water System	883.8	877.8	908.9	943.4	971.7
23	Sewer System	1,235.7	1,274.2	1,319.7	1,364.8	1,405.8
24	Indirect Expense	9.9	9.9	9.9	9.9	9.9
25	Judgments and Claims	8.0	8.0	8.0	8.0	8.0
26	Net Operating Expenses	2,268.6	2,306.2	2,388.0	2,473.1	2,546.8
27	Credit/Charge for Prior Year O&M Payment Reconciliation (7)	-	-	-	-	-
28	Deposits to O&M Reserve Fund	15.1	15.1	15.1	15.1	15.1
29	Base Rental Payment to the City (8)	295.8	308.7	344.2	367.9	396.0
30	Cash Financed Capital Construction (9)	225.0	225.0	225.0	250.0	250.0
31	Total Expenses	2,804.6	2,854.9	2,972.3	3,106.1	3,207.9
32	Cash Released from Escrow (10)	-	-	-	-	-
33	Net Year-end Balance (line 6-line 19-line 31-line 32)	$1,660.9	$1,627.8	$1,581.1	$1,628.6	$1,803.8
34	First Resolution Debt Service Coverage (line 6/line 9)	622.94x	652.75x	697.91x	749.07x	804.33x
35	First and Second Resolution Debt Service Coverage ((line 6-line 20)/line 19)	19.79x	11.00x	7.31x	6.09x	5.68x

Source: Carollo.
Column subtotals and totals may reflect adjustments for rounding of amounts shown in individual line items.

(1) Includes both current payments and payments relating to accounts in arrears.
(2) Miscellaneous Revenue excludes subsidy payments from the Corporation on First Resolution Bonds or Second Resolution Bonds. Miscellaneous Revenue includes fees paid for a variety of services provided by DEP such as new connections to the System and fees paid for the review of developers' plans.
(3) Includes interest income on the Construction Fund, Debt Service Fund, Debt Service Reserve Fund and Subordinated Indebtedness Fund.
(4) Reflects a reduction of federal subsidy on Build America Bonds provided by the federal government pursuant to the Recovery Act due to federal sequestration, assumed to be 5.7% for each year through Fiscal Year 2030.
(5) Does not reflect the interest subsidy included in (4) above.
(6) The Carryforward Revenues shown above in Fiscal Year 2026 represent the projected amount as of June 23, 2025. The actual Carryforward Revenues are $2,041.7 million.
(7) As of June 23, 2025, no credit was assumed for underspending in Fiscal Year 2025. The actual underspending amount was $59.3 million, which will be applied as a credit towards Fiscal Year 2026 expenses.
(8) Projections for Fiscal Years 2026-2030 as of June 23, 2025, assume projected maximum base rental payments in each year. See *"Assumptions."*
(9) Funds projected for Cash Financed Capital Construction may be used for the defeasance of bonds in addition to funds otherwise provided for the defeasance of bonds and may be increased or decreased by the Authority from the amounts projected in each year.
(10) Funds projected to be released from escrows set up to economically defease Outstanding Second Resolution Bonds. These figures do not include funds released from escrows set up for legal or in-substance defeasance of debt.

RATES AND BILLINGS

Rates

The Board is responsible for setting rates in compliance with the Rate Covenant. See "SECURITY FOR THE SECOND RESOLUTION BONDS – Rate Covenant." The Board and the Authority each retain the firms of Carollo and Amawalk, the Authority's Co-Rate Consultants, for the purpose of conducting a detailed review of the structure of water and sewer rates. The Board considers the results of Carollo and Amawalk rate studies in establishing its rates and charges for service.

The System's rates and charges are largely exempt from federal and State regulation. Water rates, fees and charges for water supply are the responsibility of the Board and are not subject to further approval or regulation except for rates for upstate users. Approximately 2% of System revenues are collected from such upstate users. Sewer charges are established by the Board as a percentage of water charges. The Board uses data compiled from meter readings for billings and to determine the effectiveness of City-mandated conservation measures.

The following table sets forth the changes in rates for water and sewer service since Fiscal Year 2017:

History of Water and Sewer Rate Increases

Effective Date	Applicable Fiscal Year	Increase in Flat-Rate Water/Metered Water	Metered Water Rate (per ccf)(1)	Sewer Rate
July 1, 2016	2017	0.00%	$3.81	159% of water charge
July 1, 2017	2018	0.00	3.81	159% of water charge
July 1, 2018	2019	2.36	3.90	159% of water charge
July 1, 2019	2020	2.31	3.99	159% of water charge
July 1, 2020	2021	0.00	3.99	159% of water charge
July 1, 2021	2022	2.76	4.10	159% of water charge
July 1, 2022	2023	4.90	4.30	159% of water charge
July 1, 2023	2024	4.42	4.49	159% of water charge
July 1, 2024	2025	8.50	4.87	159% of water charge
July 1, 2025	2026	3.70	5.05	159% of water charge

(1) ccf: 100 cubic feet.

Projected Rates. As of June 23, 2025, forecasted debt service, operating and other costs for the System indicated the anticipated future increases in rates to be set by the Board for water and sewer services combined are 7.00% in Fiscal Year 2027 and 8.50% annually in Fiscal Year 2028 through Fiscal Year 2030. For more information on Projected Rates, see "Assumptions."

Basic Sewer Charge. For all properties connected to the Sewer System, or legally required to be connected after receiving proper notice, there is a charge imposed equal to a fixed percentage of the property's water charge. Since July 1, 1992, the sewer charge has remained at 159% of the water charge.

Minimum Charge. Customers who use less than approximately 75 gallons of water per day receive a minimum bill for water and sewer use. There has been no increase to the minimum charge in recent years, which remains at $1.27 per day, the level that became effective on July 1, 2013.

Sewer Allowances. Certain commercial customers use water in their products and thus return less waste to the Sewer System than their water consumption might indicate. Upon application and approval, these commercial users are entitled to an effective rate reduction which reflects the proportion of water which is retained in their products or evaporated and not returned as sewage.

Sewer-only Customer Charges. In the case of premises which receive water service from alternative sources, a sewer charge is determined by DEP. The current sewer charge applicable to such premises is equal to 159% of the dollar amount that would be charged for water usage if it were supplied by the Water System.

Late Payment Charges. As of June 30, 2025, the following late payment rates are currently being charged and are consistent with the late payment rates for real property taxes set annually by City Council: 6.0% for properties with billable assessed values less than or equal to $250,000, 9.0% for properties with billable assessed values in excess of $250,000 but less than or equal to $450,000, and 16.0% for properties with billable assessed values in excess of $450,000.

Upstate Water Rates. Rates for water supply service provided to municipalities and water districts located north of the City are established in accordance with the provisions of the Water Supply Act of 1905 (the "1905 Act"), and the Public Authorities Law, § 1045-a et seq. The 1905 Act provides that rates shall be based on the System's actual cost of service for water supply. There are also individual agreements between various communities and the City and/or Board addressing the sale of water and rates and charges. Effective July 1, 2025, the Board approved a 1.60% decrease in the upstate water rate per million gallons for daily per capita amounts not in excess of daily per capita consumption within the City (the "Entitlement Rate") to $2,228.45 per million gallons. In those instances where the community per capita consumption exceeds that in the City, the specified rate of charge for the excess (the "Excess Rate") effective July 1, 2025 is $6,599.82 per million gallons. The Entitlement Rate is assumed to decrease slightly in Fiscal Year 2027, followed by increases in Fiscal Years 2028 through 2030. An annual increase in the Excess Rate is assumed in each of Fiscal Years 2027 through 2030. Upstate communities have pending several challenges to the Excess Rate and the Entitlement Rate. For more information on this matter, see "LITIGATION."

[Remainder of page intentionally left blank]

Comparative Charges. The following table presents comparative annual water and sewer charges in 30 large cities based upon a survey conducted in February 2025 by Amawalk Consulting. Using a ranking system where 1 represents the lowest rates, the City's ranking relative to these cities is: for Single Family Residential – 11, for Commercial – 14, and for Industrial – 16.

Comparative Annual Water and Sewer User Charges[(1)(2)]

	Single Family Residential			Commercial			Industrial	
	City	Annual Charge		City	Annual Charge		City	Annual Charge
1	Memphis	$ 552	1	Memphis	$ 8,226	1	Memphis	$ 534,560
2	Phoenix	587	2	Jacksonville	11,796	2	Indianapolis	760,677
3	San Antonio	826	3	Chicago	11,910	3	Milwaukee	828,706
4	Chicago	834	4	Fort Worth	12,168	4	Jacksonville	904,879
5	Dallas	902	5	Dallas	12,548	5	Dallas	949,867
6	Milwaukee	907	6	Milwaukee	12,614	6	Fort Worth	961,060
7	Miami	962	7	St. Louis	12,733	7	Denver	977,196
8	Jacksonville	977	8	Phoenix	12,862	8	St. Louis	1,104,021
9	Fort Worth	991	9	San Antonio	14,753	9	Columbus	1,233,192
10	Denver	1,024	10	Denver	15,072	10	Phoenix	1,260,195
11	**New York**	**1,180**	11	Indianapolis	15,102	11	Chicago	1,271,953
12	Charlotte	1,205	12	Columbus	15,820	12	Charlotte	1,288,164
13	Columbus	1,213	13	Charlotte	15,935	13	Philadelphia	1,344,890
14	Detroit	1,330	14	**New York**	**16,863**	14	Louisville	1,440,451
15	St. Louis	1,346	15	Louisville	18,764	15	Detroit	1,520,987
16	Boston	1,404	16	San Diego	19,310	16	**New York**	**1,686,270**
17	Austin	1,450	17	San Jose	19,750	17	San Jose	1,762,113
18	Philadelphia	1,471	18	Houston	20,527	18	San Diego	1,822,085
19	Louisville	1,542	19	Los Angeles	22,100	19	Austin	1,875,780
20	Indianapolis	1,542	20	Philadelphia	22,446	20	Houston	1,884,333
21	Houston	1,616	21	Miami	23,177	21	San Antonio	1,933,676
22	Los Angeles	1,658	22	Detroit	23,319	22	Baltimore	2,084,115
23	San Diego	1,684	23	Austin	24,578	23	Los Angeles	2,177,935
24	Atlanta	1,756	24	Cleveland	26,134	24	Cleveland	2,471,040
25	San Jose	1,933	25	Baltimore	26,777	25	Miami	2,649,263
26	Baltimore	2,088	26	Boston	26,876	26	Washington, D.C.	2,834,949
27	Cleveland	2,124	27	Atlanta	28,922	27	Atlanta	2,920,834
28	Washington, D.C.	2,229	28	Washington, D.C.	39,804	28	Boston	2,927,196
29	San Francisco	3,012	29	San Francisco	41,151	29	Seattle	3,537,531
30	Seattle	3,178	30	Seattle	44,209	30	San Francisco	3,849,262
	Average	**$ 1,451**		**Average**	**$ 20,542**		**Average**	**$ 1,759,906**

(1) User charges are based upon information provided by the identified cities and standardized assumptions regarding water consumption, wastewater discharge, stormwater drainage area and other factors. Actual charges in each city will vary in accordance with local usage patterns. There may be significant differences in typical single family residential usage among cities which results in charges that are different than shown above. Some cities bill for sewer use on the basis of winter water consumption which could affect sewer billings if a customer's use was not uniform throughout the year. Sewer charges include stormwater charges in those cities where separate stormwater fees are assessed. Some cities use property tax revenue or other revenues to pay for part of the cost of water, wastewater or stormwater services. In such situations, the user charges will not reflect the full cost of water, wastewater or stormwater services. Some cities impose charges that become part of the cost of water/sewer services. Water/sewer bills in some cities are subject to sales taxes, gross receipts taxes and/or other fees.

(2) Charges for all cities reflect rate schedules in effect on February 1, 2025.

[Remainder of page intentionally left blank]

Accounts, Billing and Collection

The Bureau of Customer Services of DEP renders bills to customers of the System and collects payments of such bills. The bureau installs and reads meters, verifies meter accuracy, and maintains current information for those customers on the flat-rate system of billing described below.

The System has approximately 839,800 water and sewer accounts, nearly all of which are for water and sewer service. Approximately 92% of the System's water and sewer customers are residential, which represent approximately 80% of total utility service revenues. The remainder are commercial and industrial users, which represent approximately 20% of total utility service revenues, with industrial users accounting for only a small portion of water and sewer usage. Historically, the two largest customers of the System have been the New York City Housing Authority and the City, which typically represent approximately 5% and 3% of utility service revenues, respectively, with no other customer representing more than 1% of utility service revenues.

Approximately 99% of all water and sewer accounts have meters installed. Unmetered properties which have not taken steps to install a meter are required to pay a surcharge doubling their annual water and sewer charge, and properties with damaged or inoperable meters, or with damaged meter reading transmitters, are billed based on estimated consumption. Approximately 3,000 unmetered properties are currently assessed the surcharge. Commercial accounts are required by the Board and the City to have meters installed for all water services, and substantially all of these accounts are in compliance with this requirement.

Approximately 810,700 accounts, representing 96% of total accounts and approximately 76% of total utility service revenues, are billed on a metered basis. Most meter-based charges are billed quarterly, except for larger accounts that are read and billed monthly and other accounts that choose monthly billing.

Approximately 29,100 accounts, representing 3% of total accounts and approximately 24% of total utility service revenues, are billed annually through a flat-rate system. These accounts are charged for water either on a per unit charge as part of the Multi-Family Conservation Program ("MCP") or through a frontage-based billing system, which is a computation that incorporates, among other factors, the width of the front of the building, the number of stories, the number of dwelling units, and the number of water-using fixtures (such as bathtubs, showers and toilets) in the building. Flat-rate bills are normally sent annually to customers prior to the start of each Fiscal Year and are due at the end of the first month of the Fiscal Year. Currently, approximately 23,900 accounts are billed on MCP. All accounts enrolled in the MCP are required to have meters, automatic meter reading ("AMR") devices, and high efficiency plumbing fixtures installed, or by December 31, 2018 have taken reasonable steps to comply with MCP requirements. Accounts were required to take reasonable steps to comply with the MCP requirements by December 31, 2018, or be subject to an additional surcharge on their annual bill. Application of the surcharge is currently on hold.

Certain institutions may be exempt under State law from the payment of all or a portion of their water and sewer charges, subject to certain water usage thresholds. These institutions include religious corporations and certain educational institutions, charitable institutions, homes for the aged, hospitals and other non-profit or charitable corporations.

Pursuant to local law, the City's authorization to sell liens for unpaid water and sewer charges on certain properties on behalf of the Board has expired and been renewed numerous times over the years. In 2024, City Council re-authorized the City's authority to sell liens through December 31, 2028. A lien sale including liens for unpaid water and sewer charges closed on June 3, 2025.

A series of bills which alter the terms of such previous authorization (the "Lien Sale Legislation") have been adopted as local law. The Lien Sale Legislation allows lien sales to occur largely unchanged through December 31, 2028, with the exception that the legislation requires the City to include terms and conditions in the future sale of any lien to prevent foreclosure on a tax class one residential property occupied by the owner as primary resident within one year after the date of the sale and to restrict any foreclosure on such a property to a lien for which the total value of such lien, including both unpaid water and sewer charges as well as unpaid real property taxes, is the lesser of 15% of the market value of the property as reflected on the final tax assessment roll or $70,000. Should these terms and conditions prevent the sale of any water and sewer liens on all tax class one residential properties, the Lien Sale

Legislation may reduce projected receipts from the 'halo' effect of a lien sale (i.e., account holders paying their debt to avoid entering into a lien sale) and direct revenue from liens sold, and may lead to a higher rate of delinquency on accounts that have entered into payment agreements, resulting in projected decreased revenues of approximately $38.0 million, $45.0 million, $50.0 million, $54.0 million and $58.0 million in Fiscal Years 2026 through 2030, respectively. No assurance can be given that the lien sale authorization, including the Lien Sale Legislation, will not be further amended or revised in a way that could further limit or restrict the ability of the City to sell liens, or that any new lien sales will occur. It is now expected that no lien sale will occur in Fiscal Year 2026.

In addition, the Lien Sale Legislation directs that a not-for-profit land bank ("the Land Bank"), a majority of whose members would report to the Mayor, be established, subject to the approval of the New York State Urban Development Corporation. The Land Bank would be empowered to purchase both water and sewer liens and real property liens. Pursuant to the Lien Sale Legislation, subsequent to December 31, 2028, if lien sales are authorized, the City would not be authorized to sell liens other than by a negotiated sale to the Land Bank. The impact of the Lien Sale Legislation's requisite terms and conditions and the requirement to sell liens only to a Land Bank after December 31, 2028 on the process of selling liens and on projected revenues is not yet known.

For additional information on revenue assumptions relating to lien sales, see "FINANCIAL OPERATIONS – Projected Revenues – *Assumptions*."

The following table sets forth the System's historical accounts receivable balances as of June 30 in each of Fiscal Years 2019 through 2025.

Historical Accounts Receivable Balances
(Dollars in Millions)

Date	Accounts Receivable Outstanding for 30 Days or Longer	Number of Accounts
June 30, 2019	$728.4	215,030
June 30, 2020	839.6	236,260
June 30, 2021	988.9	229,478
June 30, 2022	1,038.9	205,028
June 30, 2023	1,074.7	188,958
June 30, 2024	1,300.7	190,787
June 30, 2025	1,355.0	183,773

For additional information on the System's accounts receivable, see "FINANCIAL OPERATIONS – Projected Revenues."

The Board, at its annual meeting on May 8, 2015, incorporated the Home Water Assistance Program in its Water and Wastewater Rate Schedule starting in Fiscal Year 2016. This program provides an annual bill credit to low-income homeowners who (1) receive a Home Energy Assistance Program grant administered by the New York City Human Resources Administration or (2) receive one or more of the following exemptions administered by the New York City Department of Finance: (a) the Senior Citizen Homeowners' Exemption, (b) the Disabled Homeowners' Exemption, or (c) a veteran's property tax benefit. Since its initial adoption the Board has periodically modified the program. Such changes have increased the number of homeowners eligible for the program and the amount of the annual credit. For Fiscal Year 2026, up to 96,000 homeowners are expected to receive a bill credit of $159.

The Board, at its meeting on June 16, 2017, incorporated the Multi-family Water Assistance Program in its Water and Wastewater Rate Schedule starting in Fiscal Year 2018. The Multi-family Water Assistance Program provides an annual $250 credit per unit provided that the property involved (1) is a multi-family affordable housing property identified by the Department of Housing Preservation & Development ("HPD") with at least four residential dwelling units; (2) charges average rent or maintenance that is affordable for an average household earning no more than 60% of area median income; (3) has 100% of its units at an affordable level, as provided for in an agreement with HPD or the New York City Housing Development Corporation ("HDC"); (4) has an executed agreement with HPD or HDC to preserve affordability for at least a 15-year period; and (5) is in compliance with conservation requirements

for metering and high-efficiency fixtures. For Fiscal Year 2026, this program is expected to provide credits for up to 65,000 apartment units.

The Board, at its meeting on December 6, 2022, authorized a one-time late payment charge amnesty program. The amnesty program launched on January 30, 2023 and was intended to be available to customers through April 30, 2023. The program was subsequently extended until May 31, 2023. The program forgave all or part of late charges for accounts making a payment toward their outstanding bill (not including late payment charges). Along with the amnesty program, the Board also approved an additional $40 million at its December 6, 2022 meeting to support qualifying low-income residential customers during Fiscal Year 2023. The Board, at its meeting on June 6, 2023, extended such support at existing levels into Fiscal Year 2024. The support program closed to new applicants at the end of Fiscal Year 2024. For the entire amnesty period through May 31, 2023, DEP received approximately $105 million in payments while authorizing interest forgiveness of $22 million.

THE SYSTEM

Overview

DEP supplies water and sewer service to the Boroughs of the Bronx, Brooklyn, Manhattan, Queens, and Staten Island, an area of over 300 square miles, and serves approximately 8.5 million residents. The Water System provides an average of approximately 1,000 mgd of water in the City. Water consumption has decreased since 1980 when an average of approximately 1,500 mgd was provided by the Water System. The City is also required by State law to sell water in counties where its water supply facilities are located and where it currently provides water to approximately 1 million additional people. The amount of water that can be safely drawn from a watershed during the worst period in the drought of record is the "Dependable Yield." DEP has determined that the System could have furnished an average of 1,310 mgd without pumping during the drought of record in the mid-1960s. During periods of normal rainfall, watersheds supply more than the Dependable Yield.

The Sewer System collects and treats an average of approximately 1,230 mgd of wastewater. Sewer service is provided to virtually the entire City, except for parts of the Borough of Staten Island and the Borough of Queens communities of Breezy Point and Douglas Manor. Sewer service is also provided to certain upstate communities.

According to AECOM and MDE, the System is in adequate condition (the highest rating category). See "APPENDIX A – LETTER OF AECOM USA, INC. AND MACAN DEVE ENGINEERS, DPC, CO-CONSULTING ENGINEERS."

DEP protects the watershed, including water supply structures and facilities through a DEP police force of approximately 200 officers and secures facilities through locks, fences and other physical barriers to prevent access by unauthorized persons.

The Water System

Water Collection and Distribution

Water for the System can be drawn from three upstate reservoir systems (the Croton, Catskill and Delaware Systems) and a system of wells in Queens. The three upstate water collection systems include 19 storage reservoirs and three controlled lakes, with a total storage capacity of approximately 570 billion gallons. They were designed and built with various interconnections to increase flexibility by permitting exchange of water from one system to another. This feature mitigates localized droughts and takes advantage of excess water in any of the three watersheds. DEP is continuing to enhance its infrastructure to increase its operational flexibility.

The Water System furnishes water to users in portions of four of the eligible northern counties. The Water System provides water to nearly 90% of the residents in Westchester County and approximately 10% of the residents in Putnam, Orange and Ulster Counties.

Water delivered from the Croton System, which accounts for approximately 10% of the water going into New York City, must be pumped. Water from the Catskill/Delaware System is conveyed to the City by gravity alone and comprises 90% of water delivered by DEP to its customers on average.

See "New York City Water Supply System" map in APPENDIX H.

The following tables set forth the capacities and original in-service dates of the System's collecting and balancing reservoirs and distribution facilities based on the City records.

Collecting Reservoirs

Name	Useable Capacity[1] (Billion Gallons)	Original In-Service Date
Croton		
New Croton	19.0	1905
Croton Falls Main	14.2	1911
Cross River	10.3	1908
West Branch	10.1	1895
Titicus	7.2	1893
Amawalk	6.7	1897
East Branch	5.2	1891
Muscoot	4.9	1905
Bog Brook	4.4	1892
Middle Branch	4.0	1878
Boyds Corner	1.7	1873
Croton Falls Diverting	0.9	1911
Total	88.6	
Catskill		
Ashokan	125.4	1915
Schoharie	19.6	1926
Total	145.0	
Delaware		
Pepacton	148.7	1955
Cannonsville	96.0	1964
Rondout	51.8	1950
Neversink	36.7	1954
Total	333.1	
Total Useable Capacity	566.7[2]	

Totals may not add due to rounding.
(1) Volume above minimum operating level.
(2) Queens wells are currently not in use, but add an additional 2.6 billion gallons of storage capacity, when in use.

Balancing Reservoirs and Distribution Facilities

Name	Storage Capacity (billion gallons)	Original In-Service Date
Balancing Reservoirs		
Kensico	30.6	1915
Hillview	0.9	1915
Total Balancing Reservoirs	31.5	
Distribution Facilities		
Central Park (offline)	1.0	1862
Jerome Park	0.8	1905
Silver Lake (tanks)	0.1	1970
Total Distribution Facilities	1.9	
Total Storage Capacity	33.4	

The following table sets forth the Dependable Yield for each of the water supply systems.

Water System Dependable Yield

System	Dependable Yield (mgd)
Croton	240
Catskill	470
Delaware	580
Queens wells	33
Total	1,323

The total volume of water used each year by the City and upstate customers includes water consumed by metered and unmetered customer accounts, water used in firefighting, leakage and other uses. The following table summarizes the total quantities of water delivered each year to the City and upstate customers for Fiscal Year 2021 through Fiscal Year 2025.

Historical Annual Water Use by the City and Upstate Customers (million gallons)

Fiscal Year	City Use	Upstate	Total
2021	359,980	38,255	398,235
2022	358,095	36,647	394,742
2023	366,347	39,124	405,471
2024	364,935	36,742	401,677
2025	363,742	38,575	402,316

Totals may not add due to rounding.

The Croton System is available to supplement the Catskill/Delaware Systems. Use of the Croton System is determined by DEP's operational needs. See "– *Governmental Regulation – Croton Filtration*." The Croton System consists of 12 reservoirs and three controlled lakes on the Croton River, its three branches and three other tributaries. The water in the Croton System flows from upstream reservoirs through natural streams to downstream reservoirs, terminating at the New Croton Reservoir. The watershed which supplies the Croton System has an area of 375 square miles. It lies primarily within the State, approximately 45 miles north of lower Manhattan, with a small portion in the State of Connecticut.

The Catskill and Delaware Systems together currently provide the vast majority of the City's daily water supply. The Catskill System watersheds occupy sparsely populated areas in the central and eastern portions of the Catskill Mountains. Water in the Catskill System comes from the Esopus and Schoharie Creek watersheds, located approximately 100 miles north of lower Manhattan and 35 miles west of the Hudson River. The Catskill System is comprised of the Schoharie Reservoir (formed by the Gilboa Dam across Schoharie Creek) and Ashokan Reservoir (formed by the Olivebridge Dam across Esopus Creek) and the Catskill Aqueduct. Schoharie Reservoir water is delivered to the Esopus Creek via the Shandaken Tunnel, from which it then travels to the Ashokan Reservoir.

Gilboa Dam is comprised of an earthen dam and a concrete gravity dam, with the concrete portion also acting as the spillway. DEP is currently upgrading the dam to meet safety guidelines for new dams. The estimated remaining cost to complete the rehabilitation of the dam is $39.7 million, $19.1 million of which is included in the CIP.

DEP will be making improvements to the structures and mechanical systems at the Ashokan Reservoir including upgrading and stabilizing the thirteen dikes and dams that impound the Reservoir to bring them up to modern standards. The estimated remaining cost of the improvements at the Ashokan Reservoir to be performed in the years covered by the CIP is $1.24 billion, $1.06 billion of which is included in the CIP.

The Delaware System is located approximately 125 miles north of lower Manhattan. Three Delaware System reservoirs collect water from a sparsely populated region on the branches of the Delaware River: Cannonsville Reservoir (formed by the Cannonsville Dam on the West Branch of the Delaware River); Pepacton Reservoir (formed

by the Downsville Dam across the East Branch of the Delaware River); and Neversink Reservoir (formed by the Neversink Dam across the Neversink River, a tributary to the Delaware River). Water from these three reservoirs is diverted to Rondout Reservoir, formed by the Merriman Dam across Rondout Creek, a tributary to the Hudson River.

In addition, wells in Queens, which have been offline since 2007, are capable of providing at least 1% of the City's daily water supply, although additional investment in the wells and the related water supply assets would be required. Unlike the rest of the City's water supply, which is a surface and gravity-supplied system originating in a network of upstate reservoirs, well water is pumped from extensive underground aquifers.

The System's water supply is transported through an extensive system of tunnels and aqueducts. See "New York City Water Infrastructure" map in APPENDIX H. The City's water supply is then transported through over 6,800 miles of water mains. Croton System water is delivered from the New Croton Reservoir by the New Croton Aqueduct to the Jerome Park Reservoir in the Bronx. From Jerome Park Reservoir, the water is treated at the Croton Water Filtration Plant, located under Van Cortlandt Park, and then conveyed through finished water tunnels to the distribution service areas. The Catskill and Delaware Aqueducts convey water from Ashokan Reservoir and Rondout Reservoir to Kensico Reservoir and then to Hillview Reservoir in Yonkers. Hillview Reservoir serves as a balancing reservoir. Water from the Catskill and Delaware Systems is mixed in the Kensico Reservoir, and is conveyed via the Catskill/Delaware UV Facility to Hillview Reservoir where water enters Tunnels 1, 2 and 3. Trunk mains carry water from tunnel shafts and from the distribution facilities (Jerome Park and Hillview Reservoirs and Silver Lake Tanks) to the service area.

Current demand/flow projections show that if conservation programs, including metering, toilet replacement, hydrant locking, leak detection, and public information remain effective, there will be no immediate need for the City to find additional long-term water supply sources to meet normal demand. See "– *Water for the Future*" and "– *Rondout-West Branch Tunnel*."

Water for the Future. DEP's Water for the Future program consists of repair and replacement of portions of the Rondout-West Branch Tunnel described below, as well as water supply augmentation projects required to ensure an adequate water supply to the City during the shutdown of the Rondout-West Branch Tunnel. Water supply augmentation includes rehabilitation of the Catskill Aqueduct, and demand management measures to encourage in-City water conservation, including retrofits on City owned facilities.

Rondout-West Branch Tunnel. The Rondout-West Branch Tunnel is a section of the Delaware Aqueduct which can convey up to 890 mgd, and typically delivers an annual average of 600 mgd, more than 50% of the City's daily water supply. The tunnel carries water 45 miles from the Delaware System under the Hudson River and into West Branch Reservoir. It has the highest pressures and the highest velocities in the Water System. A portion of the tunnel crosses a fractured rock formation, which is potentially subject to greater stress than the deep rock tunnels located in the City. DEP regularly assesses the condition and integrity of the System's tunnels and aqueducts to determine the extent and effect of water loss and, since the early 1990s, DEP has monitored the condition of the Rondout-West Branch Tunnel. As a result of DEP's flow tests, visual observations and other analyses, it has been determined that approximately 15 mgd to 36 mgd of water is being lost from the tunnel and is surfacing in the form of springs or seeps in the area. This amounts to a loss of approximately 4% of the daily volume of water provided by the tunnel under peak flow conditions. The situation in the tunnel and amount of water loss is stable. In the opinion of the professional engineering firm retained by DEP in conjunction with that investigation, there is very little immediate risk of failure of the tunnel. To address the leak, DEP is undertaking its Water for the Future program, which includes construction of an approximately two and one-half mile long bypass tunnel. Connection of the bypass to the existing tunnel is expected to require that the tunnel be shut down for up to eight months, originally scheduled to begin in October 2024, during which periods supply augmentation and demand management practices are expected to be needed. As scheduled, on October 1, 2024, DEP shut down the Delaware Aqueduct to begin repairs to the leaking section of the tunnel. Due to a drought warning issued on November 18, 2024, the City suspended work on the Delaware Aqueduct and returned the System to normal operations. For more information see: *Drought Response Measures* below. The remaining cost to complete connection of the bypass tunnel and to implement updated water supply augmentation projects and water conservation measures is now under assessment, with $106 million included in the CIP.

Tunnel 1. From Hillview Reservoir, water from the Catskill and Delaware Systems is delivered into the City by a circular, cement-lined, pressurized, bedrock tunnel that narrows in diameter from 15 to 11 feet. Tunnel 1 is 18 miles in length and extends south from Hillview Reservoir through the West Bronx to Manhattan and Brooklyn. Tunnel 1 is 200 to 750 feet underground and thus avoids interference with streets, buildings, subways, sewers, pipes and other underground infrastructure. These depths are necessary to ensure substantial rock covering to withstand the pressure of the water inside and to preclude leakage. Tunnel 1 has a capacity of approximately 1,000 mgd. Shafts placed along the tunnel connect with surface mains which deliver water to the distribution system.

Tunnel 2. The second tunnel also delivers Catskill and Delaware System water from Hillview Reservoir. It is a circular, cement-lined, pressurized, bedrock tunnel, 200 to 800 feet below the street surface and 15 to 17 feet in diameter. Tunnel 2 extends south from Hillview Reservoir, east of Tunnel 1, through the Bronx, under the East River at Rikers Island, through Queens and Brooklyn, and connects with Tunnel 1 in Brooklyn. Tunnel 2 has a capacity of more than 1,000 mgd and is 20 miles in length. Shafts placed along the tunnel connect with surface mains which deliver water to the distribution system.

Richmond Tunnel. Connecting to Tunnel 2 in Brooklyn is the ten-foot diameter, five-mile long Richmond Tunnel, which was completed in 1970 and carries water 900 feet beneath Upper New York Bay to Staten Island. The Richmond Tunnel, the Richmond Distribution Chamber, the Richmond Aqueduct and the underground Silver Lake Tanks were designed to improve the water supply facilities of Staten Island. The underground storage tanks (among the world's largest) have a combined capacity of 100 million gallons and replaced the Silver Lake Reservoir (now Silver Lake).

Tunnel 3. Tunnel 3 is presently under construction and will increase capacity to meet a growing demand in the eastern and southern areas of the City. It will also permit inspection and rehabilitation of Tunnels 1 and 2, and provide water delivery alternatives to the City in the event of disruption in Tunnel 1 or 2. Tunnel 3 is being built in four stages. Stage I commenced operation in July 1998. It follows a 13-mile route which extends south from Hillview Reservoir in Yonkers under Central Park Reservoir in Manhattan, and east under the East River and Roosevelt Island to Long Island City in Queens. Stage II, when completed, will extend from the end of Stage I to supply Queens, Brooklyn and the Richmond Tunnel, and from the valve chamber at Central Park into lower Manhattan. Stage II consists of the Manhattan segment and the Brooklyn/Queens segment. The Manhattan segment of Stage II was completed in October 2013. The tunnel and most of the infrastructure work for the Brooklyn/Queens segment of Stage II are complete, with two final shafts to be designed and constructed. The Brooklyn/Queens segment of Stage II is being maintained under pressure and is ready for activation in the unlikely event of a major disruption in water delivery from Tunnel 2 as an emergency back-up water source for Tunnel 2. Designs are also underway to connect the Brooklyn/Queens segment to the Richmond Downtake Chamber, which will provide Tunnel 3 water to Staten Island. The estimated remaining cost of work on Stage II is expected to be $446 million, all of which is funded in the CIP. The Stage III project is now referred to as the "Kensico-City Tunnel" and will extend from the Kensico Reservoir to Tunnel 3, south of Hillview Reservoir. All costs associated with the Kensico-City Tunnel are expected to be incurred in the years beyond the CIP. Stage IV is intended to deliver additional water to the eastern parts of the Bronx and Queens. It would extend southeast from the northern terminus of Stage I in the Bronx to Queens and then southwest to interconnect with the Queens portion of Stage II. Stage IV will enable the system to maintain full service even if Tunnel 1 or 2 were shut down.

Kensico-Eastview Connection. The Kensico-Eastview Connection will connect the Kensico Reservoir to the UV Facility, providing critical redundancy in the water supply system. The project is estimated to cost $1.1 billion, $639 million of which is included in the CIP.

Drought Response Measures

From time to time the Water System experiences drought conditions caused by significantly below-normal precipitation in the watershed areas. A drought watch was issued on November 2, 2024, and upgraded to a drought warning on November 18, 2024. By December 16, 2024, improved conditions allowed the warning to be downgraded back to a drought watch, which was subsequently lifted on January 3, 2025. For more information of the impact of the drought watch on the Rondout-West Branch Tunnel shutdown, see *Rondout-West Branch Tunnel* above. As of March 6, 2026, the System's reservoirs were filled to 78.1% of capacity. Normal levels at this time of year are approximately 90.2% of capacity.

Throughout even the most extreme droughts, the Water System has continued to supply sufficient amounts of water to the City. To ensure adequate water supply during drought conditions, DEP, in conjunction with other City, State and interstate agencies, maintains a Drought Management Plan. The Drought Management Plan defines various drought phases that trigger specific management and operational action. Three defined phases are: "Drought Watch," "Drought Warning," and "Drought Emergency." A Drought Emergency is further subdivided into three stages based on the projected severity of the drought and provides increasingly stringent and restrictive measures.

A Drought Watch is declared when there is less than a 50% probability, based on the existing record since 1927, that either the Catskill or Delaware reservoir system will be filled by the following June 1. This phase maximizes usage of water from the Croton System. In addition, during this phase a public awareness program begins and users, including upstate communities taking water from the System, are requested to initiate conservation measures. New York State Department of Health ("NYSDOH"), NYSDEC, and the Delaware River Basin Commission (the "DRBC") are advised of the Water System's status, and discussions are held with City agencies concerning their prospective participation in the event of a declaration of a Drought Warning.

A Drought Warning is declared when there is less than a 33% probability that either the Catskill or Delaware reservoir system will fill by June 1. All previous efforts are continued or expanded and additional programs are initiated, including the coordination of specific water saving measures by other City agencies.

A Drought Emergency is declared when there is a reasonable probability of a shortage of City water, or an expected shortage of City water, that would threaten public health and safety absent the implementation of measures to reduce water consumption. When a Drought Emergency is declared, in addition to enforcing the water shortage emergency rules, which direct and restrict the use of City water, DEP may enhance existing System management and public awareness programs, expand its inspection force and perform additional leak and waste surveys in public and private buildings. DEP may also require communities outside of the City that are served by the System to adopt similar conservation measures. During a Drought Emergency, the Commissioner is also authorized to implement additional water conservation measures deemed necessary in his discretion, such as proposing an emergency water conservation rate structure to the Board.

The Commissioner of DEP is authorized to take additional steps if, in the Commissioner's discretion, it is appropriate to declare a water shortage emergency, based on a determination that there is a reasonable probability that the City could encounter a shortage of water to the extent that public health or safety could be jeopardized. The additional steps available to the Commissioner include presenting a proposal for a water conservation rate to the Water Board and issuing operational restrictions on the consumption of water drawn from the City's water supply.

Governmental Regulation

The System is subject to federal, State, interstate and municipal regulation. At the federal level regulatory jurisdiction is vested in USEPA; at the State level in NYSDEC and NYSDOH; at the interstate level in the DRBC and the Interstate Environmental Commission; and at the municipal level in DEP, the New York City Department of Health and Mental Hygiene ("NYCDOH"), the New York City Department of Buildings ("DOB") and the Department of Small Business Services, and to a limited degree, in municipalities and districts located in eight counties north of the City. Water quality protection regulations are enforced within the watershed areas north of the City through a network of overlapping governmental jurisdictions including NYSDEC, NYSDOH, DEP, and local municipal police, engineers and inspectors. The various jurisdictions maintain physical security, take water samples, monitor construction activities and wastewater treatment in the watershed, and generally oversee the physical condition of, activity on and operation of water supply lands and facilities. Portions of the overall legislative and regulatory framework governing the watersheds may be found in the City's Administrative Code, Health Code and Watershed Regulations. Regulatory enforcement within City limits is almost exclusively accomplished through City personnel. Provisions incorporating and augmenting the substance of the federal Safe Drinking Water Act ("SDWA"), related regulations and the Sanitary Code, are contained in the Health Code and the City's Building and Building Construction Codes. These provisions are enforced by personnel from DEP, NYCDOH and DOB.

Drinking Water Regulations/Filtration and Watershed Protection. Pursuant to the SDWA, USEPA has promulgated nationwide drinking water regulations which specify the maximum levels of contaminants allowed in drinking water and which govern the construction, operation, and maintenance of the System. USEPA has also

promulgated filtration treatment regulations, known as the federal Surface Water Treatment Rule ("SWTR"), which prescribe guidelines concerning protection and treatment of surface water supplies. Enforcement of many of the related regulations promulgated under the SDWA, including the SWTR, has been delegated by USEPA to the NYSDOH. See "– *Croton Filtration*" and "– *Catskill/Delaware Filtration Avoidance*."

Croton Filtration. The City has constructed a full-scale water treatment facility to filter Croton System water. While the facility is operational, it is anticipated that the total remaining cost to complete the Croton filtration plant will be $67 million, all of which is included in the CIP.

Catskill/Delaware Filtration Avoidance. With respect to the Catskill and Delaware systems, the City believes that it will continue to be able to meet the criteria for non-filtered supplies under the SWTR.

Since 1993, DEP has operated the Catskill and Delaware Systems pursuant to a series of Filtration Avoidance Determinations ("FADs") under which the City is not required to filter water from such systems. Each FAD has required the City to take certain actions to protect the Catskill and Delaware Water supplies. Based on an analysis performed in 2007, DEP estimated that if the City were to have to filter water from the Catskill and Delaware Systems, construction costs would be $6 billion. An updated analysis is to be performed as part of the 2017 FAD, as defined below. Given the age of the most recent cost estimate, along with increased rates of inflation in the construction industry, recent case studies from other utilities, and other factors, DEP expects that any updated estimate will significantly exceed $6 billion. To further the City's ability to comply with the FAD, on January 21, 1997, the City entered into the Watershed Memorandum of Agreement with the State, watershed communities, USEPA, and several environmental groups (the "Watershed Memorandum of Agreement").

In December 2017, NYSDOH issued a new FAD (the "2017 FAD"), which supersedes previous FADs. On December 29, 2022, NYSDOH, in consultation with USEPA, certified the Mid-Term Revisions to the 2017 Filtration Avoidance Determination ("Revised 2017 FAD"). The Revised 2017 FAD supersedes the 2017 FAD and provides that filtration avoidance shall remain in effect until further determination (scheduled for 2027). Changes reflected in the Revised 2017 FAD include, but are not limited to, lowering the City's land acquisition program solicitation goals and requiring that DEP evaluate opportunities for sewer connections in the Kensico Reservoir basin. DEP does not anticipate major cost differences between the 2017 FAD and the Revised 2017 FAD. The Revised 2017 FAD also continues many of the protective actions within the watershed included in previous FADs, including land acquisition; working with farmers to prevent farm runoff from reaching streams; upgrading wastewater infrastructure; and stabilizing streambanks to withstand flood events and reduce erosion. In addition, the Revised 2017 FAD continues to include a focus on acquiring lands in stream buffers and flood prone areas; resizing municipal infrastructure like bridges and culverts to better accommodate high stream flows; and expanding eligibility to small businesses to access funds to repair failing septic systems. The estimated remaining capital cost of complying with the Revised 2017 FAD is $95.2 million, all of which is included in the CIP. A new FAD is expected in 2027, the costs of which are not known at this time and are not included in the CIP. In December 2025, NYSDEC renewed the permit that authorizes the City's watershed land acquisition program. The City expects that NYSDEC will modify that permit in conjunction with the next FAD. In connection with the permit renewal, the City entered into a side agreement with the watershed communities, renewing its commitment to other watershed protection and partnership programs.

As of 2021, high volume hydraulic fracturing ("HVHF") is banned by law in New York State. While HVHF is prohibited, low volume hydraulic fracturing is currently allowed Statewide, including in the watershed. However, NYSDEC has stated its belief that low volume hydraulic fracturing is not economically viable, and especially in light of the Statewide ban, it is unlikely that it will take place in the watershed in the foreseeable future.

LT2. The purpose of USEPA's Long Term 2 Enhanced Surface Water Treatment Rule ("LT2") is to reduce the incidence of waterborne disease by mandating certain levels of inactivation and/or the removal of certain microorganisms from water supply systems, including the Catskill and Delaware Systems. DEP is complying with such levels through the operation of its ultraviolet treatment facility ("UV Facility"), which provides treatment for Catskill and Delaware water. LT2 also mandates that uncovered finished water storage facilities, which include the Hillview Reservoir, be covered or that water from such facilities be treated. See " – *Hillview Reservoir*."

Hillview Reservoir. DEP's commitments to cover the Hillview Reservoir are memorialized in a federal Consent Decree (the "Hillview Consent Decree") entered in May 2019. The Hillview Consent Decree requires DEP

to construct three construction projects: the Hillview Reservoir Improvements Project ("HRI"), the Kensico-Eastview Connection ("KEC") and a cover for the Hillview Reservoir. The Hillview Consent Decree's schedule enables DEP to first construct the KEC and HRI, which are high priority mandated water supply infrastructure capital improvement projects that should proceed before construction of a cover takes place, with planning and design for a cover proceeding while HRI and KEC are constructed.

The Hillview Consent Decree provides that upon completion of facility planning for a concrete cover, the City must notify USEPA and NYSDOH whether DEP will construct a concrete cover or whether DEP instead intends to pursue an alternative project that achieves compliance with LT2 subject to the approval of USEPA and NYSDOH. On April 30, 2025, following completion of the Hillview Cover facility planning, DEP notified NYSDOH and USEPA that it would construct cast in place concrete tanks ("Tanks") instead of the concrete cover. NYSDOH and USEPA have accepted the proposed Tanks alternative.

When HRI and KEC construction is complete, DEP will begin construction of the Hillview Tanks, with a milestone for completion and full operation in 2049. The Hillview Consent Decree includes stipulated penalties to enforce its milestones. The projected cost of HRI is fully funded in the CIP. The KEC is expected to cost $1.1 billion, $639 million of which is included in the CIP. The construction cost estimate for the Tanks is approximately $5.4 billion– more than a billion dollars less than the most recent estimate for a concrete cover. Of the projected construction cost, $50 million is included in the CIP.

Tap Water Testing Program. Pursuant to USEPA and NYSDOH 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"), DEP manages a sampling program whereby consumers who have lead service lines or copper pipes with lead solder, and have agreed to participate in the sampling program, submit samples of drinking water from their taps. To reduce the leaching of metals, DEP adds food grade orthophosphate and sodium hydroxide to the water before it enters the distribution system, which promotes the formation of a protective coating inside pipes and plumbing and minimizes corrosion. In addition, DEP manages a free residential lead and copper testing program in which residents can have their tap water tested for lead and copper by DEP at no cost. While this program is not required by USEPA and NYSDOH regulations, it provides valuable information directly to residents regarding lead and copper within their homes and recommendations on reducing exposure to lead.

The Lead and Copper Rule Improvements ("LCRI"), which are USEPA's most recent revisions to the Lead and Copper Rule, took effect on December 30, 2024. Among other things, the LCRI requires water systems to undertake a 10-year program to replace all lead service lines under their control, beginning in 2027. Water service lines in the City are owned by the property owners. The LCRI does not require water systems to pay for the cost of lead water line replacements at private properties, although DEP expects to make use of federal and State funds to pay for some private replacements as the funds become available. DEP continues to analyze the impact of the LCRI on its operations, as well as the costs of any new programs required thereunder, including lead service line replacements that could be required. A Joint Resolution of Disapproval of the LCRI under the Congressional Review Act was introduced in January 2025.

Delaware System Operations. The conditions under which the System's Pepacton, Neversink and Cannonsville Reservoirs may be operated are set forth under the terms of a 1954 decree of the Supreme Court of the United States (the "1954 Decree"). It authorizes the City to divert 800 mgd of water from the Delaware River Basin for use by the Water System, subject to specified conditions. A series of agreements among the parties to the 1954 Decree required the System, under certain circumstances, based on the time of year, reservoir storage, anticipated inflow and water supply demand, to release water from the three reservoirs into the tributaries of the Delaware River, in support of enhanced habitat protection and flood mitigation. A new agreement among the Decree Parties was reached in October 2017, which establishes a new 10-year program. The agreement protects the available supply of drinking water for the City, and expands efforts to enhance flood attenuation and support recreational use of the upper Delaware River. The parties to the agreement have committed to pursue a number of scientific studies to refine management of the resources to advance the myriad interests connected to the Delaware River, including a study of the impacts of salinity and sea level rise, particularly the potential migration of the salt front in the lower Delaware River, and how to mitigate them. The timing of completion of such study, its conclusions, and any associated remediation costs are not yet known. Enforcement of the 1954 Decree is under the jurisdiction of a River Master appointed by the Supreme Court of the United States.

Shandaken Tunnel SPDES Permit. As a result of the federal court's determination in 2003 that a State Pollutant Discharge Elimination System ("SPDES") permit is required for the City's transfer of water through the Shandaken Tunnel, DEP applied for and obtained the Shandaken Tunnel SPDES permit in 2006. As a result of state court litigation challenging the terms of the SPDES permit, in 2008, DEP applied for variances with respect to the permit's temperature and turbidity limits. The State has not acted on DEP's variance application. Under USEPA's Water Transfers Rule, adopted in 2008 as the State Court litigation was concluding, the Clean Water Act permit program does not apply to transfers of untreated water (such as the Shandaken Tunnel), and the City does not believe it is required to maintain a SPDES permit for this water transfer under federal law.

Catalum SPDES Permit. DEP adds alum to the Catskill aqueduct upstream of the Kensico Reservoir when necessary to control turbidity levels. The diversions of water containing alum into the Kensico Reservoir are authorized under a SPDES permit for the Catskill Influent Chamber ("Catalum SPDES Permit"). Among other things, the Catalum SPDES Permit requires DEP to take measures to reduce the use of alum. One such measure is DEP's use of the Ashokan Release Channel to release water from the Ashokan Reservoir through a release channel into the Lower Esopus Creek. This release of water from the west basin of Ashokan Reservoir helps prevent the transfer of turbid water to the east basin but can result in an increase in both flow and turbidity in the lower Esopus Creek, which some stakeholders have opposed. NYSDEC served the City with an administrative complaint in February 2011, alleging a number of violations of the Catalum SPDES Permit. DEP and NYSDEC executed an administrative consent order in October 2013, which requires, among other things, that DEP seek a modification of the Catalum SPDES Permit to incorporate a protocol for operating the Ashokan Release Channel. Currently, NYSDEC is in the process of conducting an environmental review of the proposed modifications to the Catalum SPDES Permit.

The Sewer System

The Sewer System is comprised of the sewage collection system and the wastewater treatment facilities. See "New York City Drainage Areas and Water Pollution Control Plants" map in APPENDIX H.

Sewage Collection and Treatment

The Sewer System's wastewater resource recovery facilities ("WRRFs") treat approximately 1,230 mgd of wastewater. The Sewer System is divided into 14 drainage areas corresponding to the WRRFs and includes over 7,500 miles of sewer pipes of varying size which are classified as one of three types: sanitary, storm or combined. Sanitary sewers accommodate household and industrial waste. Storm sewers carry rainwater and surface water runoff. Combined sewers carry both types of waste. Approximately 60% of the City is served by combined sewers. In addition to the sewer pipes, the Sewer System includes catch basins, seepage basins and green infrastructure to prevent flooding and sewer backups.

The facilities related to the treatment of sewage include wastewater resource recovery facilities, four combined sewer overflow retention facilities, wastewater pump stations, laboratories, biosolid dewatering facilities and inner-harbor vessels which transport liquid biosolids between facilities. Solids that are treated through the wastewater resource recovery process are termed biosolids, and are one of the products of sewage treatment. Biosolids are acceptable for land-based beneficial use either directly or after additional provisions such as composting or lime stabilization. Most of the biosolids from DEP's WRRFs are dewatered at one of the six dewatering facilities located at DEP WRRFs; a small percentage of liquid biosolids are sent for processing at a facility operated by the Passaic Valley Sewerage Commission under an intergovernmental agreement. The dewatered biosolids are trucked to landfill sites by private contractors.

The Sewer System's water pollution control pump stations convey wastewater to the WRRFs. When gravity flow becomes uneconomical or not feasible for engineering reasons, pump stations lift the flow so that it can again flow by gravity. In some locations, pump stations utilize pressure piping called force mains to direct the flow of wastewater to the plants. The CIP includes an ongoing program to reconstruct and refurbish pump stations.

During periods of heavy rainfall, a combination of stormwater and sewage bypasses treatment and is released into the City's waterways as combined sewer overflows. The combined sewer overflow abatement program provides for studies and for design and construction of facilities to reduce combined sewer overflows and mitigate water quality

impacts. DEP is under an NYSDEC Administrative Consent Order to reduce the volume of combined sewer overflows. See "– *Governmental Regulation – Combined Sewer Overflows*."

For information on the potential long-term efforts to improve the Sewer System to accommodate increased volume and frequency of rainfall, see "ENVIRONMENTAL MATTERS – Storms."

Governmental Regulation

Under the Clean Water Act, USEPA oversees compliance with federal environmental laws, regulations and guidelines concerning sewage. Included in that regulatory framework are the National Pollutant Discharge Elimination System Permit Program and the issuance of wastewater treatment plant operating permits. As authorized by the Clean Water Act, administration of the permit program has been delegated to NYSDEC.

Wastewater Resource Recovery Facilities. The System includes six City-owned surface discharging WRRFs in the watershed, one City-owned subsurface discharging WRRF in the watershed, one additional City-owned upstate surface discharging WRRF in the City of Port Jervis, and 14 in-City WRRFs.

DEP's 14 in-City WRRFs are governed by WRRF-specific SPDES permits which require compliance with myriad conditions. NYSDEC issued modified SPDES permits effective as of July 1, 2022, for the 14 in-City WRRFs. NYSDEC alleges violations of various permit requirements from time to time. Except as noted below, the administrative orders resolving such routine notices of violation do not involve significant compliance requirements or penalties.

Harbor and Waterway Protection. According to the most recent Harbor Survey issued by DEP in September 2024 for 2022-2023, the water quality in New York Harbor and surrounding rivers continues to show long-term overall improvement in the health of the waters. The Harbor Survey is an ongoing monitoring effort of the City's waterways that has been done since 1909. The Survey monitors over a dozen water quality parameters at 84 sampling stations within New York Harbor and its tributaries. A key parameter of the overall health of aquatic systems is dissolved oxygen ("DO"). The Harbor Survey has found DO levels to be above the New York State bathing class standard and fishing class standard. Many local waterways, which were unfishable as recently as the 1980s, now meet the summer geometric means for fecal coliform and enterococcus bathing standards. These water quality improvements are primarily the result of continued WRRF construction and upgrades, abatement and surveillance of illegal discharges, and increased capture and treatment of wet-weather flows.

In 2006, the City entered into a State Court Consent Judgment with NYSDEC (the "Nitrogen Consent Judgment") which required DEP to upgrade five wastewater resource recovery facilities, in order to reduce nitrogen discharges at those WRRFs. Pursuant to a series of amendments, including the "First Amended Nitrogen Consent Judgment," executed in 2011, DEP committed to construct nitrogen upgrades at a total of eight WRRFs, encompassing the four plants that discharge into Jamaica Bay and the four Upper East River plants. Upgrades at all eight plants have been completed with all four of the Jamaica Bay plants completed as of February 2022. Pursuant to the First Amended Nitrogen Consent Judgment, DEP is operating the Jamaica Bay plants under a post-construction performance-based interim limit of 19,300 lbs/day as of November 1, 2023; the final limit is more stringent. DEP is currently conducting three years of post-construction ambient water quality monitoring to assess, among other things, compliance or non-compliance with water quality standards. Following post-construction monitoring, DEP will likely submit a request to NYSDEC for a variance from the final limit, as referenced in the Nitrogen Consent Judgement. If DEP is required to implement further nitrogen reductions for the Jamaica Bay WRRFs, the costs could be significant and are not included in the current CIP.

Combined Sewer Overflows. The System is required to develop programs to reduce the impacts to water quality of CSOs. The City's CSO program has been subject to a series of consent orders since 1992 (collectively, the "CSO Consent Orders"), pursuant to which DEP has constructed several CSO abatement projects, including four storage tanks.

Under the CSO Consent Orders, DEP was required to submit eleven CSO long-term control plans ("LTCPs") between 2013 and 2020. The LTCPs include projects designed to ensure that the water bodies comply with Clean

Water Act requirements. As of July 10, 2023, all eleven submitted LTCPs have been approved by NYSDEC. The selected projects in the approved LTCPs are now enforceable requirements under the CSO Consent Orders.

In September 2010, DEP released a Green Infrastructure Plan (the "Green Infrastructure Plan"), that offered a new approach to reducing CSOs through a cost-effective mix of Grey Infrastructure and methods such as bioswales, rain gardens, and green roofs to either retain and/or detain flow during rain events ("Green Infrastructure"). In March 2012, DEP and NYSDEC incorporated the goals of the Green Infrastructure Plan into the CSO Consent Orders by both deferring and eliminating certain Grey Infrastructure projects and adding Green Infrastructure project milestones. Based on a further modification in June 2023, the CSO Consent Orders extend the milestone for completing green infrastructure to achieve 1.67 billion gallons a year ("BGY") in annual CSO volume reduction from 2030 to 2040 and commit the City to spending $3.5 billion by 2045 for green infrastructure on a citywide basis, including the cost of achieving the 1.67 BGY of CSO volume reduction.

In December 2024, NYSDEC approved DEP's modification request to the Newtown Creek LTCP and the CSO Consent Order to expand the size of the Newtown Creek CSO Tunnel to a 50MG CSO Tunnel and eliminate the expansion of the Borden Avenue Pump Station. The final end date for construction completion of the CSO Tunnel remains December 31, 2040.

DEP estimates the cost of complying with the CSO Consent Orders through the end of the CIP to be $5.84 billion, $5.56 billion of which is currently included in the CIP. Certain of the milestones in the CSO Consent Orders extend beyond the end of the CIP.

In 2015, NYSDEC adopted more stringent water quality standards based on fecal coliform bacteria for water bodies that are not designated for swimming under state regulation, those waters with Class I and SD use designations. In 2018, USEPA disapproved those standards, on the grounds that the use of fecal coliform as an indicator of bacteria is inconsistent with USEPA's recommended criteria for recreational waters, which are based on enterococcus bacteria. A coalition of environmental groups has sued USEPA in federal court under the Administrative Procedure Act. The suit alleges that USEPA, having disapproved the state standards, must adopt its own standards for Class I and SD waters, and that it has unreasonably delayed issuing those standards. NYSDEC and the City have intervened as defendants in that litigation. All parties to the litigation have moved for summary judgment. Depending on the outcome of the litigation, DEP could be required to implement measures, the cost of which may be significant and are not included in the CIP.

Since 2015, NYSDEC has further updated water quality standards for surface waters in and around the City, most significantly promulgating new criteria for enterococcus as a fecal indicator bacteria and establishing waterbody specific standards.

On March 28, 2023, NYSDEC filed a Notice of Proposed Rule Making to amend Parts 701 and 703 of Title 6 of the Official Compilation of Codes, Rules, and Regulations of the State of New York (6 NYCRR). The proposed regulatory updates include water quality standards to protect the shell-fishing best use in Class SA waters; protect the primary contact recreation best use in Class SA and SB waters; maintain water quality suitable for primary contact recreation in Class SC waters; protect the secondary contact recreation best use in Class I waters; and add a wet weather limited use designation for waters impacted by combined sewer overflow discharges. The proposed rule will impact Class SA, SB, SC, and I waters in and around the City, Long Island, and the Lower Hudson Valley. DEP submitted comments on the proposed rule, generally supported improved water quality standards for the waters in and around the City, but also identified potential future cost implications. NYSDEC promulgated the final amendments in the State Register on October 18, 2023.

In October 2025, NYSDEC issued a Notice of Adoption of amendments to 6 NYCRR parts 701, 703, 864, 890, 891, 920 and 935 titled "Saline Water Quality Standards & Reclassification Rule 1." The adopted regulatory updates modify how the wet weather (WW) limited use designation can be applied, amend water quality standards (WQS) to protect off-season secondary contact recreation best uses in saline waters, and amend classifications of 30 formerly Class I or SD waterbody segments to Class SB, SB(WW), or SC. The SB(WW) reclassifications are applicable to two segments of the Harlem River and are supported by a Use Attainability Analysis (UAA). DEP submitted comments on the proposed rulemaking. DEP expects that additional similar rulemakings will be proposed for other Class I and Class SD waterbodies in and around New York City. Ultimately, the proposed enterococcus

standards may not be attainable in all waters in and around New York City on an annual basis and are not consistent with the standards evaluated under the LTCPs. DEP continues to review the approved LTCPs to determine whether changes are warranted at this time or in the future to achieve the new water quality standards. Such potential additional costs are not reflected in the CIP or the projected operating costs of the System.

Superfund Designation. DEP is a potentially responsible party ("PRP") for three designated Superfund sites, discussed in detail below. Under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), a responsible party may be held responsible for monies expended for response actions at a Superfund site, including investigative, planning, removal, remedial and USEPA enforcement actions. A responsible party may also be ordered by USEPA to take response actions itself. Responsible parties include, among others, past or current owners or operators of a facility from which there is a release of a hazardous substance that causes the incurrence of response costs. The nature, extent, and cost of response actions at these sites, and the contribution, if any, of discharges from the System, and the extent of DEP's liability, if any, for monies expended for such response actions, will likely not be determined for several years.

On March 2, 2010, USEPA listed the Gowanus Canal (the "Canal"), a waterway located in Brooklyn, New York, as a federal Superfund site under CERCLA. USEPA considers the City a PRP under CERCLA, based on contaminants from currently and formerly City-owned and operated properties, as well as from the City's CSOs. On September 30, 2013, USEPA issued the Record of Decision ("ROD") for the Canal, setting forth requirements for dredging contaminated sediment in the Canal and covering it with a cap as well as source control requirements. The ROD requires that two CSO retention tanks be constructed as part of the source control component of the remedy. USEPA estimates that the costs of the tanks will be approximately $85 million and the overall cleanup costs (to be allocated among potentially responsible parties) will be $506 million. DEP expects the remaining cost of the tanks will be $584 million, all of which is included in the CIP. On May 28, 2014, USEPA issued a unilateral administrative order ("2014 Unilateral Order") requiring the City to design major components of the remedy for the Canal, including the CSO retention tanks, remediation of the First Street Basin (a currently filled-in portion of the Canal), and stormwater controls. On June 9, 2016, USEPA and the City entered into an Administrative Settlement Agreement and Order ("Administrative Order"), under which the City agreed to milestones relating to the design of one of the CSO tanks. The City notified USEPA of delays in the completion of the design of one of the CSO retention tanks and is monitoring its ability to meet the requirements of the USEPA Orders.

On March 29, 2021, USEPA issued a Unilateral Order ("2021 Unilateral Order") to the City, requiring the City to complete design and construction of both CSO tanks by March 2029; to complete design and construction of a new bulkhead at the City-owned Salt Lot at 2nd Avenue in Brooklyn by August 2023; and to implement additional stormwater controls in the Gowanus Canal sewershed. On July 14, 2021, the City informed USEPA that it would comply with the 2021 Unilateral Order by completing the required design and construction of the CSO tanks, but that it would likely be unable to complete the imposed design and construction deadlines. The City also informed USEPA that it would comply with the 2021 Unilateral Order by constructing the new bulkhead at the Salt Lot. The City is working to comply with all of the requirements as practically feasible, and, to date, the City has met all of the design and construction deadlines in the 2021 Unilateral Order. In November 2023, in response to a DEP request, USEPA agreed to modify certain milestones for the construction schedule for the Owls Head CSO tank without penalty. The City may be subject to penalties stemming from alleged violations of the 2014 Unilateral Order and the Administrative Order, and may also be subject to fines and/or penalties stemming from the 2021 Unilateral Order if it does not meet the design and/or construction deadlines set forth therein.

The City and approximately 20 other parties are sharing the costs of the design of the in-canal portion of the remediation, which includes dredging and capping the canal. The City's share was determined pursuant to an allocation process. On January 28, 2020, USEPA issued a new Unilateral Order to the six largest PRPs, including the City and National Grid, requiring these parties to implement the in-canal remediation described above (consisting of dredging and capping of sediments) in the upper reach of the Canal, the first of three portions of the Canal where this work will be done. As noted in 2013 when it issued the ROD, USEPA estimates that the cost of the in-canal remediation in the upper reach of the canal would be $125 million. The City believes that these costs will be substantially higher. The City's liability for the in-canal work is unknown at this time and may ultimately be determined through litigation, unless the City reaches a settlement with National Grid. National Grid filed a complaint on October 3, 2024, against all PRPs with which it has not yet settled.

On September 27, 2010, USEPA listed Newtown Creek, the waterway on the border between Brooklyn and Queens, New York, as a Superfund site. On April 6, 2010, USEPA notified the City that it considers the City a PRP under CERCLA for hazardous substances in Newtown Creek. In its Newtown Creek PRP notice letter, USEPA identified historical City activities that filled former wetlands and low lying areas in and around Newtown Creek and releases from formerly City-owned and operated facilities, including municipal incinerators, as well as discharges from sewers and CSO outfalls as potential sources of hazardous substances in Newtown Creek. In July 2011, the City entered into an Administrative Settlement Agreement and Order on Consent with USEPA and five other PRPs to conduct an investigation of conditions in the Creek and evaluate feasible remedies. The investigation and feasibility study for Newtown Creek is expected to proceed until 2027. The settlement with USEPA is limited to the investigation and does not cover any remedy that may ultimately be chosen by USEPA to address the conditions identified through the investigation and evaluation. Under CERCLA, the PRPs are jointly and severally liable for the costs of addressing the contamination. The remedy has not yet been identified, and therefore, the cost and timing of any payments are unknown. The costs are expected to be significant.

The City has entered into a settlement with three other PRPs regarding funding and completing the remediation of the Creek, the terms of which are confidential. There is no way to identify the cost to the City, or the System, until the remedy is determined. The allocation between the System and other City agencies will be subject to internal review.

In 2020, USEPA issued a Record of Decision (the "2020 ROD") setting forth the remedy for CSO discharges. The 2020 ROD requires no further action for CSO beyond the projects in the State-approved Newtown Creek CSO Long Term Control Plan. As part of its determination, USEPA required monitoring of the City's four largest CSOs and other point sources on Newtown Creek to confirm the assumptions underlying the 2020 ROD. Such requirement for monitoring is reflected in a September 2022 Administrative Settlement Agreement and Order on Consent between the City and USEPA.

In January 2025, USEPA issued its ROD for the East Branch portion of the Newtown Creek Superfund Site. The ROD calls for further investigation, dredging and capping to maintain existing elevations with a deeper dredge in certain areas, shoreline stabilization and sealed bulkheads, among other things. USEPA estimates a total construction cost of $243.5 million net present value for the East Branch remedy (as with the overall remedy, the PRPs are jointly and severally liable for the costs) and a three-year construction timeframe.

On May 12, 2014, USEPA listed the former Wolff-Alport Chemical Company site ("Wolff-Alport Site") in Ridgewood, Queens as a Superfund site. The designation is based on radioactive contamination resulting from the operations of the Wolff-Alport Chemical Company during the 1920s to 1950s, which, among other things, disposed of radioactive material on-site and via the Sewer System. In 2013, USEPA, in cooperation with City and State agencies, completed a response action to implement certain interim remedial measures at the Wolff-Alport Site to address the Site's short-term public health risks. From 2015 to 2017, USEPA undertook a remedial investigation and feasibility study that assessed, among other things, impacts to the sewer system and City right-of-way from operations at the Wolff-Alport Site, and evaluated a range of remedial alternatives. In September 2017, USEPA issued its ROD identifying its selected remedy. The ROD requires jet washing and replacement of sewers, and excavation of contaminated portions of the right-of-way. The City estimates that this work will cost approximately $89 million. In December 2017, USEPA notified the City of its status as a PRP for the work on City property and sought to have the City perform some of the work. In February 2018, the City notified USEPA that, subject to certain conditions, it was willing to undertake such work, and in September 2019, USEPA issued a Unilateral Administrative Order requiring the City to conduct additional pre-design investigatory work and develop a Remedial Design consistent with the ROD. The City entered into a Consent Judgment filed in federal court, requiring the implementation of the remedial design once it is approved by USEPA. In July and August, 2023, USEPA approved the City's work plan for the pre-design investigation and the schedule for completing the workplan.

Site of the Former Mt. Kisco Wastewater Treatment Plant. The City operated a wastewater treatment plant in the Village of Mt. Kisco for several decades, which was decommissioned in the 1960s. Elevated radiation levels have been detected at various locations throughout the site, believed to be due to the operations of the Canadian Radium & Uranium Corporation ("CRUC"), which processed radioactive materials at an off-site facility in Mt. Kisco and, it is understood, sent wastewater to the Mt. Kisco wastewater treatment plant for treatment. CRUC is no longer in operation. Based on DEP's operation of the Mt. Kisco wastewater treatment plant, DEP signed an order of consent

with NYSDEC. Pursuant to this order, DEP conducted a preliminary environmental study at the site, and DEP submitted its findings to NYSDEC in late 2019. Upon its review of DEP's findings, NYSDEC indicated that further investigations and other actions are required at the site, and that such requirement will be set forth in a new or amended order between NYSDEC and DEP. Accordingly, DEP will likely be required to fund remedial design and remedial action at the site, along with waste disposal. The contaminated material is considered TENORM (technically enhanced naturally occurring radioactive material) and needs to be disposed of at a waste facility permitted to receive the material. The costs to DEP for remedial design, remedial action and waste disposal could be significant.

Storm Sewer Infrastructure. Certain parts of the City do not have built-out storm sewer infrastructure, including areas of southeast Queens and Staten Island. Those areas of Staten Island are being addressed through DEP's Bluebelt Program. See "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Current Capital Plan and the Capital Improvement Program – Sewers." For southeast Queens, the City is planning to construct storm sewer infrastructure, which is estimated to take several decades. A complete cost estimate is not available, though $2 billion is included in the CIP.

Separate Sewers. In addition to the combined sewers, which are subject to the CSO control program, portions of the City are served by separate sewers designed to carry stormwater separately from sanitary flow. Such municipal separate storm sewer systems ("MS4s") are also subject to regulation under the Clean Water Act, and therefore require SPDES permits. Until August 2015, the SPDES requirements for the City's separate sewers were incorporated into the SPDES permits for the 14 wastewater resource recovery facilities. On August 1, 2015, a new Citywide MS4 permit took effect. NYSDEC issued a modified Citywide MS4 permit effective as of August 1, 2022; this permit replaces the prior permit. Costs of complying with the permit include both operating and capital expenses. Pursuant to the permit, the City conducted a fiscal analysis of the resources necessary to fund the costs of complying with the 2015 permit. Responsibility for such costs is shared across 14 City agencies, including DEP. The City does not yet have an estimate of the costs associated with all of the MS4 requirements for all City agencies, which could be substantial. The CIP currently includes $48 million for DEP's share of capital costs associated with complying with the permit.

ENVIRONMENTAL MATTERS

Climate Change: Storms, Strategic Planning and Resiliency

The City has 520 miles of coastline, bordering the Atlantic Ocean as well as rivers, bays, and inlets. Four of its five Boroughs, Manhattan, Staten Island, Brooklyn, and Queens, are on islands and water also forms the principal boundary of the Bronx. As a result, the City is directly affected by rising sea levels, inland flooding, and exposed to intensifying coastal storms. Two prior storms have significantly affected the City's climate planning.

Superstorm Sandy

On Monday, October 29, 2012, Hurricane Sandy hit the Mid-Atlantic East Coast as a tropical storm ("Sandy"). The City continues to expend funds to address the impact of Sandy on the System, but anticipates that the costs to the System relating to the storm will continue to largely be paid from non-City sources, primarily the federal government. There is no assurance that if the City were to experience a similar storm in the future that the federal government would pay the costs.

Post-Tropical Cyclone Ida

On September 1, 2021, Hurricane Ida hit the Mid-Atlantic East Coast as a post-tropical cyclone ("Ida"), bringing significant rainfall and resulting in severe flooding in parts of the City, including primarily inland areas. Rainfall from Ida exceeded the previous record for the most single-hour rainfall in the City and for the first time the National Weather Service declared a flash flood emergency in the City. Ida resulted in the deaths of 13 people in the City, 11 of which occurred in basement housing units. On April 20, 2023, the City released PlaNYC: Getting Sustainability Done ("PlaNYC 2023"). Building on prior recommendations released closely after Ida hit the City, PlaNYC 2023 includes measures to address flooding caused by extreme rainfall. The total costs of implementing all of PlaNYC 2023's recommendations, including those relating to extreme rainfall, would be substantial and in some

cases would require State and federal funding alongside additional City funding. DEP continues to review the effects of climate change, including increased flooding and heavy rain events.

Strategic Planning and Resiliency

DEP has been engaged in an ongoing review of the effects of climate change on the System, including the impact of rising sea levels and changes to the intensity and frequency of precipitation events throughout the System, including the impact on the System's water supply assets and sewer and wastewater assets. Since 2007, the City has been engaged in strategic planning for climate change, recognizing the challenges that it presents for City operations and infrastructure. Among other things, the City convened the New York City Panel on Climate Change (the "NPCC"), a body of leading independent climate and social scientists. Since 2008, the NPCC has analyzed climate trends, developed projections, explored key impacts, issued reports (the "NPCC Reports") and advised on response strategies for the City. The NPCC has determined that the City is already experiencing the impacts of climate change and projects dramatic impacts on the City in the future.

Climate change is causing more extreme heat, extreme rainfall, coastal storm surge, and chronic tidal flooding. NPCC projections form the basis for the City's and DEP's climate resiliency planning, which involves coordination and cooperation among multiple public and private stakeholders, and expansion of ongoing maintenance and development of municipal infrastructure as well as specific initiatives such as those described below.

In October 2013, DEP released two studies summarizing certain climate-related impacts on the System's water and sewer assets. First, the NYC Wastewater Resiliency Plan summarized the results of a study of the System's principal wastewater assets and proposed measures to protect such assets from future storms and rising sea levels. Since the System's wastewater assets are located along waterbodies, they are particularly at risk from rising sea levels and major storms. Second, the Phase I Assessment of the Climate Change Integrated Modeling Project summarized the prospective effects of climate change on the quantity and quality of water in the System's water supply. Additionally, on May 11, 2021, the City issued a Stormwater Resiliency Plan that includes the City's first-ever city-wide analysis of flooding caused by extreme rainfall events. The Stormwater Resiliency Plan also outlines goals and initiatives for the City to implement over a period of 10 years, including new policies for resilient stormwater management, the integration of future-looking climate change projections into DEP's long-term drainage planning, changes to the City's flash flood emergency response procedure, and an increased focus on public communications related to rainfall-based flooding. In July 2022, the City released the Rainfall Ready NYC action plan, a plan to prepare the City for more extreme rainfall in the future. The plan outlines actions that City government and New Yorkers can do to combat intense storms, including how to prepare for storms, monitor conditions during storms, and recover rapidly after storms.

Building on NPCC's assessments and the City's strategic planning, the City developed PlaNYC 2023 which addresses some of the risks identified in the NPCC Reports. Among other things, PlaNYC 2023 includes measures to address the biggest risks to the City associated with climate change, including extreme heat and flooding from extreme rainfall, coastal storms and tidal flooding due to sea level rise. PlaNYC 2023 also describes measures to reduce economy-wide greenhouse gas emissions and initiatives to transition away from polluting fossil fuels to clean energy.

One of PlaNYC 2023 initiatives was the creation of a new Bureau of Coastal Resilience, which is led by a Deputy Commissioner at DEP.

In June 2025, DEP released a strategic document titled "Deliver, Engineer, Protect: DEP's Long-Range Vision." The vision's focus included investments in infrastructure reliability and resilience, with several of the strategic initiatives identified in the plan designed to manage flooding and stormwater. The strategic vision was designed to be comprehensive in scope, with potential initiatives addressing each part of the System's asset base included in the plan.

DEP is in the process of implementing infrastructure projects to protect the System from flooding associated with extreme rainfall, storm surge, and tidal flooding due to sea level rise. Such projects include structural upgrades and improvements to the Ashokan Reservoir, improvements to wastewater treatment assets to protect them from flooding, and resiliency projects along the East River. A portion of the cost of completing such projects is included in the CIP. The total cost of these projects is expected to be substantial. These projects and initiatives are in various

stages of feasibility review, design, construction, and implementation. Some projects are expected to require additional funding to the extent that they are in the planning stages or current funding does not provide for the costs of construction. In addition to such projects, DEP expects that additional resiliency projects will be identified and implemented in the coming years, addressing the risks identified in the NPCC Reports and PlaNYC 2023, as well as other risks that DEP may identify.

The City, including DEP, is also taking steps to integrate climate resiliency into capital planning through the NYC Climate Resiliency Design Guidelines. The NYC Climate Resiliency Design Guidelines translate future-looking climate change projections into technical guidance to inform the design of City-owned capital projects, including roads, buildings, sewer systems, hospitals, public housing, and other pieces of critical public infrastructure. Starting in 2027, all City projects, including those overseen by DEP, will be required to meet a stringent set of requirements that will certify their preparedness for extreme weather threats.

Despite the planning efforts described above, the magnitude of the impact on the System's operations or financial condition from environmental risks is indeterminate and is unpredictable. There can be no assurance that the System will not encounter more frequent and intense climate impacts such as hurricanes, tropical storms, cloudbursts, droughts, heatwaves or catastrophic sea level rise in the future or that such risks will not have an adverse effect on the operation or financial condition of the System.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This section presents certain economic and demographic information about the City. All information is presented on a calendar year basis unless otherwise indicated. The data set forth are the latest available. Sources of 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 verification of the information provided by non-City sources and does not warrant its accuracy.

New York City Economy

The City has a diversified economic base, with a substantial volume of business activity in the financial, professional services, education, healthcare, hospitality, wholesale and retail trade, information services, and technology industries, and is the location of many securities, banking, law, accounting, media, and advertising firms.

The City is a major seaport and focal point for international business. Many of the major corporations headquartered in the City are multinational in scope and have extensive foreign operations. Numerous foreign-owned companies in the United States are also headquartered in the City. These firms are found in all sectors of the City's economy, but are concentrated in trade, professional and business services, tourism and finance. The City is the location of the headquarters of the United Nations and several affiliated organizations maintain their principal offices in the City. A large diplomatic community exists in the City to staff the missions to the United Nations and the foreign consulates.

Economic activity in the City has experienced periods of growth and recession and can be expected to experience periods of growth and recession in the future. The City experienced a recession in the early 1970s through the middle of that decade, followed by a period of expansion in the late 1970s through the late 1980s. The City fell into recession again in the early 1990s which was followed by an expansion that lasted until 2001. The economic slowdown that began in 2001 as a result of the September 11 attack, a national economic recession, and a downturn in the securities industry came to an end in 2003. Subsequently, Wall Street activity, tourism and the real estate market drove a broad-based economic recovery through most of 2007. The financial crisis spurred by the collapse of the housing market and subsequent Great Recession brought the expansion to a halt in 2008. By 2010, the City began to recover and enjoyed a robust 10-year economic expansion. Beginning in 2020, the City encountered significant challenges to its economy as a result of the COVID-19 pandemic.

The reduction in business activity, travel and tourism resulting from the COVID-19 pandemic had a severe impact on the City's retail, cultural, hospitality and entertainment sectors and unemployment rates throughout the City increased substantially. However, employment in the City has recovered to above pre-pandemic levels. Certain real

estate sectors sustained losses as a result of the business distress caused by COVID-19 and increased numbers of employees working from home stressed the City's office market, which has been recovering slowly but steadily since early 2024. Uncertainties remain for commercial office markets as future demand may depend on decisions of major office tenants regarding density, remote work and relocation of operations out of the City.

Personal Income

From 2015 through 2024 (the most recent year for which City personal income data are available), total personal income, unadjusted for the effects of inflation, grew at a compounded annual average rate of 4.6% and 5.4% for the City and the nation, respectively. The City's total personal income per capita grew at a compounded annual average rate of 5.0% per year for the same period. In 2024, total personal income per capita in the City exceeded that of the U.S. by 27%. The following table sets forth information regarding personal income in the City and the U.S. from 2015 to 2024.

Personal Income[(1)]

Year	Total City (in billions)	Per Capita City[(2)]	Per Capita U.S.	Per Capita City as a Percent of U.S.
2015	$522.4	$59,798	$48,062	124%
2016	547.3	62,229	48,974	127
2017	593.2	67,286	51,006	132
2018	614.3	69,597	53,311	131
2019	627.4	71,097	55,567	128
2020	650.2	74,389	59,151	126
2021	699.6	82,751	64,692	128
2022	704.7	84,336	66,298	127
2023	746.0	88,910	70,002	127
2024	785.7	92,674	73,204	127

Sources: U.S. Department of Commerce, Bureau of Economic Analysis ("BEA") and the Bureau of the Census.

(1) In current dollars. Personal income is based on the place of residence and is measured from income which includes wages and salaries, supplements to wages and salaries, proprietors' income, personal dividend income, personal interest income, rental income of persons and transfer payments.

(2) Personal income per capita estimates reflect Census Bureau midyear population estimates available as of February 2026.

Employment Trends

The City is a leading center for the banking and securities industry, education, healthcare, life insurance, communications, publishing, fashion design, technology, information services, hospitality and retail fields. Over time, the City has experienced numerous business cycles. For example, from 2003 to 2008, the City added 257,600 private sector jobs (growth of 9%). From 2008 to 2009, the City lost 103,200 private sector jobs (decline of 3%). From 2009 to 2019, the City added 918,400 private sector jobs (growth of 29%). From 2019 to 2020, the City lost 496,000 private sector jobs, primarily due to the COVID-19 pandemic (decline of 12%). From 2020 to 2025, the City added 685,792 private sector jobs (growth of 19%). All such changes are based on average annual employment levels through and including the years referenced. As of December 2025, total employment in the City was 4,926,100 compared to 4,896,000 in December 2024 (growth of 0.6%) based on data provided by the New York State Department of Labor, which are not seasonally adjusted.

The table below shows the distribution of employment in the City from 2016 to 2025.

[Remainder of page intentionally left blank]

Employment Distribution

	Average Annual Employment (in thousands)									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Goods Producing Sectors										
Construction	147.3	152.5	158.9	161.3	138.9	141.2	143.2	143.6	143.1	137.0
Manufacturing	76.9	74.1	71.3	68.1	52.9	54.6	57.8	57.3	55.2	54.4
Service-Producing Sectors										
Trade Transportation and Utilities	629.7	633.3	635.4	636.4	537.1	551.2	585.8	586.0	581.2	580.6
Information	199.8	207.4	213.1	220.6	207.9	221.0	238.4	224.1	225.0	229.1
Financial Activities	466.2	469.4	477.0	485.1	471.1	466.1	488.2	502.3	507.5	506.7
Professional and Business Services	708.9	726.2	746.1	772.3	711.0	722.3	786.5	795.1	800.1	799.7
Education and Health Services	930.1	963.6	1,008.3	1,055.4	1,009.8	1,045.1	1,104.8	1,172.5	1,252.6	1,322.2
Leisure and Hospitality	441.9	458.8	464.4	468.1	275.7	306.0	402.2	435.6	444.8	445.7
Other Services	190.7	192.3	193.7	195.7	162.5	168.0	176.9	178.0	178.5	177.4
Total Private	3,791.4	3,877.4	3,968.2	4,063.0	3,567.0	3,675.4	3,983.8	4,094.5	4,188.0	4,252.8
Government	590.9	592.7	593.3	596.4	595.6	583.4	583.7	589.7	599.4	605.3
Total	4,382.3	4,470.1	4,561.5	4,659.5	4,162.6	4,258.8	4,567.5	4,684.2	4,787.5	4,858.1

Note: Totals may not add due to rounding or subsector disclosure limitations.
Source: New York State Department of Labor Current Employment Statistics ("CES"). Data are presented using the North American Industry Classification System ("NAICS"). Not seasonally adjusted.

Sectoral Distribution of Employment and Earnings

In 2024, the City's service-producing sectors provided approximately 4.0 million jobs and accounted for approximately 83% of total employment. Employment levels in the service-producing sectors affect the total earnings as well as the average wage per employee because employee compensation in certain of those sectors, such as financial activities and professional and business services, tends to be considerably higher than in most other sectors. Moreover, average wage rates in these sectors are significantly higher in the City than in the nation. In 2024, the employment share for the City's financial activities and professional and business services sectors was approximately 27% while the earnings share for those same sectors was approximately 46%. In the nation, those same service producing sectors accounted for approximately 20% of employment and 28% of earnings in 2024. Due to the earnings distribution in the City, sudden or large shocks in the financial markets may have a disproportionately adverse effect on the City relative to the nation.

The City's and the nation's employment and earnings by sector for 2024 are set forth in the following table.

[Remainder of page intentionally left blank]

Sectoral Distribution of Employment and Earnings in 2024[1]

	Employment		Earnings[2]	
	City	U.S.	City	U.S.
Goods-Producing Sectors				
Mining and Logging	0.0%	0.4%	0.3%	1.4%
Construction	3.0	5.2	2.5	6.2
Manufacturing	1.2	8.1	0.9	8.6
Total Goods-Producing	4.1%	13.7%	3.6%	16.2%
Service-Producing Sectors				
Trade, Transportation and Utilities	12.1%	18.3%	9.0%	15.4%
Information	4.7	1.9	8.9	3.9
Financial Activities	10.6	5.8	25.0	9.6
Professional and Business Services	16.7	14.3	20.7	18.5
Education and Health Services	26.2	16.8	13.3	13.1
Leisure and Hospitality	9.3	10.6	5.3	5.0
Other Services	3.7	3.8	2.6	3.4
Total Service-Producing	83.3%	71.5%	84.9%	68.8%
Total Private Sector	87.5%	85.2%	88.8%	85.0%
Government	12.5%	14.8%	11.2%	15.0%

Note: Data may not add due to rounding or subsector disclosure limitations. Data are presented using NAICS.
Sources: Employment data are sourced from the New York State Department of Labor's latest CES. The primary sources of employment and earnings information are New York State Department of Labor, the U.S. Department of Labor, Bureau of Labor Statistics, and the U.S. Department of Commerce, Bureau of Economic Analysis.
(1) The sectoral distributions are obtained by dividing each industry's employment or earnings by total non-agricultural employment or earnings.
(2) Includes the sum of wage and salary disbursements, other labor income, and proprietors' income. The latest information available is 2024 data.

Population

The City has been the most populous city in the United States since 1790. The City's population is larger than the combined populations of Los Angeles and Chicago, the two next most populous cities in the nation.

Population of New York City

Year	Total Population
1970	7,894,862
1980	7,071,639
1990	7,322,564
2000	8,008,278
2010	8,175,133
2020	8,804,190

Note: Figures do not include an undetermined number of undocumented persons.
Source: U.S. Department of Commerce, Bureau of the Census.

The United States Census Bureau estimates the City's population to be 8,478,072 as of July 2024.

LITIGATION

There is no action, suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Authority, threatened against or affecting the Authority to restrain or enjoin the issuance, sale or delivery of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds, or any proceedings of the Authority, the Board or the City taken with respect to the issuance or sale of the Offered Bonds, or with respect to the First Resolution, the Second Resolution or the pledge or application of

any money or security provided for the payment of the Offered Bonds, or the existence or powers of the Authority or the Board.

Pursuant to the Lease and the Agreement, the City has agreed, subject to certain conditions, to indemnify the Authority and the Board against any and all liability in connection with any act done or omitted in the exercise of their powers which is taken or omitted in good faith in pursuance of their purposes under the Act. The City, however, is entitled to reimbursement by the Board for the amount of any judgment or settlement paid by the City (and not otherwise reimbursed from any other source) arising out of a tort or contract claim to the extent that the City's liability therefor is related to the operation, maintenance and improvement of the System; provided, however, that the Board is not required to reimburse the City in any one year for tort claims in excess of 5% of the Revenues of the Board for such Fiscal Year.

There are various claims seeking damages and injunctive and other relief against the City related to the System. Except as noted below, these claims represent routine litigation incidental to the performance of the City's governmental functions in connection with the operation, maintenance and improvement of the System. Incidents may occur in the future that may give rise to additional claims. An example of a recent event that may give rise to additional claims is Hurricane Ida on September 1, 2021. An unprecedented rate of rainfall from Hurricane Ida caused flooding in people's homes. As a result, six wrongful death lawsuits and 68 property damage lawsuits have been filed against the City seeking restitution for damage caused by the storm. Out of the 68 property damage claims, 24 cases have been dismissed by the court, and plaintiffs have been discontinued in four cases. The City continues to litigate the remaining cases.

Contract claims on water supply, sewer and wastewater treatment projects arise in varying amounts based on alleged change orders, alleged project delays, and related matters. While the probable outcome of any contract claims cannot be determined at this time, such claims are expected to be funded through the CIP, which may be revised from time to time to accommodate such claims as well as other changes therein. Unfavorable determinations could result in substantial expenditures. The cases described below are noteworthy.

On June 30, 2015, upstate communities sought review from NYSDEC of Entitlement and Excess Rates for Fiscal Years 2015 and 2016. On August 18, 2016, they filed another petition with NYSDEC seeking review of the Entitlement and Excess Rates for Fiscal Year 2017 and seeking to determine whether the New York Public Service Commission or NYSDEC has jurisdiction to review the Excess Rate. On February 9, 2018, the NYSDEC administrative law judge ("ALJ") ruled that NYSDEC has jurisdiction to review the Excess Rate. The parties did not appeal the NYSDEC ruling and accordingly will participate in NYSDEC's review of both the Entitlement Rate and Excess Rate for Fiscal Years 2015-2017. During a preliminary issues conference with the ALJ held on March 5, 2019, the parties identified certain legal issues to be resolved prior to proceeding with the rate review, including whether a newly joined upstate petitioner may raise additional issues to be litigated at the hearing, and the applicable standard of review for the Excess Rate. The issues were briefed, and a decision was issued by the ALJ on October 7, 2019. The ALJ rejected the newly-joined petitioner's attempts to raise additional issues and determined that the standard of review for the Excess Rate is whether the proposed Excess Rate would serve the Board's economic and public policy goals. The upstate communities appealed the ALJ's decision to the NYSDEC Commissioner on December 13, 2019. The NYSDEC Commissioner issued a decision on February 28, 2023 affirming the ALJ's decision. On April 27, 2023, the upstate communities filed Article 78 petitions in Supreme Court in Albany and Putnam County seeking further review of the administrative decision; the cases have been consolidated in Albany County. On August 2, 2024, a decision was issued in the Albany County proceeding holding that the NYSDEC should employ a "fair and reasonable" standard in adjudicating the pending Excess Rate challenge. The Board filed an appeal of that decision on July 3, 2025. The upstate communities have filed additional petitions with NYSDEC seeking review of the Entitlement Rate and Excess Rate applicable to wholesale upstate customers for Fiscal Years 2020, 2022, 2023, 2024, 2025 and 2026. On January 4, 2024, the ALJ granted the Board's motion to dismiss the Fiscal Year 2020 and 2022 challenges. That decision was appealed to the NYSDEC Commissioner, who upheld the dismissal of the Fiscal Year 2020 and 2022 challenges on July 29, 2024. On September 15, 2023, the Town of Carmel filed an additional Article 78 petition in Putnam County challenging the rates set by the Water Board for Fiscal Year 2024. The Court dismissed that petition on April 4, 2024. The Town of Carmel filed an appeal of that dismissal on December 17, 2024. Most recently, the Town of Carmel filed a third Article 78 petition on March 7, 2025 challenging the NYSDEC Commissioner's decision affirming the entitlement rates for Fiscal Years 2015 and 2016. The Court dismissed that petition on September 15, 2025, and the deadline to file a notice of appeal has passed. Any potential monetary liability related to the legal

proceedings for Fiscal Years 2015-2017 and Fiscal Years 2023, 2024, 2025 and 2026 cannot be estimated at this time. The Board believes it has meritorious defenses in these pending legal matters and the Law Department, in its capacity as attorneys for the Board, is vigorously pursuing such defenses.

On March 12, 2014, a gas explosion occurred in East Harlem resulting in the collapse of two five-story mixed commercial/residential buildings located at 1644 and 1646 Park Avenue. Eight people were killed, and dozens more injured. Sixty-three lawsuits (with 171 plaintiffs) have been commenced against the City, including eight for wrongful death. The remainder allege personal injury, property damage, and/or business interruption. Plaintiffs assert generally that the City was negligent in inspecting and maintaining infrastructure, including gas and water lines. The National Transportation Safety Board ("NTSB") investigated the cause of the explosion. The NTSB completed its investigation into the probable cause of the explosion and issued its findings on June 9, 2015. The NTSB issued two probable cause findings. First, that Con Edison installed a defective fusion joint between its gas main and a service pipe, which failed. Second, that DEP did not repair a known breach in the City sewer, allowing supporting soil under the gas main to wash into the sewer, causing the gas pipe to sag; and that the sagging gas pipe led to a separation of the defective fusion joint, allowing gas to escape, fueling the explosion. The New York State Department of Public Service ("DPS") issued its final report regarding its investigation on November 19, 2015. DPS concluded that Con Edison's improper installation of the fusion joint at 1642 Park Avenue, which failed, was the primary source of natural gas that caused the explosion. DPS identified thirteen regulations that Con Edison appears to have violated, as well as four other areas of concern related to Con Edison. DPS also concluded that the gas main was caused to move downward due to supporting soil being washed away from the pre-existing sewer breach, and due to excess loading from repeated layers of asphalt roadway, which led to the fusion joint failure. It is not clear at this point how the NTSB and DPS findings will affect the City's potential liability with respect to this matter. Discovery is proceeding in the underlying cases. At a court-ordered mediation, the City and Con Edison agreed to apportion the payment of all settlements, verdicts and judgments pursuant to a percentage allocation formula. The City and Con Edison are settling cases per the agreed-upon percentage allocation formula.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Fiscal 2026 DD Bonds is subject to the approval of legality by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters with respect to the remarketing of the Fiscal 2022 DD Bonds will be passed upon by Nixon Peabody LLP, New York, New York, and Hardwick Law Firm, LLC, New York, New York, Co-Bond Counsel. Certain legal matters will be passed upon for the City and the Board by the City's Corporation Counsel. Certain legal matters in connection with the preparation of this Official Statement will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, New York, New York and Holley & Pearson-Farrer LLP, New York, New York, Co-Special Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriters by Katten Muchin Rosenman LLP, New York, New York, and D. Seaton and Associates, P.A., P.C., New York, New York.

FINANCIAL ADVISOR

Frasca & Associates, LLC, is serving as financial advisor to the Authority with respect to the sale of the Fiscal 2026 DD Bonds and the remarketing of the Fiscal 2022 DD Bonds.

FURTHER INFORMATION

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, the Constitution and laws of the State, the Act, the 1905 Act, the Clean Water Act, the SDWA, and documents, agreements and court decisions, including but not limited to the Lease, the Agreement, the First Resolution and the Second Resolution are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions. Copies of the Lease, the Agreement, the First Resolution and the Second Resolution are available for inspection during normal business hours at the office of the Authority.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement which may

have been made orally or in writing shall be construed as a contract or as a part of a contract with the Underwriters or any holders of the Offered Bonds.

CONTINUING DISCLOSURE UNDER SEC RULE 15c2-12

To the extent that Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), requires the Underwriters to determine, as a condition to purchasing the Fiscal 2026 DD Bonds, that the Authority will covenant to the effect of the provisions here summarized (the "Undertaking"), and the Rule as so applied is authorized by a federal law that as so construed is within the powers of Congress, the Authority agrees with the record and beneficial owners from time to time of the Fiscal 2026 DD Bonds ("Bondholders") that it will:

(1) within 270 days after the end of the 2026 Fiscal Year and each subsequent Fiscal Year, to the Electronic Municipal Market Access System ("EMMA") (http://emma.msrb.org) established by the Municipal Securities Rulemaking Board (the "MSRB"), post core financial information and operating data for the prior fiscal year, including (i) the System's audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time, and (ii) material historical financial and operating data concerning the System and the Revenues of the System generally of the type included in this Official Statement under the captions "CAPITAL IMPROVEMENT AND FINANCING PROGRAM," "FINANCIAL OPERATIONS," "RATES AND BILLING" and "THE SYSTEM";

(2) provide in a timely manner not in excess of 10 Business Days after the occurrence of any event described below, notice to EMMA, of any of the following events with respect to the Fiscal 2026 DD Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions, the issuance by the IRS 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 status of the Fiscal 2026 DD Bonds, or other material events affecting the tax status of the Fiscal 2026 DD Bonds;

(g) modifications to rights of holders of the Fiscal 2026 DD Bonds, if material;

(h) bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution, or sale of property securing repayment of the Fiscal 2026 DD Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the Authority;

(m) consummation of a merger, consolidation, or acquisition involving the Authority, 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 such actions, other than pursuant to its terms, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a Financial Obligation (as defined below) of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Holders of the Fiscal 2026 DD Bonds, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(3) provide, in a timely manner, to the MSRB, notice of any failure by the Authority to comply with clause (1) above.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) may not be applicable, since no "debt service reserves" will be established for the Fiscal 2026 DD Bonds.

With respect to event (d), the Authority has not provided for credit or liquidity enhancement with respect to the Fiscal 2026 DD Bonds and the Authority does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities, unless the Authority applies for or participates in obtaining the enhancement.

Event (f) is relevant only to the extent interest on the Fiscal 2026 DD Bonds was or was purported to be tax-exempt at issuance.

With respect to event (h), the Authority does not undertake to provide the above-described event notice of a mandatory redemption through sinking fund installments, not otherwise contingent upon the occurrence of an event, if (i) the terms, dates and amounts of redemption are set forth in detail in the final official statement (as defined in the Rule), (ii) the only open issue, which securities will be redeemed in the case of a partial redemption, (iii) notice of redemption is given to the Bondholders as required under the terms of the securities and (iv) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced prior to optional redemptions or security purchases.

With respect to events (o) and (p), "Financial Obligation" (i) 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) or (B) but (ii) shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Authority expects to provide the information described in clause (1) above by delivering its first bond official statement that includes its financial statements for the preceding fiscal year.

No Bondholder may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Undertaking or for any remedy for breach thereof, unless such Bondholder has filed with the Authority evidence of ownership and a written notice of and request to cure such breach, and the Authority has not complied within a reasonable time; provided, however, that any Proceeding challenging the adequacy of any information provided pursuant to paragraphs (1) and (2) above may be brought only by the Trustee for the holders of a majority in aggregate principal amount of the Fiscal 2026 DD Bonds affected thereby which at the time are Outstanding. All Proceedings may be instituted only as specified herein, in the federal or State courts located in the Borough of Manhattan, State and City of New York, and for the equal benefit of all holders of the Outstanding Bonds benefited by the same or a substantially similar covenant. No remedy may be sought or granted other than specific performance of the covenant at issue.

Any amendment to the Undertaking will take effect only if:

(a) the amendment is 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 the Authority or the Board, or type of business conducted; the Undertaking, as amended, would have complied with the requirements of the Rule at the time of sale of the Fiscal 2026 DD Bonds to the Underwriters of such bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Authority (such as, but without limitation, the Authority's financial advisor or bond counsel) and the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided; or

(b) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the Undertaking, ceases to be in effect for any reason, and the Authority elects that the Undertaking will be deemed terminated or amended (as the case may be) accordingly.

For purposes of the Undertaking, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, subject to certain exceptions, as set forth in the Undertaking. Any assertion of beneficial ownership must be filed, with full documentary support, as part of the written request to the Authority described above.

INVESTMENTS

The Authority invests moneys available in the Debt Service Fund, the Construction Fund and the Revenue Fund. Investments are made pursuant to restrictions contained in the Resolutions and the Authority's Investment Guidelines as adopted and modified from time to time by the Authority's Board of Directors. In conjunction with the annual audit of the financial statements of the System, the independent auditors are required to provide to the Authority's Board of Directors an Investment Compliance letter confirming compliance with both the Authority's Investment Guidelines and with Investment Guidelines of Public Authorities of the State Comptroller of New York. Annual valuation of all funds is at the lower of amortized cost or market value. For other investment restrictions, see "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS." The Authority's primary objective in investment of its available funds is preservation of principal. The Authority is not legally authorized to enter into reverse repurchase agreements. Authority does not make leveraged investments.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Precision Analytics (the "Verification Agent") will verify the accuracy of the arithmetical and mathematical computations concerning the adequacy of the amounts and escrow securities, including investment earnings thereon, and uninvested cash, if any, in the Escrow Account together with other funds available or scheduled to be available for such purposes to meet the anticipated redemption schedule and redemption price, and interest on the Refunded Bonds being redeemed on the Redemption Dates noted in "APPENDIX I – TABLES OF REFUNDED BONDS" and computations supporting the conclusion of Co-Bond Counsel that the Fiscal 2026 DD Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder. Such verification of the arithmetical accuracy of the mathematical computations is based upon information and assumptions supplied by Raymond James & Associates, Inc., on behalf of the Underwriters, and reviewed and confirmed by the Financial Advisor.

RATINGS

S&P Global Ratings, Fitch Ratings and Moody's Ratings have rated the Offered Bonds as set forth under "SUMMARY STATEMENT – Ratings."

Such ratings reflect only the views of the respective rating agencies, from which an explanation of the significance of such ratings may be obtained. There is no assurance that any rating will continue for any given period of time or that any or all will not be revised downward or withdrawn entirely. Any such downward revision or

withdrawal could have an adverse effect on the market price of the Fiscal 2026 DD Bonds. A securities rating is not a recommendation to buy, sell or hold securities.

UNDERWRITING

The Offered Bonds are being purchased by the Underwriters, for whom Raymond James & Associates, Inc. is acting as lead manager, from the Authority at an aggregate purchase price equal to the initial offering price thereof, less an underwriters' discount of $3,938,032.02 (inclusive of expenses) with respect to the Fiscal 2026 DD Bonds. The Underwriters shall receive a fee of $351,239.52 in connection with the reoffering of the Fiscal 2022 DD Bonds, which amount will be paid from funds of the Authority. The obligations of the Underwriters are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of such Offered Bonds if any of such Offered Bonds are purchased. The Offered Bonds may be offered and sold to certain dealers (including dealers depositing the Offered Bonds into investment trusts) and others at prices lower than such public offering price and such public offering price may be changed, from time to time, by the Underwriters.

In addition, certain of the Underwriters may have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Offered Bonds at the original issue price. Such agreements generally provide that the Underwriters will share a portion of its underwriting compensation or selling concession with such broker-dealers.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they have received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

LEGALITY FOR INVESTMENT AND DEPOSIT

Under the Act, the Offered Bonds are securities in which all public officials and bodies of the State and all municipalities, 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, investment companies and other persons carrying on a banking business, and administrators, guardians, executors, trustees and other fiduciaries and all others persons whatsoever, who are now and may hereafter be authorized to invest in the Offered Bonds or obligations of the State, may properly and legally invest funds including capital in their control or belonging to them in such Offered Bonds. The Act further provides that the Offered Bonds are securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities for any purposes for which the deposit of bonds or other obligations of the State is or may hereafter be authorized.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS

The financial statements of the System as of and for the years ended June 30, 2025 and June 30, 2024 (the "Audited System Financial Statements") included in APPENDIX D to this Official Statement have been audited by Grant Thornton LLP, independent certified public accountants, as stated in their report appearing therein. Grant Thornton LLP, the Authority's independent auditor has not reviewed, commented on or approved, and is not associated with, this Official Statement. The report of Grant Thornton LLP relating to the Authority's financial statements for the Fiscal Years ended June 30, 2025 and 2024, which is a matter of public record, is included in this Official Statement. However, Grant Thornton LLP has not performed any procedures on any financial statements or other financial information of the Authority, including without limitation any of the information contained in this Official

Statement, since the date of such report and has not been asked to consent to the inclusion of its report in this Official Statement.

ENGINEERING FEASIBILITY REPORT AND FORECASTED CASH FLOWS

Certain information contained in this Official Statement under the captions "CAPITAL IMPROVEMENT AND FINANCING PROGRAM – Current Capital Plan and the Capital Improvement Program," "THE SYSTEM – The Water System," "THE SYSTEM – The Sewer System" has been reviewed and independently evaluated by AECOM and MDE which have jointly provided the opinion letter set forth in APPENDIX A confirming such information. AECOM also serves as a consulting engineer to DEP on capital projects relating to the System. As a result of occasional, routine litigation initiated by third parties arising from such projects, AECOM and the City have from time to time been either co-parties or adverse parties in such litigation. For additional information on MDE and MDE's and AECOM's roles as Co-Consulting Engineers, see "INTRODUCTORY STATEMENT – General."

Certain financial forecasts contained in this Official Statement in the tables titled "Sources and Uses of Capital Funds" and "Forecasted Debt Service Requirements" under the caption "CAPITAL IMPROVEMENT AND FINANCING PROGRAM" and "Projected Operating and Maintenance Expenses," "Projected Revenues," and "Forecasted Cash Flows" under the caption "FINANCIAL OPERATIONS" have been examined by Carollo, the Authority's lead Co-Rate Consultant, to the extent and for the periods indicated in those tables. The conclusions of Carollo with respect to the reasonableness of the forecasts are set forth in an opinion letter attached hereto as APPENDIX B. Carollo has provided consulting services including rate and fee studies, economic analysis, and program management support to numerous clients in the water and wastewater industry in addition to the City of New York Water and Sewer System, including the City of Los Angeles Bureau of Sanitation, the San Antonio Water System, the City of Houston, and the San Diego County Water Authority.

TAX MATTERS

Fiscal 2026 Series DD Bonds

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2026 Series DD Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Fiscal 2026 Series DD Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2026 Series DD Bonds. Pursuant to the Authority's Fiscal 2026 DD Supplemental Resolution and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 relating to the Fiscal 2026 Series DD Bonds (the "Fiscal 2026 DD Tax Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2026 Series DD Bond from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain other representations and certifications in the Fiscal 2026 DD Supplemental Resolution and the Tax Certificate relating to the tax exemption of the Fiscal 2026 Series DD Bond. Co-Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinions of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned tax covenants, and the accuracy of the representations and certifications described above, interest on the Fiscal 2026 Series DD Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Interest on the Fiscal 2026 Series DD Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

State Taxes

Co-Bond Counsel are also of the opinion that under existing law, interest on the Fiscal 2026 Series DD Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York). Co-Bond Counsel express no opinion as to other New York State or local tax consequences arising with respect to the Fiscal 2026 Series DD Bonds or as to the taxability of the Fiscal 2026 Series DD Bonds or the income therefrom under the laws of any jurisdiction other than the State of New York.

Original Issue Premium

Fiscal 2026 Series DD Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Fiscal 2026 Series DD Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Fiscal 2026 Series DD Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Fiscal 2026 Series DD Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Fiscal 2026 Series DD Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel are not rendering any opinion as to any federal or state tax matters other than those described in the opinion attached as APPENDIX E-1. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Fiscal 2026 Series DD Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Fiscal 2026 Series DD Bonds for federal or state income tax purposes, and thus on the value or marketability of the Fiscal 2026 Series DD Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Fiscal 2026 Series DD Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to

predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Fiscal 2026 Series DD Bonds may occur. Prospective purchasers of the Fiscal 2026 Series DD Bonds should consult their own tax advisors regarding the impact of any change in law on the Fiscal 2026 Series DD Bonds.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Fiscal 2026 Series DD Bonds may affect the tax status of interest on the Fiscal 2026 Series DD Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Fiscal 2026 Series DD Bonds, or the interest thereon, if any action is taken with respect to the Fiscal 2026 Series DD Bonds or the proceeds thereof upon the advice or approval of other counsel.

Fiscal 2022 Series DD Bonds

General

On February 10, 2022, Nixon Peabody LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, delivered the opinion set forth as APPENDIX E-2 (the "2022DD Approving Opinions") in connection with the original issuance of the Fiscal 2022 Series DD Bonds. The 2022DD Approving Opinions speak only as of their date and only as to the matters expressly stated, and are not being re-delivered.

The 2022DD Approving Opinions concluded that, under then existing law, as of their date, relying on certain statements by the Authority and assuming compliance by the Authority with certain covenants, that interest on the Fiscal 2022 Series DD Bonds was:

- excluded from gross income for federal income tax purposes under Section 103 the Internal Revenue Code of 1986, as amended (the "Code"), and

- not a preference item in calculating the federal alternative minimum tax impose under the Code.

The 2022D Approving Opinions also concluded that, under then existing law, as of their date, interest on the Fiscal 2022 Series DD Bonds was exempt from personal income taxes of the State of New York and any political subdivisions of the State of New York, including The City of New York.

On the Mandatory Tender Date, Co-Bond Counsel will deliver opinions in the form set forth hereto as APPENDIX E-3 that the mandatory tender of the Fiscal 2022 Series DD Bonds, the conversion of the Fiscal 2022 Series DD Bonds to a Fixed Rate Mode and the remarketing of the Fiscal 2022 Series DD Bonds will not, in and of themselves, adversely affect the (a) exclusion from gross income of interest on the Fiscal 2022 Series DD Bonds for purposes of federal income taxation, or (b) the exemption from personal income taxes of the State of New York and any political subdivisions of the State of New York, including The City of New York, of interest on the Fiscal 2022 Series DD Bonds.

Co-Bond Counsel is not rendering an opinion on the current tax status of any of the Fiscal 2022 Series DD Bonds.

Federal Income Taxes

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Fiscal 2022 Series DD Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Fiscal 2022 Series DD Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Fiscal 2022 Series DD Bonds. Pursuant to the Authority's Fiscal 2022 DD Supplemental Resolution and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 relating to the Fiscal 2022 Series DD Bonds (the "2022DD Tax Certificate"), on the issue date of the Fiscal 2022 Series DD Bonds, the Authority covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Fiscal 2022 Series DD Bonds from gross income for federal income tax purposes pursuant to Section 103 of

the Code. In addition, on the issue date of the Fiscal 2022 Series DD Bonds, the Authority has made certain other representations and certifications in the Fiscal 2022 DD Supplemental Resolution and the 2022DD Tax Certificate relating to the tax exemption of the Fiscal 2022 Series DD Bonds.

Premium

Fiscal 2022 Series DD Bonds remarketed at prices in excess of their principal amounts are Premium Bonds. An initial purchaser of a remarketed Fiscal 2022 Series DD Bond with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Fiscal 2022 Series DD Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Fiscal 2022 Series DD Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Fiscal 2022 Series DD Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Fiscal 2022 Series DD Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel are not rendering any opinion as to any federal or state tax matters other than those described in the opinion attached as APPENDIX E-3. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Fiscal 2022 Series DD Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Fiscal 2022 Series DD Bonds for federal or state income tax purposes, and thus on the value or marketability of the Fiscal 2022 Series DD Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Fiscal 2022 Series DD Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Fiscal 2022 Series DD Bonds may occur. Prospective purchasers of the Fiscal 2022 Series DD Bonds should consult their own tax advisors regarding the impact of any change in law on the Fiscal 2022 Series DD Bonds.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery, or the remarketing, of the Fiscal 2022 Series DD Bonds may affect the tax status of interest on the Fiscal 2022 Series DD Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Fiscal 2022 Series DD Bonds, or the interest thereon, if any action is taken with respect to the Fiscal 2022 Series DD Bonds or the proceeds thereof upon the advice or approval of other counsel.

CERTAIN LEGAL OPINIONS

At the request of the Authority, Co-Bond Counsel reviewed issues related to the effects on the Board and the Authority of a case under Title 11 of the United States Code (the "Bankruptcy Code") in which the City is a debtor. Specifically, Co-Bond Counsel considered whether a federal court, exercising bankruptcy jurisdiction and reasonable judgment after full consideration of all relevant factors, would (i) hold that the Revenues derived from operation of the System would be property of the bankruptcy estate of the City, (ii) hold that the rights of the Board to the Revenues and the interest of the Authority in the Revenues would be subject to a stay, by operation of Section 922(a) of the Bankruptcy Code or (iii) order the substantive consolidation of the assets of either or both the Board and the Authority with those of the City. Based upon their review of the Act, the Lease, the Agreement, the First Resolution, the Second Resolution and such other matters of law and fact as they considered relevant, and recognizing that there is no definitive judicial authority confirming the correctness of their analysis, Co-Bond Counsel has rendered to the Authority their opinions, subject to all the facts, assumptions and qualifications set forth therein, that under the Bankruptcy Code a federal court, in the circumstances described above, (i) would not hold that the Revenues would be property of the City within the meaning of Section 902(1) of the Bankruptcy Code, and thus (ii) would not hold that the Board's rights to and the Authority's interest in the Revenues would be subject to a stay by operation of Section 922(a) of the Bankruptcy Code (including Section 362(a) as incorporated therein), and (iii) would not order the substantive consolidation of the assets and liabilities of the Board and/or the Authority with those of the City. The opinions are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. There are no court decisions directly on point.

Co-Bond Counsel has also rendered to the Authority their opinions that, subject to all the facts, assumptions and qualifications set forth therein, in a case under the Bankruptcy Code in which the City is a debtor (i) the Lease would be treated as an unexpired lease of real property, (ii) if the City determined to assume the Lease and the City filed appropriate and timely pleadings to assume the Lease, the Lease would be permitted to continue pursuant to its terms, and (iii) if the City rejected the Lease, the Board as lessee would be permitted to elect to retain its rights under the Lease and remain in possession and enjoy the use of the System and the right to the Revenues derived therefrom for the unexpired balance of the term of the Lease.

The Bankruptcy Code provides that in order for a municipality to be a debtor under the Bankruptcy Code, it must be specifically authorized by State law to file such a proceeding. Co-Bond Counsel is of the opinion, subject to all the facts, assumptions and qualifications set forth therein, that (a) the only form of relief under the Bankruptcy Code for which either the Authority or the Board would be eligible is a voluntary proceeding under Chapter 9 (the municipal bankruptcy chapter), (b) current New York law does not authorize either the Authority or the Board to properly be a debtor in a voluntary or involuntary case under the Bankruptcy Code, and (c) additional State legislation would be required specifically granting the Authority and/or the Board the power to file a petition under Chapter 9 before either body could properly seek relief under Chapter 9.

Co-Bond Counsel has not rendered opinions, however, as to any preliminary or temporary stay, injunction or order which a bankruptcy court might issue pursuant to its powers under *11 U.S.C. §§ 105 or 362* to preserve the status quo pending consideration of the substantive legal issues discussed above. Moreover, the opinions expressed above have inherent limitations and assumptions because of, among other things, the pervasive equity powers of bankruptcy courts as they relate to the business and creditor relationships leading up to the bankruptcy proceeding as well as generally the overriding goal of reorganization to which other legal rights and policies may be subordinated, the potential relevance to the exercise of judicial discretion of future-arising facts and circumstances, and the nature of the bankruptcy process; and are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date of this Official

Statement. Co-Bond Counsel has not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and has no obligation to update this section in light of such actions or events.

NEW YORK CITY MUNICIPAL WATER
FINANCE AUTHORITY

APPENDIX A

LETTER OF
AECOM USA, INC. AND MACAN DEVE ENGINEERS, DPC,
CO-CONSULTING ENGINEERS

AECOM Imagine it. Delivered.

AECOM
605 Third Ave
New York, NY 10158
aecom.com

MACAN DEVE

410 North Broadway
White Plains, NY 10603

March 19, 2026

Mr. Philip Wasserman
Executive Director
New York City Municipal Water Finance Authority

Subject: New York City Municipal Water Finance Authority Water and Sewer System Second Resolution Revenue Bonds, Fiscal 2026 Series DD and Fiscal 2022 Series DD

Dear Mr. Wasserman,

We hereby submit the opinion of AECOM USA, Inc. ("AECOM") and Macan Deve Engineers, DPC. ("MDE") on the condition of the Water and Sewer System serving The City of New York (the "City"). Capitalized terms used herein and not otherwise defined have the meanings ascribed to such terms in the Official Statement.

Based on the information set forth in this Official Statement, AECOM's experience and analyses during the preparation of the 1983 feasibility study, the methodology described below and subject to the reliance and assumptions made throughout this letter, AECOM and MDE conclude that overall the Water and Sewer system (the "System") serving the City continues to be operated and managed in a professional and prudent manner with an appropriate regard for the level of service afforded to the users within the available funding. Further, AECOM and MDE are of the opinion that:

- The condition of the System continues to receive the highest rating of our three rating categories (adequate).
- The expense allocation for Fiscal Year 2026 is adequate for the continued reliable operation of the System.
- The Capital Improvement Program for Fiscal Years 2026-2035 (the "CIP") is responsive to the long-term operating requirements of the System.
- Although New York City Department of Environmental Protection ("DEP") continues to face significant staffing challenges with high vacancies due to high rates of attrition, staff retention, slow hiring during the past City hiring freeze, and overall staffing shortages, they have continued to successfully operate and maintain the System by critical hiring, staff reallocations and regularly scheduled overtime. DEP has implemented additional recruitment, hiring and retention strategies. DEP intends to continue to prioritize addressing staffing issues to fill critical vacancies and retain staff to support capital program delivery, sustain adequate operations and maintenance of the System in the long-term.

AECOM and MDE hereby consent to the inclusion of those opinions and conclusions attributed to us in the Official Statement.

Purpose and Scope

This letter has been prepared to document the results of analyses carried out during the period of August 1983 to the present by personnel of AECOM and during the period of July 2021 to the present by personnel of MDE in connection with the issuance by the New York City Municipal Water Finance Authority (the "Authority") of the Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD. Contemporaneously, the Authority's outstanding Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2022 Series DD, will be remarketed as federally tax-exempt bonds in the Fixed Rate Mode to their final maturity. Certain studies and analyses were performed in anticipation of the creation of the Authority and were used in developing the information in the Official Statement under the captions: "Capital Improvement and Financing Program – Current Capital Plan and the Capital Improvement Program, "The System – The Water System," and "The System – The Sewer System." The following identifies the major investigations undertaken:

- An overview of the System's service area and major facilities, including a general assessment of the capacity and condition of existing water, wastewater and drainage facilities and a review of recently completed improvements.
- An analysis of the CIP and the funding needed to carry out the CIP and ongoing capital contracts commenced prior to the CIP.
- An analysis of the management of the System and its current and anticipated operating programs.

Since 1983, AECOM has provided engineering services related to the City's Water and Wastewater Operations Evaluation Study as Consulting Engineer, acting as Co-Consulting Engineer since July 2021. MDE has been Co-Consulting Engineer since July 2021 and has since been reviewing prior Consulting Engineering reports, collaborating with AECOM, and reviewing relevant current and historical DEP System information. AECOM and MDE have jointly performed an evaluation of the condition of the System, reviewed the capital plans for water and wastewater programs and reviewed the operating programs of the DEP. The following topics were addressed in this effort:

- Present Condition of Physical Facilities
- Remaining Useful Life of Facilities
- Reliability of Utility Systems
- Operation and Maintenance Programs
- Current Utility Use
- Maximum Existing Capacity
- Staffing and Other Needs for Routine Maintenance, Upgrading and Expansion
- Evaluation of the Impact of Legal Mandates
- Overview of Present Capital Improvement Program
- Safety Practices and Potential for Catastrophe

Methodology

The following actions were performed jointly by AECOM and MDE: interviews with staff members of the City were conducted, current engineering and financial reports, System operating data and other documents were reviewed, and major facilities were visited. Audited financial statements of the City and data supplied by the Authority were also reviewed to identify historical costs and revenues. The evaluation of current needs and future conditions was made by analyzing historical data, assessing the effectiveness of current City maintenance programs, reviewing the plans of key outside agencies, and taking into account current trends and the anticipated impact of the CIP.

The physical condition of the System was rated by AECOM and MDE. A uniform rating system was established consisting of three rating categories; Adequate, Marginal, and Inadequate as described:

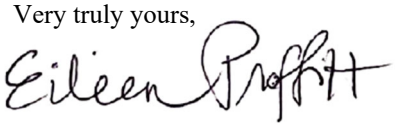
- Adequate: Shows no signs of deterioration beyond normal wear, meets operational intent, and requires only routine maintenance and scheduled refurbishment to meet or exceed expected useful life.
- Marginal: Is functional but does not meet operational intent and requires non-routine maintenance to meet operational objectives.
- Inadequate: Does not provide functional operation and requires major reconstruction to restore to adequate condition.

The Co-Consulting Engineers

AECOM has served the water and wastewater industry for over 100 years and the City as a consulting engineer for many decades dealing with water supply, water distribution, sewage collection, and wastewater treatment. AECOM is one of the largest consulting engineering firms and is recognized in the United States and internationally as a leader in services to the water and wastewater industry. MDE is an established engineering and architectural firm and woman-owned business entity that was selected along with AECOM to be one of the Co-Consulting Engineers to the Authority, starting in July 2021.

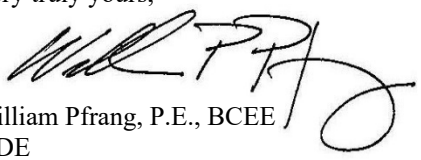
We have no responsibility to update this letter or the information provided in the Official Statement for the captioned sections described above for events and circumstances occurring after the date of this letter.

Very truly yours,



Eileen Proffitt, P.E.
NY Metro Water, AECOM
Co-Consulting Engineer for
Municipal Water Finance Authority

Very truly yours,



William Pfrang, P.E., BCEE
MDE
Co-Consulting Engineer for
Municipal Water Finance Authority

[THIS PAGE INTENTIONALLY LEFT BLANK]

March 19, 2026

Mr. Philip Wasserman
Executive Director
New York City Municipal Water Finance Authority

Subject: New York City Municipal Water Finance Authority
Water and Sewer System Second General Resolution Revenue Bonds,
Fiscal 2026 Series DD and Fiscal 2022 Series DD

Dear Mr. Wasserman:

The purpose of this letter is to summarize the conclusions of the independent analysis of the financial forecast of the Authority (the "Forecasted Cash Flows") for Fiscal Years 2026 through 2030 (the "Reporting Period") prepared by the Carollo Engineers, P.C. in connection with the issuance by the New York City Municipal Water Finance Authority (the "Authority") of the Authority's $903,580,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD (the "Fiscal 2026 DD Bonds"). Proceeds from the Fiscal 2026 DD Bonds are expected to be used to (i) refund certain Outstanding First Resolution Bonds and Second Resolution Bonds and (ii) pay certain costs of issuance. Contemporaneously, the Authority's outstanding Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2022 Series DD, will be remarketed as federally tax-exempt bonds in the Fixed Rate Mode to their final maturity. In conducting the analysis, Carollo Engineers, P.C. has prepared the following tables which are included in this Official Statement under the headings "CAPITAL IMPROVEMENT AND FINANCING PROGRAM" and "FINANCIAL OPERATIONS."

- Sources and Uses of Capital Funds
- Forecasted Debt Service Requirements
- Projected Revenues
- Projected Operation and Maintenance Expense
- Forecasted Cash Flows

The forecast includes provisions for the financing of improvements to the City of New York (the "City") Water and Sewer System (the "System") as reflected in the Capital Improvement Program (the "CIP") for the Reporting Period. The Forecasted Cash Flows set forth the ability of the System to meet the operating costs, working capital needs and other financial requirements of the System, including the debt service requirements associated with the Outstanding Bonds issued under the Authority's General Bond Resolution (the "First Resolution") and obligations issued under the Authority's Second General Resolution (the "Second Resolution") and additional Bonds and Second Resolution Bonds whose issuance by the Authority during the five years ending June 30, 2030 is anticipated.

Revenues pledged to secure the Authority's Bonds are to be derived from the following sources: (i) all Revenues, (ii) all moneys or securities in any of the Funds and Accounts, and (iii) all other monies and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the First Resolution. The term "Revenues," as defined by the First Resolution, includes, but is not limited to, all rents, fees, charges and other income and receipts derived by the New York City Water Board (the "Board") from users of the System, and certain investment proceeds received by the Board.

Moneys pledged to secure bonds issued under the Second Resolution are to be derived from: (i) all available amounts on deposit in the Subordinated Indebtedness Fund established under the First Resolution and (ii) all moneys or securities in any of the funds and accounts established under the Second Resolution, except the Arbitrage Rebate Fund and the Debt Service Reserve Fund.

The Forecasted Cash Flows summarize the anticipated financial operations of the Authority for the Reporting Period. The Authority's books, records, financial reports, and statistical data have been reviewed to the extent practicable, and other investigations and analyses were conducted as deemed necessary to assemble and analyze the forecast of revenues, revenue requirements, and debt service coverage for the Reporting Period. Various financial tests and analyses have been performed to support the findings and conclusions presented herein. The Authority's fiscal year ends on June 30, and all references in the Official Statement to a fiscal year ("Fiscal Year") relate to the 12 month period ending June 30 of the year shown.

Proposed improvements and additions to the System under the CIP for the Reporting Period were independently evaluated and confirmed by AECOM USA, Inc. ("AECOM") and Macan Deve Engineers, DPC ("MDE"). The forecasted cash flows rely upon the conclusions of AECOM and MDE regarding the capital and operating expenditures that are necessary during the Reporting Period to maintain the System in good working order.

Based on the studies performed, Carollo Engineers, P.C. offers the following opinions and conclusions:

1. Revenues (including projected revenue increases resulting from anticipated future rate increases to be implemented by the Board), as set forth in the Forecasted Cash Flows, are currently and will be sufficient to meet the following requirements during the Reporting Period:

a. One hundred and fifteen percent (115%) of the principal of and interest on all Bonds issued under the First Resolution, as the same shall become due and payable, for which such Revenues are pledged;

b. One hundred percent (100%) of the principal of and interest on all bonds issued under the Second Resolution and other subordinate obligations payable from Revenues;

c. One hundred percent (100%) of all expenses of operation, maintenance and repair of the System;

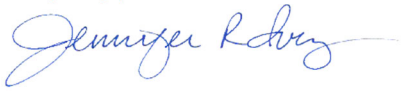
d. One hundred percent (100%) of other Required Deposits as required by the First Resolution. In addition, revenues are adequate to make all payments to the City.

2. In the analysis of the forecast of future operations summarized in this Official Statement, Carollo Engineers, P.C. has reviewed certain assumptions with respect to conditions, events and circumstances which may occur in the future. These assumptions are reasonable and attainable, although actual results may differ from those forecast as influenced by the conditions, events and circumstances which actually occur.

3. The water and wastewater rates, fees and charges of the Board, including projected increases, are reasonable and compare favorably to the rates and charges of other major cities.

The opportunity to be of service to the Authority in this important matter is greatly appreciated.

Very truly yours,



Jennifer Ivey, P.E.
Financial Management Service Delivery Lead
Carollo Engineers, P.C.
Co-Rate Consultant for
Municipal Water Finance Authority

GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS

GLOSSARY

Set forth below are definitions of certain terms contained in the Agreement, the Lease, the First Resolution and the Resolutions and not otherwise defined in this Official Statement.

Definition of Certain Terms Used in the First Resolution

Adjusted Aggregate Debt Service: For any Fiscal Year and as of any date of calculation is the sum of the Adjusted Debt Service for all Series of Bonds Outstanding during such Fiscal Year.

Adjusted Debt Service: For any Fiscal Year, as of any date of calculation and with respect to any Series of Bonds, is the Debt Service for such Fiscal Year for such Series except that, if any Refundable Principal Installment of such Series of Bonds is included in Debt Service for such Fiscal Year, Adjusted Debt Service shall mean Debt Service determined as if each such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Act as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at the actual interest cost payable on the Bonds of such Series (using the actuarial method of calculation).

Aggregate Debt Service: For any Fiscal Year, as of any date of calculation, the sum of the Debt Service for all Bonds Outstanding during such Fiscal Year.

Authority Expenses: All reasonable or necessary current expenses of the Authority, including all salaries, administrative, general, commercial, engineering, advertising, public notice, auditing and legal expenses, insurance and surety bond premiums, fees paid to banks, insurance companies or other financial institutions for the issuance of Credit Facilities, consultants' fees and charges, payment to pension, retirement, health and hospitalization funds, costs of public hearings, ordinary and current rentals of equipment and other property, lease payments for real property or interests therein, expenses, liabilities and compensation of any Fiduciary and all other expenses necessary, incidental or convenient for the efficient operation of the Authority. Bond Counsel has determined that payments made under an Interest Rate Exchange Agreement are deemed Authority Expenses if the Interest Rate Exchange Agreement relates to First Resolution Bonds.

Authorized Newspaper: The Bond Buyer or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority.

Authorized Representative: In the case of both the Authority and the Board, their respective Chairman or Executive Director, or such other person or persons so designated by resolution of the Authority or the Board, as the case may be, and in the case of the City, the Mayor, unless a different City official is designated to perform the act or sign the document in question.

Bond or Bonds: For purposes of the Agreement and the First Resolution (and as used in this Official Statement unless the context otherwise requires), the bonds, notes or other evidences of indebtedness issued by the Authority under and pursuant to the Act and the First Resolution, including Parity Bond Anticipation Notes and Parity Reimbursement Obligations; but shall not mean Subordinated Indebtedness or other Bond Anticipation Notes or Reimbursement Obligations; and for purposes of the Lease, means any bonds, notes or other evidences of indebtedness for borrowed money issued by the Authority.

Bond Counsel's Opinion: An opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of municipalities and public agencies, selected by the Authority and satisfactory to the Trustee.

Bond Payment Date: June 15 and December 15 of each year; provided, however, that if any such day is not a Business Day, then the Bond Payment Date shall be the next succeeding Business Day.

Business Day: Any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America or the Note Trustee are legally authorized to close in the City.

Cash Flow Requirement: For each Fiscal Year and as of any date of certification, the amount, certified by the Authority to the Trustee and the Board equal to the difference between (A) the sum of (i) the estimated Aggregate Debt Service for such Fiscal Year, (ii) the Projected Debt Service for such Fiscal Year, (iii) the estimated Authority Expenses for such Fiscal Year, and (iv) the other Required Deposits estimated for such Fiscal Year and (B) (i) if the certification is made prior to the commencement of the Fiscal Year, the amount anticipated by the Authority as of such date of certification to be held by the Trustee, as of the first day of such Fiscal Year, in the Revenue Fund and (ii) if the certification is made after the commencement of such Fiscal Year, the amount which had been anticipated pursuant to (B) (i) above.

Consulting Engineer: AECOM or such other independent engineer or engineering firm of recognized standing selected by the Authority and satisfactory to the Board.

Corporation: The New York State Environmental Facilities Corporation and any successor entity which may succeed to its rights and duties respecting the State Revolving Fund.

Cost or Costs of a Water Project: The cost of construction, as such term is defined in the Act, including, without limiting the generality of the foregoing, the erection, alteration, improvement, increase, enlargement or rehabilitation of the System or a Water Project, the inspection and supervision thereof, the engineering, architectural, legal, fiscal, economic and environmental investigations and studies, designs, surveys, plans, specifications, procedures and other actions incidental thereto; the cost of the acquisition of all Property; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired (including the cost of acquiring any lands to which such buildings or structures may be moved or relocated); the cost of all systems, facilities, machinery, appurtenances, equipment, financing charges and interest prior to, during and after construction (if not paid or provided for from revenues or other sources); the cost of engineering and architectural surveys, plans and specifications; the cost of consultants' and legal services; the cost of lease guarantee or bond insurance; other expenses necessary, reasonably related or incidental to the construction of such Water Project and the financing of the construction thereof, including the cost of Credit Facilities, the amounts authorized in the First Resolution to be paid into any reserve or other special fund from the proceeds of Bonds and the financing or the placing of any Water Project in operation, including reimbursement to any governmental entity or any other person for expenditures that would be Costs of such Water Project and all claims arising from any of the foregoing.

Counterparty: An entity whose senior long term debt obligations, or whose obligations under an Interest Rate Exchange Agreement are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time the subject Interest Rate Exchange Agreement is entered into) of AA or better by Moody's Investors Service and AA or better by Standard & Poor's Ratings Services.

Credit Facility: A letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof.

Debt Service: For any Fiscal Year or part thereof, as of any date of calculation and with respect to any Series, means an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on Bonds of such Series, except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (b) the Principal Installments of the Bonds of such Series payable during such Fiscal Year or part thereof. Such interest and Principal Installments for such Series shall be calculated on the assumption that (x) no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) Variable Rate Bonds will bear interest at the greater of (A) the rate or rates which were assumed by the Authority in the Authority Budget for

such Fiscal Year to be borne by Variable Rate Bonds during such Fiscal Year or (B) the actual rate or rates borne during such Fiscal Year on Variable Rate Bonds Outstanding during the 12 calendar months preceding the date of calculation.

Debt Service Reserve Requirement: As of any date of calculation, and for any Fiscal Year, shall mean the amount equal to the maximum Adjusted Aggregate Debt Service in the current or any future Fiscal Year on all Bonds Outstanding; provided, however, that, if (i) the payment of the Principal Installments of or interest on any Series of Bonds or portion thereof is secured by a Special Credit Facility, (ii) the payment of the Tender Option Price of any Option Bond of a Series is secured by a Special Credit Facility or (iii) the Authority has determined in a Supplemental Resolution authorizing the issuance of a Series of Bonds that such Series of Bonds will not be secured by the Common Account in the Debt Service Reserve Fund, the Supplemental Resolution authorizing such Series may specify the Debt Service Reserve Requirement, if any, for the Bonds of such Series.

DEC: The New York State Department of Environmental Conservation and any successor entity which may succeed to its rights and duties respecting the State Revolving Fund.

Defeasance Obligations: (A) any non-callable bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other non-callable receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A); provided, however, that, when used in connection with any Bond authorized to be issued by a Supplemental Resolution adopted on or after June 1, 2001, such term also means: (C) a non-callable obligation of the United States of America which has been stripped by the United States Department of Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect to the Bonds to be defeased); (D) the interest component of REFCORP bonds for which separate payment of principal and interest is made by request of the Federal Reserve Bank of New York in book-entry form; (E) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision (i) the interest on which is excludable from gross income under Section 103 of the Code, (ii) that, at the time an investment therein is made or such obligation is deposited in any fund or account established pursuant to the First Resolution, is rated in the highest rating category of the Rating Agencies, (iii) that is not subject to redemption prior to maturity other than at the option of the holder thereof or either (1) has irrevocably been called for redemption or (2) as to which irrevocable instructions have been given to call such obligation on a stated future date and (iv) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (A), (B), (C), (D), (E) or (F), which fund may be applied only to the payment of principal, interest and redemption premium, if any, on the obligation secured thereby; and (F) a non-callable note, bond, debenture, mortgage or other evidence of indebtedness that, at the time acquired, is (i) issued or guaranteed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Student Loan Marketing Association, the Federal Farm Credit System or any other instrumentality of the United States of America and (ii) rated in the highest rating category of the Rating Agencies; provided, further, that the term "Defeasance Obligations" shall not mean any interest in a unit investment trust or a mutual fund.

THE FOLLOWING DEFINITION HAS BECOME EFFECTIVE WITH RESPECT TO FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015, BUT ONLY TO THE EXTENT MONEYS ARE SEPARATELY SEGREGATED OR ALLOCATED TO THE FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015. THE FOLLOWING DEFINITION WILL BECOME EFFECTIVE WITH RESPECT TO ALL OTHER FIRST RESOLUTION BONDS AT SUCH TIME AS THE APPROVAL OF TWO-THIRDS IN PRINCIPAL AMOUNT OF THE HOLDERS OF ALL OUTSTANDING FIRST RESOLUTION BONDS HAS BEEN OBTAINED, AT WHICH TIME THE DEFINITION OF DEFEASANCE OBLIGATIONS WILL BE AMENDED TO READ AS FOLLOWS FOR ALL OUTSTANDING FIRST RESOLUTION BONDS.

Defeasance Obligations *shall mean*

(A) any non-callable bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America; or

(B) any other non-callable receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause;

(C) a non-callable obligation of the United States of America which has been stripped by the United States Department of the Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect to the Outstanding Bonds to be defeased);

(D) the interest component of REFCORP bonds for which separation of principal and interest is made by request of the Federal Reserve Bank of New York in book–entry form;

(E) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision (i) the interest on which is excludable from gross income under Section 103 of the Code, (ii) that, at the time an investment therein is made or such obligation is deposited in any fund or account established pursuant to Section 1201 of the Second General Resolution, is rated in the highest rating category by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, (iii) that is not subject to redemption prior to maturity other than at the option of the holder thereof or either (1) has irrevocably been called for redemption or (2) as to which irrevocable instructions have been given to call such obligation on a stated future date and (iv) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (A), (B), (C), (D), (E) and (F), which fund may be applied only to the payment of the principal of and interest and redemption premium, if any, on the obligation secured thereby; and

(F) a non-callable note, bond, debenture, mortgage or other evidence of indebtedness that, at the time acquired, is (i) issued or guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac), Federal National Mortgage Corporation (FNMA-Fannie Mae), Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and the Tennessee Valley Authority, or any other instrumentality or government sponsored enterprise of the United States of America and (ii) rated in the highest rating category by at least two Rating Agencies, one of which maintains a rating on the Outstanding Bonds, unless such obligations have a maturity of 360 days or less in which case such obligations are rated in the highest short-term rating category, without regard to qualification of such rating symbols such as "+" or "-", by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds; provided, further, that the term "Defeasance Obligations" shall not mean any interest in a unit investment trust or a mutual fund.

FGR Subordinated Indebtedness: Any bond, note or other evidence issued by the Authority in furtherance of its corporate purposes under the Act and payable from the FGR Subordinated Indebtedness Fund.

FGR Subordinated Indebtedness Fund: The Subordinated Indebtedness Fund established pursuant to the First Resolution.

Financial Guaranties: One or more of the following: (i) irrevocable, unconditional and unexpired letters of credit issued by banking institutions the senior long-term debt obligations of which (or the holding company of any

such banking institution) have (at the time of issue of such letter of credit) a rating of Aa2 or better by Moody's Investors Service and AA or better by Standard & Poor's Ratings Services; or (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect issued by municipal bond insurers the obligations insured by which are eligible for a rating of Aa or better by Moody's Investors Service and AA or better by Standard & Poor's Ratings Services; in each case providing for the payment of sums for the payment of Principal Installments of an interest on Bonds in the manner provided in the First Resolution; and providing further that any Financial Guaranty of the type described in (i) above must be drawn upon, on a date which is at least thirty (30) days prior to the expiration date of such Financial Guaranty, in an amount equal to the deficiency which would exist if the Financial Guaranty expired, unless a substitute Financial Guaranty is acquired prior to such expiration date as provided in a related Supplemental Resolution.

Fiscal Year: The twelve-month period commencing on July 1 of each year; provided, however, that the Authority, the Board and the City may agree on a different twelve-month period as the Fiscal Year and in such event the dates set forth in the Agreement, the Lease and the First Resolution shall be adjusted accordingly.

Government Obligation: A direct obligation of the United States of America, an obligation the principal of, and interest on which are guaranteed as to full and timely payment by the United States of America, an obligation (other than an obligation subject to variation in principal repayment) to which the full faith and credit of the United States of America are pledged, an obligation of a federal agency guaranteed as to full and timely payment by the United States of America and approved by the Authority, and a certificate or other instrument which evidences the ownership of, or the right to receive all or a portion of the payment of, the principal of or interest on, direct obligations of the United States of America.

Interest Rate Exchange Agreement: Any financial arrangement (i) that is entered into by the Authority with an entity that is a Counterparty at the time the arrangement is entered into; (ii) which provides that the Authority shall pay to such entity an amount based on the principal amount of a Series of Bonds, and that such entity shall pay to the Authority an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such agreement, or that one shall pay to the other any net amount due under such arrangement; (iii) which has been designated in writing to the Trustee by an Authorized Representative of the Authority as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (iv) which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

Investment Securities shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority and in effect at the time of the making of such investment:

(i) direct obligations of, or obligations guaranteed as to principal and interest by, the State or direct obligations of any agency or public authority thereof, provided such obligations are rated, at the time of purchase, in one of the two highest rating categories by each Rating Agency then maintaining a rating on Outstanding Bonds;

(ii) (A) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause (ii);

(iii) obligations of any agency, subdivision, department, division or instrumentality of the United States of America; or obligations fully guaranteed as to interest and principal by any agency, subdivision, department, division or instrumentality of the United States of America;

(iv) banker's acceptances or certificates of deposit issued by a commercial bank (A) whose long-term debt obligations are rated by each Rating Agency then maintaining a rating on the Outstanding Bonds at least

equal to the rating on Outstanding Bonds that are not insured or otherwise secured by a Credit Facility or a Special Credit Facility, (B) that has its principal place of business within the State and (C) that has capital and surplus of more than $100,000,000;

(v) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by each Rating Agency then maintaining a rating on Outstanding Bonds in its highest rating category for comparable types of obligations;

(vi) repurchase agreements collateralized by securities described in clauses (ii) or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by each Rating Agency then maintaining a rating on Outstanding Bonds, provided that (1) a specific written repurchase agreement governs the transaction, (2) 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 (a) a Federal Reserve Bank, or (b) 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 million, 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, (3) the repurchase agreement has a term of thirty 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 five business days of such valuation, (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102% and (5) the repurchase agreement meets the guidelines then applicable to such investments of each Rating Agency then maintaining a rating on Outstanding Bonds;

(vii) investment agreements or guaranteed investment contracts with any financial institution whose senior long term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract, are guaranteed by a financial institution whose senior long term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the two highest rating categories for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds;

(viii) money market funds rated in the highest rating category for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds; and

(ix) municipal obligations, the payment of principal and redemption price, if any, and interest on which is irrevocably secured by obligations of the type referred to in clauses (i), (ii) or (iii) above and which obligations have been deposited in an escrow arrangement which is irrevocably pledged to the payment of such municipal obligations and which municipal obligations are rated in the highest rating category for comparable types of obligations by each Rating Agency then maintaining a rating on the Bonds.

THE FOLLOWING DEFINITION HAS BECOME EFFECTIVE WITH RESPECT TO FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015, BUT ONLY TO THE EXTENT MONEYS ARE SEPARATELY SEGREGATED OR ALLOCATED TO THE FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015. THE FOLLOWING DEFINITION WILL BECOME EFFECTIVE WITH RESPECT TO ALL OTHER FIRST RESOLUTION BONDS AT SUCH TIME AS THE APPROVAL OF TWO-THIRDS IN PRINCIPAL AMOUNT OF THE HOLDERS OF ALL OUTSTANDING FIRST RESOLUTION BONDS HAS BEEN OBTAINED, AT WHICH TIME THE DEFINITION OF INVESTMENT SECURITIES WILL BE AMENDED TO READ AS FOLLOWS FOR ALL OUTSTANDING FIRST RESOLUTION BONDS.

Investment Securities *shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority and in effect at the time of the making of such investment:*

(i) obligations of any state, agency, political subdivision or public authority within the United States, provided such obligations are rated, at the time of purchase, in one of the two highest

rating categories by at least two Rating Agencies, one of which maintains a rating on the Outstanding Bonds;

(ii) (A) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America, including obligations of any agency, subdivision, department, division or instrumentality thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency, subdivision, department, division or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause (ii); securities under this clause include but are not limited to those issued by the US Treasury (bills, notes, bonds, STRIPS, TIPS), Government National Mortgage Association (GNMA), Farm Credit System Financial Assistance Corporation (FCSFAC), General Service Administration (GSA), Maritime Administration, Small Business Administration and the Federal Financing Bank;

(iii) obligations of any agency, subdivision, department, division, instrumentality or government sponsored enterprise of the United States of America; or obligations fully guaranteed as to interest and principal by any agency, subdivision, department, division, instrumentality or government sponsored enterprise of the United States of America; provided, however, that at the time of purchase such obligations are rated in one of the two highest rating categories by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds, unless such obligations have a maturity of 360 days or less in which case such obligations are rated in the highest short-term rating category, without regard to qualification of such rating symbols such as "+" or "-", by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds; securities under this clause include but are not limited to those issued by the Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac), Federal National Mortgage Corporation (FNMA – Fannie Mae), Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and the Tennessee Valley Authority;

(iv) banker's acceptances or certificates of deposit issued by a commercial bank (A) whose long-term debt obligations are rated in one of the two highest long-term rating categories by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds (B) that has its principal place of business within the United States and (C) that has capital and surplus of more than $100,000,000;

(v) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, in its highest rating category;

(vi) repurchase agreements collateralized by securities described in clauses (i), (ii) or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, provided that (1) a specific written repurchase agreement governs the transaction, (2) 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 (a) a Federal Reserve Bank, or (b) 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 $200,000,000, 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, (3) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation and (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(vii) investment agreements or guaranteed investment contracts with any financial institution whose senior long-term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract are guaranteed by a financial institution whose senior long-term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the two highest rating categories for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds;

(viii) money market funds rated in the highest rating category for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds; and

(ix) municipal obligations, the payment of principal and redemption price, if any, and interest on which is irrevocably secured by obligations of the type referred to in clauses (ii) or (iii) above and which obligations have been deposited in an escrow arrangement which is irrevocably pledged to the payment of such municipal obligations and which municipal obligations are rated in the highest rating category for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds.

Leased Property: The real and personal property and other rights therein leased by the City to the Board pursuant to Article II of the Lease.

Local Water Fund: The special trust fund by that name established by the Act in the custody of the Board into which all Revenues are required to be deposited promptly upon receipt thereof by the Board.

Minimum Monthly Balance: For each Series of Bonds Outstanding, the monthly amount calculated in accordance with Section 4.3(a) of the Agreement. See "Summary of Certain Documents – Summary of the Agreement – Minimum Monthly Balance" in this Appendix C.

O&M Reserve Fund Requirement: For each Fiscal Year, the amount equal to one-sixth (1/6) of the Operating Expenses as set forth in the Annual Budget.

Operating Expenses: All reasonable or necessary current expenses of maintaining, repairing, operating and managing the System net of governmental operating aid, including: all salaries; administrative, general, commercial, architectural, engineering, advertising, public notice, auditing, billing, collection, enforcement and legal expenses; insurance and surety bond premiums; consultants' fees; payments to pension, retirement, health and hospitalization funds; taxes; payments in lieu of taxes; costs of public hearings; ordinary and current rentals of equipment or other property; hydrant rentals; lease payments for real property or interests therein (excluding certain amounts paid by the Board to the City pursuant to the Lease); depository expenses; reasonable reserves for maintenance and repair and all other expenses necessary, incidental or convenient for the efficient operation of the System; but only to the extent properly attributable to the Board or the System and payable by the Board to the City pursuant to the Lease and, except for certain administrative expenses of the Board, payable by the Board to the City pursuant to the Lease.

Option Bonds: Bonds which by their terms may be tendered by and at the option of the owner thereof for payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owner thereof.

Outstanding: As of any date, all Bonds therefore or thereupon being authenticated and delivered under the First Resolution except:

(a) any Bonds canceled by the Trustee at or prior to such date;

(b) any Bond (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust under the First Resolution either:

(i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,

(ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or

(iii) any combination of (i) and (ii) above,

and, if such Bond or portion thereof is to be redeemed, for which notice of redemption has been given as provided in Article VI of the First Resolution or provision satisfactory to the Trustee has been made for the giving of such notice;

(c) any Bond in lieu of or in substitution for which other Bonds have been authenticated and delivered; and

(d) any Bond deemed to have been paid as provided in Section 1201(b) of the First Resolution.

Parity Bond Anticipation Notes: Bond Anticipation Notes the interest on which is payable from and secured by a pledge of, and a lien on, a parity with all other Bonds.

Permitted Encumbrances: When used with reference to the System, (i) any and all liens, encumbrances, security interests or other defects in or clouds on title existing on the Effective Date, (ii) the Lease, (iii) easements, rights of way and exceptions which do not materially impair the operation or maintenance of the Leased Property or the Revenues therefrom, (iv) mechanics', materialmen's, warehousemen's and other similar liens, as permitted by law and liens for taxes at the time not delinquent or being contested and (v) agreements for the sale and leaseback of elements of the System.

Principal Installment: As of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the "principal amount" with respect to any Bonds which do not pay full current interest for all or any part of their term) (y) the Tender Option Price of any Option Bonds which may be tendered for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligations of such Series due (or so tendered for payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date. "Principal Installment" does not include the principal of Parity Bond Anticipation Notes.

Project Financing Agreement: Any Project Financing Agreement to be entered into among the Authority, the City, DEC and the Corporation pursuant to the State Revolving Fund Act.

Projected Debt Service: For any Fiscal Year or part thereof means, as of any date of calculation and with respect to any Projected Series of Bonds, an amount, certified by the Authority to the Trustee and the Board, as provided in the Agreement, equal to the Debt Service estimated by the Authority to be payable during such Fiscal Year on such Projected Series.

Projected Series of Bonds: Any Series of Bonds described in an Authority Budget as anticipated to be issued in the Fiscal Year to which such Authority Budget relates.

Rate Consultant: The independent accountant or firm of independent accountants, or a management consultant or firm of management consultants, or independent engineer or firm of independent engineers, having, in

any case, a recognized standing in the field of water and sewer system consulting selected by the Authority and satisfactory to the Board. The Rate Consultant may be the same firm as the Consulting Engineer.

Rating Agencies: Moody's Investors Service and Standard & Poor's Ratings Services and their respective successors and assigns.

THE FOLLOWING DEFINITION HAS BECOME EFFECTIVE WITH RESPECT TO FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015, BUT ONLY TO THE EXTENT MONEYS ARE SEPARATELY SEGREGATED OR ALLOCATED TO THE FIRST RESOLUTION BONDS ISSUED OR REOFFERED AFTER OCTOBER 21, 2015. THE FOLLOWING DEFINITION WILL BECOME EFFECTIVE WITH RESPECT TO ALL OTHER FIRST RESOLUTION BONDS AT SUCH TIME AS THE APPROVAL OF TWO-THIRDS IN PRINCIPAL AMOUNT OF THE HOLDERS OF ALL OUTSTANDING FIRST RESOLUTION BONDS HAS BEEN OBTAINED, AT WHICH TIME THE DEFINITION OF RATING AGENCIES WILL BE AMENDED TO READ AS FOLLOWS FOR ALL OUTSTANDING FIRST RESOLUTION BONDS.

> ***Rating Agencies*** *shall mean a nationally recognized statistical rating organization ("NRSRO") registered with the Securities and Exchange Commission.*

Rating Confirmation: A written confirmation of each Rating Agency to the effect that the rating assigned to each of the Bonds rated by such Rating Agency will remain unchanged and will not be withdrawn, suspended or reduced as a consequence of some act or occurrence.

Redemption Price: When used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the First Resolution.

Refundable Principal Installment: Any Principal Installment for any Series of Bonds which the Authority intends to pay with moneys which are not Revenues, provided that such intent shall have been expressed in the Supplemental Resolution authorizing such Series of Bonds and provided further that such Principal Installment shall be a Refundable Principal Installment only through the date of the Authority Budget adopted during the Fiscal Year immediately preceding the Fiscal Year in which such Principal Installment comes due unless the Authority has delivered to the Trustee a certificate of an Authorized Representative that it has made provision for the payment of such Principal Installment from a source other than Revenues.

Refunding Bond: Any Bond authenticated and delivered on original issuance pursuant to Section 206 or Section 207 of the First Resolution for the purpose of refunding any Outstanding Bonds or thereafter authenticated and delivered in lieu of or substitution for such Bond pursuant to the First Resolution.

Reimbursement Obligation: The obligation of the Authority described in the First Resolution to directly reimburse the issuer of a Credit Facility for amounts paid by such issuer thereunder, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument.

Required Deposits: For any Fiscal Year, amounts, if any, payable into the Authority Expense Fund, the Debt Service Reserve Fund and the FGR Subordinated Indebtedness Fund but only to the extent such payments are required to be made from Revenues pursuant to the First Resolution.

Revenues shall mean (a) all the rents, fees, charges, payments and other income and receipts derived by the Board from users of the System, together with all operating aid therefor from any governmental entity, federal, State or local, to the Board, (b) investment proceeds and proceeds of insurance received by the Board (other than the proceeds of insurance with respect to the damage or destruction of all or any portion of the System), (c) Subsidy Payments derived by the Authority, (d) amounts derived by the Authority from a Counterparty pursuant to an Interest Rate Exchange Agreement, and (e) investment proceeds derived from amounts on deposit in the Funds and Accounts established hereunder that are deposited or retained in the Revenue Fund or the Local Water Fund, and but shall not include (w) amounts required to be refunded because of billing or payment errors, (x) any amount attributable to any of the foregoing sources described in clause (a) which (i) is expressly excluded by the Agreement or the Lease, or

(ii) is derived from a use of the System not directly related to the supply, treatment and distribution of water to the consumers thereof or the collection, disposal or treatment of sewage, (y) any amount from any governmental entity, federal, State or local, in aid of or for or with respect to the Costs of Water Projects, other than Subsidy Payments, or (z)(i) fines (excluding interest on late payments which shall constitute Revenues), (ii) amounts from the use of water to generate electricity, (iii) amounts from the State as a result of mandatory water discharges from reservoirs or (iv) amounts from the granting of easements, licenses, rights-of-way or other interests in the real property constituting a part of the System.

Special Credit Facility: With respect to any Series of Bonds or portion thereof, a Credit Facility (a) which provides funds for (i) the direct payment of the Principal Installments of and interest on such Bonds when due or (ii) the payment of the Principal Installments of and interest on such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose) and (b) which (i) requires the Authority to directly reimburse the issuer of such Credit Facility for amounts paid thereunder and (ii) provides that such obligation is a Parity Reimbursement Obligation.

State: The State of New York.

State Revolving Fund: The New York State Water Pollution Control Revolving Fund established pursuant to the State Revolving Fund Act.

State Revolving Fund Act: Chapter 565 of the laws of New York of 1989, as amended.

Subsidy Payments shall mean amounts payable to the Authority from any governmental entity, federal, State or local, in connection with Bonds of the Authority.

Supplemental Resolution: A resolution of the Authority authorizing the issuance of a Series of Bonds or otherwise amending or supplementing the Resolution.

System: The Water System and the Sewerage System, collectively, as such terms are defined in the Act.

Tender Option Price: With respect to any Option Bond tendered for purchase or payment, an amount equal to the principal amount thereof plus interest accrued and unpaid thereon from the immediately preceding Bond Payment Date to the date of such tender.

Trustee: The trustee appointed by the Authority pursuant to the First Resolution, and any successors thereto.

Variable Rate Bond: As of any date of determination, any Bond on which the interest rate borne thereby may vary during any part of its remaining term.

Water Project: Any sewerage facility, water facility or water and sewerage facility, as the case may be, including the planning, development, financing or construction thereof.

Definition of Certain Terms Used in the Second Resolution

"**Account**" shall mean one of the special accounts created and established pursuant to Article V of the Second Resolution.

"**Adjusted Aggregate Debt Service**" for any Fiscal Year, as of any date of calculation, unless used in relation to First Resolution Bonds, shall mean the sum of the Adjusted Debt Service payable during such Fiscal Year for all Outstanding Bonds of a Series, Parity Bond Anticipation Notes and Parity Reimbursement Obligations, and, when used in relation to First Resolution Bonds, shall have the meaning ascribed thereto in the First Resolution.

"**Adjusted Debt Service**" for any Fiscal Year, as of any date of calculation, unless used in relation to First Resolution Bonds, shall mean the sum of (a) the Debt Service for such Fiscal Year with respect to the Bonds of a Series except that, if any Refundable Principal Installment of such Series of Bonds is included in Debt Service for such Fiscal Year, Adjusted Debt Service shall mean Debt Service determined as if such Refundable Principal Installment had been payable over a period extending from the due date of such Refundable Principal Installment through the last date on which such Series of Bonds could have been stated to mature under the Act as in effect on the date of issuance of such Series, in installments which would have required equal annual payments of Principal Installments and interest over such period, (b) the Debt Service for such Fiscal Year with respect to Outstanding Parity Bond Anticipation Notes and (c) the Debt Service for such Fiscal Year with respect to Parity Reimbursement Obligations; and, when used in relation to First Resolution Bonds, shall have the meaning ascribed thereto in the First Resolution. Interest deemed payable in any Fiscal Year after the actual due date of any Refundable Principal Installment of any Series of Bonds shall be calculated at the actual interest cost on all Bonds of such Series (using the actuarial method of calculation).

"**Aggregate Debt Service**" for any Fiscal Year, as of any date of calculation, unless used in relation to First Resolution Bonds, shall mean the sum of (a) the Debt Service for all Bonds Outstanding during such Fiscal Year, (b) the interest payable during such Fiscal Year on all Parity Bond Anticipation Notes Outstanding during such Fiscal Year and (c) the Debt Service payable during such Fiscal Year on all Parity Reimbursement Obligations Outstanding during such Fiscal Year; and, when used in relation to First Resolution Bonds, shall have the meaning ascribed thereto in the First Resolution.

"**Arbitrage Rebate Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Authority Budget**" shall mean the annual budget of the Authority, as amended or supplemented, adopted or in effect for a particular Fiscal Year, as provided in the Second Resolution.

"**Authority Expense Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Authorized Representative**" shall mean (i) in the case of both the Authority and the Board, their respective Chairman or Executive Director, or such other person or persons so designated by resolution of the Authority or the Board, as the case may be, and (i) in the case of the City, the Mayor, unless a different City official is designated in the Second Resolution or in a Supplemental Resolution to perform the act or sign the document in question.

"**Board**" shall mean the New York City Water Board, a body corporate and politic constituting a corporate municipal instrumentality of the State created and existing under and by virtue of the Act.

"**Bond**" or "**Bonds**" shall mean any of the bonds authenticated and delivered pursuant to the Second Resolution.

"**Bond Anticipation Note**" shall mean any note authorized to be issued under a resolution adopted pursuant to the Second Resolution.

"**Bond Counsel's Opinion**" or "**Opinion of Bond Counsel**" shall mean an opinion signed by Nixon Peabody LLP or by any other attorney or firm of attorneys of nationally recognized standing in the field of law relating to revenue bonds of municipalities and public agencies, selected by the Authority and satisfactory to the Trustee.

"**Bond Payment Date**" shall mean each date on which interest or both a Principal Installment and interest shall be due and payable on any of the Outstanding Bonds, Parity Bond Anticipation Notes or Parity Reimbursement Obligations according to their respective terms.

"**Bondholder**", "**Owner**" or "**Holder**" or words of similar import shall mean, when used with reference to a Bond, the person in whose name the Bond is registered.

"**Capitalized Interest**" shall mean (i) for any particular Series, that portion of the proceeds of the Bonds of such Series, if any, required by the Supplemental Resolution authorizing such Series to be deposited in a sub-account established for such Series in the Capitalized Interest Account of the Debt Service Fund, for the purpose of funding the payment of a portion of the interest on the Bonds of such Series and (ii) for any Parity Bond Anticipation Notes, that portion of the proceeds of such Parity Bond Anticipation Notes, if any, required by the resolution authorizing such Bond Anticipation Notes to be deposited in a sub-account established for such Parity Bond Anticipation Notes in the Capitalized Interest Account of the Debt Service Fund, for the purpose of funding the payment of interest on such Bond Anticipation Notes.

"**Capitalized Interest Account**" shall mean the account by that name established in the Debt Service Fund pursuant to the Second Resolution.

"**Cash Flow Requirement**" shall mean, for each Fiscal Year and as of any date of certification, the amount, certified by the Authority to the Trustee and the Board as provided in the Agreement, equal to the difference between (a) the sum of (i) the estimated Aggregate Debt Service for such Fiscal Year on First Resolution Bonds, (ii) the Projected Debt Service for such Fiscal Year on First Resolution Bonds, (iii) the SGR Cash Flow Requirement for such Fiscal Year, (iv) the estimated Authority Expenses for such Fiscal Year and (v) the other Required Deposits estimated for such Fiscal Year and (b) (i) if such certification is made prior to the commencement of such Fiscal Year, the amount anticipated by the Authority as of such date of certification to be held as of the first day of such Fiscal Year, in the FGR Revenue Fund and (ii) if such certification is made after the commencement of such Fiscal Year, the amount described in subclause (i) of this clause (b).

"**City**" shall mean The City of New York.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time.

"**Common Account**" shall mean the account by that name established in the Debt Service Reserve Fund pursuant to the Second Resolution.

"**Construction Account**" shall mean the account by that name established in the FGR Subordinated Indebtedness Fund pursuant to the Second Resolution.

"**Construction Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Consulting Engineer**" shall mean AECOM USA, Inc. or such other independent engineer or firm of engineers of recognized standing selected by the Authority and satisfactory to the Board and may include an independent engineer or firm of engineers retained by the City in one or more other capacities.

"**Costs**" or "**Costs of a Water Project**" shall mean the cost of "construction", as such term is defined in the Act including, without limiting the generality of the foregoing, the erection, building, alteration, improvement, increase, enlargement, extension, reconstruction, renovation or rehabilitation of the System or a Water Project, the inspection and supervision thereof, the engineering, architectural, legal, fiscal, economic and environmental investigations and studies, surveys, designs, plans, working drawings, specifications, procedures and other actions incidental thereto; the cost of the acquisition of all property; the cost of demolishing, removing or relocating any buildings or structures on lands so acquired, including the cost of acquiring any lands to which such buildings or structures may be moved or relocated; the cost of all systems, facilities, machinery, apparatus and equipment, financing charges, interest prior to, during and after construction to the extent not paid or provided for from revenues

or other sources; the cost of engineering and architectural surveys, plans and specifications; the cost of consultants' and legal services; the cost of lease guarantee or bond insurance, other expenses necessary, reasonably related or incidental to the construction of such Water Project and the financing of the construction thereof, including the cost of Credit Facilities, the amounts authorized in the Second Resolution to be paid into any reserve or other special fund from the proceeds of Bonds and the financing of the placing of any Water Project in operation, including reimbursement to any municipality, any state agency, the State, the United States of America, or any other person for expenditures that would be costs of such Water Project under the Second Resolution and all claims arising from any of the foregoing.

"**Costs of Issuance**" shall mean all items of expense directly or indirectly payable or reimbursable and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of the Bonds and any other cost, charge or fee in connection with the original issuance of Bonds.

"**Counterparty**" shall mean an entity (i) whose senior long term debt obligations are rated (at the time the subject Interest Rate Exchange Agreement is entered into) in either of the two highest rating categories from a recognized statistical rating organization or (ii) whose obligations under an Interest Rate Exchange Agreement are guaranteed by a financial institution whose senior long term debt obligations are rated (at the time the subject Interest Rate Exchange Agreement is entered into) in either of the two highest rating categories from a nationally recognized statistical rating organization or (iii) whose obligation, if any, to make payment to the Authority upon termination of the Interest Rate Exchange Agreement is fully collateralized by Investment Securities of the type described in clause (ii) of the definition of Investment Securities, provided however, that such obligation shall be deemed to be fully collateralized if the Investment Securities shall have a market value, determined periodically in accordance with the Interest Rate Exchange Agreement, that is not less than the termination payment by any amount not greater than .1% of the Revenues for the preceding Fiscal Year.

"**Credit Facility**" shall mean a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligations, arrangement or instrument issued by a bank, insurance company or other financial institution which (i) provides for payment of all or a portion of the Principal Installments or interest due on any Series of Bonds or on Parity Bond Anticipation Notes, (ii) provides funds for the purchase of such Bonds or portions thereof or (iii) secures the payment by the Authority of its obligations under an Interest Rate Exchange Agreement relating to Bonds.

"**Debt Service**" for any Fiscal Year or part thereof shall mean, as of any date of calculation (i) with respect to the Outstanding Bonds of any Series, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such Bonds, except to the extent that such interest is to be paid from amounts representing Capitalized Interest and (b) the Principal Installments of such Bonds payable during such Fiscal Year or part thereof; (ii) with respect to Outstanding Parity Bond Anticipation Notes, interest payable thereon during such Fiscal Year or part thereof, except to the extent that such interest is to be paid from amounts representing Capitalized Interest; and (iii) with respect to a Parity Reimbursement Obligation, an amount equal to the sum of (a) interest payable during such Fiscal Year or part thereof on such Parity Reimbursement Obligation and (b) the Principal Installments of such Parity Reimbursement Obligation payable during such Fiscal Year or part thereof. Such interest and Principal Installment shall be calculated on the assumption that (x) no such Bonds, Parity Bond Anticipation Notes or Parity Reimbursement Obligations Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment thereof upon stated maturity or upon mandatory redemption by application of Sinking Fund Installments and (y) Variable Rate Bonds will bear interest at the greatest of (A) the rate or rates which were assumed by the Authority in the Authority Budget for such Fiscal Year to be borne by Variable Rate Bonds during such Fiscal Year or (B) the average rate or rates borne during such Fiscal Year on Variable Rate Bonds Outstanding during the twelve calendar months preceding the date of calculation; provided, however, that if the Authority has in connection with any Variable Rate Bonds entered into an Interest Rate Exchange Agreement which provides that the Authority is to pay to the Counterparty an amount determined based upon a fixed rate of interest on the Outstanding principal amount of such Variable Rate Bonds or that the Counterparty is to pay to the Authority an amount determined based upon the amount by which the rate at which such Variable Rate Bonds bear interest exceeds a stated rate of interest on all or any portion of such Variable Rate Bonds, it will be assumed that such Variable Rate Bond bears interest at the fixed

rate of interest to be paid by the Authority or the rate in excess of which the Counterparty is to make payment to the Authority in accordance with such agreement.

"**Debt Service Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Debt Service Reserve Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Debt Service Reserve Requirement**" shall mean, as of any date of calculation, and for any Fiscal Year, the amount equal to the maximum Adjusted Aggregate Debt Service on Bonds in the current or any future Fiscal Year on all Bonds Outstanding; *provided, however*, that if, upon the issuance of a Series of Bonds, such amount would require moneys, in an amount in excess of the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, to be deposited therein, the Debt Service Reserve Requirement shall mean an amount equal to the sum of the Debt Service Reserve Requirement immediately preceding issuance of such Bonds and the maximum amount permitted under the Code to be deposited therein from the proceeds of such Bonds, as certified by an Authorized Representative of the Authority; *provided, further*, that, if (i) the payment of the Principal Installments of or interest on any Series of Bonds or portion thereof is secured by a Special Credit Facility, (ii) the payment of the Tender Option Price of any Option Bond of a Series is secured by a Special Credit Facility or (iii) the Authority has determined in a Supplemental Resolution authorizing the issuance of a Series of Bonds that such Series of Bonds will not be secured by the Common Account in the Debt Service Reserve Fund, the Supplemental Resolution authorizing such Series may specify the Debt Service Reserve Requirement, if any, for the Bonds of such Series: *provided, further*, that if, as a result of the expiration or termination of a Financial Guaranty, a deficiency shall be created in the Debt Service Reserve Fund, the Debt Service Reserve Requirement shall be calculated so as to exclude the amount of such deficiency and the Debt Service Reserve Requirement shall be increased in each of the five Fiscal Years after the date such deficiency was created by an amount equal twenty per centum (20%) of the aforesaid deficiency.

For the purpose of calculating the Debt Service Reserve Requirement for any Variable Rate Bonds of a Series, the maximum Adjusted Debt Service on such Series shall be determined by reference to the Pro Forma Bond Issue for the Variable Rate Bonds of such Series set forth in the Supplemental Resolution authorizing such Series.

"**Defeasance Obligations**" shall mean

(A) any non-callable bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America; or

(B) any other non-callable receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause;

(C) a non-callable obligation of the United States of America which has been stripped by the United States Department of the Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect to the Outstanding Bonds to be defeased);

(D) the interest component of REFCORP bonds for which separation of principal and interest is made by request of the Federal Reserve Bank of New York in book–entry form;

(E) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision (i) the interest on which is excludable from gross income under Section 103 of the Code, (ii) that, at the time an investment therein is made or such obligation is deposited in any fund or account established pursuant to Section 1201 of the Second General

Resolution, is rated in the highest rating category by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, (iii) that is not subject to redemption prior to maturity other than at the option of the holder thereof or either (1) has irrevocably been called for redemption or (2) as to which irrevocable instructions have been given to call such obligation on a stated future date and (iv) the timely payment of the principal or redemption price thereof and interest thereon is fully secured by a fund consisting only of cash or obligations described in clauses (A), (B), (C), (D), (E) and (F), which fund may be applied only to the payment of the principal of and interest and redemption premium, if any, on the obligation secured thereby; and

(F) a non-callable note, bond, debenture, mortgage or other evidence of indebtedness that, at the time acquired, is (i) issued or guaranteed by the Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac), Federal National Mortgage Corporation (FNMA-Fannie Mae), Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and the Tennessee Valley Authority, or any other instrumentality or government sponsored enterprise of the United States of America and (ii) rated in the highest rating category by at least two Rating Agencies, one of which maintains a rating on the Outstanding Bonds, unless such obligations have a maturity of 360 days or less in which case such obligations are rated in the highest short-term rating category, without regard to qualification of such rating symbols such as "+" or "-", by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds; provided, further, that the term "Defeasance Obligations" shall not mean any interest in a unit investment trust or a mutual fund.

"**Depositary**" shall mean any bank or trust company selected by the Board or the Authority, as the case may be, as a depositary of moneys to be held under the provisions of the Agreement or the Second Resolution, and may include the Trustee.

"**Event of Default**" shall mean any event specified as an event of default in the Second Resolution.

"**FGR Authority Expense Fund**" shall mean the Authority Expense Fund established pursuant to the First Resolution.

"**FGR Construction Fund**" shall mean the Construction Fund established pursuant to the First Resolution.

"**FGR Debt Service Reserve Fund**" shall mean the Debt Service Reserve Fund established pursuant to the First Resolution.

"**FGR Debt Service Fund**" shall mean the Debt Service Fund established pursuant to the First Resolution.

"**FGR Revenue Fund**" shall mean the Revenue Fund established pursuant to the First Resolution.

"**FGR Subordinated Indebtedness Fund**" shall mean the Subordinated Indebtedness Fund established pursuant to the First Resolution.

"**Fiduciary**" shall mean the Trustee or any Paying Agent or Depositary.

"**Financial Guaranty**" shall mean a surety bond, insurance policy or letter of credit which constitutes any part of the Debt Service Reserve Requirement and which is authorized to be delivered to the Trustee pursuant to the Second Resolution.

"**Financial Guaranty Provider**" shall mean the issuer of any Financial Guaranty.

"**First Resolution**" shall mean the Water and Sewer System General Revenue Bond Resolution adopted by the Authority on November 14, 1985 as amended and supplemented in accordance therewith and as the same may be amended or supplemented in accordance therewith and the Second Resolution.

"**First Resolution Bond**" shall mean a bond, note or other evidence of indebtedness issued pursuant to the First Resolution, including a "Parity Bond Anticipation Note" and a "Parity Reimbursement Obligation," as such terms are defined in the First Resolution.

"**Fiscal Year**" shall have the meaning ascribed to such term in the Agreement. "Fund" shall mean any fund established pursuant to the Second Resolution.

"**Interest Rate Exchange Agreement**" means an agreement entered into by the Authority relating to Bonds or First Resolution Bonds which provides that during the term of such agreement the Authority is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on an amount equal to all or a portion of the principal amount of such Bonds or First Resolution Bonds and that the Counterparty is to pay to the Authority either (i) an amount based on the interest accruing on such principal amount at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement or (ii) an amount based on the amount by which the rate at which such Bonds or First Resolution Bonds bear interest exceeds a rate stated in such agreement.

"**Investment Securities**" shall mean and include any of the following securities, if and to the extent the same are at the time legal investments by the Authority of the funds to be invested therein and conform to the policies set forth in any investment guidelines adopted by the Authority and in effect at the time of the making of such investment:

(i) obligations of any state, agency, political subdivision or public authority within the United States, provided such obligations are rated, at the time of purchase, in one of the two highest rating categories by at least two Rating Agencies, one of which maintains a rating on the Outstanding Bonds;

(ii) (A) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America, including obligations of any agency, subdivision, department, division or instrumentality thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency, subdivision, department, division or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America or (B) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (A) of this clause (ii); securities under this clause include but are not limited to those issued by the US Treasury (bills, notes, bonds, STRIPS, TIPS), Government National Mortgage Association (GNMA), Farm Credit System Financial Assistance Corporation (FCSFAC), General Service Administration (GSA), Maritime Administration, Small Business Administration and the Federal Financing Bank;

(iii) obligations of any agency, subdivision, department, division, instrumentality or government sponsored enterprise of the United States of America; or obligations fully guaranteed as to interest and principal by any agency, subdivision, department, division, instrumentality or government sponsored enterprise of the United States of America; provided, however, that at the time of purchase such obligations are rated in one of the two highest rating categories by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds, unless such obligations have a maturity of 360 days or less in which case such obligations are rated in the highest short-term rating category, without regard to qualification of such rating symbols such as "+" or "-", by at least two Rating Agencies, at least one of which then maintains a rating on the Outstanding Bonds; securities under this clause include but are not limited to those issued by the Federal Agricultural Mortgage Corporation (Farmer Mac), Federal Farm Credit Bank (FFCB), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC-Freddie Mac), Federal National Mortgage Corporation (FNMA – Fannie Mae), Financing Corporation (FICO), Resolution Funding Corporation (REFCORP) and the Tennessee Valley Authority;

(iv) banker's acceptances or certificates of deposit issued by a commercial bank (A) whose long-term debt obligations are rated in one of the two highest long-term rating categories by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds (B) that has its

principal place of business within the United States and (C) that has capital and surplus of more than $100,000,000;

(v) corporate securities, including commercial paper and fixed income obligations, which are, at the time of purchase, rated by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, in its highest rating category;

(vi) repurchase agreements collateralized by securities described in clauses (i), (ii) or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds, provided that (1) a specific written repurchase agreement governs the transaction, (2) 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 (a) a Federal Reserve Bank, or (b) 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 $200,000,000, 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, (3) the repurchase agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation and (4) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(vii) investment agreements or guaranteed investment contracts with any financial institution whose senior long-term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract are guaranteed by a financial institution whose senior long-term debt obligations, have a rating (at the time such agreement or contract is entered into) in one of the two highest rating categories for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds;

(viii) money market funds rated in the highest rating category for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds; and

(ix) municipal obligations, the payment of principal and redemption price, if any, and interest on which is irrevocably secured by obligations of the type referred to in clauses (ii) or (iii) above and which obligations have been deposited in an escrow arrangement which is irrevocably pledged to the payment of such municipal obligations and which municipal obligations are rated in the highest rating category for comparable types of obligations by at least two Rating Agencies, one of which then maintains a rating on the Outstanding Bonds.

"**Local Water Fund**" shall mean the special fund by that name established by the Act in the custody of the Board.

"**Mayor**" shall mean the Mayor of the City or such other person duly appointed and authorized to act on behalf of the Mayor.

"**Monthly Balance**" shall mean the amount, calculated as of the first day of each month, equal to the sum of:

(i) For the Bonds of a Series and Parity Reimbursement Obligations which are Outstanding during the Fiscal Year in which such month falls, an amount equal to the product obtained by multiplying (a) the difference between (1) the amount of interest due or projected to be due on or prior to the later of the next Succeeding Bond Payment Date for such Bonds and the 15th day of the next succeeding month and (2) the amount, if any, held in the sub-account for such Bonds in the Capitalized Interest Account by (b) a fraction, the numerator of which is the number of full months since the end of the month preceding the last Bond Payment Date for such Bonds (or, with respect to the first Bond Payment Date for such Bonds, the number

of full months since the last day of the month preceding the date of issuance of such Bonds) and the denominator of which is the number of months between Bond Payment Dates for such Bonds minus one (or, with respect to the first Bond Payment Date therefor, the number of months between the last day of the month preceding the date of issuance of such Bonds and the first Bond Payment Date therefor minus one); *provided, however*, that if this formula would produce (A) a fraction greater than one, then the fraction shall be equal to one, or (B) a denominator less than one, then the fraction shall equal one; plus

(ii) For the Bonds of a Series and Parity Reimbursement Obligations which are Outstanding during the Fiscal Year in which such month falls, an amount equal to the Principal Installment due on the next Succeeding Bond Payment Date, which falls within twelve months or less, on which a Principal Installment on such Bonds is due, multiplied by a fraction, the numerator of which is the number of full months since the last day of the month preceding the last Bond Payment Date on which a Principal Installment on such Bonds was due (or, with respect to the first such Bond Payment Date, twelve minus the number of full months to the first Bond Payment Date on which a Principal Installment on such Bonds is due), and the denominator of which is eleven; *provided, however*, that if this formula would produce a fraction greater than one, then the fraction shall be equal to one; plus

(iii) For Parity Bond Anticipation Notes which are outstanding during the Fiscal Year in which such month falls, an amount equal to the product obtained by multiplying (a) the difference between (1) the amount of interest due or projected to be due during such Fiscal Year on such Parity Bond Anticipation Notes and (2) the amount, if any, held in the sub-account for such Parity Bond Anticipation Notes in the Capitalized Interest Account, by (b) a fraction, the numerator of which is the number of full months since the end of the month preceding the last interest payment date for such Parity Bond Anticipation Notes (or, with respect to the first interest payment date for such Parity Bond Anticipation Notes, the number of full months since the last day of the month preceding the date of issuance of such Parity Bond Anticipation Notes) and the denominator of which is the number of months between interest payment dates for such Parity Bond Anticipation Notes minus one (or, with respect to the first interest payment date for such Parity Bond Anticipation Notes, the number of months between the last day of the month preceding the date of issuance of such Parity Bond Anticipation Notes and the first interest payment date therefor minus one); *provided*, *however*, that if this formula would produce (A) a fraction greater than one, then the fraction shall be equal to one, or (B) a denominator less than one, then the fraction shall equal one.

"**Operating Expenses**" shall have the meaning ascribed thereto in the Agreement.

"**Option Bonds**" shall mean Bonds which by their terms may be tendered by and at the option of the owner whereof for purchase or payment by the Authority prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the owner thereof.

"**Other Moneys**" shall mean moneys which do not constitute Revenues and which are derived from payments to be made to or upon the order of the Authority (i) by a Counterparty pursuant to an Interest Rate Exchange Agreement relating to First Resolution Bonds, (ii) by the New York State Environmental Facilities Corporation pursuant to any agreement by and between the Authority and such corporation heretofore or hereafter entered into in connection with the issuance of Bonds or First Resolution Bonds, including the Loan Agreement, dated as of May 1, 1990, by and between the New York State Environmental Facilities Corporation and the Authority, as amended, the Loan Agreement, dated as of January 1, 1991, by and between the New York State Environmental Facilities Corporation and the Authority, as amended and the Loan Agreement, dated as of December 1, 1991, by and between the New York State Environmental Facilities Corporation and the Authority, as amended, (iii) as Subsidy Payments and (iv) of any other moneys and securities pledged by the Authority to the payment of the Bonds pursuant to Article V of the Second Resolution and a Supplemental Resolution.

"**Outstanding**" when used with reference to First Resolution Bonds or Parity Bond Anticipation Notes, shall have the meaning given to such term in the First Resolution or the resolution pursuant to which such Parity Bond Anticipation Notes were issued, respectively; when used with reference to Parity Reimbursement Obligations, shall have the meaning given to such term in the agreement creating such Parity Reimbursement Obligations; and, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(a) any Bonds canceled by the Trustee at or prior to such date;

(b) any Bond (or portion thereof) for the payment or redemption of which there shall be set aside and held in trust under the Second Resolution either:

(i) moneys in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest,

(ii) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as are necessary to provide moneys (whether as principal or interest) in an amount sufficient to pay when due the Principal Installments or Redemption Price thereof, together with all accrued interest, or

(iii) any combination of (i) and (ii) above,

and, if such Bond or portion thereof is to be redeemed, for which notice of redemption has been given as provided in Article VI, or the applicable Supplemental Resolution, or provision satisfactory to the Trustee has been made for the giving of such notice;

(c) any Bond in lieu of or in substitution for which other Bonds have been authenticated and delivered; and

(d) any Bond deemed to have been paid as provided in Section 1201(b) of the Second Resolution.

"**Parity Bond Anticipation Note**" shall mean a Bond Anticipation Note the interest on which is payable from and secured by a pledge of, and lien on, Revenues, Other Moneys and amounts on deposit in the FGR Subordinated Indebtedness Fund on a parity with the lien created by Section 501 of the Second Resolution.

"**Parity Reimbursement Obligation**" shall mean a Reimbursement Obligation, the payment of which is secured by a pledge of, and a lien on, Revenues, Other Moneys and amounts on deposit in the FGR Subordinated Indebtedness Fund on a parity with the lien created by Section 501 of the Second Resolution.

"**Principal Installment**" shall mean, as of any date of calculation and with respect to any Series, so long any Bonds thereof are Outstanding, (i) the principal amount of Bonds (including (x) any amount designated in, or determined pursuant to, the applicable Supplemental Resolution, as the "principal amount" with respect to any Bonds which do not pay full current interest for all or any part of their term, (y) the Tender Option Price of any Option Bonds which may be tendered to the Authority for purchase or payment prior to the stated maturity thereof in accordance with the terms of the Supplemental Resolution authorizing such Option Bonds, unless such amount is secured by a Credit Facility which is not in default and (z) the principal amount of any Parity Reimbursement Obligation) of such Series due (or so tendered for purchase or payment) on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date.

"**Projected Debt Service**" for any Fiscal Year or part thereof shall mean, unless used in relation to First Resolution Bonds, an amount with respect to a Projected Series, certified by the Authority to the Trustee and the Board, as provided in the Agreement, equal to the Debt Service estimated by the Authority to be payable during such Fiscal Year or part thereof on such Projected Series, and, when used in relation to First Resolution Bonds, shall have the meaning ascribed thereto in the First Resolution.

"**Projected Series of Bonds**" or "*Projected Series*" shall mean any Series of Bonds or Parity Bond Anticipation Notes described in an Authority Budget as anticipated to be issued in the Fiscal Year to which such Authority Budget relates.

"**Rating Agencies**" shall mean a nationally recognized statistical rating organization ("NRSRO") registered with the Securities and Exchange Commission.

"**Redemption Price**" shall mean, when used with respect to a Bond or portion thereof, the principal amount thereof plus the applicable premium, if any, payable upon either optional or mandatory redemption thereof pursuant to the Second Resolution.

"**Refunding Bond**" shall mean any Bond authenticated and delivered on original issuance pursuant to the Second Resolution for the purpose of refunding any Outstanding Bonds, or thereafter authenticated and delivered pursuant to the Second Resolution in lieu of or substitution for such Bond.

"**Reimbursement Obligation**" shall mean the obligation of the Authority described in the Second Resolution (i) to reimburse directly the issuer of a Credit Facility for amounts paid by such issuer thereunder or (ii) make payment to a Counterparty of amounts payable thereto by the Authority pursuant to an Interest Rate Exchange Agreement relating to Bonds, in either case.

"**Required Deposits**" shall mean, for any Fiscal Year during which First Resolution Bonds are Outstanding, the amount, if any, payable into the FGR Authority Expense Fund, the FGR Debt Service Reserve Fund and the FGR Subordinated Indebtedness Fund, and for any Fiscal Year during which no First Resolution Bonds are Outstanding, the amount, if any, payable into the Authority Expense Fund, the Debt Service Reserve Fund and the Subordinated Indebtedness Fund, but in each case only to the extent such payments are required to be made from Revenues.

"**Revenue Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**Revenues**" shall have the meaning given to it in the Agreement as the same may be amended from time to time in accordance therewith and the Second Resolution.

"**Second Resolution**" shall mean the Water and Sewer System Second General Revenue Bond Resolution, adopted by the Authority on March 30, 1994, as the same may be amended or supplemented by a Supplemental Resolution.

"**Series**" or "**Series of Bonds**" shall mean all of the Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Second Resolution regardless of variations in maturity, interest rate or other provisions.

"**SGR Cash Flow Requirement**" shall mean, for each Fiscal Year and as of any date of certification, the amount of Revenues, certified by the Authority to the Trustee and the Board as provided in the Agreement and the Second Resolution, to be required to be deposited into the Subordinated Indebtedness Fund in such Fiscal Year, which amount shall be equal to the difference between (a) the sum of (i) the Aggregate Debt Service for such Fiscal Year, (ii) the Projected Debt Service for such Fiscal Year, (iii) the amount of Parity Reimbursement Obligations payable in such Fiscal Year, (iv) the amount, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement and (v) the amount, if any, withdrawn from the Construction Account pursuant to the First Resolution during such or any prior Fiscal Year and (b) the sum of (i) if such certification is made prior to the commencement of such Fiscal Year, the amount anticipated by the Authority as of such date of certification to be held, as of the first day of such Fiscal Year, in the Revenue Fund or (ii) if such certification is made after the commencement of such Fiscal Year, the amount held, as of the first day of such Fiscal Year, in the Revenue Fund and (iii) the amount of Other Moneys paid or projected to be paid to the Authority during such Fiscal Year.

"**Sinking Fund Installment**" shall mean, as of any particular date of calculation, the amount required, as of such date of calculation, to be paid by the Authority on a future date for the retirement of Outstanding Bonds which are stated to mature subsequent to such future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.

"**SGR Subordinated Indebtedness**" shall mean any bond, note or other evidence of indebtedness issued by the Authority in furtherance of its corporate purposes under the Act and secured by a pledge of moneys in the SGR Subordinated Indebtedness Fund or Other Moneys, or both, which is subordinate to the pledge thereof made under the Second Resolution.

"**SGR Subordinated Indebtedness Fund**" shall mean the Subordinated Indebtedness Fund established pursuant to the Second Resolution.

"**Special Account**" shall mean one or more of the Special Accounts established in the Debt Service Reserve Fund by a Supplemental Resolution pursuant to the Second Resolution.

"**Special Credit Facility**" shall mean, with respect to any Series of Bonds or portion thereof, a Credit Facility (a) which provides funds for (i) the direct payment of the Principal Installments of and interest on such Bonds when due or (ii) the payment of the Principal Installments of and interest on such Bonds in the event amounts otherwise pledged to the payment thereof are not available when due or (iii) the payment of the Tender Option Price of any Option Bond which may be tendered to the Authority for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond (in any case, regardless of whether such Credit Facility provides funds for any other purpose) and (b) which A (i) requires the Authority to reimburse the issuer of such Credit Facility directly for amounts paid thereunder and (ii) provides that such obligation is a Parity Reimbursement Obligation.

"**State**" shall mean the State of New York.

"**Subsidy Payments**" shall mean amounts payable to the Authority by the United States of America or by the State or by any agency or instrumentality of either in connection with Bonds of the Authority which amounts do not constitute Other Moneys described in the paragraph (ii) of the definition of Other Moneys.

"**Supplemental Resolution**" shall mean a resolution of the Authority authorizing the issuance of a Series Bonds or otherwise amending or supplementing the Second Resolution, adopted in accordance with Article VIII of the Second Resolution.

"**Surplus Fund**" shall mean the fund by that name established pursuant to the Second Resolution.

"**System**" shall mean the "Water System" and the "Sewer System" as such quoted terms are defined in Sections 1045-b(l4) and (21) of the Act.

"**Tender Option Price**" shall mean, with respect to any Option Bond tendered for purchase or payment in accordance with the Supplemental Resolution authorizing such Option Bond, an amount equal to the principal amount of such Option Bond plus the interest accrued and unpaid thereon to the date of such tender.

"**Trustee**" shall mean the trustee appointed by the Authority pursuant to the Second Resolution, and any successors thereto.

"**Variable Rate Bond**" shall mean, as of any date of determination, any Bond on which the interest rate borne thereby may vary during any part of its remaining term.

"**Water Project**" shall have the meaning ascribed thereto in Section 1045-b(20) of the Act, including any sewerage facility, water facility or water and sewerage facility as described therein and constituting a part of the System.

Summary of Certain Documents

The following are brief summaries of certain provisions of the Agreement, the Lease, the First Resolution and the Second Resolution. These summaries do not purport to be complete and are subject in all respects to the provisions of, and are qualified in their entirety by, reference to the respective documents to which they relate.

Summary of the Agreement

Financing of Water Projects. The Authority agrees to use its best efforts to finance all or a part of the Cost of all Water Projects described in Appendix A to the Agreement. In consideration for the Authority's issuance of the Bonds, the Board gives, grants, conveys and transfers to the Authority all of its right, title and interest in the Revenues, including without limitation, all of its rights to collect and receive said Revenues subject only to provisions of the Act, the Agreement and the First Resolution permitting the application of said Revenues to the purposes therein set forth. The Board itself incurs no indebtedness under the terms of the Agreement, Lease, First Resolution or any other document executed in connection therewith. (*Sections 2.1, 2.2 and 2.4*)

Transfer of Funds. The Authority shall deposit the proceeds of each Series of Bonds with the Trustee in accordance with the provisions of the First Resolution and the Supplemental Resolution authorizing such Series; provided, however, that the portion of the proceeds designated to pay the Costs of any Water Project shall be held only in the Construction Fund established pursuant to the First Resolution.

The Authority shall authorize payment of such Costs in the manner set forth in the First Resolution once evidence thereof is provided in a Certificate signed by an Authorized Representative of the Board or City, as the case may be. Neither the Authority nor the Trustee shall be required to provide funds to pay the Costs of Water Projects from any source other than the Construction Fund, and neither the Authority nor the Trustee shall pay to the City from such Fund any amount in excess of that set aside for the purposes thereof, or for the Projects listed in Appendix A to the Agreement. (*Sections 3.1 and 3.2*)

Local Water Fund. The Board shall deposit all Revenues, as promptly as practicable after receipt, into the Local Water Fund. There shall also be deposited in the Local Water Fund all amounts received by the Board from the Trustee pursuant to the First Resolution. (*Section 4.1*)

Establishment of Certain Funds and Application of Revenues in Local Water Fund. The Board shall establish two special funds (in addition to the Local Water Fund) to be held by the Board at a Depositary: the Board Expense Fund and the Operation and Maintenance Reserve Fund, with the General Account therein. The Board shall hold such funds as trust funds and the amounts on deposit shall only be applied for the purposes provided in the Agreement.

Beginning on the first day of each month in each Fiscal Year, the Board is required to apply the Revenues in the Local Water Fund, *first*, to the Trustee for deposit in the Revenue Fund until the amount on deposit in the Revenue Fund equals the Minimum Monthly Balance for such month and the Trustee shall have received the amounts, if any, required to be deposited in the Authority Expense Fund, the Debt Service Reserve Fund and the FGR Subordinated Indebtedness Fund for such month. Thereafter, in such month from the balance remaining in the Local Water Fund, the Board is required, after making provision for Board Expenses, to pay to the City 1/12th of the operating expenses for such Fiscal Year. After making such payments, any amounts remaining in the Local Water Fund in each month are applied daily (i) to satisfy the Cash Flow Requirement (if the required payments to the City for Operating Expenses have been made), (ii) to satisfy required payments to the City for Operating Expenses (if the Cash Flow Requirement has been satisfied) or (iii) proportionately, to the Trustee for deposit in the Revenue Fund and to the City for the payment of Operating Expenses, until the total of all amounts deposited in the Revenue Fund during such Fiscal Year equals the Cash Flow Requirement and all Operating Expenses required to be paid shall have been paid. Thereafter, as long as the amount on deposit in the Revenue Fund in each month is equal to the Minimum Monthly Balance and the Cash Flow Requirement continues to be met, all such amounts in the Local Water Fund shall be paid as follows: *first*, to the Authority until the total of the amounts so paid equals the principal of and interest on any bonds, notes or other obligations of the Authority (other than Bonds, Bond Anticipation Notes, and FGR Subordinated Indebtedness) payable within the then current Fiscal Year, together with all other amounts necessary to make the required deposits to the reserve and other funds and amounts established for such bonds, notes or other obligations; *second*, to the City

until the amounts so paid are equal to the rental payment for such Fiscal Year and the unsatisfied balance, if any, of the rental payment for any prior Fiscal Year; and, *third*, to the Operation and Maintenance Reserve Fund, until the amount therein on deposit is equal to the O&M Reserve Requirement for such Fiscal Year. Any amounts remaining in the Local Water Fund on the last day of each Fiscal Year shall be paid to the General Account in the Operation and Maintenance Reserve Fund. (*Section 4.2*)

Minimum Monthly Balance. The Minimum Monthly Balance shall be calculated as of the first day of the month and shall be equal to the sum of:

(i) For each Series of Bonds which is Outstanding during the current Fiscal Year, an amount equal to the product obtained by multiplying (a) the difference between (1) the amount of interest due or projected to be due on the next succeeding Bond Payment Date for such Series and (2) the amount, if any, held in the applicable subaccount for such Series in the Capitalized Interest Account in the Debt Service Fund by (b) a fraction, the numerator of which is the number of full months since the end of the month preceding the last Bond Payment Date for such Series (or, with respect to the first Bond Payment Date for such Series, the number of full months since the last day of the month preceding the date of issuance of such Series) and the denominator of which is the number of months between Bond Payment Dates minus one (or, with respect to the first Bond Payment Date for a Series, the number of months between the last day of the month preceding the date of issuance of such Series and the first Bond Payment Date minus one); provided, however, that if this formula would produce (A) a fraction greater than one, then the fraction shall be equal to one, or (B) a denominator less than one, then the fraction shall be equal to one; plus

(ii) For each Series of Bonds which is Outstanding during the current Fiscal Year, an amount equal to the Principal Installment due or projected to be due on the next succeeding Bond Payment Date for such Series which falls within twelve months or less on which a Principal Installment is due, multiplied by a fraction, the numerator of which is the number of full months since the last day of the month preceding the last Bond Payment Date on which a Principal Installment was due (or, with respect to the first such Bond Payment Date, twelve minus the number of full months to the first Bond Payment Date on which a Principal Installment is due), and the denominator of which is eleven; provided, however, that if this formula would produce a fraction greater than one, then the fraction shall be equal to one. (*Section 4.3*)

Deposits to Operation and Maintenance Reserve Fund. There shall be deposited to the Operation and Maintenance Reserve Fund in each Fiscal Year from the sources described below the amount required, if any, so that the amounts on deposit therein satisfy the O&M Reserve Fund Requirement for the ensuing Fiscal Year.

Deposits to the Operation and Maintenance Reserve Fund may be made from the proceeds of the sale of Bonds of the Authority, from the Local Water Fund, or from any other moneys lawfully available therefor, subject to the following limitations:

(i) The maximum deposit to the Operation and Maintenance Reserve Fund from the proceeds of Bonds of the Authority, as of any time of calculation, may not exceed the O&M Reserve Fund Requirement then in effect, reduced by the cumulative sum of prior deposits thereto from proceeds of Bonds of the Authority.

(ii) Deposits to the Operation and Maintenance Reserve Fund from the Local Water Fund shall be subject to the priorities established in Section 4.2 of the Agreement.

(iii) If there shall be a deficit in the Operation and Maintenance Reserve Fund on May 1 of any Fiscal Year, and if as of such May 1 the Board does not project that available Revenues will at least equal the O&M Reserve Requirement for such Fiscal Year by June 30 of such Fiscal Year, then the Board shall include in its Annual Budget for the ensuing Fiscal Year an amount sufficient, together with other amounts available therefor, to at least equal the O&M Reserve Fund Requirement for the ensuing Fiscal Year.

If on July 1 of any Fiscal Year the amount on deposit in the Operation and Maintenance Reserve Fund is less than the O&M Reserve Fund Requirement, such deficit shall (subject to paragraph (i) above) be made up from the

proceeds of the sale of Bonds issued during such Fiscal Year; provided, however, if, prior to May 1 of such Fiscal Year such deficit has not been made up from Bond proceeds, the Board shall include the amount of such deficit in its Annual Budget for the ensuing Fiscal Year and the amounts necessary to restore such deficit shall be deposited in the Operation and Maintenance Reserve Fund.

Amounts required to be deposited in the General Account shall be held separate and apart from other amounts held in the Operation and Maintenance Reserve Fund and applied as described below. (*Section 4.4*)

Application of Moneys in the Operation and Maintenance Reserve Fund. If on the first day of any month the Board has not paid to the City an amount equal to the product of (i) the amount required to be paid for Operating Expenses pursuant to Section 8.1 of the Lease, multiplied by (ii) a fraction the numerator of which is the number of months which have commenced during such Fiscal Year, and the denominator of which is 12, the Board shall withdraw from the Operation and Maintenance Reserve Fund and pay to the City, on demand, an amount equal to 1/12 of the amount so required to be paid pursuant to Section 8.1 of the Lease, or the entire balance in such Fund if less than sufficient. Amounts on deposit in the General Account may be applied (i) to purposes provided for in Section 4.2, (ii) to the payment of Bonds in accordance with Article XII of the First Resolution or (iii) to the Costs of Water Projects, but shall be retained therein to the extent required by the Annual Budget. (*Section 4.5*)

Application of Moneys in Board Expense Fund. Amounts on deposit in the Board Expense Fund shall be applied by the Board solely for the purposes of paying expenses of the Board, in accordance with the Annual Budget. (*Section 4.6*)

Application of Revenues After Default. The Board has covenanted that if an "event of default" (as defined in the First Resolution) shall occur, the Board shall pay or cause to be paid to the Trustee, upon its request, all moneys and securities then held by the Board in the Local Water Fund and thereafter the Revenues as promptly as practicable after receipt. (*Section 4.7*)

Amounts Remaining. Any amounts received or held by the Authority or the Trustee pursuant to the First Resolution, any similar document or the Agreement after all Bonds and other evidences of indebtedness have been paid in full or are no longer Outstanding and after payment of all other obligations and expenses of the Authority, or provision for payment thereof has been made, shall be paid to the City.

Any payments by the City to the Water Board pursuant to Section 1045-h(3) of the Act shall be confined to consideration for the sale of goods or the rendering of services by the Water Board to the City pursuant to the Lease or the Agreement as contemplated by the Act. (*Section 4.8*)

Rate Covenant. The Board has covenanted and agreed to establish, fix and revise fees, rates or other charges for the use of or services furnished by the System which, together with any other available funds, are adequate to provide for (i) the timely payment of the Principal Installments of and interest on all Bonds and the principal of and interest on any other indebtedness of the Authority payable from Revenues, (ii) the proper operation and maintenance of the System, (iii) all other payments required for the System not otherwise provided for and (iv) all other payments required pursuant to the Agreement and the Lease. Without intending to limit the generality of the foregoing, the Board has also covenanted to establish and collect rates, fees and charges sufficient in each Fiscal Year so that Revenues collected in such Fiscal Year will be at least equal to the sum of (i) 115% of estimated Aggregate Debt Service and Projected Debt Service payable in such Fiscal Year (excluding any Refundable Principal Installment if payable from funds held in trust therefor and assuming with respect to Variable Rate Bonds that the effective rate of interest is that which the Authority determines so long as such rate is not less than the rate such Bonds bear at the time Aggregate Debt Service is determined), (ii) 100% of the Operating Expenses and Authority Expenses payable in such Fiscal Year and (iii) 100% of the amount necessary to pay the other Required Deposits for such Fiscal Year. However, a failure to generate such Revenues does not constitute an "event of default" if the Board takes timely action to correct any such deficit. The Board shall review, at least annually, such rates, fees and charges to determine whether such rates, fees and charges are, or will be, sufficient to meet the requirements thereof and shall promptly take action to cure or avoid any deficiency. Except to the extent required by Section 1045-j of the Act, as in effect on July 24, 1984, with regard to the requirement that tax exempt organizations be charged for service provided by the System or by existing agreements (including any successor agreements with Jamaica Water), the Board will not furnish or supply any product, use or service of the System free of charge or at a nominal charge. (*Section 6.1*)

Consulting Engineer and Rate Consultant. The Authority shall employ a Consulting Engineer and a Rate Consultant whose duties, respectively, shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer and the Rate Consultant under the Agreement and the First Resolution. If so determined by the Authority, the same person or firm may perform the duties and functions of the Consulting Engineer and the Rate Consultant.

In each Fiscal Year, the Consulting Engineer and the Rate Consultant shall make an examination of, and shall report to the Authority, the Board, the City and the Trustee, on the properties and operations of the System. The report of the Rate Consultant shall set forth among other findings, the Rate Consultant's recommendation as to any necessary or advisable revisions of rates, fees and charges for the ensuing Fiscal Year and such other advice and recommendation as it may deem desirable. The Consulting Engineer's report shall set forth its findings as to whether the System has been maintained in good repair and sound operating condition, and its estimate of the amount, if any, required to be expended to place such properties in such condition and the details of such expenditures and the approximate time required therefor. The City covenants that if any such report of the Consulting Engineer shall set forth that the properties of the System have not been maintained in good repair and sound operating condition, it will promptly restore the properties to good repair and sound operating condition with all expedition practicable. (*Section 6.2*)

Covenant to Operate and Maintain System. The City has covenanted that it shall, at all times:

(a) in accordance with the advice and recommendations of the Consulting Engineer, operate the System properly and in a sound and economical manner and maintain, preserve, and keep the same preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted, regardless of any failure on the part of the Board to make the payments to the City required by Section 8.1 of the Lease; provided, however, that nothing contained in the Agreement shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the System if there shall be filed with the Board, the Authority and the Trustee (i) a certificate of the Commissioner acting as the Authorized Representative of the City stating that in the opinion of the City abandonment of operation of such part of the System will not adversely affect the operation of the System or the amount of Revenues derived therefrom and is not prejudicial to the interests of the Board, the Authority or the Bondholders and (ii) a Certificate of the Consulting Engineer concurring with such statement;

(b) enforce the rules and regulations governing the operation, use and services of the System established from time to time by the Board or the City;

(c) observe and perform all of the terms and conditions contained in the Act, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body having competent jurisdiction of the City or the System; provided, however, that the failure of the City to comply with the covenant contained in this subsection (c) for any period shall not constitute a default on its part so long as the City (i) is taking reasonable and timely steps to permit compliance and (ii) the City shall have delivered to the Board and to the Authority a Certificate of the Consulting Engineer which (1) sets forth in reasonable detail the facts and circumstances attendant to such non-compliance, (2) sets forth the steps being taken by the City to permit compliance, (3) sets forth the estimated date on which the City will be in compliance and (4) states that in the opinion of the Consulting Engineer such non-compliance during the period described will not adversely affect the operation of the System or the amount of Revenues to be derived therefrom; and

(d) not create or suffer to be created any lien or charge upon the System or any part thereof except for Permitted Encumbrances. (*Section 6.3*)

Annual Budget. On May 1 of each year (or on such later date as the Authority, the Board and the City may agree) the Authority shall deliver to the Board a certified copy of the Authority Budget for the ensuing Fiscal Year showing the Cash Flow Requirement for such Fiscal Year. Based upon the information contained in (a) the Authority Budget, (b) the City's certification pursuant to Section 8.3 of the Lease and (c) the Certificate of the Consulting Engineer delivered to the Board pursuant to Section 8.3 of the Lease (collectively, the "Budget Documents"), the

Board shall prepare the Annual Budget for the ensuing Fiscal Year. In addition to the information contained in the Budget Documents the Board shall also make provision in the Annual Budget for Board Expenses for the ensuing Fiscal Year, for the amount, if any, required to be deposited in the Operation and Maintenance Reserve Fund in accordance with Section 4.4 of the Agreement, and for the application of the amounts in the General Account therein. Thereafter, but in no event later than 15 days after the date of publication of the Executive Budget of the City, the Board shall adopt such Annual Budget. Promptly after adoption of the Annual Budget, and in no event later than June 10 (or such other date as the Authority, the Board and the City may agree) of each year, the Board shall establish the rates, fees and charges for the use of the System for the ensuing Fiscal Year. The Board may from time to time, either before or after commencement of the Fiscal Year to which it relates, amend the Annual Budget, but (except for its own expenses) only in accordance with and after receipt of amended Budget Documents. If as of the first day of any Fiscal Year an Annual Budget has not been adopted, the Annual Budget for the immediately preceding Fiscal Year shall be the Annual Budget for such Fiscal Year until a new Annual Budget is adopted. (*Section 6.4*)

Tax Exemption. The City, the Authority and the Board have covenanted that so long as any Bonds shall be Outstanding, no one will take any action, nor fail to take any action, which, if taken or not taken, as the case may be, would adversely affect the tax-exempt status of the interest payable on the Bonds then Outstanding, the interest on which is excluded from gross income under the Internal Revenue Code of 1986. (*Section 6.5(b)*)

Discontinuance of Service. The Board has covenanted to enforce or cause the City to enforce the rules and regulations providing for discontinuance of, or disconnection from, the supply of water or the provision of sewer service, or both, as the case may be, for non-payment of fees, rents, rates or other charges imposed by the Board, provided that such discontinuance or disconnection shall not be carried out except in the manner and upon the notice as is required of a waterworks corporation pursuant to Sections 89(b)(3)(a)-(c) and 116 of the Public Service Law of the State. (*Section 6.7*)

Covenant of City as to Rates and Charges. The City has covenanted that, upon the issuance of the Bonds by the Authority, the City will not thereafter levy user fees, rents and other charges with respect to the System until all Bonds are paid or are no longer Outstanding pursuant to the terms of the First Resolution; provided, however, that the City may levy *ad valorem* taxes to pay the costs and expenses of the System or to pay the principal of and interest on any general obligation bonds of the City issued to finance the System or any part thereof. (*Section 6.9*)

Books and Records. Each of the Authority and the Board shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions relating to their corporate purposes under the Act. In accordance with Section 1045-y of the Act, the Authority and the Board shall annually submit to the Mayor, the Comptroller and the Director of Management and Budget of the City a detailed report concerning their activities for the Fiscal Year. In addition, the Authority and the Board shall submit to the Mayor, the Comptroller and the Director of Management and Budget of the City audited annual financial statements of the Authority and the Board together with a report thereon of an accountant satisfactory to the Board. (*Section 6.11*)

Liens. Until the Bonds or other evidences of indebtedness issued by the Authority for its purposes under the Act have been paid in full or provision has been made therefor in accordance with the First Resolution or similar document, the Agreement provides that the Board shall not create, and, to the extent it has the power to do so, shall not permit to be created, any lien upon or pledge of the Revenues except the lien and pledge thereon created by the Act. (*Section 6.12*)

Security Interests. Except to the extent provided in the Act, neither the Board nor the Authority may grant any Bondholder any security interest in any of the assets or Properties of the Board. (*Section 6.13*)

Financing through State Revolving Fund. In connection with the financing of Water Projects by the Authority with funds provided from the State Revolving Fund, the City may enter into a Project Financing Agreement or Agreements among DEC, the Corporation and the Authority and make in any such agreement certain representations, warranties, covenants and agreements. (*Section 6.16*)

Agreement of the State. Under the provisions of the Agreement, the parties pledge and agree, for and on behalf of the State as provided in the Act, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any

way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, interest on any unpaid installment of interest, and all costs and expenses incurred in any action or proceeding by or on behalf of such holders, are fully met and discharged. (*Section 7.1*)

Events of Default and Remedies. An "event of default" or a "default" means any one of the following events: (i) failure by the Board to pay the Authority those amounts required under the Agreement; (ii) failure of the City or the Board to observe any covenant, term or condition of the Agreement (other than the payments the Board shall make to the Authority) and such failure shall have continued for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the City or the Board, or both, by the Authority unless the Authority shall agree in writing to extend such time prior to its expiration, provided such extension shall not be unreasonably withheld if the City or the Board has instituted and is diligently pursuing corrective action which cannot be completed within the applicable period; (iii) the Authority shall file a petition, or otherwise seek relief, under any federal or State bankruptcy or similar law; and (iv) the terms, conditions and security provided under the Agreement and the First Resolution or the respective provisions of the Act pursuant to which the First Resolution has been adopted or the Bonds have been issued or entered into (including, without limitation, the provisions under which the lien upon the Revenues has been created pursuant to the Agreement and the First Resolution and the provisions establishing the powers and obligations of the Board and the relationship of the Authority to the Board and the City) shall be materially and adversely limited, altered or impaired by any legislative action or any final judgment. (*Section 8.1*)

Whenever an event of default shall have occurred and be continuing, the Authority and the Trustee may take whatever legal action may appear necessary or desirable to: (i) collect the payments then due and as they thereafter become due and (ii) so long as any Bonds are Outstanding, enforce performance and observance of any obligation or covenant of the City or the Board under the Agreement. In addition, if the Board defaults in making the payments to the Authority required under the Agreement as a result of its failure to impose sufficient fees, rates, rents or other charges, the Authority may petition for the appointment of a receiver to administer the affairs of the Board in order to achieve Revenues sufficient to make such payments by establishing fees, rates, rents or other charges at least sufficient therefor. The remedies conferred upon or reserved to the Authority in respect of any event of default are not exclusive of other available remedies, but shall be in addition to every other remedy given under the Agreement or existing at law or in equity or by statute. (*Sections 8.2 and 8.3*)

Termination. The Agreement shall terminate and the covenants and other obligations contained therein shall be discharged and satisfied, when (i) payment of all indebtedness of the Authority has been made or provided for in accordance with the First Resolution or similar document securing such indebtedness and (ii) either all payments required thereunder have been made in full, or provision for such payments satisfactory to the Authority has been made, or the City pays or assumes all liabilities, obligations, duties, rights and powers of the Authority under the Agreement. (*Section 9.1*)

Amendments. The parties to the Agreement may enter into any amendment, change or modification of the Agreement (if in writing, signed by each of the parties and consented to in writing by the Trustee if required by the First Resolution) including, without limitation, amendments to Appendix A to the Agreement; provided that the parties shall enter into no such amendment, change or modification which materially adversely affects the rights of the holders of any Bonds by modifying or revoking certain enumerated provisions of the Agreement without first complying with the applicable provisions of the First Resolution. (*Section 10.1*)

Conflicts. The Agreement provides that its provisions shall not change or in any manner alter the terms of the First Resolution, or the security, rights or remedies of the Trustee or the Bondholders. In the event any provision of the Agreement conflicts at any time, or in any manner, with the provisions of the First Resolution or any Bond, the provisions of the First Resolution or Bond shall be controlling and conflicting provisions of the Agreement shall be disregarded. (*Section 12.1*)

Summary of the Lease

Term of Lease and Demise of Leased Property. The City has leased the Leased Property to the Board for the term of the Lease (the "Lease Term"). The Lease Term commenced on the Effective Date (July 1, 1985) and continues until the later of the 40th anniversary of the Effective Date or the date on which all bonds, notes or other obligations of the Authority are paid in full or provision for such payment is made pursuant to the resolution, trust indenture or other instrument under which such bonds, notes or other obligations are issued. During the Lease Term the Board may use the Leased Property only for its corporate purposes and upon the terms and conditions contained in the Lease.

The Leased Property includes (whether now in use or hereafter acquired, and whether or not located within the boundaries of the City) all of the City's right, title and interest in: (i) the City's sewerage system, including but not limited to all plants, structures, equipment and other real and personal property or rights therein acquired, rehabilitated or constructed (including all work in progress as soon as commenced) and used or to be used for the purpose of collecting, treating, pumping, neutralizing, storing and disposing of sewage, including, but not limited to, main, collecting, outlet or other sewers, pumping stations, groundwater recharge basins, backflow prevention devices, sludge dewatering facilities, vessels, barges, clarifiers, filters and phosphorous removal equipment, vehicles and other property used in connection with the sewer system; (ii) the City's water system, including but not limited to all plants, structures and other real and personal property or rights therein, acquired, rehabilitated or constructed (including all work in progress as soon as commenced) and used or to be used for the purpose of supplying, distributing, accumulating or treating water, including, but not limited to, reservoirs, basins, dams, canals, aqueducts, pipelines, mains, pumping stations, water distribution systems, intake systems, water-works, sources of water supply, purification or filtration plants, water meters and rights of flowage or diversion, vehicles and other property used in connection with the water system; and (iii) any other materials, supplies, plans and property contained in the above-mentioned plants and structures incidental to, or necessary or useful and convenient for, the operation of such facilities; provided, however, that the Leased Property shall not include the City's right, title and interest in the following: (i) any property or rights of the City the conveyance of which pursuant to the Lease would cause a reversion to or in favor of, or permit a reentry by or in favor of, any third party; (ii) all mines and minerals whatsoever (but not including surface or subsurface waters) now or hereafter found and discovered, crops and timber, on or under the lands to be conveyed pursuant to the Lease; with power and authority for the City to perform certain mineral extraction and agricultural/timber activities; provided, however, that the City shall not undertake any such activities which interfere with the operation, maintenance or collection of Revenues of the System. (*Section 2.1*)

Right of City to Enter Leased Property. The City retains the right to enter upon any portion of the Leased Property, to use any property not constituting a part thereof which is located in, across or upon the Leased Property or for any purpose unless, in the reasonable judgment of the Board, such entry or use would adversely affect the collection of Revenues. (*Section 2.2*)

Substitution of Board for City. Where necessary or desirable and to the extent permitted by law, the City and the Board agree to use their best efforts to substitute the Board for the City with respect to any application or proceedings filed or commenced in relation to the Leased Property with the various State and federal regulatory bodies having jurisdiction. (*Section 2.5*)

Indemnification. The City agrees, to the extent permitted by law and subject to certain conditions, to hold the Board harmless from any and all liability, loss or damage from or in connection with any act the Board does or omits in the exercise of its powers if taken or omitted in good faith and in pursuance of its corporate purposes. (*Sections 3.1, 3.2 and 7.2*)

Operation and Maintenance of the Leased Property. The City shall administer and operate the Leased Property, maintain the Leased Property in good and safe order and condition and make all repairs therein. The City's duty to "maintain" and "repair" shall include all necessary repairs, replacements, renewals, alterations and additions, whether structural, non-structural, ordinary or extraordinary and its duty to "administer" shall include, without limitation, the enforcement of regulations of the Board and the City relating to the use of the System. However, the Lease shall not impose any obligation or liability upon the City for the administration, operation, maintenance and repair of the System not previously imposed upon it in connection with its prior operation and maintenance of the System. Both the Board and the City shall use all reasonable care to prevent the occurrence of waste, damage or injury

to the Leased Property. The System shall be used and operated and maintained in accordance with all applicable laws, rules and regulations. (*Sections 4.1, 4.2 and 4.3*)

Construction and Acquisition. The Board authorizes the City to perform the construction and effectuation of any Water Project specified in the Agreement and the City may incur Costs in connection therewith. The City may acquire all real and personal property, or any interest therein, necessary or useful for the construction or effectuation of a Water Project; provided that all such property or interest acquired by the City through the exercise of the power of eminent domain shall be taken in the name of the City. (*Sections 5.1, 5.2 and 5.3*)

Billing and the Levy of Water and Sewer Charges. The City has agreed to provide billing services to the Board. Such services include but are not limited to: (i) notification to users of the System of the water and sewer charges levied by the Board, (ii) collection of such charges (including the City's use of its power of enforcement and collection of unpaid taxes under the laws of the State to enforce and collect any delinquent water and sewer charges from the persons and property liable therefor) and (iii) maintenance of the books, records and accounts of the billing systems. (*Sections 6.1 and 6.2*)

Late Payments. All late payments of water and sewer charges are the property of the Board and shall be collected by the City on behalf of the Board. Notwithstanding the foregoing, the Board has assigned to the City all of its rights and interest in and to all outstanding charges levied and uncollected on all properties at the time title thereto is vested in the City pursuant to *in rem* proceedings in consideration for the City's payment to the Board, in each Fiscal Year after the Effective Date, of an amount equal to 2% of such outstanding charges (unless, during the Lease Term, the City and the Board mutually agree on a different procedure for allocating such outstanding charges). (*Section 6.3*)

Discontinuance of Billing Services. If either the City or the Board no longer desires that the City provide the Board with billing services, the party desiring termination shall give written notice of such fact to the other party at least two years prior to the termination. Notwithstanding such termination of billing services, Section 6.2 of the Lease shall remain in full force and effect. (*Section 6.4*)

Legal Services. The Board has hired the City's Law Department to provide it with legal services. However, the Board may hire a different attorney or firm of attorneys to provide it with legal services. If the Board retains counsel to defend a claim against it without the prior approval of the Corporation Counsel of the City (which approval shall not be unreasonably withheld), the Board shall not be entitled to the indemnification from the City provided in Article III of the Lease with respect to such claim, unless the City elects in writing to provide such indemnification. (*Sections 7.1 and 7.2*)

Payments of Costs by the Board. The Board has agreed to pay to the City amounts sufficient to: (i) pay the cost of administration, maintenance, repair and operation of the Leased Property, including overhead costs incurred by the City attributable to the Leased Property (but less the amount of any governmental operating aid received or receivable within the current Fiscal Year with respect to the System), the cost of materials and supplies, and the amount of any judgment or settlement paid by the City arising out of a tort claim (but only if the costs of such claim are not otherwise reimbursed, the City's liability for such claim is related to Construction of a Water Project or operation or maintenance of the System and the costs of such claims do not exceed for any Fiscal Year 5% of the aggregate revenues shown on the Board's last year-end audited financial statements); (ii) reimburse the City for capital Costs incurred by the City in the Construction of Water Projects (if requested by the City and not otherwise reimbursed) including, without limitation, the payment of any judgment or settlement arising out of a contract claim related to the Construction of any Water Project; (iii) pay the cost of billing and collection services provided by the City; (iv) pay the cost of legal services provided by the City; and (v) reimburse the City for the compensation, or the costs of the services, of any City officers and employees provided on a full-time or part-time basis to the Board. (*Section 8.1*)

Base Rental Payments. In addition, the Board shall pay the City a rental payment for the System, but only to the extent requested by the City, and not to exceed the greater of (i) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes and certified by the City to be paid within such Fiscal Year, or (ii) 15% of the amount of principal and interest payable on the Bonds of the Authority and certified by the Authority to be paid within such Fiscal Year. (*Section 8.2*)

Method of Payment. The City shall certify within five business days after publication of the City's Executive Budget for the ensuing Fiscal Year the (i) amount which the City reasonably anticipates it will expend in connection with the costs described in Section 8.2 of the Lease and (ii) the amount of the payments described in Section 8.1 of the Lease; provided that, prior to the Board's payment to the City the Board shall have received, in addition to such certification by the City, a certificate of the Consulting Engineer to the effect that such amounts certified by the City for such payments and costs are reasonable and appropriate. Upon the Board's payment of all such amounts so certified or requested and any other payments required under the Act, or, after provisions for their payment have been made, the Board shall pay to the City, as Additional Rent in each Fiscal Year, any surplus of funds received. (*Section 8.3*)

Disposition of Property. The Board agrees that it will not sell, lease, sublease, assign, transfer, encumber (other than Permitted Encumbrances) or otherwise dispose of any part of the Leased Property, or any other real property or personal property which may be acquired by the Board, or its interest in the Lease, without the prior written approval of the City.

The City will not sell, transfer or otherwise dispose of real property or personal property included in the Leased Property without the Board's written consent. In the case of personal property, the value of which is less than $1 million per unit (or of greater value if the Board designates), the Board will adopt rules and procedures for the expedited disposition thereof. Upon the City's request to dispose of any real property or personal property valued in excess of $1 million, the Board will give such consent only upon receipt of a certificate signed by the Consulting Engineer to the effect that such real or personal property may be disposed of without materially adversely affecting the Revenues of the System or impairing the ability of the Board to make any payments required by the Lease or the Agreement or any other agreement to which it may be a party or be bound. The City may also, with the prior written consent of the Board, grant interests in the Leased Property which, in the reasonable judgment of the Board, do not interfere with the operation and maintenance of the System and the collection of the Revenues from the System. (*Section 11.1*)

Encumbrances. The Board may not encumber the Leased Property without the prior written approval of the City. The City may grant temporary licenses for use of the Leased Property which do not interfere with the operation and maintenance of the System or the collection of Revenues therefrom. (*Section 11.3*)

[Remainder of page intentionally left blank]

Summary of the First Resolution

Terms used in this Summary of the First Resolution shall have the meanings ascribed thereto in "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Glossary."

Pledge of Revenues and Funds. The Authority pledges for the payment of the Principal Installments or Redemption Price of and any interest on the Bonds, in accordance with their terms and the provisions of the First Resolution: (i) all Revenues, (ii) all moneys or securities in any of the Funds and Accounts created under the First Resolution, except that moneys or securities on deposit in a Special Account are pledged only to the Series of Bonds to which such Account relates and moneys or securities on deposit in the Common Account are pledged only to the Bonds for which a Special Account has not been established pursuant to the First Resolution, and (iii) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the First Resolution; subject only to the provisions of the First Resolution and the Agreement permitting the application of such amounts for or to the purposes and on the terms and conditions therein set forth. It is the intention of the Authority that, to the fullest extent permitted by law, such pledge shall be valid and binding from the time when it is made; that the Revenues, moneys, securities and other funds so pledged, and then or thereafter received by the Authority, shall immediately be subject to the lien of such pledge; and that the obligation to perform the contractual provisions therein contained shall have priority over any or all other obligations and liabilities of the Authority and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

As further security for the payment of the Bonds, the Authority, under the First Resolution, assigns, transfers and pledges to the Trustee all of its rights and interests under and pursuant to the Agreement (excluding rights to notice and other procedural rights, its right to indemnification and rights and interests not material to Bondholders), including, without limiting the generality of the foregoing, the present and continuing right: (i) to claim, collect or receive from the Board, all Revenues thereunder, (ii) to bring actions and proceedings thereunder for enforcement of such right of collection, and (iii) to do any and all things which the Authority is or may become entitled to do under the Agreement; provided that such assignment shall not impair or diminish any obligation of the Authority under the Agreement.

The Bonds are special obligations of the Authority payable solely from the Revenues and other amounts described in the First Resolution and do not and will not constitute an indebtedness of the State, the City or the Board and neither the State, the City nor the Board shall be in any way liable thereon. (*Sections 203 and 501*)

Establishment of Funds and Accounts. The First Resolution establishes the following Funds:

(1) Construction Fund;

(2) Revenue Fund;

(3) Debt Service Fund;

(4) Authority Expense Fund;

(5) Debt Service Reserve Fund;

(6) Subordinated Indebtedness Fund;

(7) Surplus Fund; and

(8) Arbitrage Rebate Fund.

The First Resolution establishes in the Debt Service Reserve Fund a separate account known as the "Common Account", and provides that any Supplemental Resolution which authorizes a Special Credit Facility may establish one or more "Special Accounts" in the Debt Service Reserve Fund. The First Resolution also establishes in the Debt Service Reserve Fund a separate account to be known as the "Capitalized Interest Account".

The Trustee shall hold all of the Funds and Accounts, except the Authority Expense Fund, which shall be held by the Authority.

The Trustee is directed to make withdrawals and transfers from the Funds and Accounts established by the First Resolution in order to comply with any agreement entered into upon or after the date of issuance of the Authority's Fiscal 1987 Series C Bonds providing for the rebate of certain arbitrage earnings to the United States. (*Section 502*)

Construction Fund. The Authority shall deposit from time to time in the Construction Fund the net proceeds from the sale of each Series of Bonds and make the deposits in the Funds and Accounts required by the applicable Supplemental Resolutions. The Authority shall also deposit from time to time in the Construction Fund any other amounts required to be deposited therein pursuant to the First Resolution or the Agreement, including amounts received by the Authority for or in connection with the System and determined by the Authority to be deposited therein. Any proceeds of insurance maintained by the Board or the City against physical loss of or damage to the System, or of contractors' performance bonds pertaining to the construction of the System, shall also be paid into the Construction Fund.

Except as otherwise provided, amounts in the Construction Fund may only be expended to pay Costs of Water Projects (including Costs of Issuance). The Trustee shall make payments from the Construction Fund, except as otherwise provided, only upon receipt of a Disbursement Request signed by an Authorized Representative of the Authority.

To the extent that other moneys are not available therefor in any other Fund or Account, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due. (*Section 503*)

Allocation of Revenues – Revenue Fund. The Authority shall cause all Revenues received from the Board pursuant to the Agreement or otherwise to be paid to the Trustee and deposited promptly upon receipt in the Revenue Fund. There shall also be deposited in the Revenue Fund all other amounts required by the First Resolution or the Agreement to be so deposited. (*Section 504*)

Payments Into Certain Funds. From the Revenues in the Revenue Fund, the Trustee shall make, as soon as practicable in each month, the following deposits in the following order:

(i) to the Debt Service Fund all such amounts until the amount therein on deposit in such month equals the Minimum Monthly Balance for such month for all Series of Bonds Outstanding;

(ii) from the balance, if any, remaining in such month after making the deposits required in (i) above, to the Authority Expense Fund the entire balance until the total on deposit therein in such month is equal to the product obtained by multiplying (A) the sum of the Authority Expenses for the then current Fiscal Year plus (if included in the Authority Budget for the then current Fiscal Year) an amount (the "Reserve for Expenses") equal to one-sixth (1/6th) of such Authority Expenses by (B) a fraction, the numerator of which is 12 minus the number of full months, excluding the month of calculation, remaining in the Fiscal Year, and the denominator of which is 12;

(iii) from the balance, if any, remaining after making the deposits required in (i) and (ii) above, *first*, to the Common Account in the Debt Service Reserve Fund, the amount, if any, necessary to make the total on deposit in the Common Account equal to the Debt Service Reserve Requirement for the Bonds to which such Common Account relates or, if less than sufficient, the entire balance and, *second*, to each Special Account until the amount therein on deposit equals the Debt Service Reserve Requirement for the Bonds to which each Special Account relates; *provided, however*, if the balance remaining is less than sufficient to credit in full each Special Account, credit shall be made pro rata among all Special Accounts in the same ratio as the Debt Service Reserve Requirement related to such Special Account bears to the sum of the Debt Service Reserve Requirements for all of the Bonds related to the Special Accounts; and

(iv) from the balance, if any, remaining after making the deposits required in (i), (ii) and (iii) above, to the Subordinated Indebtedness Fund the amount required to be deposited in accordance with the Authority Budget, or the entire balance, if less than sufficient.

Beginning with the first day of each Fiscal Year, the Trustee shall calculate the amounts deposited in the Revenue Fund on a daily basis until the total of all amounts deposited therein during such Fiscal Year is at least equal to the Cash Flow Requirement. On such date, if any, the Trustee is directed to give the notice to the Authority and the Board provided in Section 4.3(b) of the Agreement. Thereafter, during each Fiscal Year, no further Revenues shall be paid to the Trustee pursuant to paragraph Fourth of Section 4.2(c) of the Agreement so long as the Cash Flow Requirement, as the same may be revised from time to time, continues to be met. (*Section 505*)

Debt Service Fund. The Trustee shall, for each Series of Bonds Outstanding, pay from the Debt Service Fund the amounts due on each Bond Payment Date for the payment of the Principal Installments, if any, and from the moneys in the Debt Service Fund, including moneys in the Capitalized Interest Account in such Fund, interest on the Outstanding Bonds and on the redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided.

The Trustee may, and if so directed by an Authorized Representative of the Authority shall, prior to the forty-fifth day preceding the due date of each Sinking Fund Installment, apply the amounts accumulated in the Debt Service Fund for such Sinking Fund Installment, together with any interest on the Bonds for which such Sinking Fund Installment was established: (i) to the purchase of Bonds of like Series and maturity at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable with such Sinking Fund Installment plus unpaid interest accrued or (ii) to the redemption of such Bonds, if redeemable by their terms, at or below said Redemption Price. Upon such purchase or redemption of any Bond, the Trustee shall then credit an amount equal to the principal of the Bond so purchased or redeemed toward the next Sinking Fund Installments thereafter to become due and the amount of any excess over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

In any event, the Trustee shall, as soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, call for redemption a sufficient amount of Bonds of like Series and maturity to complete the retirement of the principal amount specified for such Sinking Fund Installment of such Bonds whether or not it then has moneys in the Debt Service Fund to pay the applicable Redemption Price thereof on the redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date the amount required for the redemption of such Bonds. (*Sections 506 and 514*)

Authority Expense Fund. The Authority shall apply amounts credited to the Authority Expense Fund to the payment of Authority Expenses. Any moneys in the Authority Expense Fund which the Authority determines are in excess of that needed to meet the sum of the unpaid Authority Expenses for such Fiscal Year plus (if such amount was included in the Authority Budget for such Fiscal Year) the Reserve for Expenses, shall be applied toward any deficiencies in the following Funds and Accounts in the order stated: the Debt Service Fund, Debt Service Reserve Fund and FGR Subordinated Indebtedness Fund. Any remaining amounts shall be credited to the Revenue Fund. (*Section 507*)

Debt Service Reserve Fund. The First Resolution establishes a Debt Service Reserve Fund and a Common Account therein. In addition, the First Resolution provides that any Supplemental Resolution which provides for a Special Credit Facility to secure the principal, interest or Tender Option Price of any Bonds may establish one or more "Special Accounts" in the Debt Service Reserve Fund. From the proceeds of each Series of Bonds there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, after giving effect to the issuance of such Bonds; and all such amounts will be credited to the Common Account, unless a Supplemental Resolution requires a deposit in a Special Account. Amounts on deposit in the Common Account will be applied, to the extent necessary, to pay the Principal Installments of and interest on the Bonds; *provided*, *however*, that the amounts in the Common Account may not be applied to pay the Principal Installments or Tender Option Price of or interest on Bonds for which such payments are secured by a Special Credit Facility, if the Supplemental Resolution authorizing such Bonds has established a Special Account. Likewise, amounts in any Special Account may not be applied to pay the Principal Installments of or interest on any Bond for which such payments may be made from the Common Account. Amounts on deposit in each of the Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available in the Surplus Fund, the FGR Subordinated Indebtedness Fund and the Authority Expense Fund, to pay the Principal Installments of, and

interest on the Bonds to which such Account relates when due. Amounts so applied shall be derived first from cash or Investment Securities on deposit, and second from draws and demands on Financial Guaranties.

If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Fund exceeds the applicable Debt Service Reserve Requirement after giving effect to any Financial Guaranty deposited in such Fund, the Trustee shall, on the first business day of the following Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the Authority to be required by the Code to be rebated to the Department of the Treasury, (ii) the Surplus Fund, the amount required to be deposited therein in accordance with the Authority Budget, and (iii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Fund over the applicable Debt Service Reserve Fund Requirement.

Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Bonds in accordance with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

In lieu of the required deposits and transfers to the Debt Service Reserve Fund, the Authority may cause to be deposited into the Debt Service Reserve Fund Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in the Debt Service Reserve Fund concurrently with such Financial Guaranties. The Financial Guaranties shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of a Principal Installment of or interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Debt Service Reserve Fund. If a disbursement is made pursuant to Financial Guaranties, the Authority shall be obligated either (i) to reinstate the maximum limits of such Financial Guaranties or (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Financial Guaranties, or a combination of such alternatives, as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Reserve Fund all or any portion of amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201 of the First Resolution, and (b) the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement. (*Section 508*)

FGR Subordinated Indebtedness Fund. The Trustee shall apply amounts on deposit in the FGR Subordinated Indebtedness Fund solely to the maintenance of reserves for, or the payment of, FGR Subordinated Indebtedness (or as otherwise provided by the resolution of the Authority authorizing each issue of FGR Subordinated Indebtedness). The Trustee shall withdraw from the FGR Subordinated Indebtedness Fund any amount necessary to render the balances in the Debt Service Fund or Debt Service Reserve Fund sufficient to meet the requirements of such Funds. (*Section 509*)

Surplus Fund. The Trustee shall, on each Bond Payment Date, apply moneys credited to the Surplus Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in such Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in such Fund. Such transfer shall be made notwithstanding any other provisions of the First Resolution requiring deposits in such Funds. Amounts on deposit in the Surplus Fund on the last day of a Fiscal Year shall be withdrawn from such Fund and transferred to the Board for deposit in the Local Water Fund. (*Section 510*)

Arbitrage Rebate Fund. Amounts on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee to make payments to the Department of the Treasury of the United States of America. Notwithstanding the foregoing, the Trustee shall apply moneys credited to the Arbitrage Rebate Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary)

to make up any deficiency in the amount required to be on deposit in the Debt Service Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in the Debt Service Reserve Fund.

Amounts on deposit in the Arbitrage Rebate Fund in excess of the amount required to be maintained therein for the purposes of such Fund may be transferred and paid by the Trustee to the Surplus Fund. (*Section 510-a*)

FGR Subordinated Indebtedness. The Authority may issue FGR Subordinated Indebtedness payable out of and secured by a pledge of and lien on amounts in the Subordinated Indebtedness Fund available for such payment. Such FGR Subordinated Indebtedness, however, shall be issued only for the purposes set forth in the First Resolution and shall be secured by a pledge subordinate in all respects to the pledge created by the First Resolution as security for the bonds. (*Section 511*)

Depositaries. All moneys or securities held by the Trustee shall constitute trust funds and the Trustee may and shall, if directed by the Authority, deposit such moneys or securities with one or more Depositaries. All moneys or securities held by the Authority in the Authority Expense Fund shall be deposited with one or more Depositaries. All moneys or securities deposited under the provisions of the First Resolution with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of the First Resolution, and each of the Funds established by the First Resolution shall be a trust fund for the purposes thereof.

Each Depositary holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the State or a national banking association (having its principal office within the State), having capital stock, surplus and undivided earnings aggregating at least $100,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the First Resolution. (*Section 512*)

Investment of Certain Funds. Moneys held in the Debt Service Fund, the Debt Service Reserve Fund and the FGR Subordinated Indebtedness Fund (subject to the terms of any resolutions or other instruments securing any issue of FGR Subordinated Indebtedness) shall be invested and reinvested to the fullest practicable extent in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to make payments required from such Funds; provided that in the case of the Debt Service Reserve Fund maturation may not occur later than fifteen years from the date of such investment, and in the case of the Debt Service Fund, investments shall be of the type described in clauses (ii), (iii) and (vi), and in the case of the Debt Service Reserve Fund, clauses (ii) and (iii), of the definition of "Investment Securities" (in either case, to the fullest extent practicable). Moneys in the Authority Expense Fund, the Revenue Fund, the Construction Fund, the Arbitrage Rebate Fund and the Surplus Fund may be invested in Investment Securities which mature no later than such times as shall be necessary to provide moneys when needed to make payments from such Funds. The Trustee shall make all investments in accordance with written instructions from any Authorized Representative of the Authority. Moneys in any Fund or Account may be combined with moneys in any other Fund or Account for the purpose of making such investments in Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in such Funds and Accounts, other than the Construction Fund, the Arbitrage Rebate Fund and the Debt Service Reserve Fund, shall be paid into the Revenue Fund as and when received. Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) earned on any moneys or investments in (i) the Debt Service Reserve Fund shall be paid into the Arbitrage Rebate Fund or the Surplus Fund, (ii) the Construction Fund shall be paid to the Board for deposit in the Local Water Fund quarterly, on the 15th day of each July, October, January and April of each Fiscal Year upon receipt of a written request and a certificate of the Authority relating to the satisfaction of the Cash Flow Requirement and (iii) the Arbitrage Rebate Fund shall remain in such fund.

All Investment Securities acquired with moneys in any Fund or Account, including any Fund or Account held by the Authority, shall be held by the Trustee in pledge or by a Depositary as agent in pledge in favor of the Trustee. (*Section 514*)

Additional Bonds. The Authority may issue Bonds from time to time without limitation as to amount except as provided in the First Resolution or as specified by law to generate funds sufficient to meet the Costs of Water Projects, to make deposits in the Funds and Accounts or to refund Outstanding Bonds, Bond Anticipation Notes, FGR Subordinated Indebtedness or outstanding bonds of the City issued to pay the capital costs of the System. All Bonds shall be issued subject to the terms, conditions and limitations established in the First Resolution and in one or more Series as therein provided.

Bonds shall be authenticated and delivered only upon the Trustee's receipt of, among other items:

(a) a certified copy of the Supplemental Resolution authorizing such Series;

(b) (i) in the case of the initial Series of Bonds, an executed copy of the Agreement and the Lease; and (ii) in the case of any subsequent Series of Bonds, an executed copy of any amendment or supplement to the Agreement or the Lease not theretofore delivered to the Trustee;

(c) except in the case of Series of Bonds issued prior to July 1, 1986 and any Series of Refunding Bonds issued pursuant to Section 207 of the First Resolution, a certificate of an Authorized Representative of the Authority setting forth (i) the Revenues for either of the last two full Fiscal Years immediately preceding the Fiscal Year in which such Bonds are to be issued and (ii) the Aggregate Debt Service during such Fiscal Year for which Revenues are set forth pursuant to clause (i) above (excluding from Aggregate Debt Service any Principal Installment or portion thereof which was paid from sources other than Revenues) and (iii) the sum of the Operating Expenses and the Required Deposits for such period, and showing that the amount set forth in (i) is at least equal to the sum of (x) an amount equal to 115% of the amount set forth in (ii) and (y) an amount equal to 100% of the amount set forth in (iii);

(d) except in the case of the initial Series of Bonds under the First Resolution and any Series of Refunding Bonds issued pursuant to Section 207 of the First Resolution, a certificate of the Consulting Engineer setting forth the projected Operating Expenses for each of the five Fiscal Years following the Issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued);

(e) except in the case of the initial Series of Bonds under the First Resolution and any Series of Refunding Bonds issued pursuant to Section 207, a certificate, signed by an Authorized Representative of the Authority setting forth the estimated Required Deposits for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued); and

(f) except in the case of the initial Series of Bonds under the First Resolution and any Series of Refunding Bonds issued pursuant to Section 207, a certificate of the Rate Consultant (i) setting forth the estimated Revenues for each of the five Fiscal Years following the issuance of such Series of Bonds (plus the Fiscal Year in which such Bonds are issued) after giving effect to any increases or decreases in rates, fees and charges projected for such Fiscal Years and (ii) showing for each such Fiscal Year that the estimated Revenues for such Fiscal Year will be at least equal to the sum of (A) 115% of the maximum estimated Adjusted Aggregate Debt Service on all Bonds then Outstanding including the Bonds to be issued, and (B) 100% of the sum of the projected Operating Expenses and Required Deposits, as shown on the Certificate of the Consulting Engineer delivered pursuant to paragraph (d) above and the Certificate of the Authority delivered pursuant to paragraph (e) above, respectively. (*Sections 204 and 206*)

Refunding Bonds. One or more Series of Refunding Bonds may be issued pursuant to Section 207 of the First Resolution at any time to refund any Outstanding Bonds provided that (i) estimated average annual Debt Service on such Series of Refunding Bonds shall not exceed the average annual Debt Service on the Bonds to be refunded and (ii) the maximum Debt Service in any Fiscal Year on such Series of Refunding Bonds shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded, all as shown in a Certificate signed by an Authorized Representative of the Authority and delivered to the Trustee prior to the authentication and delivery of such Series of Refunding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts required by the provisions of the Supplemental Resolution authorizing such Bonds. (*Section 207*)

Bond Anticipation Notes. Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, by resolution, authorize the issuance of notes (and renewals thereof) in anticipation of such Series of Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the First Resolution. The Authority may also pledge the Revenues to the payment of the interest on, and subject to Section 707 of the First Resolution, the principal of such notes. A copy of the First Resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption, together with such other information concerning such notes as the Trustee may reasonably request. (*Section 208*)

Credit Facilities. In connection with the issuance of any Series of Bonds, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, or Redemption Price or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the purchase of such Bonds by the Authority.

The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. The Authority may also in an agreement with the issuer of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation"); *provided, however*, that no Reimbursement Obligation shall be created until amounts are paid under such Credit Facility. Any such Reimbursement Obligation (a "Parity Reimbursement Obligation") may be secured by a pledge of, and a lien on Revenues on a parity with the lien created by Section 501 of the First Resolution. Upon the payment of amounts under the Credit Facility which payment results in the Parity Reimbursement Obligation becoming due and payable, such Parity Reimbursement Obligation shall be deemed to be part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof, as specified in the applicable Supplemental Resolution. (*Section 209*)

Indebtedness and Liens. The First Resolution provides that the Authority shall not issue any bonds, or other evidences of indebtedness, other than the Bonds, Bond Anticipation Notes, FGR Subordinated Indebtedness and Parity Reimbursement Obligations, secured by a pledge of or other lien on the Revenues and shall not create or cause to be created any lien on such Revenues or on any amounts held by any Fiduciary, under the First Resolution; however, the Authority may: (i) issue notes payable from the proceeds of Bonds or other obligations for the corporate purposes of the Authority payable or secured by Revenues derived on and after such date as the pledge of the Revenues provided in the First Resolution is discharged and satisfied and (ii) issue bonds or other obligations for the corporate purposes of the Authority payable out of or secured by the pledge of amounts in the Local Water Fund after satisfaction of the Cash Flow Requirement for the then current Fiscal Year, and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the lien and pledge created by the First Resolution. (*Section 707*)

Agreement of the State. In accordance with Section 1045-t of the Act, the Authority agrees, for and on behalf of the State, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to fulfill the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the rights and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. (*Section 711*)

Authority Budget. The Authority shall, on or before May 1, in each Fiscal Year, adopt and file with the Trustee, the Board and the City, a certified copy of the Authority Budget showing the estimated Cash Flow Requirement and the components thereof (on a monthly basis) for the ensuing Fiscal Year, together with any other information required to be set forth therein by the First Resolution or the Agreement. Such Authority Budget may set forth such additional information as the Authority may determine or as the Board or the City may request. If for any reason the Authority shall not have adopted the Authority Budget before such May 1, the Authority Budget for the

then current Fiscal Year shall be deemed to be the Authority Budget for the ensuing Fiscal Year until a new Authority Budget is adopted. The Authority may at any time adopt an amended Authority Budget for the then current or ensuing Fiscal Year, but no such amended Authority Budget shall supercede any prior Budget until the Authority shall have filed with the Trustee, the Board and the City a copy of such amended Authority Budget. Each month the Authority shall recalculate the Cash Flow Requirement. (*Sections 712 and 713*)

Enforcement and Amendment of Agreement and Lease. The Authority shall enforce or cause to be enforced the provisions of the Agreement and the Lease and duly perform its covenants and agreements under the Agreement. The Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Agreement or the Lease except in accordance with Article X of the Agreement of the First Resolution. (*Section 714*)

Supplemental Resolutions. The First Resolution permits the modification or amendment of the rights and obligations of the Authority and of the holders of the Bonds thereunder by a Supplemental Resolution, with the written consent of the holders of two-thirds of the principal amount of: (i) the Bonds then Outstanding and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bonds of the Series so affected and then Outstanding; however, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of modification; provided no such modification or amendment shall change the terms of redemption, maturity of principal, installment of interest, or reduce the principal amount, Redemption Price, or rate of interest without the consent of the holder of the affected Bond, or reduce the percentages of consents required to effect any future modification or amendment.

The Authority may adopt (without the consent of any holders of the Bonds) supplemental resolutions to authorize additional Bonds; to add to the restrictions contained in the First Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the First Resolution; to confirm any pledge under the First Resolution of Revenues or other moneys; to preserve the federal tax exemption of interest on the Bonds; or otherwise to modify any of the provisions of the First Resolution (but no such other modification may be effective while any of the Bonds of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect in the First Resolution or to insert such provisions clarifying matters or questions arising under the First Resolution as are necessary or desirable, and are not contrary to or inconsistent with the First Resolution as theretofore in effect or to provide for additional duties of the Trustee (provided that the Trustee shall consent thereto). (*Arts. VIII and IX*)

Defaults and Remedies. The First Resolution provides that if one or more of the following Events of Default shall occur, namely: (i) a default in the payment of the principal or Redemption Price of any Bond; (ii) a default in payment of any installment of interest on any Bond; (iii) a default by the Authority in the performance or observance of any other of its covenants, agreements or conditions in the First Resolution for a period of 45 days after written notice thereof; (iv) a default under the Agreement or the Lease by the Board or the City for a period of 45 days after written notice thereof; or (v) a filing of a petition for relief under any federal or State bankruptcy or similar law by the Authority; then, upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding the Trustee shall, declare the principal and accrued interest on all the Bonds then Outstanding, due and payable immediately subject, however, to rescission of such declaration and annulment of the default upon the remedying thereof.

The Authority covenants that upon the occurrence of an Event of Default, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and that, upon demand of the Trustee, the Authority will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the First Resolution for such period as shall be stated in such demand.

Upon default, the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the First Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or

equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the First Resolution. During the continuance of an Event of Default, Revenues shall be applied first, to the reasonable and proper charges and expenses of the Trustee; then (unless the principal of all of the Bonds shall have been declared payable) to the payment of all unpaid interest ratably, and then to unpaid principal or Redemption Price, ratably; and if all of the principal of the Bonds shall be due and payable, to the payment of unpaid principal and interest, without preference or priority of interest over principal, principal over interest or of any Bond or installment over any other Bond or installment, without any discrimination or preference. No Bondholder has any right to institute suit to enforce any provision of the First Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by the holders of at least a majority in principal amount of the Bonds to take such action and has been offered adequate security and indemnity and has failed to commence such suit in the manner provided in the First Resolution. The right to appoint a statutory trustee under Section 1045-p of the Act is expressly abrogated. (*Art. X*)

Defeasance of Bonds Other than Variable Rate or Option Bonds. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the First Resolution if (i) in the case of any Bonds to be redeemed prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish on such date the notice of redemption therefor (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption), (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Obligations the principal of and/or the interest on which, when due, without reinvestment, will, as verified by the report of a firm of nationally recognized independent certified public accountants[1], provides moneys which, together with the moneys deposited shall be sufficient, to pay when due the principal or Redemption Price (if applicable) and interest due and to become due on said Bonds and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Bonds that the deposit required above has been made with the Trustee and that said Bonds are deemed paid in accordance with the First Resolution and stating such maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption); provided that any notice published for Bonds constituting less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond. The Trustee shall, to the extent necessary, apply moneys to the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments thereto.

The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or prior to the publication of the above notice of redemption for Bonds deemed paid and to be redeemed, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and purchase such Bonds and the Trustee shall immediately thereafter cancel all such Bonds so purchased; *provided*, *however*, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds. (*Section 1201*)

Defeasance of Variable Rate Bonds. The Resolution provides that for the purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, by the deposit of moneys, or Defeasance Obligations and moneys (if any), the interest due on such Bonds shall be calculated at the maximum rate permitted; *provided, however*, that if, as a result of such Bonds having borne interest at less than the maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Bonds exceeds the total amount required to be deposited with the Trustee, the Trustee shall, if requested by the Authority, pay the amount in excess to the Authority free and clear of any lien or pledge securing the Bonds or otherwise existing under the First Resolution. (*Section 1201*)

Defeasance of Option Bonds. Under the First Resolution, Option Bonds shall be deemed paid in accordance with the First Resolution only if, in addition to satisfying several of the requirements applicable to other than Variable

[1] Any Supplemental Resolution adopted by the Authority on or after February 28, 2005 provides that the verification report may be prepared by a firm of nationally recognized verification agents rather than a firm of nationally recognized independent certified public accountants.

Rate or Option Bonds, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay the maximum amount of principal of and premium due, if any, and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds; *provided, however*, that if the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond. (*Section 1201*)

[Remainder of page intentionally left blank]

Summary of the Second Resolution

Terms used in this Summary of the Second Resolution shall have the meanings ascribed thereto in "APPENDIX C – GLOSSARY AND SUMMARY OF CERTAIN DOCUMENTS – Glossary – Definition of Certain Terms Used in Second Resolution."

Pledge of Revenues and Funds. The Authority pledges for the payment of the Bonds in accordance with their terms and the provisions of the Second Resolution, subject only to the provisions of the Second Resolution, the First Resolution, the Act and the Agreement permitting the application thereof for or to the purposes and on the terms and conditions of the Second Resolution and therein set forth: (i) all moneys or securities in any of the Funds and Accounts, other than the Arbitrage Rebate Fund, (ii) all Other Moneys, (iii) in moneys or securities on deposit in the FGR Subordinated Indebtedness Fund, except that moneys or securities on deposit in a Special Account are pledged only to the Series of Bonds to which such Account relates and moneys or securities on deposit in the Common Account are pledged only to the Bonds for which a Special Account has not been established pursuant to the Second Resolution, (iv) all other moneys and securities to be received, held or set aside by the Authority or by any Fiduciary pursuant to the Second Resolution and (v) from and after the time that the pledge of Revenues made in the First Resolution shall be discharged and satisfied in accordance with the First Resolution, all Revenues; *provided*, *however*, that such pledge shall be in all respects subordinate to the provisions of the First Resolution and the lien and pledge created by the First Resolution. This pledge shall, to the fullest extent permitted by law, be valid and binding from the time when it is made and the Revenues, moneys, securities and other funds so pledged and then or thereafter received by the Authority shall immediately be subject to the lien of such pledge and the obligation to perform the contractual provisions contained in the Second Resolution and shall be valid and binding as against all parties having claims of any kind in tort contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Act provides that (i) the pledges made by the Second Resolution are valid, binding and perfected from the time when they are made and property so pledged shall immediately be subject to the lien of such pledges without any physical delivery thereof or further act, (ii) the lien of such pledges shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof and (iii) no instrument by which such pledges are created nor any financing statement need be recorded or filed. Accordingly, no financial statements have been or will be filed. Based upon the foregoing, the Authority represents that under the laws of the State (i) the Second Resolution creates valid and binding pledges in favor of the holders from time to time of the Bonds, enforceable in accordance with the terms set forth in the Second Resolution, (ii) the pledges made by the Second Resolution and each pledge made to secure obligations of the Authority which, by the terms set forth in the Second Resolution, are prior to or of equal rank with such pledge are and shall be prior to any judicial lien hereafter imposed on the property pledged by the Second Resolution to enforce a judgment against the Authority on a simple contract and (iii) no instrument by which such pledges are created nor any financing statement need be recorded or filed in order to establish or maintain such priority. The Authority further represents that the Authority has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Revenues or any other property pledged by the Second Resolution that is prior to or of equal rank with the pledge made by the Second Resolution and neither the Revenues nor any other property pledged by the Second Resolution have been described in any financing statement. Except as expressly permitted by the Second Resolution, the Authority shall not hereafter make or suffer to exist any pledge or assignment of, lien on or security interest in the Revenues or other property pledged by the Second Resolution that is prior to or of equal rank with the pledge made by the Second Resolution, or file any financing statement describing any such pledge, assignment, lien or security interest, except in connection with pledges, assignments, liens or security interests expressly permitted by the Second Resolution.

As further security for the payment of the principal or Redemption Price of and interest on the Bonds, the Authority assigns, transfers and pledges to the Trustee all of its rights and interests under and pursuant to the Agreement (excluding rights to notice and other procedural rights, its rights to indemnification and rights and interests not material to Bondholders), including, without limiting the generality of the foregoing, the present and continuing right (i) to make claim for, collect or cause to be collected, receive or cause to be received, from the Board all Revenues thereunder, (ii) to bring actions and proceedings thereunder for the enforcement thereof, and (iii) to do any and all things which the Authority is or may become entitled to do under the Agreement; *provided, however* that such assignment, transfer and pledge are and shall be in all respects subject and subordinate to the assignment, transfer and

pledge made by the First Resolution; *provided, further*, that the assignment made by the Second Resolution shall not impair or diminish any obligation of the Authority under the Agreement.

The Bonds are special obligations of the Authority payable solely from the special funds provided for such payment pursuant to the Act, the First Resolution and the Second Resolution and do not and will not constitute an indebtedness of the State, the City or the Board and neither the State, the City nor the Board shall be in any way liable thereon. (*Sections 203 and 501*)

Establishment of Funds and Accounts. The Second Resolution establishes the following Funds:

(1) Construction Fund;

(2) Revenue Fund;

(3) Debt Service Fund;

(4) Authority Expense Fund;

(5) Debt Service Reserve Fund;

(6) Subordinated Indebtedness Fund;

(7) Arbitrage Rebate Fund; and

(8) Surplus Fund.

The Second Resolution establishes in the Debt Service Reserve Fund a separate account known as the "Common Account", and provides that any Supplemental Resolution which authorizes a (i) Special Credit Facility to secure the payment of the Principal Installments of and interest on the Bonds authorized thereby, (ii) which provides for a Special Credit Facility to secure the payment of the Tender Option Price of any Option Bonds authorized thereby, or (iii) wherein the Authority has determined that the Series of Bonds authorized thereby will not be secured by the Common Account in the Debt Service Reserve Fund, may establish one or more Special Accounts in the Debt Service Reserve Fund. The Second Resolution also establishes in the Debt Service Fund a separate account to be known as the "Capitalized Interest Account".

The Trustee shall hold all of the Funds and Accounts.

The Trustee is directed to make withdrawals and transfers from the Funds and Accounts established by the Second Resolution in order to rebate certain arbitrage earnings to the United States. (*Section 502*)

Construction Fund. From and after the date on which no First Resolution Bonds are Outstanding, the Authority shall deposit from time to time in the Construction Fund the net proceeds from the sale of each Series of Bonds and make the deposits in the Funds and Accounts required by the applicable Supplemental Resolutions. The Authority shall also deposit from time to time in the Construction Fund any other amounts required to be deposited therein pursuant to the Second Resolution or the Agreement, including amounts received by the Authority for or in connection with the System and determined by the Authority to be deposited therein. In addition, all moneys on deposit in the Construction Account shall he deposited in the Construction Fund as soon as practicable after the date on which there are no First Resolution Bonds Outstanding. From and after the date on which no First Resolution Bonds are Outstanding and proceeds of insurance maintained by the Board or the City against physical loss of or damage to the System, or of contractors' performance bonds pertaining to the construction of the System, shall also be paid into the Construction Fund.

Except as otherwise provided, amounts in the Construction Fund, and subject to the provisions of the First Resolution, the Construction Account may only be expended to pay Costs of Water Projects (including Costs of Issuance). The Trustee shall, subject to certain exceptions contained in the First Resolution and the Second Resolution,

make payments from the Construction Fund, except as otherwise provided, only upon receipt of a Disbursement Request signed by an Authorized Representative of the Authority.

To the extent that other moneys are not available therefor in any other Fund or Account, amounts in the Construction Fund and Construction Account shall be applied to the payment of principal of and interest on Bonds and of the interest on Parity Bond Anticipation Notes when due. The Authority will cause moneys in the Construction Account to be transferred to the Debt Service Fund at such time and in such amount as may be required for such purpose. (*Section 504*)

Allocation of Revenues – Revenue Fund. The Authority shall cause all Other Moneys and, from and after the date on which no First Resolution Bonds are Outstanding, all Revenues received from the Board pursuant to the Agreement to be paid to the Trustee and deposited promptly upon receipt in the Revenue Fund. There shall also be deposited in the Revenue Fund all other amounts required by the Second Resolution or the Agreement to be so deposited.

In addition to the payments to be made from the FGR Subordinated Indebtedness Fund, as soon as practicable in each month the amount in the FGR Subordinated Indebtedness Fund (other than in the Construction Account) shall be transferred to the Revenue Fund until the amount on deposit therein is equal to the sum of:

(i) together with the amount in the Debt Service Fund, the Monthly Balance for such month and the amount necessary to pay the purchase price or Redemption Price of Bonds purchased or called for redemption; plus

(ii) the amount, if any, necessary to make the total on deposit in the Debt Service Reserve Fund and credited to the Common Account equal to the Debt Service Reserve Requirement for the Bonds to which such Common Account relates, and to make the total on deposit in each Special Account equal to the Debt Service Reserve Requirement for the Bonds to which each such Special Account relates; plus

(iii) the amount, if any, then required to be in the SGR Subordinated Indebtedness Fund. (*Section 505*)

Payments Into Certain Funds. From the Revenues in the Revenue Fund, the Trustee shall make, as soon practicable in each month, the following deposits in the following order:

(i) to the Debt Service Fund, all such amounts until the total on deposit therein equals the sum of (A) the Monthly Balance for such month for all Series of Bonds Outstanding and (B) the amount necessary to pay the purchase price or Redemption Price of Bonds purchased or called for redemption;

(ii) if no First Resolution Bonds are then Outstanding, from the balance, if any, remaining in such month after making the deposits required by paragraph (i) to the Authority Expense Fund the entire balance until the total on deposit therein in such month is equal to the product obtained by multiplying (A) the sum of (i) the Authority Expenses for the then current Fiscal Year as set forth in the Authority Budget, plus (ii) if included in the Authority Budget for the then current Fiscal Year, an amount ("the Reserve for Expenses") equal to one-sixth of such Authority Expenses by (B) a fraction, the numerator of which is twelve (12) minus the number of full months (excluding the month of calculation) remaining in the Fiscal Year and the denominator of which is twelve (12);

(iii) from the balance, if any remaining after making the deposits required by paragraphs (i) and (ii), to the Debt Service Reserve Fund, first, to the credit of the Common Account therein the amount, if any, necessary to make the total on deposit in such Fund and credited to the Common Account equal to the Debt Service Reserve Requirement for the Bonds to which such Common Account relates, or, the entire balance if less than sufficient and, then, from the balance of such deposit, if any, remaining after crediting the Common Account as aforesaid, to the credit of each Special Account an amount equal to the Debt Service Reserve Requirement for the Bonds to which each such Special Account relates; *provided, however*, that if the balance remaining is less than sufficient to credit in full each Special Account, credit shall be made pro rata among all Special Accounts in the same ratio as the Debt Service Reserve Requirement related to each

Special Account bears to the sum of the Debt Service Reserve Requirements for all the Bonds related to Special Accounts:

(iv) from the balance, if any, remaining after making the deposits required by paragraphs (i), (ii) and (iii) to the Arbitrage Rebate Fund, the amount, if any, equal to the earnings in investments in the Debt Service Reserve Fund which were transferred to the Revenue Fund in the preceding month; and

(v) from the balance, if any, remaining after making the deposits required by paragraphs (i), (ii), (iii) and (iv) and if no First Resolution Bonds are then Outstanding, to the Subordinated Indebtedness Fund the amount required to be deposited in such Fund for such month in accordance with the Authority Budget to the entire balance if less than sufficient.

Beginning with the first day of each Fiscal Year, the Authority shall cause to be calculated the amounts deposited in the Revenue Fund on a daily basis until it is determined that the total of all amounts deposited therein during such Fiscal Year is at least equal to the SGR Cash Flow Requirement. Thereafter, during such Fiscal Year, no further amounts on deposit in the FGR Subordinated Indebtedness Fund shall be required to be deposited in the Revenue Fund; *provided, however*, if the Authority shall thereafter certify an amended Authority Budget for such Fiscal Year showing an SGR Cash Flow Requirement in excess of the SGR Cash Flow Requirement last certified for such Fiscal Year, calculation of the amounts deposited in the Revenue Fund on a daily basis shall be resumed until it is determined that the total of all amounts deposited therein during such Fiscal Year is at least equal to the SGR Cash Flow Requirement, as amended. Thereafter, during such Fiscal Year, no further amounts on deposit in the FGR Subordinated Indebtedness Fund shall be required to be deposited in the Revenue Fund, unless the Authority thereafter, in such Fiscal Year, again certifies an amended Authority Budget showing an SGR Cash Flow Requirement in excess of the SGR Cash Flow Requirement theretofore certified in such Fiscal Year. (*Section 506*)

Debt Service Fund. The Trustee shall for the Outstanding Bonds of a Series, Parity Bond Anticipation Notes and Parity Reimbursement Obligations, pay (i) on each Bond Payment Date, (1) from the moneys on deposit in the Debt Service Fund the amounts required for the payment of the Principal Installments, if any, due on such Bond Payment Date and (2) from the moneys on deposit in the Debt Service Fund, including the moneys credited to the subaccount, if any, established for such Series in the Capitalized Interest Account in such Fund, the interest due on such Bond Payment Date, (ii) on any redemption date or date of purchase, the amounts required for the payment of accrued interest on Bonds to be redeemed or purchased on such date unless the payment of such accrued interest shall be otherwise provided and (iii) on each Bond Payment Date for Parity Bond Anticipation Notes, the interest due thereon on such Bond Payment Date, including from moneys credited to the sub-account, if any, established for such Parity Bond Anticipation Notes in the Capitalized Interest.

The Trustee may, and if so directed by an Authorized Representative of the Authority shall, prior to the forty-fifth day preceding the due date of each Sinking Fund Installment, apply the amounts accumulated in the Debt Service Fund for such Sinking Fund Installment, together with any interest on the Bonds for which such Sinking Fund Installment was established: (i) to the purchase of Bonds of like Series and maturity at prices (including any brokerage and other charges) not exceeding the Redemption Price payable for such Bonds when such Bonds are redeemable with such Sinking Fund Installment plus unpaid interest accrued or (ii) to the redemption of such Bonds, if redeemable by their terms, at or below said Redemption Price. Upon such purchase or redemption of any Bond, the Trustee shall then credit an amount equal to the principal of the Bond so purchased or redeemed toward the next Sinking Fund Installments thereafter to become due and the amount of any excess over the amount of such Sinking Fund Installment shall be credited against future Sinking Fund Installments in direct chronological order.

In any event, the Trustee shall, as soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Installment, call for redemption a sufficient amount of Bonds of like Series and maturity to complete the retirement of the principal amount specified for such Sinking Fund Installment of such Bonds whether or not it then has moneys in the Debt Service Fund to pay the applicable Redemption Price thereof on redemption date. The Trustee shall apply to the redemption of the Bonds on each such redemption date the amount required for the redemption of such Bonds.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Fund and the Capitalized Interest Account related to the Bonds to be refunded all or

any portion of amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction; *provided, however*, that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid, and (ii) after giving effect to any amounts being simultaneously deposited therein the amount remaining in the Debt Service Fund after such withdrawal shall not be less than the Monthly Balance at the date of such withdrawal with respect to Bonds then Outstanding, after the Bonds to be refunded have been deemed paid. (*Section 507*)

Authority Expense Fund. The Authority shall apply amounts credited to the Authority Expense Fund to the payment of Authority Expenses. Any moneys in the Authority Expense Fund which the Authority determines are in excess of that needed to meet the sum of the unpaid Authority Expenses for such Fiscal Year plus (if such amount was included in the Authority Budget for such Fiscal Year) the Reserve for Expenses shall be applied toward any deficiencies in the following Funds and Accounts in the order stated: the Debt Service Fund, Debt Service Reserve Fund and Subordinated Indebtedness Fund. Any remaining amounts shall be credited to the Revenue Fund. (*Section 508*)

Debt Service Reserve Fund. The Second Resolution establishes a Debt Service Reserve Fund and a Common Account therein. In addition, the Second Resolution provides that any Supplemental Resolution which provides (i) for a Special Credit Facility to secure the payment of the Principal Installments of and interest on the Bonds authorized thereby, (ii) which provides for a Special Credit Facility to secure the payment of the Tender Option Price of any option Bonds authorized thereby, or (iii) wherein the Authority has determined that the Series of Bonds authorized thereby will not be secured by the Common Account in the Debt Service Reserve Fund, may establish one or more Special Accounts in the Debt Service Reserve Fund. From the proceeds of each Series of Bonds there shall be deposited in the Debt Service Reserve Fund the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, after giving effect to the issuance of such Bonds; and all such amounts will be credited to the Common Account, unless a Supplemental Resolution requires a deposit in a Special Account.

Amounts on deposit in the Common Account will be applied, to the extent necessary, to pay the Principal Installments of and interest on the Bonds; *provided, however*, that the amounts in the Common Account may not be applied to pay the Principal Installments of and interest on, or Tender Option Price of or interest on, Bonds for which such payments are secured by a Special Credit Facility, or to pay Principal Installments of and interest on Bonds that the Authority has determined will not be secured by amounts in the Common Account; these Bonds will be secured by amounts, if any, on deposit in the Special Account. Likewise, amounts in any Special Account may not be applied to pay the Principal Installments of or interest on any Bond for which such payments may be made from the Common Account. Amounts on deposit in each of the Accounts in the Debt Service Reserve Fund shall be applied, to the extent other funds are not available pursuant to the Second Resolution to pay the Principal Installments of, and interest on the Bonds to which such Account relates when due. Amounts so applied shall be derived first from cash or Investment Securities on deposit, and then from draws and demands on Financial Guaranties; *provided, however*, that if more than one Financial Guaranty is held in an Account at the time moneys are to be withdrawn therefrom the Trustee shall obtain payment under each such Financial Guaranty pro rata based upon the respective amounts then available to be paid thereunder.

If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Fund exceeds the applicable Debt Service Reserve Requirement after giving effect to any Financial Guaranty deposited in such Fund, the Trustee shall, on the first business day of the following Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the Authority to be required by the Code to be rebated to the Department of the Treasury, and (ii) the Reserve Fund, the amount of any excess then remaining in the Debt Service Reserve Fund over the applicable Debt Service Reserve Fund Requirement. If, as of February 1 of each year the amount in any Account in the Debt Service Reserve Fund is less than the applicable Debt Service Reserve Requirement and, to the extent that such deficiency has not been made up by May 1 of such year by either (i) deposits pursuant to Sections 506, 511 or 512 of the Second Resolution or (ii) an increase in the market value of the securities therein or (iii) a combination of (i) and (ii), the Authority shall, in its Authority Budget for the ensuing Fiscal Year, include the amount necessary to make up such deficiency as a Required Deposit.

Whenever the amount (exclusive of Financial Guaranties) in all of the Accounts in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay all Outstanding Bonds in accordance

with their respective terms, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to the redemption or payment at maturity of all Bonds Outstanding.

In lieu of or in substitution for moneys or Investment Securities otherwise required to be deposited in the Common Account of the Debt Service Reserve Fund, the Authority may deposit or cause to be deposited with the Trustee a Financial Guaranty for the benefit of the Holders of the Bonds for all or any part of the Debt Service Reserve Requirement; *provided, however*, (i) that any such surety bond or insurance policy shall be issued by an insurance company or association duly authorized to do business in the State and either (A) the claims paying ability of which is rated the highest rating accorded by a nationally recognized rating agency, or (B) obligations insured by a surety bond or an insurance policy issued by such company or association and rated at the time such surety bond or insurance policy is delivered, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, in the highest rating category by each Rating Agency or, if Outstanding Bonds are not rated by both Rating Agencies, by whichever Rating Agency that then rates Outstanding Bonds and (ii) that any such letter of credit shall be issued by a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any success or provision of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provision of law or a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, the unsecured or uncollateralized long term debt obligations of which, or long term obligations secured or supported by a letter of credit issued by such person, are rated at the time such letter of credit is delivered, without regard to qualification of such rating by symbols such as "+", or "-" or numerical notation, in at least the second highest rating category by each Rating Agency or, if Outstanding Bonds are not rated by both Rating Agencies, by whichever Rating Agency that then rates Outstanding Bonds.

In addition to the conditions and requirements set forth above, no Financial Guaranty shall be deposited in full or partial satisfaction of the Debt Service Reserve Requirement unless the Trustee shall have received prior to such deposit (i) an opinion of counsel to the effect that such Financial Guaranty has been duly authorized, executed and delivered by the Financial Guaranty Provider thereof and is valid, binding and enforceable in accordance with its terms, (ii) in the event such Financial Guaranty Provider is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Trustee and (iii) in the event such Financial Guaranty is a letter of credit, an opinion of counsel acceptable to the Trustee and to each Financial Guaranty Provider substantially to the effect that payments under such letter of credit will not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code in a case commenced by or against the Authority thereunder or under any applicable provisions of the Debtor and Creditor Law of the State.

Notwithstanding the foregoing, if at any time after a Financial Guaranty has been deposited with the Trustee the ratings on any Outstanding Bonds are less than in the second highest rating category by each Rating Agency, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, and the unsecured or uncollateralized long term debt of the Financial Guaranty Provider or the long term debt obligations secured or supported by a surety bond, insurance policy or letter of credit of a Financial Guaranty Provider is reduced below the third highest rating category by each Rating Agency, without regard to qualification of such rating by symbols such as "+" or "-" or numerical notation, the Authority shall either (i) replace or cause to be replaced said Financial Guaranty with another Financial Guaranty which satisfies the requirements of the two preceding paragraphs or (ii) deposit or cause to be deposited in the Debt Service Reserve Fund an amount of moneys equal to the value of the Financial Guaranty of such Financial Guaranty Provider, such deposits to be, as nearly as practicable, in ten equal semi-annual installments commencing on the earlier of the December 15 or June 15 next succeeding the reduction in said ratings.

Each Financial Guaranty shall be payable (upon the giving of such notice as may be required thereby) on any date on which moneys are required to be withdrawn from the Debt Service Reserve Fund and such withdrawal cannot be made without drawing upon such letter of credit or obtaining payment under such surety bond or insurance policy.

For the purposes of the above provisions under the heading "Debt Service Reserve Fund", and the provisions under the heading "Investment of Certain Funds" below, in computing the amount on deposit in the Debt Service Reserve Fund, a letter of credit, a surety bond or an insurance policy shall be valued at the amount available to be drawn or payable thereunder on the date of computation: *provided*, *however*, that, if the unsecured or uncollateralized long term debt of the Financial Guaranty Provider thereof, or the long term debt obligations secured or supported by

a surety bond, insurance policy or letter of credit of said Financial Guaranty Provider has been reduced below the ratings required by the third paragraph under the heading "Debt Service Reserve Fund", said Financial Guaranty shall be valued at the lesser of (i) the amount available to be paid thereunder on the date of calculation and (ii) the difference between the amount available to be paid thereunder on the date of issue thereof and an amount equal to a fraction of such available amount the numerator of which is the aggregate number of December 15th's and June 15th's which has elapsed since such ratings were reduced and the denominator of which is ten.

With respect to any demand for payment under any Financial Guaranty, the Trustee shall make such demand for payment in accordance with the terms of such Financial Guaranty in a timely manner to assure the availability of moneys on the Bond Payment Date for which such moneys are required.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of the Authority, withdraw from the Debt Service Reserve Fund all or any portion of amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as provided in such written direction; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to Section 1201 of the Second Resolution, and (b) the amount remaining in the Debt Service Reserve Fund after such withdrawal shall not be less than the Debt Service Reserve Requirement. (*Section 509*)

SGR Subordinated Indebtedness Fund. The Trustee shall apply amounts on deposit in the SGR Subordinated Indebtedness Fund solely to the maintenance of reserves for, or the payment of, SGR Subordinated Indebtedness (or as otherwise provided by the resolution of the Authority authorizing each issue of SGR Subordinated Indebtedness). The Trustee shall withdraw from the SGR Subordinated Indebtedness Fund any amount necessary to render the balances in the Debt Service Fund or Debt Service Reserve Fund sufficient to meet the requirements of such Funds. (*Section 510*)

Arbitrage Rebate Fund. Amounts on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee to make payments to the Department of the Treasury of the United States of America. Notwithstanding the foregoing, the Trustee shall apply moneys credited to the Arbitrage Rebate Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in the Debt Service Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Arbitrage Rebate Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in the Debt Service Reserve Fund.

Amounts on deposit in the Arbitrage Rebate Fund in excess of the amount required to be maintained therein or the purposes of such Fund may be transferred and paid by the Trustee to the Revenue Fund. (*Section 511*)

Surplus Fund. The Trustee shall, on each Bond Payment Date, apply moneys credited to the Surplus Fund in the following amounts: (i) to the Debt Service Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in such Fund and (ii) to the Debt Service Reserve Fund the amount, if any, necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any deficiency in the amount required to be on deposit in any Account in such Fund. Such transfer shall be made notwithstanding any other provisions of the Second Resolution requiring deposits in such Funds. Amounts on deposit in the Surplus Fund on the last day of a Fiscal Year shall be withdrawn from such Fund and transferred to the Board for deposit in the Local Water Fund. (*Section 512*)

Depositaries. All moneys or securities held by the Trustee under the provisions of the Second Resolution shall constitute trust funds and the Trustee may, and shall, if directed in writing by an Authorized Representative of the Authority deposit such moneys or securities with one or more Depositaries in trust for the Trustee. All moneys or securities deposited under the provisions of the Second Resolution with the Trustee or any Depositary shall be held in trust and applied only in accordance with the provisions of the Second Resolution and the applicable provisions of the First Resolution, and each of the Funds and the Accounts shall be a trust fund for the purposes thereof. The Authority and the Trustee shall instruct each Depositary that any moneys or securities credited to a Fund or an Account under the Second Resolution which are deposited with such Depositary shall be identified to be part of such Fund or Account and subject to the pledge in favor of the Trustee created under the Second Resolution. Prior to the first deposit of any moneys or securities with each Depositary, the Authority and the Trustee shall obtain from such Depositary its

agreement to serve as agent of the Trustee in holding such moneys or securities in pledge in favor of the Trustee and the contract or other written instrument between the Authority and such Depositary governing the establishment and operation of such account shall provide the moneys or securities from time to time deposited with such Depositary shall be held by such Depositary as such agent in pledge in favor of the Trustee; *provided, however*, that, except as otherwise expressly provided in the Second Resolution, the Authority shall be permitted at any time to make withdrawals from and write checks or other drafts against any account held by the Authority and established with such Depositary and apply the same for the purposes specified in the Second Resolution and, subject to Section 515 of the Second Resolution, the Authority shall be permitted to invest amounts in any such account in Investment Securities.

Each Depositary holding moneys or securities in trust for the Trustee shall be a bank or trust company organized under the laws of the State or a national banking association (having its principal office within the State), having capital stock, surplus and undivided earnings aggregating at least $100,000,000 (or such greater amount as set forth in a Supplemental Resolution) and willing and able to accept the office on reasonable and customary terms and authorized by law to act in accordance with the provisions of the Second Resolution. (*Section 513*)

Investment of Certain Funds. Moneys held in the Debt Service Fund, the Debt Service Reserve Fund and the SGR Subordinated Indebtedness Fund (subject to the terms of any resolutions or other instrument securing any issue of SGR Subordinated Indebtedness) shall be invested and reinvested to the fullest practical extent in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to make payments required from such Funds; provided that in the case of the Debt Service Fund, investments shall be of the type described in clauses (ii), (iii) or (iv) of the definition of "Investment Securities." Moneys in the Authority Expense Fund, the Revenue Fund, the Construction Fund, the Arbitrage Rebate Fund and the Surplus Fund may be invested and reinvested in Investment Securities which mature later than such times as shall be necessary to provide moneys when needed to make payments from such Funds. The Trustee shall make all investments in accordance with the direction of an Authorized Representative of the Authority, given either in writing, which may be sent by electronic transmission of a facsimile, or by telephonic communication subsequently confirmed in writing. Moneys in any Fund or Account may be combined with moneys in any other Fund or Account for the purpose of making such investments in Investment Securities.

Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investment) and other investment earnings on any moneys or investments in the Funds and Accounts, other than the Construction Fund, the Debt Service Reserve Fund and the Arbitrage Rebate Fund, shall be paid into the Revenue Fund as and when received. Interest (net of that which represents a return of accrued interest paid connection with the purchase of any investment) and other investment earnings on any moneys or investments in (i) the Debt Service Reserve Fund shall be paid into the Arbitrage Rebate Fund, the Surplus Fund or the Revenue Fund; (ii) the Arbitrage Rebate Fund shall remain in such Fund; and (iii) the Construction Fund shall be paid quarterly, on the fifteenth day of each July, October, January and April of each Fiscal Year, to the Board deposit in the Local Water Fund; *provided*, *however*, that no such payment shall be made unless the Trustee shall receive (A) the written direction of an Authorized Representative of the Authority to make such payment and (B) a Certificate of an Authorized Representative of the Authority stating that, as of the date thereof, there has been deposited in the Revenue Fund during such Fiscal Year an amount equal to the Cash Flow Requirement.

All Investment Securities acquired with moneys in any Fund or Account shall be held by the Trustee in pledge or by a Depositary as agent in pledge in favor of the Trustee. (*Section 515*)

Additional Bonds. In order to provide sufficient funds for the Costs of Water Projects or for the purpose refunding any Bonds, First Resolution Bonds or any other bonds, notes or other obligations issued either by the Authority or the City to pay the capital costs of the System, Bonds of the Authority are authorized to be issued from time to time without limitations as to amount except as provided in the Second Resolution or as may be limited by law and such Bonds shall be issued subject to the terms, conditions and limitations established in the Second Resolution and in one or more Series as therein provided.

Bonds shall be authenticated and delivered only upon the Trustee's receipt of, among other items:

(a) a Bond Counsel's Opinion as to validity and certain other matters required by the Second Resolution;

(b) a certified copy of the Supplemental Resolution authorizing such Series;

(c) an executed copy of an amendment or supplement to the Agreement or the Lease not theretofore delivered to the Trustee;

(d) except in the case of any Series of Refunding Bonds issued pursuant to Section 207 of the Second Resolution, a Certificate of an Authorized Representative of the Authority setting forth (i) the Revenues for either of the last two full Fiscal Years immediately preceding the Fiscal Year in which such bonds are to be issued and (ii) the Aggregate Debt Service on First Resolution Bonds, Outstanding Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations during such Fiscal Year for which Revenues are set forth pursuant to clause (i), excluding from Aggregate Debt Service the amount thereof which was paid from sources other than Revenues, and (iii) the sum of the Operating Expenses and the Required Deposits for such Fiscal Year (exclusive of Required Deposits for the payment of Outstanding Bonds. Parity Bond Anticipation Notes and Parity Reimbursement Obligations), and showing that the amount set forth in (i) is at least equal to the sum of (x) 110% of the amount set forth in (ii) and (y) 100% of the amount set forth in (iii);

(e) except in the case of Refunding Bonds issued pursuant to Section 207 of the Second Resolution, a Certificate of each of the respective Authorized Representatives of the Authority, the Board and City, each dated as of the date of such delivery, stating that (i) the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Second Resolution, (ii) the Board is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement or the Lease and (iii) the City is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Agreement or the Lease;

(f) a Certificate signed by an Authorized Representative of the Authority setting forth the Cash Flow Requirement as of such date; and

(g) in the case of any Series for which Capitalized Interest has been provided by the Supplemental Resolution authorizing such Series, (i) the written direction of an Authorized Representative of the Authority to establish the sub-account for such Series in the Capitalized Interest Account in the Debt Service Fund and (ii) the amount of the proceeds of such Series to be deposited in the SGR Subordinated Indebtedness Fund for payment to such sub-account. (*Sections 204 and 206*)

Refunding Bonds. One or more Series of Refunding Bonds may be issued pursuant to Section 207 of the Second Resolution at any time to refund any Outstanding Bonds only upon the Trustee's receipt of, among other things, a Certificate signed by an Authorized Representative of the Authority stating that (a) the average annual Debt Service on the Refunding Bonds of such Series does not exceed the average annual Debt Service on the Bonds be refunded and (b) the maximum Debt Service in any Fiscal Year on the Refunding Bonds of such Series shall not exceed the maximum Debt Service in any Fiscal Year on the Bonds to be refunded. (*Section 207*)

Bond Anticipation Notes. The Authority may, by resolution, authorize the issuance of notes (and renewals thereof in anticipation of the issuance of a Series of Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds issued to provide for the payment of such notes. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Second Resolution. The Authority may also pledge (i) the Funds and Accounts, other than the Arbitrage Rebate Fund, and (ii) the Revenues to the payment of the interest on, and subject to Section 706 of the Second Resolution, the principal of such notes. A copy of the Second Resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption, together with such other information concerning such notes as the Trustee may reasonably request. (*Section 208*)

Credit Facilities and Interest Rate Exchange Agreements. In connection with the issuance of any Series of Bonds or Parity Bond Anticipation Notes, the Authority may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the Principal Installments, Redemption Price or interest due or to become due on such Bonds or the principal or interest due or to become due on such Parity Bond Anticipation Notes, providing for the purchase of such Bonds by the issuer of such Credit Facility or providing funds for the

purchase of such Bonds by the Authority. In connection therewith the Authority may enter into such agreements with the issuer of such Credit Facility providing for, among other things: (i) reimbursement of the issuer of the Credit Facility for amounts paid under the terms thereof; *provided, however*, that no obligation to reimburse such issuer shall be created, for purposes of the Second Resolution, until amounts are paid under such Credit Facility; (ii) the payment of fees and expenses to such issuer for the issuance of such Credit Facility; (iii) the terms and conditions of such Credit Facility and the Series of Bonds or the Parity Bond Anticipation Notes affected thereby; and (iv) the security, if any, to be provided for the issuance of such Credit Facility. The Authority may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Authority in the applicable Supplemental Resolution. Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

In connection with the Bonds of any Series or Parity Bond Anticipation Notes, the Authority may enter into one or more Interest Rate Exchange Agreements providing for, inter alia: (i) the payment of fees, expenses and other amounts to the Counterparty; (ii) the terms and conditions of such Interest Rate Exchange Agreements; (iii) the Bonds of the Series or Parity Bond Anticipation Notes to which such Interest Rate Exchange Agreement relate: and (iv) the security, if any, to be provided by the Authority or the Counterparty for performance of their respective obligations under the Interest Rate Exchange Agreement.

The Authority may also in an agreement with the issuer of a Credit Facility agree to reimburse such issuer directly for amounts paid under the terms of such Credit Facility, together with accrued interest thereon; *provided*, *however*, that no obligation to reimburse an issuer of a Credit Facility shall be created, for purposes of the Second Resolution, until amounts are paid under such Credit Facility. Such payments to reimburse the issuer of a Credit Facility and the obligations of the Authority to make payments to a Counterparty, are referred to in the Second Resolution as a "Reimbursement Obligation." Any Reimbursement Obligation (a "Parity Reimbursement Obligation") may be secured by a pledge of and a lien on, the Revenues, Other Moneys, the Funds and Accounts (other than the Arbitrage Rebate Fund) and amounts in the FGR Subordinated Indebtedness Fund on a parity with the lien created thereon by Section 501 of the Second Resolution; *provided, however*, that with respect to Parity Bond Anticipation Notes, such pledge and lien may secure only the Authority's Reimbursement Obligation incurred on account of amounts advanced for the payment of the interest on such Parity Bond Anticipation Notes unless the principal amount of such Reimbursement Obligation which was advanced on account of the principal of such Parity Bond Anticipation Notes is payable to the provider of the Credit Facility in substantially equal installments payable over not less than eight calendar quarters. Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series or Parity Bond Anticipation Notes to which the Credit Facility or Interest Rate Exchange Agreement, as the case may be, which gave rise to such Parity Reimbursement Obligation relates. (*Section 209*)

Indebtedness and Liens. The Second Resolution provides that the Authority shall not issue any bonds, notes, or other evidences of indebtedness or otherwise incur any indebtedness, other than the First Resolution Bonds, Bonds, Parity Bond Anticipation Notes or Parity Reimbursement Obligations, secured by a pledge of or other lien or charge on the Revenues or any of the assets pledged which is prior to or of equal rank or priority with the pledge made and shall not create or cause to be created any lien or charge on the Revenues or on any of the assets pledged which is prior to or of equal rank or priority with the pledge made; *provided*, *however*, that, with respect to Bond Anticipation Notes, such lien or pledge shall secure payment of the interest thereon, unless the principal thereof shall be secured by a lien on the Revenues as hereinafter provided in this paragraph. This paragraph shall not prevent the Authority from issuing bonds, other notes or other obligations for the corporate purposes of the Authority payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Second Resolution shall be discharged and satisfied as provided in Section 1201 of the Second Resolution, or from issuing bonds or notes or other obligations for the corporate purposes of the Authority which are payable out of or secured by the pledge of amounts available therefor in the Local Water Fund after satisfaction, in each Fiscal Year, of the Cash Flow Requirement for such Fiscal Year and which recite on their face that such pledge of said amounts is and shall be in all respects subordinate to the provisions of the Second Resolution and the lien and pledge created by the Second Resolution.

The Authority will not issue any bonds, notes or other evidences of indebtedness or otherwise incur any indebtedness, other than Bonds or First Resolution Bonds, payable from, or secured by a pledge of or other lien or charge on the Construction Account of the FGR Subordinated Indebtedness Fund. (*Section 706*)

Agreement of the State. In accordance with Section 1045-t of the Act, the Authority agrees, for and on behalf of the State, that the State will not alter or limit the rights vested by the Act in the Authority or the Board to shall the terms of any agreement made with or for the benefit of the Bondholders, or in any way impair the right, and remedies of Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installment of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged. (*Section 709*)

Authority Budget. The Authority shall, on or before May 1, in each Fiscal Year, adopt and file with the Trustee, the Board and the City, a copy of the Authority Budget, duly certified by an Authorized Representative of the Authority, showing the estimated Cash Flow Requirement (including the amount of each item constituting a component thereof, on a monthly basis) for the ensuing Fiscal Year, together with the estimated Revenues, other than Revenues to be received from the Board pursuant to the Agreement, expected to be received by the Authority in the ensuing Fiscal Year, and any other information required to be set forth therein by the Second Resolution or the Agreement. Such Authority Budget may set forth such additional information as the Authority may determine or as the Board or the City may request.

If for any reason the Authority shall not have adopted the Authority Budget before May 1, the Authority Budget for the then current Fiscal Year shall be deemed to be the Authority Budget for the ensuing Fiscal Year until new Authority Budget is adopted.

The Authority may at any time adopt an amended Authority Budget for the then current or ensuing Fiscal Year, but no such amended Authority Budget shall supercede any prior Budget until the Authority shall have filed with the Trustee, the Board and the City a copy of such amended Authority Budget. (*Section 710*)

Cash Flow Requirement. On the first day of each month after the adoption of the Authority Budget for any Fiscal Year, the Authority shall recalculate the Cash Flow Requirement for such Fiscal Year. If any such recalculation results in the determination of a Cash Flow Requirement in excess of the Cash Flow Requirement set forth in the then current Authority Budget, the Authority shall adopt and file an amended Authority Budget in accordance with Section 711(c) of the Second Resolution.

At any time on or after May 1 of a Fiscal Year, but not later than June 15 of such Fiscal Year, the Authority shall recalculate the Cash Flow Requirement for such Fiscal Year and include therein, in addition to all other amounts required by the Second Resolution or by the Agreement or First Resolution to be included therein, an amount equal to the lesser of (i) the amount estimated to be in the Local Water Fund on June 30 of such Fiscal Year after the Board has made the payments and deposits required by paragraphs FIRST through SEVENTH of Section 4.2(c) of the Agreement and (ii) an amount equal to the difference between (x) the Aggregate Debt Service on Bonds, Parity Bond Anticipation Notes and Parity Reimbursement Obligations payable during the next succeeding Fiscal Year, less (y) the Other Moneys projected to be received during such next succeeding Fiscal Year. Upon such recalculation the Authority shall adopt and file an amended Authority Budget in accordance with Section 711(c) of the Second Resolution.

If a Financial Guaranty is to expire or terminate during a Fiscal Year and as a result thereof the amount in the Debt Service Reserve Fund would be less than the Debt Service Reserve Requirement, the Authority shall include in the Authority Budget and the Cash Flow Requirement for such Fiscal Year and for each of the four Fiscal Years next succeeding such Fiscal Year an amount equal to twenty percent (20%) of the deficit in the Debt Service Reserve Fund created by such expiration or termination, unless prior to adoption of the Authority Budget for any such Fiscal Year the Authority has obtained an extension of or substitute for such Financial Guaranty or a commitment for the issuance of such extension or substitute. (*Section 711*)

Enforcement and Amendment of Agreement and Lease. The Authority shall enforce or cause to be enforced the provisions of the Agreement and the Lease and duly perform its covenants and agreements under the Agreement. The Authority will not consent or agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with the Agreement or the Lease except in accordance with Article X or the Agreement and Section 714 of the Second Resolution. (*Section 713*)

Amendments to First Resolution, Agreement and Lease. Except as otherwise provided in the Second Resolution, the First Resolution, the Agreement or the Lease may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as provided in the Second Resolution, if such amendment, change, modification, termination or waiver:

(i) amends subsection (c)(ii), (c)(iii), (g), (h), (i), (j), (k) or (l) of Section 206 of the First Resolution:

(ii) amends Section 207 or Section 209 of the First Resolution in any manner which would permit First Resolution Bonds or Parity Reimbursement Obligations to be issued or incurred which, except for such amendment, could not be issued or incurred; or

(iii) amends Article V of the First Resolution in any manner which reduces the amount or delays the time at which moneys are to be deposited in the FGR Subordinated Indebtedness Fund or modifies the order in which payments to the FGR Subordinated Indebtedness Fund are to be made or the purposes for which moneys in the FGR Subordinated Indebtedness Fund may be applied; or

(iv) modifies the events which constitute "Events of Default" under Section 1001 of the First Resolution, or

(v) amends the First Resolution, the Agreement or the Lease in any manner which would indirectly modify the provisions of any of the Sections of the First Resolution referred to in clauses (i), (ii), (iii) or (iv) of Section 714(a) of the Second Resolution in a manner proscribed thereby; or

(vi) adversely affects the interest of the Holders of Outstanding Bonds in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then Outstanding; *provided*, *however*, that if such amendment, change modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the provisions contained under this "Amendments to First Resolution and Agreement."

Notwithstanding the provisions of the preceding paragraph, the amendments to the First Resolution made be the resolution of the Authority entitled "Twenty-second Supplemental Resolution to the Water and Sewer System General Revenue Bond Resolution adopted November 14, 1985," which resolution was adopted by the Authority on November 10, 1993, and any amendments to the Agreement necessary or appropriate to implement or conform the provisions of the Agreement to the First Resolution as so amended may take effect without the prior written consent of Holders of any of the Bonds.

For the purposes of the provisions under this heading "Amendments to First Resolution, Agreement and Lease" the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to an amendment, change, modification, termination or waiver permitted by the paragraphs under this heading "Amendments to First Resolution, Agreement and Lease" with the same effect as a consent given by the Holder of such Bonds.

For the purposes of the provisions under this heading, "Amendments to First Resolution, Agreement and Lease," a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the First Resolution or the Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series would be adversely affected in any material respect by any amendment, chance, modification or alteration, and any such determination shall be binding and conclusive on the Authority and all Holders of Bonds.

For the purposes of the provisions under this heading "Amendments to First Resolution, Agreement and Lease," the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect. (*Section 714*)

Supplemental Resolutions. The Second Resolution permits the modification or amendment of the rights and obligations of the Authority and of the holders of the Bonds thereunder by a Supplemental Resolution, with the written consent of the holders of a majority of the principal amount of: (i) the Bonds then Outstanding and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Bonds of the Series so affected and then Outstanding; however, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of modification: provided no such modification or amendment shall change the terms of redemption, maturity of principal, installment of interest, or reduce the principal amount, Redemption Price, or rate of interest without the consent of the holder of the affected Bond, or reduce the percentages of consents required to effect any future modification or amendment.

The Authority may adopt (without the consent of any holders of the Bonds) supplemental resolutions to authorize additional Bonds; to add to the restrictions contained in the Second Resolution upon the issuance of additional indebtedness; to add to the covenants of the Authority contained in, or surrender any rights reserved to or conferred upon it by, the Second Resolution; to confirm any pledge under the Second Resolution of Revenues or other moneys; to preserve the federal tax exemption of interest on the Bonds; or otherwise to modify any of the provisions of the Second Resolution (but no such other modification may be effective while any of the Bonds of any Series theretofore issued are Outstanding); or to cure any ambiguity, supply any omission or to correct any defect in the Second Resolution or to insert such provisions clarifying matters or questions arising under the Second Resolution as are necessary or desirable, and are not contrary to or inconsistent with the Second Resolution as theretofore in effect; or to modify any provision of the Second Resolution or of any previously adopted Supplemental Resolution in any respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect: or to provide for additional duties of the Trustee (provided that the Trustee shall consent thereto).

For the purposes of Article IX of the Second Resolution, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by Sections 803 or 902 of the Second Resolution in the manner provided in the Second Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided*, *however*, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority. (*Arts. VIII and IX*)

Defaults and Remedies. The Second Resolution provides that if one or more of the following Events of Default shall occur, namely: (i) a default in the payment of the principal or Redemption Price of any Bond; (ii) a default in payment of any installment of interest on any Bond; (iii) a default by the Authority in the performance or observance of any other of its covenants, agreements or conditions in the Second Resolution for a period of 45 days after written notice thereof; (iv) a default under the Agreement or the Lease by the Board or the City for a period of 45 days after written notice thereof; (v) a filing of a petition for relief under any federal or State bankruptcy or similar law by the Authority; or (vi) a default by the Authority on any indebtedness payable out of the FGR Subordinated Indebtedness Fund has occurred as a result of which the principal thereof has been declared to be immediately due and payable, which declaration has not been annulled; then, upon the happening and continuance of any Event of Default, the Trustee, if no First Resolution Bonds are then Outstanding under the First Resolution or if the principal of all First Resolution Bonds then Outstanding has been declared to be due and payable immediately pursuant to Section 803 of the First Resolution, may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds Outstanding the Trustee shall, declare the principal and accrued interest on all the Bonds then Outstanding, due and payable immediately subject, however, to rescission of such declaration and annulment of the default upon be remedying thereof.

The Authority covenants that upon the occurrence of an Event of Default, the books of record and account of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and that, upon demand of the Trustee, the Authority will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Second Resolution for such period as shall be stated in such demand.

Upon default, the Trustee may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Second Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Second Resolution. During the continuance of an Event of Default, Revenues shall be applied first, to the reasonable and proper charges and expenses of the Trustee; then (unless the principal thereof shall have been declared payable) to the payment of all unpaid interest ratably, and then to unpaid principal or Redemption Price of any Bond or Parity Reimbursement Obligations, ratably; if the principal of all of the Bonds shall be due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds and Parity Reimbursement Obligations and of the interest then due and unpaid on Parity Bond Anticipation Notes 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, Parity Reimbursement Obligation or Parity Bond Anticipation Note over any other Bond, Parity Reimbursement Obligation or Parity Bond Anticipation Note, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference. No Bondholder has any right to institute a suit to enforce any provision of the Second Resolution or the execution of any trust thereunder or for any remedy thereunder, unless the Trustee has been requested by the holders of at least a majority in principal amount of the Bonds then Outstanding to take such action and has been offered adequate security and indemnity and has failed to commence such suit in the manner provided in the Second Resolution. The right to appoint a statutory trustee under Section 1045-p of the Act is expressly abrogated. (*Art. X*)

Defeasance of Bonds Other than Variable Rate or Option Bonds. Any Outstanding Bond shall prior to the maturity or redemption date thereof be deemed to have been paid and shall cease to be entitled to any lien, benefit or security under the Second Resolution if (i) in the case of any Bonds to be redeemed prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions accepted in writing by the Trustee to publish on such date the notice of redemption therefor (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption), (ii) there shall have been deposited with the Trustee either moneys in an amount sufficient, or Defeasance Obligations the principal of and the interest on which, when due, without reinvestment, will, as verified by the report of a firm of nationally recognized independent certified public accountants,[1] provide moneys which, together with the moneys deposited shall be sufficient, to pay when due the principal or Redemption Price (if applicable) and interest due and to become due on said Bonds and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee irrevocable instructions to publish, as soon as practicable, a notice to the holders of such Bonds that the deposit required above has been made with the Trustee and that said Bonds are deemed paid in accordance with the Second Resolution and stating such maturity or redemption date upon which moneys are to be available to pay the principal or Redemption Price, if applicable, on such Bonds (other than Bonds purchased by the Trustee prior to the publication of the notice of redemption); provided that any notice published for Bonds constituting less than all of the Outstanding Bonds of any maturity within a Series shall specify the letter and number or other distinguishing mark of each such Bond.[2] The Trustee shall, to the extent necessary, apply moneys to the retirement of said Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments thereto.

The Trustee shall, if so directed by the Authority prior to the maturity date of Bonds deemed to have been paid which are not to be redeemed prior to their maturity date or prior to the publication of the above notice of redemption for Bonds deemed paid and to be redeemed, apply moneys deposited with the Trustee in respect of such Bonds and redeem or sell Defeasance Obligations so deposited with the Trustee and purchase such Bonds and the

---

[1] Any Supplemental Resolution adopted by the Authority on or after January 12, 2006 provides that the verification report may be prepared by a firm of nationally recognized verification agents rather than a firm of nationally recognized independent certified public accountants.

[2] Any Supplemental Resolution adopted by the Authority on or after March 25, 2019 provides that, as long as a securities depository is the registered owner of the Bonds issued in accordance with that Supplemental Resolution, no publication need take place, but instead the Trustee may send written notice of such defeasance to the securities depository in lieu of such publication.

Trustee shall immediately thereafter cancel all such Bonds so purchased; *provided*, *however*, that the moneys and Defeasance Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Bonds. (*Section 1201*)

Defeasance of Variable Rate Bonds. The Second Resolution provides that for the purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, by the deposit of moneys, or Defeasance Obligations and moneys (if any), the interest due on such Bonds shall be calculated at the maximum rate permitted; *provided, however*, that if, as a result of such Bonds having borne interest at less than the maximum rate for any period, the total amount of moneys and Investment Securities on deposit with the Trustee for the payment of interest on such Bonds exceeds the total amount required to be deposited with the Trustee, the Trustee shall, if requested by the Authority, pay the amount in excess to the Authority free and clear of any lien or pledge securing the Bonds or otherwise existing under the Second Resolution. (*Section 1201*)

Defeasance of Option Bonds. Under the Second Resolution, Option Bonds shall be deemed paid in accordance with the Second Resolution only if, in addition to satisfying several of the requirements applicable to Bonds other than Variable Rate or Option Bonds, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay the maximum amount of principal of and premium due, if any; and interest on such Bonds which could become payable to the holders of such Bonds upon the exercise of any options provided to the holders of such Bonds: *provided*, *however*, that if the options originally exercisable by the holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond. (*Section 1201*)

[Remainder of page intentionally left blank]

FINANCIAL STATEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

Combining Financial Statements Together with Report of Independent Certified Public Accountants

New York City Water and Sewer System
A Component Unit of the City of New York

June 30, 2025 and 2024

Contents

	Page
Report of Independent Certified Public Accountants	3
Management's Discussion and Analysis (Unaudited)	6
Combining Financial Statements:	
Combining statements of net position (deficit)	19
Combining statements of revenues, expenses and changes in net position (deficit)	23
Combining statements of cash flows	25
Notes to combining financial statements	29
Required Supplementary Information (Unaudited):	
Schedule of changes for total OPEB plan liability and related ratios	64
Schedule of the Authority's proportionate share of the net pension liability	65
Schedule of the Authority's pension contributions	65

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Members of the Joint Audit Committee of the
New York City Municipal Water Finance Authority and
New York City Water Board

Opinion

We have audited the accompanying combining financial statements of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"), which collectively comprise the New York City Water and Sewer System (the "System"), a component unit of the City of New York, which collectively comprise the combining statements of net position (deficit), and the related combining statements of revenues, expenses, and changes in net position (deficit) and combining statements of cash flows as of and for the years ended June 30, 2025 and 2024, and the related notes to the combining financial statements.

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the financial position of the System as of June 30, 2025 and 2024, and the respective changes in its financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the combining financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the combining financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Grant Thornton LLP is a U.S. member firm of Grant Thornton International Ltd (GTIL). GTIL and each of its member firms are separate legal entities and are not a worldwide partnership.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the combining financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combining financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combining financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combining financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required supplementary information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, the schedule of changes for total OPEB plan liability and related ratios on page 64, the schedule of the Authority's proportionate share of the net pension liability on page 65, and the schedule of the Authority's pension contributions on page 65 be presented to supplement the basic combining financial statements. Such information is the responsibility of management and, although not a required part of the basic combining 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 combining financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. These limited procedures 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 combining financial statements, and other knowledge we obtained during our audit of the basic combining 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.

Grant Thornton LLP

New York, New York
October 9, 2025

Overview of the Combining Financial Statements

The following is an overview of the financial activities of the New York City Water and Sewer System (the "System") as of and for the fiscal years ended June 30, 2025 and 2024. The System is a joint operation consisting of two legally separate and independent entities: the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"). The System is a component unit of the City of New York (the "City").

The combining financial statements consist of four parts: (1) management's discussion and analysis (this section), (2) the basic combining financial statements, (3) the notes to the combining financial statements and (4) required supplementary information.

The basic combining financial statements of the System, which include the combining statements of net position (deficit), the combining statements of revenues, expenses and changes in net position (deficit) and the combining statements of cash flows, are presented for the purposes of displaying entity-wide information in accordance with Governmental Accounting Standards Board ("GASB") requirements. These combining financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Financial Analysis and Results of Operations

The following summarizes the activities of the System for the fiscal years 2025, 2024 and 2023, respectively (in thousands):

	2025	2024	2023	Variance 2025 vs 2024	Variance 2024 vs 2023
Revenues					
Operating revenues:					
Water supply and distribution	$ 1,750,823	$ 1,594,989	$ 1,582,456	$ 155,834	$ 12,533
Sewer collection and treatment	2,783,808	2,536,031	2,516,104	247,777	19,927
Bad debt expense	(34,376)	(126,487)	(98,632)	92,111	(27,855)
Other operating revenues	320,823	257,188	203,039	63,635	54,149
Total operating revenues	4,821,078	4,261,721	4,202,967	559,357	58,754
Non-operating revenues:					
Subsidies/grants	147,323	145,355	183,001	1,968	(37,646)
Investment income	168,685	172,181	96,007	(3,496)	76,174
Total non-operating revenues	316,008	317,536	279,008	(1,528)	38,528
Total revenues	5,137,086	4,579,257	4,481,975	557,829	97,282
Expenses					
Operations and maintenance	2,161,383	1,952,826	1,710,007	208,557	242,819
General and administrative	45,636	45,122	47,153	514	(2,031)
Other operating expenses	150,445	125,328	164,464	25,117	(39,136)
Depreciation and amortization	1,109,560	992,055	1,022,165	117,505	(30,110)
Operating expenses	3,467,024	3,115,331	2,943,789	351,693	171,542
Interest expense and cost of issuance	1,240,685	1,200,839	1,161,526	39,846	39,313
Gain on defeasance	(23,685)	(11,559)	-	(12,126)	(11,559)
Net loss on retirement and impairment of capital assets	19,878	8,270	1,566	11,608	6,704
Capital distributions	39,217	51,263	161,577	(12,046)	(110,314)
Non-operating expenses	1,276,095	1,248,813	1,324,669	27,282	(75,856)
Total expenses	4,743,119	4,364,144	4,268,458	378,975	95,686
Net income before capital contributions	393,967	215,113	213,517	178,854	1,596
Capital contributions	23,848	25,147	19,765	(1,299)	5,382
CHANGE IN NET POSITION	417,815	240,260	233,282	177,555	6,978
Net position - beginning	2,134,008	1,893,748	1,660,466	240,260	233,282
Net position - ending	$ 2,551,823	$ 2,134,008	$ 1,893,748	$ 417,815	$ 240,260

Operating Revenues

Operating revenues comprise water supply and distribution, sewer collection and treatment, bad debt expense, and other operating revenues.

2025-2024

Operating revenues increased by $559 million, or 13.1% compared to fiscal year 2024. The increase in revenues reflects a combination of (a) an 8.5% rate increase for fiscal year 2025, (b) collection enforcement activities undertaken by DEP's Bureau of Customer Service and, (c) the receipt of payments from customers facing the sale of a lien due to unpaid water and wastewater charges.

Bad debt expense decreased by $92.1 million. The decrease in the bad debt expense is primarily due to the payment of unpaid bills by customers to prevent their property from being included in the fiscal year 2025 lien sale.

2024-2023

Operating revenues increased by $58.8 million, or 1.4% compared to fiscal year 2023. The increase in revenues reflects a combination of (a) 4.42% rate increase for fiscal year 2024, (b) lower billed water consumption by customers during the first half of the year, (c) higher past due customer account balances contributing to higher late payment fees, and (d) amounts received through the New York State Office of Temporary Disability Assistance's Low Income Household Water Assistance Program.

Bad debt expense increased by $27.9 million. The increase in the bad debt expense is primarily due to the increase in accounts receivable, particularly in accounts with prior outstanding balances.

Other Operating Revenues

The following further details other operating revenues for fiscal years 2025, 2024, and 2023, respectively (in thousands):

				Variance	
	2025	2024	2023	2025 vs 2024	2024 vs 2023
Upstate water fees	$ 100,965	$ 98,850	$ 92,645	$ 2,115	$ 6,205
Late payment fees	105,134	85,315	69,092	19,819	16,223
Change in residual interest in sold liens	30,860	5,575	114	25,285	5,461
Connection fees and permits	22,138	18,490	10,391	3,648	8,099
Service line protection program	61,726	48,958	30,797	12,768	18,161
Total other operating revenues	$ 320,823	$ 257,188	$ 203,039	$ 63,635	$ 54,149

2025-2024

Upstate water fees increased by $2.1 million This was primarily due to rate increases for entitlement quantity water of 1.82% and excess quantity water of 8.5%.

Late payment fees increased by $19.8 million compared to fiscal year 2024 due to an increase in the average effective interest rate the Board was authorized by the New York City Council to charge. This amount fluctuates depending on the timeliness of customer payment.

The amounts received for the service line protection program increased by $12.8 million, reflecting twelve months of the effect of the price increases for the warranties which took effect on February 1, 2024.

2024-2023

Upstate water fees increased by $6.2 million. This was primarily due to rate increases for entitlement quantity water of 6.76% and excess quantity water of 4.42%.

Late payment fees increased by $16.2 million compared to fiscal year 2023 due to DEP's communication and collection enforcement efforts involving accounts with delinquent balances, an increase in the average effective interest rate the Board was authorized by the New York City Council to charge, and the ability of DEP's billing system to charge multiple tiers of interest rates depending on assessed property values. This amount fluctuates depending on the timeliness of customer payment.

The amounts received for the service line protection program increased by $18.2 million, due to an increase in the number of policies in effect during the year and an increase in the price of policies.

Non-Operating Revenues

Non-operating revenues comprise subsidies, grants and investment income.

2025-2024

Investment income decreased by $3.5 million compared to fiscal year 2024. The decrease was mainly due to lower yields on new securities purchased, offset by having more funds available to invest during fiscal year 2025.

2024-2023

Investment income increased by $76.2 million compared to fiscal year 2023. The increase was mainly due to higher yields on new securities purchased and more funds available to invest during fiscal year 2024.

Operating Expenses

Operating expenses comprise operations and maintenance, general and administrative, depreciation and amortization, and other operating expenses.

2025-2024

Total operations and maintenance expense increased by $209 million or 10.7% compared to fiscal year 2024. This was primarily due to the $276 million rental payment made to the City, which was $131 million higher than in fiscal year 2024. Additionally, other than personnel services costs increased due to mandated work, rising cost of chemicals and materials, and introduction of new agency programs.

Depreciation and amortization increased by $118 million compared to fiscal year 2024. Other operating expenses increased by $25.1 million compared to fiscal year 2024, primarily due to increases in program expenses and expenses related to the System's filtration avoidance determination.

2024-2023

Total operations and maintenance expense increased by $243 million or 14% compared to fiscal year 2023. This is due primarily to the $145 million rental payment made to the City, as well as to collective bargaining increases and an increase in the rate used to calculate fringe benefits, higher water and wastewater treatment chemical costs, and investments in management information systems and cybersecurity measures.

Depreciation and amortization decreased by $30.1 million compared to fiscal year 2023.

Other operating expenses decreased by $39.1 million compared to fiscal year 2023, primarily due to decreases in program expenses and expenses related to the System's filtration avoidance determination.

Non-Operating Expenses

Non-operating expenses comprise interest expense, gain on defeasance, cost of issuance, net loss on retirement and impairment of capital assets, and capital distributions.

2025-2024

Capital distributions decreased by $12.0 million in fiscal year 2025 compared to fiscal year 2024. The decrease in capital distributions was primarily due to a decrease in the land acquired and granted to the City.

Interest expense and cost of issuance increased by $39.8 million. This increase was primarily due to the issuance of new bonds, offset by a decrease in variable rate interest costs.

Gain on defeasance increased by $12.1 million because of a larger cash defeasance in fiscal year 2025.

2024-2023

Capital distributions decreased by $110 million in fiscal year 2024 compared to fiscal year 2023. The decrease in capital distributions was primarily due to a decrease in the amount distributed to the City for the South Shore of Staten Island Coastal Storm Risk Management project (discussed further below) and a decrease in the land acquired and granted to the City.

Interest expense and cost of issuance increased by $39.3 million. This increase was primarily due to the issuance of new bonds and higher short term interest expense, offset by amortization of bond premium and deferred refunding cost which decrease interest expense.

Gain on defeasance increased by $11.6 million because of a cash defeasance in fiscal year 2024, while there was no cash defeasance in fiscal year 2023.

Capital Contributions

Capital contributions comprise federal, state, and other contributions to the System's capital projects.

2025-2024

Capital contributions decreased by $1.3 million in fiscal year 2025.

2024-2023

Capital contributions increased by $5.4 million in fiscal year 2024.

Change in Net Position (Deficit)

2025-2024

The change in net position (deficit) represents the net total of operating revenues and expenses, non-operating revenues and expenses, and capital contributions. The change in net position (deficit) increased by $178 million in fiscal year 2025 compared to fiscal year 2024. As explained in more detail above, such increase was due primarily to the combined effect of a $559 million increase in operating revenue, a $3.5 million decrease in investment income, a $12.0 million decrease in capital distributions, and a $25.1 million increase in other operating expenses, offset by a $39.8 million increase in interest expense and cost of issuance and a $209 million increase in operations and maintenance expense.

2024-2023

The change in net position (deficit) represents the net total of operating revenues and expenses, non-operating revenues and expenses, and capital contributions. The change in net position (deficit) increased by $7.0 million in fiscal year 2024 compared to fiscal year 2023. As explained in more detail above, such increase was due primarily to the combined effect of a $58.8 million increase in operating revenue, a $76.2 million increase in investment income, a $110 million decrease in capital distributions, and a $39.1 million decrease in other operating expenses, offset by a $39.3 million increase in interest expense and cost of issuance and a $243 million increase in operations and maintenance expense.

Ending Net Position (Deficit)

2025-2024

The ending net position (deficit) represents the net total of operating revenues and expenses, non-operating revenues and expenses, capital contributions, and beginning balance of net position (deficit). Ending net position (deficit) increased by $418 million or 19.6% compared to fiscal year 2024.

2024-2023

The ending net position (deficit) represents the net total of operating revenues and expenses, non-operating revenues and expenses, capital contributions, and beginning balance of net position (deficit). Ending net position (deficit) increased by $240 million or 12.7% compared to fiscal year 2023.

The following is a summary of the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (deficit) as of June 30 (in thousands):

				Variance	
	2025	2024	2023	2025 vs 2024	2024 vs 2023
Assets					
Current assets	$ 4,942,041	$ 4,349,877	$ 4,132,652	$ 592,164	$ 217,225
Residual interest in sold liens	99,940	69,080	63,505	30,860	5,575
Capital assets	34,959,266	34,123,301	33,555,582	835,965	567,719
Total assets	40,001,247	38,542,258	37,751,739	1,458,989	790,519
Deferred outflows of resources:					
Accumulated change in fair value of hedging derivative	-	-	36,705	-	(36,705)
Deferred changes in net pension liability	75	84	412	(9)	(328)
Unamortized asset retirement obligations	8,777	9,151	9,640	(374)	(489)
Deferred changes in OPEB liability	1,133	1,424	672	(291)	752
Total deferred outflows of resources	9,985	10,659	47,429	(674)	(36,770)
Total assets and deferred outflows of resources	$ 40,011,232	$ 38,552,917	$ 37,799,168	$ 1,458,315	$ 753,749
Liabilities:					
Current liabilities	$ 1,485,842	$ 1,306,927	$ 1,445,031	$ 179,023	$ (138,212)
Long-term liabilities	35,658,066	34,865,246	34,264,447	792,712	600,907
Total liabilities	37,143,908	36,172,173	35,709,478	971,735	462,695
Deferred inflows of resources:					
Deferred changes in net pension liability	27	(23)	36	50	(59)
Deferred changes in OPEB liability	1,090	672	846	418	(174)
Unamortized deferred bond refunding costs	314,384	246,087	195,060	68,297	51,027
Total deferred inflows of resources	315,501	246,736	195,942	68,765	50,794
Net position (deficit):					
Net investment in capital assets	1,045,472	894,731	718,114	150,741	176,617
Restricted for debt service	2,167,132	1,929,493	1,905,323	237,639	24,170
Restricted for operations and maintenance	345,571	333,555	322,235	12,016	11,320
Unrestricted (deficit)	(1,006,352)	(1,023,771)	(1,051,924)	17,419	28,153
Total net position	2,551,823	2,134,008	1,893,748	417,815	240,260
Total liabilities, deferred inflows of resources, and net position	$ 40,011,232	$ 38,552,917	$ 37,799,168	$ 1,458,315	$ 753,749

Current Assets

Current assets comprise restricted cash and cash equivalents, restricted investments, accrued interest and federal subsidy receivable, receivable from the City, and accounts receivable.

2025-2024

Current assets increased by $592 million or 13.6%. Restricted investments, including restricted cash and cash equivalents, increased by $515 million primarily in the revenue fund and construction fund. Construction fund balances fluctuate due to the timing of bonds issuances and payments to the City for capital costs. Restricted assets held in the Authority's debt service reserve fund declined by $26.8 million. The decline in the debt service reserve fund is largely due to a $19.6 million release of funds held in the reserve fund as a result of a reduction in the reserve requirement. Accounts receivable net of allowance for uncollectable increased by $95.9 million and receivable from the City decreased by $1.9 million.

2024-2023

Current assets increased by $217 million or 5.3%. Restricted investments, including restricted cash and cash equivalents, increased by $97.0 million primarily in the revenue fund and construction fund. Construction fund balances fluctuate due to the timing of bonds issuances and payments to the City for capital costs. Restricted assets held in the Authority's escrow accounts and in the debt service reserve fund declined by $45.1 million and $69.1 million, respectively. Assets held in the escrow accounts decline when funds are applied to repayment of debt. The decline in the debt service reserve fund is largely due to a $60.5 million release of funds held in the reserve fund as a result of a reduction in the reserve requirement. Accounts receivable net of allowance for uncollectable increased by $82.3 million and receivable from the City decreased by $0.7 million.

Current Liabilities

Current liabilities comprise accounts payable, interest payable, revenue received in advance, current portion of bonds and notes payable, payable to the City, and service credits on customer accounts.

2025-2024

Current liabilities increased by $179 million, or 13.7%, compared to fiscal year 2024. This was primarily due to an increase in the current portion of bonds and notes payable, increase in payable to the City, and an increase in service credits on customer accounts.

2024-2023

Current liabilities decreased by $138 million, or 9.6%, compared to fiscal year 2023. This was primarily due to a decrease in the current portion of bonds and notes payable.

Long-Term Liabilities

Long-term liabilities comprise bonds and notes payable, pollution remediation obligations, revenue requirements payable to the Authority, net pension liability, total OPEB liability, and other long-term liabilities.

2025-2024

Long-term liabilities increased by $793 million, or 2.3%, primarily due to the issuance of new debt to fund capital projects, offset by the retirement of existing debt through debt service payments and refundings.

2024-2023

Long-term liabilities increased by $601 million, or 1.7%, primarily due to the issuance of new debt to fund capital projects, offset by the retirement of existing debt through debt service payments and refundings.

Capital Assets

The System's capital assets include buildings, machinery and equipment, vehicles, water supply and wastewater treatment systems, and water distribution and sewage collection systems, as well as utility construction.

Capital assets as of June 30 are detailed as follows (in thousands):

				Variance	
	2025	2024	2023	2025 vs 2024	2024 vs 2023
Nondepreciable assets					
Utility construction in progress	$ 7,744,421	$ 7,154,102	$ 6,881,740	$ 590,319	$ 272,362
Depreciable assets					
Utility plant in service:					
Buildings	35,821	35,821	35,821	-	-
Machinery and equipment	5,937,971	5,750,220	5,630,449	187,751	119,771
Vehicles	290,613	286,826	277,656	3,787	9,170
Water supply and distribution and wastewater treatment and sewage collection systems	42,651,211	41,551,667	40,416,747	1,099,544	1,134,920
Total utility plant in service	48,915,616	47,624,534	46,360,673	1,291,082	1,263,861
Less accumulated depreciation for:					
Buildings	31,749	31,467	31,184	282	283
Machinery and equipment	3,932,125	3,658,051	3,404,626	274,074	253,425
Vehicles	168,162	157,669	146,626	10,493	11,043
Water supply and distribution and wastewater treatment and sewage collection systems	17,568,735	16,808,148	16,104,395	760,587	703,753
Total accumulated depreciation	21,700,771	20,655,335	19,686,831	1,045,436	968,504
Total utility plant in service - net	27,214,845	26,969,199	26,673,842	245,646	295,357
Total capital assets - net	$ 34,959,266	$ 34,123,301	$ 33,555,582	$ 835,965	$ 567,719

2025-2024

The Authority issues debt to pay for the capital improvements to the System and related costs. Costs related to the System's filtration avoidance determination, including land acquisition in the upstate watershed area and certain costs associated with pollution remediation, are financed with debt but are not recorded as the System's assets on the combining statements of net position (deficit). The cumulative amount of expenses not capitalized as assets as of June 30, 2025 was $2.13 billion. These costs or distributions are expensed in the System's combining statements of revenues, expenses, and changes in net position (deficit) in the years incurred. The land purchased is granted to the City and becomes the City's capital asset.

Total gross additions to non-depreciable assets utility construction in progress were $1.96 billion and a total of $1.37 billion of completed projects were moved from utility construction in progress into depreciable assets utility plant in service. This resulted in a $590 million increase in utility construction in progress, representing an 8.3% net increase compared to fiscal year 2024. The System completed $141 million of construction work on the Wards Island settling system replacement project, $30.3 million water main replacement at various locations in Queens, $25.2 million of water main replacement in Rockaway Beach Boulevard, Queens, and $55.2 million of centrifuges at the dewatering facility at Hunts Point. Total capital assets, net of depreciation, increased by $836 million, a 2.5% increase from fiscal year 2024.

2024-2023

The Authority issues debt to pay for the capital improvements to the System and related costs. Costs related to the System's filtration avoidance determination, including land acquisition in the upstate watershed area and certain costs associated with pollution remediation, are financed with debt but are not recorded as the System's assets on the combining statements of net position (deficit). The cumulative amount of expenses not capitalized as assets as of June 30, 2024 was $1.98 billion. These costs or distributions are expensed in the System's combining statements of revenues, expenses, and changes in net position (deficit) in the years incurred. The land purchased is granted to the City and becomes the City's capital asset.

Total gross additions to non-depreciable assets utility construction in progress were $1.58 billion and a total of $1.29 billion of completed projects were moved from utility construction in progress into depreciable assets utility plant in service. This resulted in a $272 million increase in utility construction in progress, representing a 4.0% net increase compared to fiscal year 2023. The System completed $237 million of construction work involving the Catskill Aqueduct repair and rehabilitation, constructed sanitary and storm sewers at Sheldon Avenue in Staten Island with a project value of $42.7 million, constructed additional sanitary and storm sewers at Beach 20th Street in Rockaway Beach, Queens involving a project value of $39.8 million, completed $28.6 million of solid facility modifications at North River, and installed $26.8 million of centrifuges at Wards Island. Total capital assets, net of depreciation, increased by $568 million, a 1.7% increase from fiscal year 2023.

For more information on capital asset activity, please see Note 3 in the Notes to combining financial statements.

Deferred Outflows of Resources

Deferred outflows of resources comprise accumulated changes in fair value of hedging derivative, deferred changes in net pension liability, unamortized asset retirement obligations, and deferred changes in OPEB liability.

2025-2024

Deferred outflows from hedging were terminated in fiscal year 2024.

2024-2023

Deferred outflows from hedging decreased by $36.7 million, or 100%, compared to fiscal year 2023 due to the termination of the Authority's hedging derivative instruments.

Debt Administration

The debt program of the Authority includes commercial paper notes and long-term debt issued to the public, as well as bond anticipation notes ("BANs") and interest-subsidized bonds issued to the New York State Environmental Facilities Corporation ("EFC"). Commercial paper notes and BANs are interim financing instruments. In fiscal years 2025 and 2024, the Authority did not issue any commercial paper notes, relying instead on bond and BANs proceeds to reimburse the City for payments made for water and sewer capital projects. The Authority periodically issues long-term debt to retire outstanding BANs and commercial paper notes. The Authority also issues refunding bonds to refinance higher cost debt and uses current revenues to defease debt.

As of June 30, 2025, the total outstanding debt of the System was $33.50 billion, which comprised adjustable-rate bonds, fixed-rate bonds, and BANs. The following table summarizes debt program activities for the fiscal year ended June 30, 2025 (in thousands):

	Outstanding Principal Balance at June 30, 2024	Issued	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2025
First resolution bonds	$ 405,741	$ -	$ -	$ (215,430)	$ 190,311
Second resolution bonds	32,158,336	3,271,165	(523,669)	(1,836,200)	33,069,632
Second resolution BANs	10,949	231,306	-	-	242,255
Total bonds payable	$ 32,575,026	$ 3,502,471	$ (523,669)	$ (2,051,630)	$ 33,502,198

During fiscal year 2025, the Authority issued $3.27 billion of water and sewer system revenue bonds to the public, including $1.40 billion of refunding bonds and $1.87 billion of new money bonds. The Authority did not issue any bonds to EFC in fiscal year 2025. The Authority drew down $231 million of proceeds from BANs issued to EFC.

During fiscal year 2025, the Authority issued $1.40 billion of bonds to refund $1.52 billion of outstanding bonds. These refundings resulted in an accounting gain of $102 million. This amount is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The Authority reduced its aggregate debt service for principal and interest by $145 million and obtained an economic benefit (present value savings) of $96 million.

During fiscal year 2025, the Authority legally defeased $241 million of outstanding bonds. The Authority executed an in-substance defeasance of $292 million using current resources.

As of June 30, 2024, the total outstanding debt of the System was $32.58 billion, which comprised adjustable-rate bonds, fixed-rate bonds and BANs. The following table summarizes debt program activities for the fiscal year ended June 30, 2024 (in thousands):

	Outstanding Principal Balance at June 30, 2023	Issued	Principal Retired	Principal Defeased	Outstanding Principal Balance at June 30, 2024
First resolution bonds	$ 455,741	$ -	$ -	$ (50,000)	$ 405,741
Second resolution bonds	31,616,997	3,605,006	(546,685)	(2,516,982)	32,158,336
Second resolution BANs	179,857	331,423	-	(500,331)	10,949
Total bonds payable	$ 32,252,595	$ 3,936,429	$ (546,685)	$ (3,067,313)	$ 32,575,026

In fiscal year 2024, the Authority issued $2.84 billion of water and sewer system revenue bonds to the public, including $1.76 billion of refunding bonds and $1.08 billion of new money bonds. Additionally, the Authority issued $296 million of refunding water and sewer system revenue bonds and $464 million of new money bonds to EFC. The Authority also drew down $331 million of proceeds from BANs issued to EFC. The Authority used new money bond proceeds to finance capital improvements to the System and to pay for bond issuance costs.

During fiscal year 2024, the Authority issued $2.06 billion of bonds to refund $2.35 billion of outstanding bonds. These refundings resulted in an accounting gain of $117 million. This amount is deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. The Authority reduced its aggregate debt service for principal and interest by $198 million and obtained an economic benefit (present value savings) of $224 million.

During fiscal year 2024, the Authority did not legally defease any outstanding bonds. The Authority executed an in-substance defeasance of $213 million using current resources.

For more information on long-term debt activity, please see Note 9 in the Notes to combining financial statements.

Request for Information

This financial report is provided as an overview of the System's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Investor Relations, New York City Municipal Water Finance Authority, 255 Greenwich Street, New York, New York 10007 or to NYWInvestors@omb.nyc.gov.

* * * * * *

(This page intentionally left blank)

New York City Water and Sewer System

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
ASSETS				
Current assets				
Restricted cash and cash equivalents	$ 200,096	$ 2,481,810	$ -	$ 2,681,906
Restricted investments	176,328	770,219	-	946,547
Accrued interest and federal subsidy receivable	1,017	31,550	-	32,567
Accounts receivable:				
Billed - less allowance for uncollectable water and sewer receivables of $778,380	831,339	-	-	831,339
Unbilled - less allowance for uncollectable water and sewer receivables of $35,072	377,537	-	-	377,537
Receivable from the City of New York	72,145	-	-	72,145
Total current assets	**1,658,462**	**3,283,579**	**-**	**4,942,041**
Non-current assets				
Utility plant in service - less accumulated depreciation of $21,700,771	27,214,845	-	-	27,214,845
Utility plant construction	7,744,421	-	-	7,744,421
Total capital assets	**34,959,266**	**-**	**-**	**34,959,266**
Residual interest in sold liens	99,940	-	-	99,940
Revenue required to be billed by and received from the Water Board	-	8,848,311	(8,848,311)	-
Total non-current assets	**35,059,206**	**8,848,311**	**(8,848,311)**	**35,059,206**
Total assets	**36,717,668**	**12,131,890**	**(8,848,311)**	**40,001,247**
Deferred outflows of resources				
Deferred changes in net pension liability	-	75	-	75
Unamortized asset retirement obligations	8,777	-	-	8,777
Deferred changes in OPEB liability	-	1,133	-	1,133
Total deferred outflows of resources	**8,777**	**1,208**	**-**	**9,985**
Total assets and deferred outflows of resources	**$ 36,726,445**	**$ 12,133,098**	**$ (8,848,311)**	**$ 40,011,232**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF NET POSITION (DEFICIT) - CONTINUED

June 30, 2025

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
LIABILITIES				
Current liabilities				
Accounts payable	$ 11,242	$ 5,632	$ -	$ 16,874
Interest payable	-	62,147	-	62,147
Current portion of bonds and notes payable	-	621,189	-	621,189
Current portion of OPEB liability	-	105	-	105
Payable to the City of New York	-	656,981	-	656,981
Service credits on customer accounts	128,546	-	-	128,546
Total current liabilities	**139,788**	**1,346,054**	**-**	**1,485,842**
Long-term liabilities				
Bonds and notes payable	-	35,537,408	-	35,537,408
Pollution remediation obligation	95,757	-	-	95,757
Revenue requirements payable to the Authority	8,848,311	-	(8,848,311)	-
Net pension liability	-	529	-	529
Total OPEB liability	-	2,373	-	2,373
Other long-term liability	18,726	3,273	-	21,999
Total long-term liabilities	**8,962,794**	**35,543,583**	**(8,848,311)**	**35,658,066**
Total liabilities	**9,102,582**	**36,889,637**	**(8,848,311)**	**37,143,908**
Deferred inflows of resources				
Unamortized deferred bond refunding costs	-	314,384	-	314,384
Deferred changes in net pension liability	-	27	-	27
Deferred changes in OPEB liability	-	1,090	-	1,090
Total deferred inflows of resources	**-**	**315,501**	**-**	**315,501**
Net position (deficit)				
Net investment in capital assets	34,959,266	(33,913,794)	-	1,045,472
Restricted for debt service	-	2,167,132	-	2,167,132
Restricted for operations and maintenance	345,571	-	-	345,571
Unrestricted (deficit)	(7,680,974)	6,674,622	-	(1,006,352)
Total net position (deficit)	**27,623,863**	**(25,072,040)**	**-**	**2,551,823**
Total liabilities, deferred inflows of resources and net position (deficit)	**$ 36,726,445**	**$ 12,133,098**	**$ (8,848,311)**	**$ 40,011,232**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF NET POSITION (DEFICIT)

June 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
ASSETS				
Current assets				
Restricted cash and cash equivalents	$ 303,832	$ 2,369,492	$ -	$ 2,673,324
Restricted investments	43,851	396,351	-	440,202
Accrued interest and federal subsidy receivable	3,294	46,076	-	49,370
Accounts receivable:				
Billed - less allowance for uncollectable water and sewer receivables of $748,227	780,856	-	-	780,856
Unbilled - less allowance for uncollectable water and sewer receivables of $30,849	332,077	-	-	332,077
Receivable from the City of New York	74,048	-	-	74,048
Total current assets	**1,537,958**	**2,811,919**	**-**	**4,349,877**
Non-current assets				
Utility plant in service - less accumulated depreciation of $20,655,335	26,969,199	-	-	26,969,199
Utility plant construction	7,154,102	-	-	7,154,102
Total capital assets	**34,123,301**	**-**	**-**	**34,123,301**
Residual interest in sold liens	69,080	-	-	69,080
Revenue required to be billed by and received from the Water Board	-	9,287,203	(9,287,203)	-
Total non-current assets	**34,192,381**	**9,287,203**	**(9,287,203)**	**34,192,381**
Total assets	**35,730,339**	**12,099,122**	**(9,287,203)**	**38,542,258**
Deferred outflows of resources				
Deferred changes in net pension liability	-	84	-	84
Unamortized asset retirement obligations	9,151	-	-	9,151
Deferred changes in OPEB liability	-	1,424	-	1,424
Total deferred outflows of resources	**9,151**	**1,508**	**-**	**10,659**
Total assets and deferred outflows of resources	**$ 35,739,490**	**$ 12,100,630**	**$ (9,287,203)**	**$ 38,552,917**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF NET POSITION (DEFICIT) - CONTINUED

June 30, 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	Water Board	New York City Municipal Water Finance Authority	Eliminations	Total
		(in thousands)		
LIABILITIES				
Current liabilities				
Accounts payable	$ 10,180	$ 7,671	$ -	$ 17,851
Interest payable	-	61,912	-	61,912
Current portion of bonds and notes payable	-	534,617	-	534,617
Current portion of OPEBI liability	-	108	-	108
Payable to the City of New York	-	583,042	-	583,042
Service credits on customer accounts	109,397	-	-	109,397
Total current liabilities	**119,577**	**1,187,350**	**-**	**1,306,927**
Long-term liabilities				
Bonds and notes payable	-	34,765,150	-	34,765,150
Pollution remediation obligation	77,069	-	-	77,069
Revenue requirements payable to the Authority	9,287,203	-	(9,287,203)	-
Net pension liability	-	588	-	588
Net OPEBI liability	-	2,989	-	2,989
Other long-term liability	18,405	1,045	-	19,450
Total long-term liabilities	**9,382,677**	**34,769,772**	**(9,287,203)**	**34,865,246**
Total liabilities	**9,502,254**	**35,957,122**	**(9,287,203)**	**36,172,173**
Deferred inflows of resources				
Unamortized deferred bond refunding costs	-	246,087	-	246,087
Deferred changes in net pension liability	-	(23)	-	(23)
Deferred changes in OPEBI liability	-	672	-	672
Total deferred inflows of resources	**-**	**246,736**	**-**	**246,736**
Net position (deficit)				
Net investment in capital assets	34,123,301	(33,228,570)	-	894,731
Restricted for debt service	-	1,929,493	-	1,929,493
Restricted for operations and maintenance	333,555	-	-	333,555
Unrestricted (deficit)	(8,219,621)	7,195,850	-	(1,023,771)
Total net position (deficit)	**26,237,235**	**(24,103,227)**	**-**	**2,134,008**
Total liabilities, deferred inflows of resources and net position (deficit)	**$ 35,739,489**	**$ 12,100,631**	**$ (9,287,203)**	**$ 38,552,917**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

For the year ended June 30, 2025

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Operating revenues			
Water supply and distribution	$ 1,750,823	$ -	$ 1,750,823
Sewer collection and treatment	2,783,808	-	2,783,808
Bad debt expense	(34,376)	-	(34,376)
Other operating revenues	320,823	-	320,823
Total operating revenues	4,821,078	-	4,821,078
Operating expenses			
Operations and maintenance	2,161,383	-	2,161,383
General and administrative	5,941	39,695	45,636
Other operating expenses	150,445	-	150,445
Depreciation and amortization	1,109,560	-	1,109,560
Total operating expenses	3,427,329	39,695	3,467,024
Operating income (loss)	1,393,749	(39,695)	1,354,054
Non operating revenues (expenses)			
Interest expense	-	(1,226,053)	(1,226,053)
Gain on defeasance	-	23,685	23,685
Cost of issuance	-	(14,632)	(14,632)
Net loss on retirement and impairment of capital assets	(19,878)	-	(19,878)
Subsidy income	-	147,323	147,323
Capital distributions	(39,217)	-	(39,217)
Investment income	28,126	140,559	168,685
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,362,780	(968,813)	393,967
Capital contributions	23,848	-	23,848
CHANGE IN NET POSITION (DEFICIT)	1,386,628	(968,813)	417,815
NET POSITION (DEFICIT) - Beginning of year	26,237,235	(24,103,227)	2,134,008
NET POSITION (DEFICIT) - End of year	**$ 27,623,863**	**$ (25,072,040)**	**$ 2,551,823**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)

For the year ended June 30, 2024

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Operating revenues			
Water supply and distribution	$ 1,594,989	$ -	$ 1,594,989
Sewer collection and treatment	2,536,031	-	2,536,031
Bad debt expense	(126,487)	-	(126,487)
Other operating revenues	257,188	-	257,188
Total operating revenues	4,261,721	-	4,261,721
Operating expenses			
Operations and maintenance	1,952,826	-	1,952,826
General and administrative	3,764	41,358	45,122
Other operating expenses	125,328	-	125,328
Depreciation and amortization	992,055	-	992,055
Total operating expenses	3,073,973	41,358	3,115,331
Operating income (loss)	1,187,748	(41,358)	1,146,390
Non operating revenues (expenses)			
Interest expense	-	(1,176,562)	(1,176,562)
Gain on defeasance	-	11,559	11,559
Cost of issuance	-	(24,277)	(24,277)
Net loss on retirement and impairment of capital assets	(8,270)	-	(8,270)
Subsidy income	-	145,355	145,355
Capital distributions	(51,263)	-	(51,263)
Investment income	35,269	136,912	172,181
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	1,163,484	(948,371)	215,113
Capital contributions	25,147	-	25,147
CHANGE IN NET POSITION (DEFICIT)	1,188,631	(948,371)	240,260
NET POSITION (DEFICIT) - Beginning of year	25,048,604	(23,154,856)	1,893,748
NET POSITION (DEFICIT) - End of year	**$ 26,237,235**	**$ (24,103,227)**	**$ 2,134,008**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF CASH FLOWS

For the year ended June 30, 2025

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Cash flows from operating activities:			
Receipts from customers	$ 4,685,979	$ -	$ 4,685,979
Payments for operations and maintenance	(2,219,166)	-	(2,219,166)
Payments for administration	(6,132)	(39,518)	(45,650)
Net cash provided by (used in) operating activities	**2,460,681**	**(39,518)**	**2,421,163**
Cash flows from capital and related financing activities:			
Proceeds from issuing bonds, notes and other borrowings - net of issuance costs	-	3,762,987	3,762,987
Receipts from contribution made by other organization	292	-	292
Acquisition and construction of capital assets	-	(1,949,804)	(1,949,804)
Payments by the Water Board to the Authority	(2,462,634)	2,462,634	-
Repayments of bonds, notes and other borrowings	-	(2,577,371)	(2,577,371)
Interest paid on bonds, notes and other borrowings	-	(1,314,717)	(1,314,717)
Net cash (used in) provided by capital and related financial activities	**(2,462,342)**	**383,729**	**(2,078,613)**
Cash flows from investing activities:			
Sales and maturities of investments	331,602	367,932	699,534
Purchases of investments	(464,887)	(746,048)	(1,210,935)
Interest on investments	31,210	146,223	177,433
Net cash used in investing activities	**(102,075)**	**(231,893)**	**(333,968)**
NET (DECREASE) INCREASE IN RESTRICTED CASH AND CASH EQUIVALENTS	**(103,736)**	**112,318**	**8,582**
RESTRICTED CASH AND CASH EQUIVALENTS - Beginning of year	**303,832**	**2,369,492**	**2,673,324**
RESTRICTED CASH AND CASH EQUIVALENTS - End of year	**$ 200,096**	**$ 2,481,810**	**$ 2,681,906**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF CASH FLOWS - CONTINUED

For the year ended June 30, 2025

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Reconciliation of operating income (loss) to net cash provided by (used in) Operating activities:			
Operating income (loss)	$ 1,393,749	$ (39,695)	$ 1,354,054
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Amortization	695	-	695
Depreciation	1,108,865	-	1,108,865
Other operating expenses paid for with bond proceeds	36,141	-	36,141
Pollution remediation expense	7,233	-	7,233
Changes in assets and liabilities:			
Pollution remediation liability	18,688	-	18,688
Receivables - net	(95,943)	-	(95,943)
Receivable from the City	1,902	-	1,902
Residual interest in sold liens	(30,860)	-	(30,860)
Accounts payable	1,062	177	1,239
Refunds payable	19,149	-	19,149
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 2,460,681	$ (39,518)	$ 2,421,163

The following are the noncash capital and related financing activities (in thousands):

Interest expense includes the amortization of net (premium) and discount in the amount of $204,787 at June 30, 2025.

Capital expenditures in the amount of $656,981 had been incurred but not paid at June 30, 2025.

The Water Board received federal, state, and other capital contributions of $23,848 in fiscal year 2025.

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF CASH FLOWS

For the year ended June 30, 2024

	New York City Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Cash flows from operating activities:			
Receipts from customers	$ 4,160,707	$ -	$ 4,160,707
Payments for operations and maintenance	(2,009,944)	-	(2,009,944)
Payments for administration	(5,526)	(42,062)	(47,588)
Net cash provided by (used in) operating activities	**2,145,237**	**(42,062)**	**2,103,175**
Cash flows from capital and related financing activities:			
Proceeds from issuing bonds, notes and other borrowings - net of issuance costs	-	4,347,679	4,347,679
Receipts from contribution made by other organization	292	-	292
Acquisition and construction of capital assets	-	(1,582,683)	(1,582,683)
Payments by the Water Board to the Authority	(2,165,075)	2,165,075	-
Repayments of bonds, notes and other borrowings	-	(3,618,357)	(3,618,357)
Interest paid on bonds, notes and other borrowings	-	(1,323,432)	(1,323,432)
Net cash used in capital and related financial activities	**(2,164,783)**	**(11,718)**	**(2,176,501)**
Cash flows from investing activities:			
Sales and maturities of investments	512,744	46,558	559,302
Purchases of investments	(534,367)	(439,096)	(973,463)
Interest on investments	33,429	138,420	171,849
Net cash provided by (used in) investing activities	**11,806**	**(254,118)**	**(242,312)**
NET DECREASE IN RESTRICTED CASH AND CASH EQUIVALENTS	**(7,741)**	**(307,898)**	**(315,639)**
RESTRICTED CASH AND CASH EQUIVALENTS - Beginning of year	**311,573**	**2,677,390**	**2,988,963**
RESTRICTED CASH AND CASH EQUIVALENTS - End of year	**$ 303,832**	**$ 2,369,492**	**$ 2,673,324**

The accompanying notes are an integral part of this combining financial statement.

New York City Water and Sewer System

COMBINING STATEMENTS OF CASH FLOWS - CONTINUED

For the year ended June 30, 2024

	Water Board	New York City Municipal Water Finance Authority	Total
		(in thousands)	
Reconciliation of operating income (loss) to net cash provided by (used in) Operating activities:			
Operating income (loss)	$ 1,187,748	$ (41,358)	$ 1,146,390
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Amortization	846	-	846
Depreciation	991,209	-	991,209
Other operating expenses paid for with bond proceeds	20,693	-	20,693
Pollution remediation expense	8,718	-	8,718
Changes in assets and liabilities:			
Pollution remediation liability	14,829	-	14,829
Receivables - net	(82,330)	-	(82,330)
Receivable from the City	707	-	707
Residual interest in sold liens	(5,575)	-	(5,575)
Accrued expenses payable	(6)	-	(6)
Accounts payable	(11,310)	(704)	(12,014)
Refunds payable	19,708	-	19,708
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 2,145,237	$ (42,062)	$ 2,103,175

The following are the noncash capital and related financing activities (in thousands):

Interest expense includes the amortization of net (premium) and discount in the amount of $211,784 at June 30, 2024.

Capital expenditures in the amount of $583,042 had been incurred but not paid at June 30, 2024.

The Water Board received federal, state, and other capital contributions of $24,855 in fiscal year 2024.

The accompanying notes are an integral part of this combining financial statement.

NOTE 1 - ORGANIZATION

The New York City Water and Sewer System (the "System") provides water supply, treatment and distribution, and sewage collection, treatment, and disposal for the citizenry of the City of New York (the "City"). The System, as presented in the accompanying combining financial statements, began operations on July 1, 1985, and is a joint operation consisting of two legally separate and independent entities: the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"). The Authority is a public benefit corporation created in accordance with the New York City Municipal Water Finance Act (the "Act"), duly enacted into law as Chapter 513 of the laws of 1984 of the State of New York (the "State"), as amended by Chapter 514 of the laws of 1984 of the State of New York. The Water Board was created by Chapter 515 of the laws of 1984 of the State of New York. The Act also empowers the Authority to issue debt to finance the cost of capital improvements to the System and to refund any and all outstanding bonds and general obligation bonds that the City issued for water and sewer purposes. The Act empowers the Water Board to lease the System from the City and to set and collect water rates, fees, rents and other charges for use of, or for services furnished, rendered, or made available by, the System to generate enough revenue to pay debt service on the Authority's debt and to place the System on a self-sustaining basis.

The Financing Agreement by and among the City of New York, the New York City Municipal Water Finance Authority and the New York City Water Board dated as of July 1, 1985 provides that the Authority will issue bonds to finance the cost of capital investment and related costs of the System. It also sets forth the funding priority for debt service costs of the Authority, operating costs of the System, and the rental payment to the City, if requested.

The physical operation and capital improvements of the System are performed by the City's Department of Environmental Protection ("DEP") subject to contractual agreements with the Authority and the Water Board.

In accordance with GASB standards, the Water Board and the Authority are considered to be part of the same reporting entity (the "System") since they are fiscally interdependent. Accordingly, the accompanying combining financial statements for the System present the individual financial statements of the Water Board and the Authority as major funds. In addition, the accompanying combining financial statements present a total column, which represents the entity-wide financial statements of the System. Transactions and balances between the Water Board and the Authority are eliminated in the entity-wide combining financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Other significant accounting policies are:

Component Unit

The System is a component unit of the City. The System leases the water and sewer-related capital assets from the City, which is responsible for the operations, maintenance and capital improvements of the System. The System reimburses the City for costs incurred for operations and maintenance and issues debt to pay for capital improvements.

Investments and Cash Equivalents

Investments and cash equivalents primarily consist of securities of the United States and its agencies, guaranteed investment contracts, forward purchase agreements, and the State of New York obligations.

All investments are carried at fair value with the exception of money market funds that are carried at cost plus accrued interest. For purposes of the combining statement of cash flows and combining statement of net position (deficit), the System generally considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Assets

Proceeds from the issuance of debt and monies set aside for debt service and operation and maintenance of the System are classified as restricted cash and cash equivalents and restricted investments in the combining statements of net position (deficit). These restrictions are based on the requirements of the applicable bond resolutions.

Lien Sales and Residual Interest in Sold Liens

The City periodically sells liens secured by unpaid water and sewer rents and surcharges, for which the Water Board receives the applicable sale proceeds. At the time of sale, the Water Board recognizes the proceeds as operating revenue and removes the related receivables. The Water Board maintains a residual interest in the liens, which represents the amount estimated to be received by the Water Board if and when liens held by the purchasing trusts generate cash flows above the amounts needed by the trusts to pay their operating costs, bondholders, and satisfy reserve requirements. As of June 30, 2025 and 2024, the Water Board had a receivable from the Tax Lien Trust of $99.9 million and $69.1 million, respectively.

Bond Premium and Discount and Bond Issuance Cost

Bond premiums and discounts are capitalized and amortized over the life of the related bond issue, using the effective yield method. Bond premiums and discounts are presented as additions or reductions to the face amount of the long-term bonds payable on the combining statement of net position (deficit). The amortized bond premiums and discounts are an off set to interest expense on the combining statement of revenues, expenses and changes in net position (deficit). Bond issuance costs are recognized and expensed in the period incurred, except for bond insurance premiums that are amortized over the life of the related bonds.

Utility Plant

Utility plant acquired through purchase or internal construction is recorded at cost, net of retirements. It is the Water Board's policy to capitalize assets with a cost of $50,000 or more and a useful life of three years or longer. Contributed utility plant is recorded at its estimated historical cost based on appraisals or other methods when historical cost information is not available, net of accumulated depreciation. Depreciation is computed using the straight-line method based upon estimated useful lives, as follows:

Assets	Years
Buildings	40-50
Water supply and wastewater treatment systems	15-50
Water distribution and sewage collection systems	15-99
Machinery and equipment	3-35
Vehicles	10

Maintenance and repairs of property are recorded as maintenance expense. Replacements and betterments are recorded as additions to utility plant. The System pays for certain improvements of assets that are not owned by the City or the System, as well as certain pollution remediation activities, through bond proceeds. These costs are reported as other operating expenses in the System's combining statement of revenues, expenses and changes in net position (deficit).

Contributed Capital

The System received federal, state and other capital contributions of $23.8 million and $25.1 million in fiscal years 2025 and 2024, respectively. These amounts are reported in the System's combining statements of revenues, expenses and changes in net position (deficit) as "Capital contributions" below net income (loss) before capital contributions. In addition, the System received $292 thousand in both fiscal years 2025 and 2024, from Westchester County (the "County") to compensate the System for constructing a water conduit that provides treated water to the County. The County payments are reported as capital contributions in the System's combining statements of revenues, expenses and changes in net position (deficit) below net income (loss) before capital contributions and as receipts from contribution made by other organization in the System's combining statements of cash flows.

Operating Revenues and Operating Expenses

Operating revenues consist of services provided to customers of the System. Revenues are reported net of allowances, discounts and refunds and are based on billing rates imposed by the Water Board and upon customers' water and sewer usage or, in some cases, characteristics of customer properties. The System records unbilled revenue at year end based on an estimate at June 30.

Operating expenses include, but are not limited to, costs incurred for maintenance, repair, and operations of the System; administration costs of the Water Board and the Authority; and rental payments to the City, if requested. In fiscal year 2025, the City requested and the System paid $276 million which is included in operations and maintenance. In fiscal year 2024, the City requested and the System paid $145 million which is included in operations and maintenance.

Revenues Received in Advance

Revenues received in advance of the period to which they relate are unearned and recorded as revenue when earned. Customer account credit balances are reported as a current liability "service credits on customer accounts" and are not included in accounts receivable.

Unamortized Deferred Bond Refunding Costs

Deferred bond refunding costs represent the accounting gains or losses incurred in bond refundings. They are reported as "unamortized deferred bond refunding costs" in "Deferred Inflows of Resources" and are amortized over the lesser of the remaining life of the old debt or the life of the new debt. The amortized deferred bond refunding cost is an off set to interest expense in the combining statement of revenues, expenses and changes in net position (deficit).

Use of Estimates

The preparation of the combining financial statements in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions in determining the amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent liabilities at the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pensions

Net pension liabilities are required to be recognized and disclosed using the accrual basis of accounting. The Authority recognizes a net pension liability for New York City Employee Retirement System ("NYCERS") Qualified Pension Plan ("Pension Plan") in which it participates, which represents the

Authority's proportional share of excess total pension liability over the Pension Plan assets, actuarially calculated, of a cost-sharing multiple-employer plan, measured as of the fiscal year end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources are amortized over the weighted-average remaining service life of all participants in the qualified Pension Plan and recorded as a component of pension expense beginning with the period in which they are incurred. The change in the Authority's proportion of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources related to the pension since the prior measurement date is recognized in the current reporting period over a closed period that is equal to the average of the expected remaining service lives of all employees provided with a pension through the Pension Plan.

For the contribution to the Pension Plan, the difference during the measurement period between the total amount of the Authority's contribution and the amount of the Authority's proportionate share of the total of such contributions from all employers and all nonemployee contributing entities is recognized in the Authority's pension expense, beginning in the current reporting period, over a closed period that is equal to the average of the expected remaining service lives of all employees provided with pension through the Pension Plan. The amount not recognized in pension expense is reported as deferred outflow of resources or deferred inflow of resources related to the pension.

Projected earnings on qualified Pension Plan investments are recognized as a component (reduction) of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Changes in total pension liability arising from changes of benefit terms are required to be included in pension expense in the period the change is first reported in the net pension liability. The changes in the total pension liability resulting from (1) differences between expected and actual experience with regard to economic and demographic factors and (2) changes of assumptions regarding the expected future behavior of economic and demographic factors or other inputs are recognized as deferred outflows of resources or deferred inflows of resources related to the pension and included in the pension expense over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the Pension Plan.

Recent Accounting Pronouncements

As a component unit of the City, the System implements new GASB standards in the same fiscal year as they are implemented by the City. The following are discussions of the standards requiring implementation in the current year and standards that may impact the System in future years.

- In June 2022, GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"). GASB 101 updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements for GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The System has completed the process of evaluating GASB 101 and determined that the compensated absences liability for the System is immaterial.

- In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"). GASB 102 improves financial reporting by requiring disclosures of certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements for GASB 102 are effective for fiscal years

beginning after June 15, 2024, and all reporting periods thereafter. The implementation of GASB 102 did not have an immediate impact on the System's financial statements as there were no events that met the GASB 102 criteria for required reporting.

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103"). The requirements for GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The System has not completed the process of evaluating GASB 103 but expects it to have an impact on the presentation of the System's combining financial statements.

- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, ("GASB 104"). GASB 104 requires certain types of capital assets to be disclosed separately in the capital assets note disclosures and also requires additional disclosures for capital assets held for sale. The requirements for GASB 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The System has not completed the process of evaluating GASB 104.

NOTE 3 - UTILITY PLANT

The following is a summary of utility plant activity for the fiscal years ended June 30, 2025 and 2024, respectively (in thousands):

	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
Nondepreciable assets:							
Utility construction in progress	$ 6,881,740	$ 1,567,196	$ 1,294,834	$ 7,154,102	$ 1,964,708	$ 1,374,389	$ 7,744,421
Depreciable assets:							
Utility plant in service:							
Buildings	35,821	-	-	35,821	-	-	35,821
Machinery and equipment	5,630,449	121,370	1,599	5,750,220	208,580	20,829	5,937,971
Vehicles	277,656	9,282	112	286,826	3,787	-	290,613
Water supply and distribution and wastewater treatment and sewage collection systems	40,416,747	1,164,183	29,263	41,551,667	1,162,021	62,477	42,651,211
Total utility plant in service	46,360,673	1,294,835	30,974	47,624,534	1,374,388	83,306	48,915,616
Less accumulated depreciation for:							
Buildings	31,184	283	-	31,467	282		31,749
Machinery and equipment	3,404,626	255,002	1,577	3,658,051	288,755	14,681	3,932,125
Vehicles	146,626	11,144	101	157,669	10,493	-	168,162
Water supply and distribution and wastewater treatment and sewage collection systems	16,104,395	724,780	21,027	16,808,148	809,335	48,748	17,568,735
Total accumulated depreciation	19,686,831	991,209	22,705	20,655,335	1,108,865	63,429	21,700,771
Total utility plant in service - net	26,673,842	303,626	8,269	29,969,199	265,522	19,877	27,214,845
Total capital assets - net	$ 33,555,582	$ 1,870,822	$ 1,303,103	$ 34,123,301	$ 2,230,230	$ 1,394,266	$ 34,959,266

NOTE 4 - DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

The System maintains deposits only at the depositary banks designated by the New York City Banking Commission. Further, as required by the Water and Sewer System General Revenue Bond Resolution and the Water and Sewer System Second General Revenue Bond Resolution (the "resolutions"), every bank that holds the Authority's cash deposits is required to have its principal office in the State of New York and have capital stock, surplus, and undivided earnings aggregating at least $100 million. As of June 30, 2025 and 2024, cash was comprised of bank deposits and there was no difference between the carrying amounts and bank balances.

Restricted cash and cash equivalents were comprised of the following at June 30, 2025 and 2024, respectively (in thousands):

	2025	2024
Restricted cash and cash equivalents:		
Cash	$ 31,189	$ 14,132
Cash equivalents	2,650,717	2,659,192
Total restricted cash and cash equivalents	$ 2,681,906	$ 2,673,324

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the System may not be able to recover the value of its deposits or collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the System's name. As of June 30, 2025 and 2024, the System had $31.2 million and $14.1 million of deposits, respectively. All deposits were either covered by federal depository insurance or collateralized with securities held by a third party custodian.

Investments

The System invests funds that are not immediately required for operations, debt service, or capital expenses. Funds held by the Authority are invested pursuant to the Authority's bond resolutions and in accordance with its investment guidelines, which restrict investments to obligations of, or guaranteed by, the United States of America, to certain highly rated obligations of the State of New York, to certain certificates of deposit and similar instruments issued by highly rated commercial banks, to certain highly rated corporate securities or commercial paper securities, to certain repurchase agreements with highly rated institutions, to certain investment agreements with highly rated institutions, to certain highly rated money market funds, and to certain highly rated municipal obligations. All accounts held by the Water Board are invested in accordance with the Water Board's investment guidelines, which restrict investments to obligations of, or guaranteed by, the United States of America and to certain repurchase agreements with highly rated institutions.

The System had the following restricted investments at June 30, 2025 and 2024 (in thousands):

	2025			2024		
	Water Board	Municipal Water Finance Authority	Total	Water Board	Municipal Water Finance Authority	Total
Restricted investments						
U.S. Agencies securities	$ -	$ 181,871	$ 181,871	$ -	$ -	$ -
U.S. Treasury securities	176,328	1,123,813	1,300,141	170,805	1,010,886	1,181,691
New York State instrumentalities	-	10,154	10,154	-	17,265	17,265
Money market funds	169,242	1,935,856	2,105,098	162,750	1,734,062	1,896,812
Forward purchase agreements	-	-	-	-	3,626	3,626
Total investments including cash equivalents	345,570	3,251,694	3,597,264	333,555	2,765,839	3,099,394
Less amounts reported as cash equivalents	(169,242)	(2,481,475)	(2,650,717)	(289,704)	(2,369,488)	(2,659,192)
Total restricted investments	$ 176,328	$ 770,219	$ 946,547	$ 43,851	$ 396,351	$ 440,202

Fair Value Hierarchy

The System 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The System has the following recurring fair value measurements as of June 30, 2025 and 2024:

- U.S. Agencies securities of $182 million and $0, respectively, are valued using a matrix-pricing model (Level 2 inputs).
- U.S. Treasury securities of $1.30 billion and $1.18 billion, respectively, are valued using a matrix-pricing model (Level 2 inputs).
- New York State instrumentalities of $10.2 million and $17.3 million, respectively, are valued using a matrix-pricing model (Level 2 inputs).
- Money Market Funds of $2.11 billion and $1.90 billion, respectively, are valued using a matrix-pricing model (Level 2 inputs).
- Forward Purchase Agreements of $0 and $3.6 million, respectively, are valued using the market approach, with observable inputs and using a matrix pricing technique (Level 2 inputs).

Credit Risk

Both the Water Board and the Authority have Board of Directors approved investment guidelines and policies in place designed to protect principal by limiting credit risk. This is accomplished through ratings, collateral, and diversification requirements that vary according to the type of investment. Investments held by the System at June 30, 2025 and 2024 may include obligations of, or guaranteed by, the United States of America, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Agriculture Mortgage Corporation, and the Federal Farm Credit Bank. Also, held by the Authority, are direct obligations of agencies or public authorities of the State of New York, which at the time of purchase were rated in one of the two highest rating categories. In addition, the Authority has entered into investment agreements and a guaranteed investment contract with financial

institutions whose long-term debt obligations, or whose obligations under such an investment agreement or guaranteed investment contract, are guaranteed by a financial institution whose senior long-term debt obligations were rated in one of the two highest rating categories for comparable types of obligations by each rating agency at the time such agreement or contract was entered into.

Interest Rate Risk

Changes in interest rates impact fair value of investments. Investments by the System are not expected to be liquidated prior to maturity and investment agreements are not expected to be terminated prior to their expiration dates, thereby limiting cash flow exposure from rising interest rates.

Segmented time distribution on investments and cash equivalents as of June 30, 2025 (in thousands):

Maturity Date	Fair Value Amount
Under 6 months	$ 3,406,023
Over 6 months to 1 year	183,782
Over 1 year to 3 years	-
Over 3 years and beyond	7,459
Total	$ 3,597,264

Segmented time distribution on investments and cash equivalents as of June 30, 2024 (in thousands):

Maturity Date	Fair Value Amount
Under 6 months	$ 3,076,618
Over 6 months to 1 year	8,582
Over 1 year to 3 years	2,586
Over 3 years and beyond	7,982
Over 3 years and beyond (Forward Purchase Agreement adj.) [1]	3,626
Total	$ 3,099,394

[1] Includes the fair value of $3.6 million related to Forward Purchase Agreements

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy limits the amount the System may invest in any particular issuer. As of June 30, 2025, the System had 41% of its restricted investments invested in Federally Guaranteed Securities and 59% in First American Government Obligation Money Market Fund.

Custodial Credit Risk

With respect to investments, custodial credit risk is the risk that, in the event of the failure of the custodian, the System may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities

are uninsured, are not registered in the name of their government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the government. None of the investments were registered in the System's name. The types and amounts of investments are listed in the table on page 35.

NOTE 5 - AGREEMENT

The Water Board is a party to an Agreement of Lease (the "Agreement") with the City, which transfers the water and sewer related property to the Water Board for the term of the Agreement. The Agreement term commenced on July 1, 1985, and continues until the later of the 40th anniversary of the commencement of the Agreement or the date on which all bonds, notes or other obligations of the Authority are paid in full or provision for such payment has been made pursuant to the applicable debt instrument. The Agreement provides for payments to the City to cover the following:

a. An amount sufficient to pay the cost of administration, maintenance, repair, and operation of the Agreement property, which includes overhead costs incurred by the City that are attributable to the Agreement property, net of the amount of any federal, the State, or other operating grants received by the City; and

b. An amount sufficient to reimburse the City for capital costs incurred by the City for the construction of capital improvements to the Agreement property that are not paid or reimbursed from any other source.

In addition to the payments described above, the Water Board pays rent to the City, if requested, each fiscal year in an amount not to exceed the greater of: (a) the principal and interest payable on general obligation bonds issued by the City for water and sewer purposes certified by the City to be paid within such fiscal year; or (b) 15% of principal and interest payable on the bonds of the Authority to be paid within such fiscal year. In fiscal year 2025, the City requested and the System paid $276 million. In fiscal year 2024, the City requested and the System paid $145 million.

A summary of operations and maintenance and rental expenses for the years ended June 30 is as follows (in thousands):

	2025	2024
Water supply, treatment, transmission and distribution	$ 669,372	$ 626,951
Sewer collection and treatment systems	848,337	810,179
The City agency support cost	70,278	69,979
Fringe benefits	286,688	317,274
Judgements and claims	18,025	11,970
Reversal of prior year payables	(7,454)	(28,527)
Operation and maintenance	1,885,246	1,807,826
Rental payments to the City	276,137	145,000
Total operations and maintenance expenses	$ 2,161,383	$ 1,952,826

NOTE 6 - PAYABLE TO AND RECEIVABLE FROM THE CITY

As of June 30, 2025 and 2024, all utility construction and other projects financed by the Authority debt and recorded by the System, which have not been reimbursed to the City, are recorded as a payable to the City. The Authority had a payable to the City of $657 million and $583 million as of June 30, 2025 and 2024, respectively, net of the amount of state or federal and other capital grants recognized by the City.

As of June 30, 2025 and 2024, the Water Board had a receivable from the City of $72.1 million and $74.0 million, respectively. The receivable from the City is a result of the difference between budget estimates and actual expenses for operations and maintenance and rental payment expenses.

NOTE 7 - OTHER OPERATING EXPENSES

A summary of other operating expenses for the years ended June 30 is as follows (in thousands):

	2025	2024
Pollution remediation	$ 25,921	$ 23,547
Payments for watershed improvements	36,141	20,692
Program expense	88,383	81,089
Total other operating expenses	$ 150,445	$ 125,328

The City's DEP manages both the System's operations and its capital program, and it also manages other projects with long-term benefits to the System, which do not result in capital assets of the System and that are paid for using the Authority's bond proceeds. Such long-term benefit projects include payment for environmental protection, related improvement in the watershed areas, and pollution remediation projects throughout the System. The System has estimated these amounts based on the current value of outlays expected to be incurred for pollution remediation, which it is currently obligated to perform. Actual future outlays will differ from the estimated amounts if the prices or techniques for remediation measures change or differ from the estimates.

The System offers its residential customers the option to enroll into a protection program on their water and sewer lines against any breakage for a monthly fee. The fee is included in the participating customer utility bill. This protection program is offered by American Water Resources.

The System also operates two core assistance programs available to eligible customers, the Home Water Assistance Program and the Multi-Family Water Assistance Program. Both programs were offered to customers in fiscal year 2024 and fiscal year 2025. In addition, from time to time the Board also offers one-time customer programs.

NOTE 8 - LONG-TERM LIABILITIES

Debt Program Description

The Authority issues debt to finance the capital needs of the System. The Authority's debt is issued under two bond resolutions, the Water and Sewer System General Revenue Bond Resolution (the "First Resolution") and the Water and Sewer System Second General Revenue Bond Resolution ("the Second Resolution," each a "Resolution"). Bonds and notes issued by the Authority are special obligations of the Authority payable solely from and secured by a pledge of and lien on the gross revenues of the System, subject to the priorities set forth in each Resolution, and from money and securities in any of the funds and

accounts defined and established under each Resolution, other than the arbitrage rebate fund, subject to the priorities set forth in each Resolution. The Water Board is obligated to set rates and collect revenues sufficient to fund principal and interest requirements, as well as to meet certain debt service coverage and operating cost funding requirements. Each Resolution specifies certain events of default, such as failure to pay debt service, the Authority's filing or otherwise seeking relief in bankruptcy court, failure to comply with the certain provisions of each respective Resolution and certain other governing documents, that under certain conditions could, upon the written request of the holders of not less than a majority in principal amount of the bonds outstanding under each Resolution, result in acceleration of debt service payments.

The debt program of the Authority includes commercial paper notes and long-term debt, as well as bond anticipation notes ("BANs") and interest-subsidized bonds issued to the New York State Environmental Facilities Corporation ("EFC"). In fiscal years 2025 and 2024, the Authority exclusively relied on proceeds from BANs and long-term bond issuances to reimburse the City for the System's capital expenditures. The Authority issues long-term debt to retire commercial paper notes and BANs. The Authority also periodically issues refunding bonds to refinance higher-coupon debt and defeases bonds using current revenues.

The Authority is currently authorized to have outstanding up to $600 million of commercial paper notes. As of June 30, 2025 and 2024, none were outstanding. As of June 30, 2025 and 2024, there was $242 million and $11.0 million of BANs outstanding, respectively. As of June 30, 2025 and 2024, the BANs principal balance of $632 million and $172 million, respectively, was available for future draw down.

Changes in Long-Term Liabilities

In fiscal years 2025 and 2024, the long-term debt was as follows (in thousands):

Bonds/BANs Payable	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025	Due Within One Year
First Resolution Bonds	$ 405,741	$ -	$ (215,430)	$ 190,311	$ -
Second Resolution Bonds Issued to the Public	25,836,653	3,271,165	(1,775,030)	27,332,788	270,555
Second Resolution Bonds Issued to EFC	5,971,683	-	(584,839)	5,386,843	224,665
Second Resolution Notes Issued to EFC	10,949	231,306	-	242,255	125,969
Second Resolution Bonds-Direct Placement	350,000	-	-	350,000	-
Total before premium and discounts	32,575,026	3,502,471	(2,575,299)	33,502,198	621,189
Premium (discounts) – net	2,724,741	-	-	2,656,399	-
Total debt	$35,299,767	$ 3,502,471	$(2,575,299)	$36,158,597	$ 621,189

Bonds/BANs Payable	Balance at June 30, 2023	Additions	Deletions	Balance at June 30, 2024	Due Within One Year
First Resolution Bonds	$ 455,741	$ -	$ (50,000)	$ 405,741	$ -
Second Resolution Bonds Issued to the Public	25,059,953	2,845,060	(2,068,360)	25,836,653	231,305
Second Resolution Bonds Issued to EFC	6,057,044	759,946	(845,307)	5,971,683	292,364
Second Resolution Notes Issued to EFC	179,857	331,423	(500,331)	10,949	10,948
Second Resolution Bonds-Direct Placement	500,000	-	(150,000)	350,000	-
Total before premium and discounts	32,252,595	3,936,429	(3,613,998)	32,575,026	534,617
Premium (discounts) – net	2,614,187	-	-	2,724,741	-
Total debt	$34,866,782	$ 3,936,429	$(3,613,998)	$35,299,767	$ 534,617

Debt Program Administration

In fiscal year 2025, the Authority issued $1.87 billion of new money bonds to the public. The Authority used new money bond proceeds to finance capital improvements to the System and to pay for bond issuance costs. In addition, in fiscal year 2025, the Authority drew down $231 million of BANs proceeds and applied them to finance capital improvements to the System.

During fiscal year 2025, as further detailed in the bullets below, the Authority issued $1.40 billion of bonds to refund $1.52 billion of outstanding bonds. These refunding transactions resulted in a cumulative accounting gain of $102 million. The Authority reduced its aggregate debt service for principal and interest by $145 million and obtained an economic benefit (present value savings) of $96 million.

The following details the Authority's financing activity in fiscal year 2025:

On October 2, 2024, NYW issued $887 million of tax-exempt fixed rate Second Resolution bonds, Fiscal 2025 Series AA. $700 million of proceeds from the sale funded capital projects of the System. The bonds also funded a tender and refunding of the following Second Resolution fixed rate bonds: $42 million of Fiscal 2016 Subseries BB 1, $1.4 million of Fiscal 2017 Series EE, $550 thousand of Fiscal 2018 Series AA, $25 thousand of Fiscal 2018 Series BB2, $295 thousand of Fiscal 2018 Series CC1, $10 thousand of Fiscal 2019 Series FF2, $50 thousand of Fiscal 2021 Series BB1, and $5 thousand of Fiscal 2022 Series BB. In addition, the bonds also refunded the following Second Resolution refundable principal installments: $75 million of Fiscal 2020 Series BB2, $35 million of Fiscal 2020 Series GG2, and $50 million of Fiscal 2022 Series CC2. The Bonds have a final maturity of 2054.

On March 6, 2025, NYW issued $950 million of fixed rate Second Resolution bonds, Fiscal 2025 Series BB fixed rate tax exempt bonds to the public. The proceeds of the bonds were used to fund capital projects of the system. The bonds have a final maturity of 2055.

On April 10, 2025, NYW issued $560 million tax exempt, fixed rate refunding bonds Fiscal 2025 Series CC. The bonds refunded: $116 million of Fiscal 2015 Series FF, $72.9 million of Fiscal 2015 Series GG, $273 million of Fiscal 2015 Series HH, and $143 million of Fiscal 2016 Series BB1 Second Resolution fixed rate bonds. The bonds have a final maturity of 2046.

On May 13, 2025, NYW issued $650 million tax exempt, fixed rate refunding bonds Fiscal 2025 Series DD. The bonds refunded: $108 million of Fiscal 2000 Series C and $102 million of Fiscal 2003 Series F2 First Resolution variable rate bonds. The bonds also refunded: $183 million of Fiscal 2015 Series FF, $235 million of Fiscal 2015 Series GG, and $82 million of Fiscal 2015 Series HH Second Resolution fixed rate bonds. The bonds have a final maturity of 2039.

On May 13, 2025, NYW also issued $225 million tax exempt, variable rate new money bonds Fiscal 2025 Series EE. Proceeds of the bonds were used to fund capital projects of the system. The bonds have a final maturity of 2055.

To provide new money funding, over the course of the fiscal year, NYW drew $231 million on BANs issued to EFC. From time to time the Authority defeases some of its bonds by placing proceeds of refunding bonds or current revenue in irrevocable escrow accounts to provide for all future debt service payments on the defeased bonds. The escrow account assets and the liability for the defeased bonds are not included in the System's combining financial statements. As of June 30, 2025 and 2024, $241 million and $256 million, of the Authority's defeased bonds, respectively, were still outstanding.

Index Rate Bonds

As of both June 30, 2025 and 2024, the Authority had outstanding $350 million of index rate bonds, which were purchased by banks through direct placement. The index rate bonds are adjustable rate bonds that pay interest based on a specified market index. The terms of the index rate bonds provide for a 9% rate of interest, commencing on an identified step-up date, if such bonds are not converted or refunded prior to such date. Interest rates on the Authority's index rate bonds cannot exceed 9%. In fiscal years 2025 and 2024, interest rates on the Authority's index rate bonds averaged 3.52% and 4.12%, respectively.

Adjustable Rate Demand Bonds

As of June 30, 2025 and 2024, the Authority had $3.88 billion and $3.86 billion of adjustable rate demand bonds ("VRDBs") outstanding, respectively. VRDBs may be tendered at the option of their holders prior to their maturity. VRDBs are remarketed by remarketing agents on a daily or weekly basis. Interest rates determined by such remarketing agents for such periods represent the lowest rate of interest that would cause the VRDBs to have a market value equal to par. VRDBs interest rates cannot exceed 9%. In fiscal years 2025 and 2024, interest rates on the Authority's variable rate demand bonds averaged 2.86% and 3.36%, respectively.

The VRDBs are backed by either a Standby Bond Purchase Agreement ("SBPA") or a Letter of Credit ("LOC"), providing for the purchase of the VRDBs by a bank in the event they cannot be remarketed. In such case, the interest rate on the VRDBs would typically increase and would be determined by reference to specified index rates plus a spread (in some cases, with a minimum rate), up to a maximum rate of 25%. No VRDBs were held by such banks during the fiscal years ended June 30, 2025 and 2024. SBPAs and LOCs may be terminated by the respective banks upon the occurrence of specified events of default. None of the SBPAs or LOCs supporting adjustable rate demand bonds provides for acceleration. However, in connection with such LOCs, the Authority has agreed that, following a specified period of time in which the LOC bank holds unremarketed VRDBs, the Authority will exchange such VRDBs for refunding bonds maturing within five years and providing for amortization during such period.

The Authority had the following adjustable variable rate demand bonds outstanding as of June 30, 2025:

Series	Outstanding Principal Amount	SBPA or LOC Provider	Expiration or Optional Termination by Provider
2021 EE-2	$ 225,500,000	State Street Bank and Trust Company	3/6/26
2009 BB-1	100,435,000	UBS AG, Stamford Branch	5/4/26
2009 BB-2	100,435,000	UBS AG, Stamford Branch	5/4/26
2011 FF-2	100,000,000	JPMorgan Chase Bank, N.A.	5/27/26
2015 BB-4	100,000,000	Barclays Bank PLC	6/17/26
2007 CC-1	160,500,000	Sumitomo Mitsui Banking Corporation	9/14/26
2017 BB-3	39,500,000	Sumitomo Mitsui Banking Corporation	9/14/26
2014 AA-1	125,000,000	JPMorgan Chase Bank, N.A.	9/17/26
2014 AA-2	125,000,000	JPMorgan Chase Bank, N.A.	9/17/26
2017 BB-1A	100,000,000	State Street Bank and Trust Company	10/5/26
2017 BB-1B	100,000,000	State Street Bank and Trust Company	10/5/26
2016 AA-1	100,000,000	Bank of America, N.A.	10/27/26
2011 DD-2	75,000,000	JP Morgan Chase Bank, N.A.	11/12/26
2007 CC-2	50,000,000	State Street Bank and Trust Company	1/20/27
2014 AA-4	100,000,000	State Street Bank and Trust Company	1/20/27
2017 BB-2	50,000,000	State Street Bank and Trust Company	1/20/27
2011 FF-1	100,000,000	Bank of America, N.A.	3/15/27
2019 BB	100,000,000	TD Bank, N.A.	4/27/27
2011 DD-3A	50,000,000	US Bank, N.A.	9/30/27
2011 DD-3B	50,000,000	State Street Bank and Trust Company	9/30/27
2013 AA-1	50,000,000	PNC Bank, N.A.	10/1/27
2016 AA-2	100,000,000	PNC Bank, N.A.	10/25/27
2010 CC	200,000,000	State Street Bank and Trust Company	1/19/28
2023 CC	200,000,000	Barclays Bank PLC	2/16/28
2013 AA-2	150,000,000	Barclays Bank PLC	3/2/28
2011 DD-1	100,000,000	TD Bank, N.A.	4/21/28
2014 AA-3	100,000,000	TD Bank, N.A.	4/21/28
2025 EE-2	125,000,000	The Bank of New York Mellon	5/12/28
2015 BB-2	100,000,000	Mizuho Bank, Ltd	6/13/28
2015 BB-3	100,000,000	Sumitomo Mitsui Banking Corporation	7/7/28
2014 AA-5	100,435,000	Mizuho Bank, Ltd	8/18/28
2014 AA-6	100,435,000	Mizuho Bank, Ltd	8/18/28
2021 EE-1	100,000,000	US Bank, N.A.	8/21/28
2023 BB-1	100,000,000	Mizuho Bank, Ltd	12/15/28
2023 BB-2	100,000,000	Mizuho Bank, Ltd	12/15/28
2015 BB-1	100,000,000	Bank of America, N.A.	7/6/29
2025 EE-1	100,000,000	TD Bank, N.A.	5/10/30
	$ 3,877,240,000		

The Authority had the following adjustable variable rate demand bonds outstanding as of June 30, 2024:

Series	Outstanding Principal Amount	SBPA or LOC Provider	Expiration or Optional Termination by Provider
2013 AA-1	$ 50,000,000	PNC Bank, N.A.	10/2/24
2003 F-2	101,655,000	Citibank, N.A.	10/25/24
2016 AA-2	100,000,000	PNC Bank, N.A.	10/25/24
2000-C	107,500,000	Sumitomo Mitsui Banking Corporation	5/2/25
2015 BB-2	100,000,000	Mizuho Bank, Ltd	6/13/25
2015 BB-1	100,000,000	Bank of America, N.A.	7/9/25
2014 AA-5	100,435,000	Mizuho Bank, Ltd	8/19/25
2014 AA-6	100,435,000	Mizuho Bank, Ltd	8/19/25
2023 BB-1	100,000,000	Mizuho Bank, Ltd	12/15/25
2023 BB-2	100,000,000	Mizuho Bank, Ltd	12/15/25
2021 EE-2	225,500,000	State Street Bank and Trust Company	3/6/26
2009 BB-1	100,435,000	UBS AG, Stamford Branch	5/4/26
2009 BB-2	100,435,000	UBS AG, Stamford Branch	5/4/26
2011 FF-2	100,000,000	JPMorgan Chase Bank, N.A.	5/27/26
2015 BB-4	100,000,000	Barclays Bank PLC	6/17/26
2007 CC-1	160,500,000	Sumitomo Mitsui Banking Corporation	9/14/26
2017 BB-3	39,500,000	Sumitomo Mitsui Banking Corporation	9/14/26
2014 AA-1	125,000,000	JPMorgan Chase Bank, N.A.	9/17/26
2014 AA-2	125,000,000	JPMorgan Chase Bank, N.A.	9/17/26
2017 BB-1A	100,000,000	State Street Bank and Trust Company	10/5/26
2017 BB-1B	100,000,000	State Street Bank and Trust Company	10/5/26
2016 AA-1	100,000,000	Bank of America, N.A.	10/27/26
2011 DD-2	75,000,000	JPMorgan Chase Bank, N.A.	11/12/26
2007 CC-2	50,000,000	State Street Bank and Trust Company	1/20/27
2014 AA-4	100,000,000	State Street Bank and Trust Company	1/20/27
2017 BB-2	50,000,000	State Street Bank and Trust Company	1/20/27
2011 FF-1	100,000,000	Bank of America, N.A.	3/15/27
2019 BB	100,000,000	TD Bank, N.A.	4/27/27
2011 DD-3A	50,000,000	US Bank, N.A.	9/30/27
2011 DD-3B	50,000,000	State Street Bank and Trust Company	9/30/27
2010 CC	200,000,000	State Street Bank and Trust Company	1/19/28
2023 CC	200,000,000	Barclays Bank PLC	2/16/28
2013 AA-2	150,000,000	Barclays Bank PLC	3/2/28
2011 DD-1	100,000,000	TD Bank, N.A.	4/21/28
2014 AA-3	100,000,000	TD Bank, N.A.	4/21/28
2015 BB-3	100,000,000	Sumitomo Mitsui Banking Corporation	7/7/28
2021 EE-1	100,000,000	US Bank, N.A.	8/21/28
	$ 3,861,395,000		

Adjustable Rate Remarketed Securities℠

As of both June 30, 2025 and 2024, the Authority had outstanding $100 million of Adjustable Rate Remarketed Securities℠. The Authority's Adjustable Rate Remarketed Securities℠ are adjustable rate bonds not supported by a credit or liquidity facility. Upon any failure to remarket tendered Adjustable Rate Remarketed Securities℠, such Adjustable Rate Remarketed Securities℠, if not purchased by the Authority, will continue to be held by the tendering holders, and all of the Adjustable Rate Remarketed Securities℠ of the applicable series will bear interest at an increased rate of interest of 12%. In fiscal years

2025 and 2024, interest rates on the Authority's Adjustable Rate Remarketed Securities[SM] averaged 2.86% and 3.71%, respectively.

Debt service requirements to maturity, including amounts relating to BANs with maturities greater than one year at June 30, 2025 are as follows:

	Bonds		Bonds and Notes from Direct Borrowings and Direct Placements		
Year Ending June 30,	Principal	Interest[1]	Principal	Interest[1]	Total
2026	$ 270,555,000	$ 1,235,635,377	$ 466,918,787	$ 238,160,778	$ 2,211,269,942
2027	489,510,000	1,222,636,227	214,400,833	226,801,802	2,153,348,862
2028	475,370,000	1,199,030,508	200,648,333	216,164,414	2,091,213,255
2029	411,970,000	1,175,539,708	199,417,500	206,214,449	1,993,141,657
2030	404,490,000	1,155,287,958	215,468,333	196,418,488	1,971,664,779
2031-2035	3,128,950,000	5,414,261,529	1,337,205,000	813,474,412	10,693,890,941
2036-2040	4,293,270,000	4,566,696,280	1,073,865,000	567,241,695	10,501,072,975
2041-2045	6,520,345,000	3,327,585,246	1,073,871,000	363,712,915	11,285,514,161
2046-2050	7,757,025,000	1,775,770,574	723,698,000	164,926,638	10,421,420,212
2051-2055	3,771,615,000	493,066,411	473,605,193	24,943,847	4,763,230,451
Total	$27,523,100,000	$21,565,509,818	$ 5,979,097,979	$ 3,018,059,438	$58,085,767,235

[1]Projected interest expense for adjustable rate demand bonds and adjustable rate remarketed securities for fiscal year 2026 and thereafter is calculated using weighted-average interest rate as of June 30, 2025 of 2.860%. Projected interest expense for direct placement index rate bonds for fiscal year 2026 and thereafter is calculated using weighted-average interest rate as of June 30, 2025 of 3.523%. Interest rates on adjustable rate bonds are determined on a daily or weekly basis in accordance with the terms of such bonds.

Asset Retirement Obligations ("ARO")

Existing laws and regulations require the System to take specific action when retiring chemical and petroleum storage tanks. The System has 440 above and underground tanks with a capacity ranging from 10 to 100,000 gallons. The New York State Department of Conservation Under Title 6 of the New York Codes, Rules and Regulations requires that the System take specific steps to permanently take out the service including the removal, transportation and disposal of liquid, sludge, hazardous waste, piping and the tanks themselves; and to take remedial actions on the area surrounding the tanks. Based on contract estimates and invoice for similar projects, the System's ARO for storage tanks was $15.7 million and $15.5 million as of June 30, 2025 and 2024, respectively, with tanks having a remaining useful life ranging from zero to 39 years.

DEP has entered into office space lease agreements requiring the removal of affixed furnishings including condensed filing systems, HVAC units, and distributions systems and the restoration of premises to original condition existing prior to installation of fixtures for which the System is responsible for paying. Based on engineer and architectural estimates, the ARO for leases was $3.0 million and $2.9 million as of June 30, 2025 and 2024, respectively. The remaining lease terms range from two to three years.

Commitments and Contingencies

Construction

The System had contractual commitments of approximately $9.03 billion and $7.71 billion at June 30, 2025 and 2024, respectively, for water and sewer projects.

Risk Financing Activities

The System is self-insured and carries no commercial or insurance policies other than directors and officer's insurance for the Authority. Any claims made against the System are resolved through the City's legal support, and the amounts of the maximum liability for such judgments are described in the claims and litigation section below. The System is subject to claims for construction delays, property damage, personal injury, and judgments related to delays in construction deadlines under consent agreements.

Claims and Litigation

In accordance with the Agreement, the Water Board is required to reimburse the City for any judgment or settlement paid by the City arising out of a tort claim to the extent that the City's liability is related to capital improvements and the operation or maintenance of the System. However, in no event shall the payment made to the City, in any fiscal year, exceed an amount equal to 5% of the aggregate revenues shown on the prior year's audited combining financial statements of the System. In addition, the System is required to reimburse the City, to the extent requested by the City, for the payment of any judgment or settlement arising out of a contract claim with respect to the construction of capital improvements of the System. In addition, the City has agreed, subject to certain conditions, to indemnify the Authority, the Water Board, and their staffs against any and all liability in connection with any act done or omitted in the exercise of their powers, which is taken or omitted in good faith in pursuance of their purposes under the Act. Currently, the City is a defendant in a significant number of lawsuits pertaining to the System. The litigation includes, but is not limited to, actions commenced and claims asserted against the City arising out of alleged torts, alleged breaches of contract, condemnation proceedings, and other alleged violations of law. As of June 30, 2025, the potential future liability attributable to the System for claims outstanding against the City was estimated to be $128 million. This amount is included in the estimated liability for unsettled claims, which is reported in the City's statement of net position (deficit). The potential future liability is the City's best estimate based on available information. The estimate may be revised as further information is obtained and as pending cases are litigated.

Arbitrage Rebate

To maintain the exemption from federal income tax of interest on bonds issued subsequent to January 1, 1986, the System will fund amounts required to be rebated to the Federal Government pursuant to Section 148 of the Internal Revenue Code ("IRC") of 1986, as amended (the "Code"). The Code requires the payment to the United States Treasury of the excess amount earned on all non-purpose obligations over the amount that would have been earned if the gross proceeds of the issue were invested at a rate equal to the yield on the issue, together with any earnings attributable to such excess. Construction funds, debt service funds, or any other funds or accounts funded with proceeds of such bonds, including earnings, or pledged to or expected to be used to pay interest on such bonds are subject to this requirement. Payment is to be made after the end of the fifth bond year and after every fifth bond year thereafter and within 60 days after retirement of the bonds. During fiscal years 2025 and 2024, the System paid $3.8 million and $428 thousand, respectively, in arbitrage rebates. At June 30, 2025 and 2024, the Authority had a liability of $3.2 million and $1.0 million, respectively. These amounts are included in accounts payable in the combining statements of net position (deficit).

NOTE 9 - RESTRICTED ASSETS

As of June 30, 2025 and 2024, certain cash, investments, and accrued interest of the System were restricted as follows (in thousands):

	2025	2024
The Water Board		
Operation and maintenance reserve fund	$ 345,571	$ 333,555
Local water fund	30,843	14,118
WB Expense Fund	10	10
Subtotal - The Water Board	376,424	347,683
The Authority		
Revenue fund	2,021,829	1,830,490
Debt service reserve fund	145,290	172,110
Construction fund	1,084,897	763,233
Arbitrage rebate fund	10	10
Subtotal - The Authority	3,252,029	2,765,843
Total restricted assets	$ 3,628,453	$ 3,113,526

The operation and maintenance reserve fund is established as a depository to hold a reserve as required by the First Resolution. As of June 30 of each year, the reserve fund is required to hold one-sixth of the operating expenses as set forth in the following year's annual budget. It is funded through the cash receipts of the Water Board.

The local water fund is established as the account to which all revenues are deposited. Its assets are subject to the payment priority set forth in the Resolutions.

The revenue fund is established as a depository to fund the debt service, the Authority's expenses, debt service reserve, and escrow accounts. It is funded through cash transfers from the Water Board.

The debt service reserve fund is established as a depository to hold the First Resolution bond maximum annual debt service requirement for the next or any future fiscal year. It is funded through revenue bond proceeds and the revenue fund.

The debt service fund is established as a depository to pay all principal and interest payments on the Authority's debt for the current fiscal year. It is funded through the revenue fund. On or prior to June 30, the balances in the debt service fund are transferred to the revenue fund.

The construction fund is established as a depository to pay all capital construction costs incurred by the City and reimbursed by the Authority. It is funded through the proceeds of commercial paper, bond, and note sales.

NOTE 10 - PENSION PLANS

General Information About the Pension Plan

Plan Description – The Authority's eligible employees are provided with pension benefits through the New York City Employee Retirement System ("NYCERS") Qualified Pension Plan ("QPP" or "Pension Plan"). The Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan administered by NYCERS.

The Pension Plan functions in accordance with existing State statutes and City laws that are the basis by which benefit terms and the Authority's and its members' contribution requirements are established and amended. NYCERS issues a publicly available financial report that can be obtained from NYCERS management at 335 Adams Street, Brooklyn, New York 11201 or at www.nycers.org.

Benefits Provided – The Pension Plan provides pension benefits to retired employees generally based on the salary, length of service, and membership tier ("Tier"). For certain members, voluntary member contributions also impact pension benefits provided. In addition, the Pension Plan provides automatic cost-of-living-adjustments and other supplemental pension benefits to certain retirees and beneficiaries. Subject to certain conditions, members become fully vested as to benefits upon the completion of five years of service. Upon termination of employment before retirement, certain members are entitled to refunds of their own contributions, including accumulated interest, less any outstanding loan balances. In the event of disability during employment, participants may receive retirement allowances based on satisfaction of certain service requirements and other provisions. The Pension Plan also provides death benefits.

The State Constitution provides that pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, 1976, 1983, and 2012, significant amendments made to the State Retirement and Social Security Law modified certain benefits for employees joining the Pension Plan on or after the effective date of such amendments, creating membership tiers. Currently, there are several Tiers, referred to as Tier I, Tier II, Tier III, Tier IV, and Tier VI. Members are assigned a Tier based on membership date. Chapter 18 of the Laws of 2012 (Chapter 18/12) amended the retirement benefits of public employees who establish membership in the Pension Plan on or after April 1, 2012. Chapter 18/12 is commonly referred to as Tier VI. Tier VI is expected to reduce future employer pension contributions.

Certain members of Tier I and Tier II of the NYCERS QPP have the right to make voluntary excess contributions, which are supplemental voluntary contributions. Members can elect to direct these contributions to an investment program under which such accumulated contributions are credited with interest at rates set by statute. The Authority does not have any Tier I, Tier II, or Tier III members.

Contributions and Funding Policy – Contribution requirements of participating employers and active members are determined in accordance with State statutes and City laws and are generally funded within the appropriate fiscal year. Employer contributions are actuarially determined under the One-Year Lag Methodology ("OYLM"). Under the OYLM, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example, the June 30, 2023 actuarial valuation was used for determining the fiscal year 2025 employer contributions.

Employer contributions are determined annually to be an amount that, together with member contributions and investment income, provides for the Pension Plan assets to be sufficient to pay benefits when due. The aggregate statutory contribution due to NYCERS QPP from all participating employers for fiscal years 2025 and 2024 was $3.95 billion and $3.57 billion, respectively, and the amount of the Authority's contribution to the Pension Plan for such fiscal years 2025 and 2024 was $158 thousand and $128 thousand, respectively.

In general, Tier III and Tier IV members make basic contributions of 3.0% of salary regardless of age at membership. Effective October 1, 2000, in accordance with Chapter 126 of the Laws of 2000, Tier III and Tier IV members are not required to make any contributions after the 10th anniversary of their membership date or completion of 10 years of credited service, whichever is earlier. Tier VI members who joined between April 1, 2012 and March 31, 2013 contribute 3% of salary. Beginning April 1, 2013, when Tier VI took effect, joining members contribute between 3.0% and 6.0% of salary, depending on their salary level.

Information on the Employer's Proportionate Share of the Collective Net Pension Liability

The Authority's net pension liabilities reported as of June 30, 2025 and 2024 were measured as of those fiscal year-end dates. The total pension liability used to calculate those net pension liabilities were determined by actuarial valuations as of June 30, 2024 and 2023 and rolled forward to the measurement dates of June 30, 2025 and 2024.

Information about the Authority net position and additions to and deductions from NYCERS QPP fiduciary net position has been determined on the same basis as that reported by NYCERS QPP. For this purpose, benefits and refunds are recognized when due and payable in accordance with the terms of the respective qualified pension plan, and investments are reported at fair value.

Actuarial Assumptions

Measurement of the total pension liability, on which the net pension liability is based, requires the use of assumptions about numerous future events that affect the benefit payments that will be made to employees in retirement. The following table provides a brief description of the significant assumptions used in the June 30, 2024 actuarial valuation to determine the fiscal year 2025 total pension liability:

Item	Assumption
Valuation Date	June 30, 2024 (Lag)
Assumed Rate of Return on Investment	7.0% per annum, net of investment expenses
Post-Retirement Mortality	Tables adopted by the Board of Trustees during fiscal year 2019. Applies mortality improvement scale MP-2020 published by the Society of Actuaries
Active Service: Withdrawal, Death, Disability, and Retirement	Tables adopted by the Board of Trustees during fiscal year 2019. Applies mortality improvement scale MP-2020 published by the Society of Actuaries to active ordinary death mortality rates and pre-commencement mortality rates for deferred vesteds
Salary Increases	Tables adopted by the Board of Trustees during fiscal year 2019. In general, Merit and Promotion Increases plus assumed General Wage increases of 3.0% per year
Inflation	Consumer Price Index (CPI) of 2.5% per year
Assumed Cost-of Living Adjustments	AutoCOLA - 1.5% per year; Escalation - 2.5% per year
Estimates of Certain Obligations	World Trade Center benefits and anticipated increases to pensioner benefits attributable to wage contract settlements

In accordance with the Administrative Code of the City of New York and with appropriate practice, the NYCERS Board of Trustees of the actuarially-funded Pension Plan is to periodically review and adopt certain actuarial assumptions as proposed by the Chief Actuary of the New York City Retirement Systems (the “Actuary”) for use in the determination of Employer Contributions, which are also generally used to determine the total pension liability, as applicable.

Expected Rate of Return

The long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the Pension Plan investment expense 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 real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Asset Allocation	Long-Term Expected Real Rate of Return
Asset class		
U.S. public market equities	23.5%	6.7%
Developed public market equities	11.6	7.1
Emerging public market equities	4.9	8.3
Fixed income	31.0	3.0
Private equities	10.0	11.2
Private real estate	8.0	7.0
Infrastructure	4.5	6.3
Opportunistic fixed income	6.5	8.3
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability of the Pension Plan as of June 30, 2025 and 2024, was 7.0% per annum. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to the current Tier for each member and that employer contributions will be made based on rates determined by the Actuary. Based on those assumptions, the Pension Plan fiduciary net position is projected to be available to make all projected future benefit payments of current active and non-active members. Therefore, the long-term expected rate of return on the pension fund investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability using the discount rate of 7.0% for fiscal years 2025 and 2024, 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 one-percentage point lower (6.0%) or one-percentage point higher (8.0%) than the current rate:

June 30, 2025			June 30, 2024		
1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
$ 1,002,454	$ 529,241	$ 130,288	$ 998,287	$ 587,898	$ 241,239

Pension Liability

At June 30, 2025 and 2024, the Authority reported a liability of $0.5 million and $0.6 million, respectively, for its proportionate share of the net pension liability. The Authority's portion of the net pension liability was based on projection of the Authority's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating City governments and their component units, actuarially determined. At both June 30, 2025 and 2024, the Authority's proportion was 0.004%.

Pension Expense

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense of $158 thousand and $161 thousand, respectively.

Deferred Outflows and Inflows of Resources

At June 30, 2025 and 2024, the Authority reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2025		Fiscal Year 2024	
	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ 1,043	$ 82,526	$ 1,836	$ 82,870
Changes of assumptions	2,660	-	5,226	-
Net difference between projected and actual earnings on pension plan investments	45,816	-	-	7,667
Changes in proportion and difference between the Authority's contributions and proportionate share of contributions	(22,280)	(7,903)	(29,715)	(6,299)
Total	$ 27,239	$ 74,623	$ (22,653)	$ 84,238

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2025 will be recognized in pension expense as follows:

Fiscal Year Ended June 30	Fiscal Year 2025	Fiscal Year 2024
2025	$ -	$ 54,408
2026	154,523	150,301
2027	(51,532)	(45,368)
2028	(49,590)	(43,454)
2029	(14,293)	(8,995)
2030	8,277	-

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority's Other Postemployment Benefits Plan ("OPEB Plan") is a single-employer defined benefit plan administered by the New York City Office of Labor Relations. The plan provides certain health and related benefits to eligible retirees and their beneficiaries/dependents of the New York City Municipal Water

Finance Authority in accordance with GASB Statement No. 75 ("GASB 75") *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The OPEB Plan consists of three programs: (1) the New York City Health Benefits Program; (2) Welfare Fund Program; and (3) Medicare Part B Program. The Authority's policy is to follow the eligibility criteria applicable to retirees of the City and to provide benefits substantially the same as those provided to the City retirees and eligible beneficiaries/dependents.

The following presents a summary of the Authority's census data used in the June 30, 2025 and 2024 OPEB actuarial valuations:

Group	2025	2024
Active	9	9
Inactive plan members entitled to but not yet receiving benefits	2	3
Inactive plan members or beneficiaries currently receiving benefits	7	7
Total	18	19

Funding Policy

The Authority is not required to provide funding for the OPEB Plan, other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the years ended June 30, 2025 and 2024, the Authority had seven retirees and made contributions of $115 thousand and $108 thousand, respectively. Members are not required to contribute; although, retirees may elect basic health insurance programs and/or optional coverage that requires contributions. Plan retiree participants who opt for other basic or enhanced coverage must contribute 100% of the incremental costs above the premiums for the benchmark plan. The OPEB Plan also reimburses covered retirees and eligible spouse 100% of the Medicare Part B premium rate applicable to a given year, and there is no retiree contribution to the welfare fund (the "Welfare Fund") that covers retirees for various health care benefits not provided through the basic coverage.

Annual OPEB Cost and Total OPEB Liability

The Authority's annual OPEB cost is calculated based on the annual expense ("Expense"), an amount that was actuarially determined in accordance with GASB 75. Actuarial valuations involve estimates and assumptions about the probability of events far into the future. The entry age actuarial cost method was used in the actuarial valuation prepared as of June 30, 2023 for the fiscal year ended June 30, 2024, which was the basis for the fiscal year 2024 Expense calculation. Under this method, as used in this OPEB Plan valuation, the actuarial present value ("APV") of benefits ("APVB") of each individual included in the actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The employer portion of this APVB allocated to the valuation year is the employer normal cost. The portion of this APVB that is not provided for on the valuation date by the APV of future employer normal cost or future member contributions is the total OPEB Plan liability. The excess of the total OPEB Plan liability over the plan fiduciary net position, which represents the assets of the plan, is the total OPEB Plan liability.

All changes in the total OPEB Plan liability as of June 30, 2025 and 2024 are being amortized over the future working lifetime of all plan participants for purposes of calculating the expense except for the amount of change in plan assets, which would be amortized over a five-year period using level-dollar amortization. This plan, however, is not assumed to have any assets.

Total OPEB Liability

The Authority's total OPEB Plan liabilities of $2.5 million and $3.1 million were measured as of June 30, 2025 and 2024, respectively, and were determined by actuarial valuations as of those dates.

The following table shows changes in the Authority's total OPEB Plan liability for fiscal years 2025 and 2024:

Components	2025	2024
Total OPEB liability - beginning of the year	$ 3,096,942	$ 2,024,102
Service cost	71,757	68,554
Interest	131,007	84,212
Difference between expected and actual experience	(515,301)	1,043,358
Changes in assumptions or other inputs	(191,013)	(14,958)
Actual benefit payments	(114,966)	(108,326)
Net changes	(618,516)	1,072,840
Total OPEB liability - end of the year	$ 2,478,426	$ 3,096,942
Current portion of total OPEB Liability	$ 105,176	$ 108,326
Long-term portion of total OPEB Liability	$ 2,373,250	$ 2,988,616

The Authority's annual OPEB Plan expense for fiscal years 2025 and 2024 was as follows:

Components	2025	2024
Service cost	$ 71,757	$ 68,554
Interest on the total OPEB Plan liability	131,007	84,212
Changes in assumptions or other inputs	160,608	233,970
Difference between expected and actual experience	(158,717)	(131,273)
Total OPEB plan expense	$ 204,655	$ 255,463

Funded Status and Funding Progress

As of June 30, 2025, the most recent actuarial measurement date, the cost was 0% funded. The total OPEB Plan liability for benefits was $2.5 million, and the plan fiduciary net position was $0, resulting in a total OPEB Plan liability of $2.5 million. The covered employee payroll (annual payroll of active employees covered by the OPEB Plan) was $1.4 million, and the ratio of the total OPEB Plan liability to the covered employee payroll was 183.4%.

Actuarial Methods Assumptions and Other Inputs

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future employment, demographic, salary increase, mortality, and the healthcare cost trend. The actuarial assumptions used in the fiscal year 2025 and the fiscal year 2024 OPEB Plan valuations are a combination of those used in the NYCERS pension actuarial valuations and those specific to the OPEB Plan valuations. These assumptions are generally unchanged from the previous valuation except as noted below.

Amounts determined regarding the funded status of the OPEB Plan and the annual Expense of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and employees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in total OPEB Plan liability, consistent with the long-term perspective of the calculations.

The OPEB Plan-specific actuarial assumptions used in the fiscal year 2025 OPEB Plan valuation are as follows:

Item	Assumption
Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Discount Rate[1]	5.20% per annum for the June 30, 2025 measurement date 4.21% per annum for the June 30, 2024 measurement date
Actuarial Cost Method	Entry Age Normal cost method, level percent of pay calculated on an individual basis
Salary Increase	3.00% per annum, which includes an inflation rate of 2.50% and a general wage increase rate of 0.50%
Inflation	Consumer Price Index (CPI) of 2.50% per year

[1]*Since the plan has no assets, as per guidance under GASB 75, rates are based solely on the Bond Buyer 20-Bond GO Index Rate for FY 2025 and the S&P Municipal Bond 20-Year High Grade Rate Index for FY 2024.*

Per Capita Claims Costs

GHI/EBCBS plans are insured via a Minimum Premium arrangement, while the HIP and many of the Other HMOs are community-rated. Costs reflect age-adjusted premiums for all plans.

The initial monthly premium rates used in the valuations are shown in the following table:

Plan	Monthly Rates at Average Age 2025	2024
HIP HMO		
Non-Medicare Single	$ 998.55	$ 927.13
Non-Medicare Family	2,446.47	2,271.46
Medicare	198.50	209.40
GHI/EBCBS		
Non-Medicare Single	1,072.33	998.60
Non-Medicare Family	2,818.16	2,620.46
Medicare	218.74	208.60
Other HMOs[1]		
Non-Medicare Single	1,490.59	1,403.21
Non-Medicare Family	3,984.35	3,804.02
Medicare Single	288.76	328.69
Medicare Family	565.57	657.70

[1] Other HMO premiums represent the weighted average of the total premium for medical (not prescription drug) coverage, including retiree contributions, of the HMO plans (other than HIP) based on actual enrollment.

Additionally, the individual monthly rates at age 65 used in the valuations are shown the following table:

Plan	Monthly Rates at Age 65 2025	2024
HIP HMO		
Non-Medicare	$ 2,113.14	$ 1,961.99
Medicare	198.50	209.40
GHI/EBCBS		
Non-Medicare	2,302.65	2,142.97
Medicare	208.60	198.54
Other HMOs	Varies by system	

Welfare Fund

For the fiscal year 2024 valuation, the Welfare Fund contribution reported for fiscal year 2025, including any reported retroactive amounts, was used as the per capita cost for valuation purposes. Reported annual contribution amounts for the last two years for NYCERS are shown in Section V-b of the OPEB Plan valuation report dated September 5, 2025. Welfare Fund rates are based on actual reported union Welfare Fund code for current retirees.

The weighted-average annual contribution rate used for future retirees is $1,736 for fiscal year 2025 and $1,729 for fiscal year 2024.

Medicare Part B Premiums

Medicare Part B Premiums are as follows:

Calendar Year	Monthly Premium
2020	$ 143.21
2021	146.97
2022	167.82
2023	164.90
2024	174.70
2025	185.00

Medicare Part B premium reimbursement amounts have been updated to reflect the actual premium rates announced for calendar years through 2025. Due to recent cost-of-living increase in Social Security benefits, the portion of Medicare Part B participants protected by the hold-harmless provision decreased from 3.5% in 2022 to 1.5% in 2023 and continues to decrease.

For calendar years 2024 and 2025, no participants were assumed to be protected by the hold-harmless provision and the monthly premium was set equal to the calendar years 2024 and 2025 announced amounts.

For the fiscal year 2024 OPEB Plan valuation, the annual premium used was $2,158.20, which is equal to 12 times an average of the calendar year 2024 and 2025 monthly premiums shown.

An additional 12.5% load is added to the base Medicare Part B premium amounts each year to account for the income-related Medicare Part B premiums for high-income individuals. This assumption was updated from the previous valuation of 11.4% to reflect more recent experience.

Medicare Part B Premium Reimbursement Assumption

90% of Medicare participants are assumed to claim reimbursement; based on historical data.

Health Care Cost Trend Rate ("HCCTR")

Year Ending	Pre-Medicare Plans	Medicare Plans	Medicare Part B Premiums	Welfare Fund Contributions
2025	8.50%	5.00%	8.00%	3.50%
2026	8.25	4.90	7.75	3.50
2027	8.00	4.90	7.50	3.50
2028	7.75	4.80	7.25	3.50
2029	7.50	4.80	7.00	3.50
2030	7.00	4.70	6.75	3.50
2031	6.50	4.70	6.50	3.50
2032	6.00	4.60	6.25	3.50
2033	5.50	4.60	6.00	3.50
2034	5.00	4.50	5.50	3.50
2035	4.50	4.50	5.00	3.50
2036 and later	4.50	4.50	4.50	3.50

Age and Gender-Related Morbidity

The premiums are age and gender adjusted for GHI/EBCBS, HIP and Other HMOs. The assumed relative costs of coverage are consistent with information presented in the 2013 study *Health Care Costs – From Birth to Death*, sponsored by the Society of Actuaries.

For non-Medicare costs, a sample of factors used are:

Age	Male	Female	Age	Male	Female
20	0.170	0.225	45	0.355	0.495
25	0.146	0.301	50	0.463	0.576
30	0.181	0.428	55	0.608	0.671
35	0.227	0.466	60	0.783	0.783
40	0.286	0.467	64	0.957	0.917

Children costs assume a factor of 0.229.

Medicare costs prior to age 65 assume an additional disability-related morbidity factor. A sample of factors are:

Age	Male	Female	Age	Male	Female
20	0.323	0.422	65	0.919	0.867
25	0.278	0.565	70	0.946	0.885
30	0.346	0.804	75	1.032	0.953
35	0.432	0.876	80	1.122	1.029
40	0.545	0.878	85	1.217	1.116
45	0.676	0.929	90	1.287	1.169
50	0.883	1.082	95	1.304	1.113
55	1.159	1.260	99 and older	1.281	0.978
60	1.493	1.470			

The age adjustment for the non-Medicare GHI/EBCBS premium reflects a reduction for the estimated margin anticipated to be returned of 4.0% and 2.0% in the GHI and EBCBS portion of the monthly premium, respectively. The non-Medicare GHI portion is $519.18 out of $1,072.33 for single coverage and $1,379.98 out of $2,818.16 for family coverage for fiscal year 2025 rates. The Non-Medicare EBCBS portion is the remainder of the premium.

Similarly, the age adjustment for the Medicare GHI/EBCBS premium reflects a reduction for the Medicare GHI/EBCBS premium for the estimated margin anticipated to be returned of 4.0% and 3.0% in the GHI and ECBS portion of the monthly premium, respectively. The Medicare GHI portion is $118.70 out of the $218.74 for the fiscal year 2025 rates. The EBCBS portion is the remainder of the premium.

Participation Rates

Actual elections are used for current retirees. Portions of current retirees not eligible for Medicare are assumed to change elections upon attaining age 65 based on the patterns of elections of Medicare-eligible retirees.

For current retirees who appear to be eligible for health coverage but have not made an election (i.e., non-filers), the valuation reflects single GHI/EBCBS coverage and Part B premium and benefits only, to approximate the obligation if these individuals were to file for coverage. For future retirees, the portion

assumed not to file for future benefits, and therefore valued similarly, is 13.0% for NYCERS in 2025. This non-filer group also includes some participants who do not qualify for coverage because they were working less than 20 hours a week at termination.

Detailed assumptions for future retirees are presented below:

Plan Participation Assumptions

Plan	Percentage
Pre-Medicare	
GHI/EBCBS	75%
HIP HMO	18
Other HMO	2
Waiver	5
Medicare	
GHI	75
HIP HMO	16
Other HMO	5
Waiver	4
Post-Medicare Migration	
Other HMO to GHI	0
HIP HMO to GHI	0
GHI to HIP HMO	0
GHI to Other HMO	0
HIP HMO to Other HMO	10
Pre-Medicare Waiver	
To GHI at 65	0
To HIP HMO at 65	0
To Other HMO at 65	20

Dependent Coverage

Dependent coverage is assumed to terminate when a retiree dies.

Dependents

Child dependents of current retirees are assumed to receive coverage until age 26. Children are assumed to be covered for eight years after retirement.

Male retirees were assumed to be four years older than their wives, and female retirees were assumed to be two years younger than their husbands. Dependent assumptions based on distribution of coverage of recent retirees are shown in the following table:

Dependent Coverage Assumptions

Group	Percentage
Male	
Single coverage	35%
Spouse	35
Child/no spouse	8
Spouse and child	22
Total	100%
Female	
Single coverage	67%
Spouse	22
Child/no spouse	7
Spouse and child	4
Total	100%

COBRA Benefits

Employees and beneficiaries who enroll in COBRA coverage contribute 102% of the premium. There is no cost to the Authority for COBRA beneficiaries who enroll in community-rated HMOs, including HIP, since these individuals pay their full community rate. However, the City's costs under the experience-rated GHI/EBCBS coverage are affected by the claims for COBRA-covered individuals, who typically utilize services at a much higher rate than active participants.

The valuation assumes 15% of employees not eligible for OPEB elect COBRA coverage for 15 months based on experience of other large employers. A lump-sum COBRA cost of $1,825 was assumed for terminations during fiscal year 2025. This lump-sum amount is increased by the Pre-Medicare HCCTR for future years, but is not adjusted for age-related morbidity.

Active Off-Payroll ("AOP")

Active members off payroll on known short-term leave of absence are treated as actives, and the remaining members are included as inactive members entitled to but not yet receiving benefits if they have met the OPEB vesting requirements. Otherwise, they are not included in the valuation.

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

The following table presents the Authority's proportionate share of the total OPEB Plan liability using the discount rate of 5.20% for fiscal year 2025 and 4.21% for fiscal year 2024, as well as what the Authority's proportionate share of the total OPEB Plan liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

June 30, 2025			June 30, 2024		
1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)	1% Decrease (3.21%)	Current Discount Rate (4.21%)	1% Increase (5.21%)
$ 2,808,012	$ 2,478,426	$ 2,206,142	$ 3,529,525	$ 3,096,942	$ 2,745,799

Sensitivity of the Total OPEB Plan Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the Authority's proportionate share of total OPEB Plan liability using the healthcare cost trend rate of 7.0% (Pre-Medicare Plans) and 5.0% (Medicare Plans) for fiscal year 2025 and 7.0% (Pre-Medicare Plans) and 4.8% (Medicare Plans) for fiscal year 2024, as well as what the Authority's proportionate share of the total OPEB Plan liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

June 30, 2025			June 30, 2024		
1% Decrease (6.0%/4.0%)	Current Trend Rate (7.0%/5.0%)	1% Increase (8.0%/6.0%)	1% Decrease (6.0%/3.8%)	Current Trend Rate (7.0%/4.8%)	1% Increase (8.0%/5.8%)
$ 2,142,251	$ 2,478,426	$ 2,895,488	$ 2,671,725	$ 3,096,942	$ 3,632,372

Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB Plan

At June 30, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plan from the following sources:

	Fiscal Year 2025		Fiscal Year 2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,079,298	$ 518,238	$ 1,354,064	$ 117,095
Changes of assumptions or other inputs	53,943	571,280	70,183	555,224
Total	$ 1,133,241	$ 1,089,518	$ 1,424,247	$ 672,319

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan at June 30, 2025 and 2024 will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Fiscal Year 2025	Fiscal Year 2024
2024		$ 102,697
2025	$ 1,891	103,373
2026	29,965	131,447
2027	31,122	132,604
2028	17,739	119,221
2029	18,221	119,703
2030	43,879	145,361
2031	(97,203)	219

NOTE 12 - POLLUTION REMEDIATION OBLIGATIONS

The System reports pollution remediation obligations ("PROs") as required by the GASB. The System's PROs may arise as a result of: (1) federal, state, and local laws and regulations; (2) violations of pollution-related permits or licenses; (3) a determination by the System that there is an imminent endangerment to public health and safety as a result of an existing pollution condition; (4) the System being named in a lawsuit to compel remediation or being identified by a regulator as a party responsible or potentially responsible for remediation; and/or (5) the System's voluntarily commencement of remediation. As of June 30, 2025 and 2024, the System reported $95.8 million and $77.1 million of liabilities for known PROs, respectively.

The System has estimated these amounts based on the current value of outlays expected to be incurred for pollution remediation, which it is currently obligated to perform. Actual future outlays will differ from the estimated amounts if the prices or techniques for remediation measures change or differ from estimates, if and when additional information about existing pollution conditions becomes known to the System in the future and/or if applicable laws or regulations change.

Remediation outlays for certain pollution conditions currently known to the System are not included in the reported liabilities because they are not yet reasonably estimable. These include certain locations that the System has been informed have been designated under federal law as Superfund sites to address alleged hazardous substances, pollutants, or contaminants at these sites and for which the System may be named as a potentially responsible party for the remediation because there are the System's facilities operated at these locations.

NOTE 13 - SUBSEQUENT EVENTS

The System evaluated its June 30, 2025 combining financial statements for subsequent events through October 9, 2025, the date the combining financial statements were issued and noted the following:

On July 10, 2025, the Authority drew down $5.4 million of Fiscal 2025 Series 1 BAN proceeds, $77.3 million of Fiscal 2025 Series 2D1 proceeds, and $16.9 million of Fiscal 2025 Series 2D2 BAN proceeds. The proceeds were used to fund capital projects of the System.

On August 5, 2025, the Authority issued $707 million of fixed rate Second Resolution bonds to New York State Environmental Facilities Corporation ("EFC") in connection with EFC's Fiscal 2026 Series C issuance. Proceeds of the Authority Bonds, Fiscal 2026 Series 1,2,3,4 were used to fund capital projects, refinance

$139 million of Fiscal 2016 Series 1, $120 million of Fiscal 2016 Series 2, $126 million of Fiscal 2022 Series 8 BAN, $110.8 of Fiscal 2025 Series 1 BAN, $77.3 million of Fiscal 2025 Series 2D1, and $16.9 million of Fiscal 2025 Series 2D2 BAN. The Bonds also funded $136 million for drinking water construction funds. The Bonds have a final maturity of 2055.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

New York City Water and Sewer System

SCHEDULE OF CHANGES FOR TOTAL OPEB PLAN LIABILITY AND RELATED RATIOS

As of June 30*, (in thousands):

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	$ 71	$ 69	$ 71	$ 112	$ 112	$ 97	$ 111	$ 94	$ 101
Interest	131	84	74	44	54	53	47	42	43
Differences between expected and actual experience	(515)	1,043	112	334	(114)	(43)	572	(106)	(96)
Changes of assumptions	(191)	(15)	67	(628)	(34)	33	(336)	35	(222)
Benefits payments	(115)	(108)	(71)	(19)	(19)	(21)	(23)	(20)	(15)
Cadillac tax repeal	-	-	-	-	-	(18)	-	-	-
Net changes in total OPEB liability	(619)	1,073	253	(157)	(1)	101	371	45	(189)
Total OPEB liability - beginning	3,097	2,024	1,771	1,928	1,929	1,828	1,457	1,412	1,601
Total OPEB liability - ending	$ 2,478	$ 3,097	$ 2,024	$ 1,771	$ 1,928	$ 1,929	$ 1,828	$ 1,457	$ 1,412
Covered employee payroll	$ 1,351	$ 1,228	$ 1,295	$ 1,156	$ 1,209	$ 1,187	$ 942	$ 859	$ 1,038
Total OPEB Plan liability as a percentage of covered employee payroll	183.4%	252.2%	156.3%	153.2%	159.4%	162.4%	193.9%	169.6%	135.9%

*This data is presented for those years for which information is available.

Notes to the Schedule:

Changes of assumption: Changes of assumption and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year	Discount Rate
2025	5.20%
2024	4.21
2023	4.13
2022	4.09
2021	2.18
2020	2.66
2019	2.79
2018	2.98
2017	3.13

The Authority funds OPEB benefits on a pay-as-you-go basis and contributions are not actuarially determined. No assets are accumulated in a trust that meet the criteria of GASB codification P22.101 to pay related benefits for the OPEB Plan. Therefore, the required supplementary information related to actuarially determined contributions for the 10 most current fiscal years is not applicable.

New York City Water and Sewer System

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years (in thousands):

		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net pension liability	%	0.004	0.004	0.005	0.005	0.005	0.002	0.002	0.003	0.004	0.005
Authority's proportionate share of the net pension liability	$	529	589	824	1,014	343	422	393	516	828	1,215
Authority's covered payroll	$	1,351	1,227	1,295	1,156	1,209	1,187	942	859	1,038	1,148
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	%	39.2	48.0	63.6	87.7	28.4	35.6	41.7	60.1	79.8	105.8
Plan fiduciary net position as a percentage of the total pension liability	%	87.7	84.3	82.2	81.3	93.1	76.9	78.8	78.8	74.8	69.6

SCHEDULE OF THE AUTHORITY'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years (in thousands):

		2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$	158	128	160	214	201	75	78	111	136	170
Contribution in relation to the actuarially determined contribution	$	(158)	(128)	(160)	(214)	(201)	(75)	(78)	(111)	(136)	(170)
Contribution deficiency (excess)	$	-	-	-	-	-	-	-	-	-	-
Authority's covered payroll	$	1,351	1,227	1,295	1,156	1,209	1,187	942	859	1,038	1,148
Contribution as a percentage of covered payroll	%	11.7	10.4	12.4	18.5	16.6	6.3	8.3	12.9	13.1	14.8

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF OPINIONS OF CO-BOND COUNSEL
(Fiscal 2026 Series BB Bonds)

_____, 2026

New York City Municipal
Water Finance Authority
New York, New York 10007

Ladies and Gentlemen:

We have acted as co-bond counsel to, and examined a record of proceedings relating to the issuance of $825,000,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series BB, (the "2026 Series BB Bonds"), by the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The 2026 Series BB Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted March 30, 1994 entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second Resolution"), and have been authorized to be issued by a resolution adopted December 9, 2025 entitled "Supplemental Resolution No. 199 Authorizing the Issuance of up to $1,200,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series BB" ("Supplemental Resolution No. 199"). Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Second Resolution.

Pursuant to the Act, the New York City Water Board (the "Board"), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the "City"), a municipal corporation of the State, have entered into an Agreement of Lease, dated as of July 1, 1985, as amended (the "Lease"), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a Financing Agreement, dated as of July 1, 1985, as amended (the "Financing Agreement"), related to, among other things, the financing of Water Projects.

The 2026 Series BB Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Second Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Second Resolution, as then in effect, and without limitation as to amount except as provided in the Second Resolution or as may be limited by law. The 2026 Series BB Bonds are being issued for the purposes set forth in the Second Resolution.

The Authority is authorized to issue Bonds, in addition to the 2026 Series BB Bonds, only upon the terms and conditions set forth in the Second Resolution, and such Bonds, when issued, shall, with the 2026 Series BB Bonds and with all other such Bonds theretofore and hereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second Resolution.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2026 Series BB Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2026 Series BB Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2026 Series BB Bonds. Pursuant to Supplemental Resolution No. 199 and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax

Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2026 Series BB Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in Supplemental Resolution No. 199 and the Tax Certificate relating to the tax exemption of the 2026 Series BB Bonds. We have not independently verified the accuracy of those certifications and representations.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Second Resolution and Supplemental Resolution No. 199 and to issue the 2026 Series BB Bonds.

2. The Second Resolution and Supplemental Resolution No. 199 have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms. The Second Resolution and Supplemental Resolution No. 199 create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby for the repayment of the Bonds, subject only to the provisions of the Second Resolution, Supplemental Resolution No. 199 and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2026 Series BB Bonds have been duly and validly authorized and issued. The 2026 Series BB Bonds are valid and binding special obligations of the Authority payable as provided in the Second Resolution, are enforceable in accordance with their terms and the terms of the Second Resolution and are entitled, together with all other Bonds issued under the Second Resolution, to the benefits of the Second Resolution and the Act.

4. The 2026 Series BB Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Second Resolution. The 2026 Series BB Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Second Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2026 Series BB Bonds (including any original issue discount properly allocable thereto) is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Interest on the 2026 Series BB Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

9. Under existing law, interest on the 2026 Series BB Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York).

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the 2026 Series BB Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2026 Series BB Bonds, or the interest thereon, if any action is taken with respect to the 2026 Series BB Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed 2026 Series BB Bond, and, in our opinion, the form of said bond and its execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2026 Series BB Bonds.

The enforceability of the Second Resolution, Supplemental Resolution No. 199, the 2026 Series BB Bonds, the Lease and the Financing Agreement is subject to (a) the overriding State interest in promoting the health, safety and welfare of the people of the State, (b) bankruptcy, insolvency, moratorium or other similar laws validly enacted and applicable to the enforcement of creditors' rights, and (c) general principles of equity regardless of whether the enforcement of a particular remedy is considered in a proceeding at law or in equity.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City.

In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORMS OF OPINIONS OF CO-BOND COUNSEL
(Fiscal 2026 Series DD Bonds)

April __, 2026

New York City Municipal
Water Finance Authority
New York, New York 10007

Ladies and Gentlemen:

We have acted as co-bond counsel to, and examined a record of proceedings relating to the issuance of $903,580,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD, (the "2026 Series DD Bonds"), by the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The 2026 Series DD Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted March 30, 1994 entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second Resolution"), and have been authorized to be issued by a resolution adopted February 9, 2026 entitled "Supplemental Resolution No. 202 Authorizing the Issuance of up to $1,800,000,000 Water and Sewer System Second General Resolution Revenue Bonds, Fiscal 2026 Series DD" ("Supplemental Resolution No. 202"). Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Second Resolution.

Pursuant to the Act, the New York City Water Board (the "Board"), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the "City"), a municipal corporation of the State, have entered into an Agreement of Lease, dated as of July 1, 1985, as amended (the "Lease"), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a Financing Agreement, dated as of July 1, 1985, as amended (the "Financing Agreement"), related to, among other things, the financing of Water Projects.

The 2026 Series DD Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Second Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Second Resolution, as then in effect, and without limitation as to amount except as provided in the Second Resolution or as may be limited by law. The 2026 Series DD Bonds are being issued for the purposes set forth in the Second Resolution.

The Authority is authorized to issue Bonds, in addition to the 2026 Series DD Bonds, only upon the terms and conditions set forth in the Second Resolution, and such Bonds, when issued, shall, with the 2026 Series DD Bonds and with all other such Bonds theretofore and hereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second Resolution.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2026 Series DD Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2026 Series DD Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2026 Series DD Bonds. Pursuant to Supplemental Resolution No. 202 and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax

Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2026 Series DD Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in Supplemental Resolution No. 202 and the Tax Certificate relating to the tax exemption of the 2026 Series DD Bonds. We have not independently verified the accuracy of those certifications and representations.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Second Resolution and Supplemental Resolution No. 202 and to issue the 2026 Series DD Bonds.

2. The Second Resolution and Supplemental Resolution No. 202 have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms. The Second Resolution and Supplemental Resolution No. 202 create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby for the repayment of the Bonds, subject only to the provisions of the Second Resolution, Supplemental Resolution No. 202 and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2026 Series DD Bonds have been duly and validly authorized and issued. The 2026 Series DD Bonds are valid and binding special obligations of the Authority payable as provided in the Second Resolution, are enforceable in accordance with their terms and the terms of the Second Resolution and are entitled, together with all other Bonds issued under the Second Resolution, to the benefits of the Second Resolution and the Act.

4. The 2026 Series DD Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Second Resolution. The 2026 Series DD Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Second Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2026 Series DD Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the individual alternative minimum tax imposed under the Code. Interest on the 2026 Series DD Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

9. Under existing law, interest on the 2026 Series DD Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York).

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the 2026 Series DD Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2026 Series DD Bonds, or the interest thereon, if any action is taken with respect to the 2026 Series DD Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed 2026 Series DD Bond, and, in our opinion, the form of said bond and its execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2026 Series DD Bonds.

The enforceability of the Second Resolution, Supplemental Resolution No. 202, the 2026 Series DD Bonds, the Lease and the Financing Agreement is subject to (a) the overriding State interest in promoting the health, safety and welfare of the people of the State, (b) bankruptcy, insolvency, moratorium or other similar laws validly enacted and applicable to the enforcement of creditors' rights, and (c) general principles of equity regardless of whether the enforcement of a particular remedy is considered in a proceeding at law or in equity.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City.

In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORMS OF OPINIONS OF CO-BOND COUNSEL
(2022DD Approving Opinions)

In connection with the original issuance of the Fiscal 2022 Series DD Bonds, Nixon Peabody LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, delivered the 2022DD Approving Opinions on February 10, 2022, in substantially the following form:

THE BELOW OPINION IS NOT BEING REISSUED
AND SPEAKS ONLY AS OF ITS DATE

February 10, 2022

New York City Municipal
Water Finance Authority
255 Greenwich Street, 6th Floor
New York, New York 10007

Ladies and Gentlemen:

We have acted as co-bond counsel to, and examined a record of proceedings relating to the issuance of $100,105,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2022 Series DD (the "2022 Series DD Bonds") by, the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The 2022 Series DD Bonds are issued under and pursuant to the Act and a resolution of the Authority adopted March 30, 1994 entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second Resolution"), and have been authorized to be issued by a resolution adopted January 24, 2022 entitled "Supplemental Resolution No. 168 Authorizing the Issuance of up to $100,300,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2022 Series DD" ("Supplemental Resolution No. 168"). Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Second Resolution.

Pursuant to the Act, the New York City Water Board (the "Board"), a public benefit corporation of the State, created and existing under the laws of the State, and The City of New York (the "City"), a municipal corporation of the State, have entered into an Agreement of Lease, dated as of July 1, 1985, as amended (the "Lease"), whereby the Board has leased the New York City Water and Sewer System from the City for a term ending on the date on which all bonds, notes or other obligations of the Authority have been paid in full or provision for such payment shall have been made in accordance with the instruments under which they were issued. Pursuant to the Act, the Authority, the Board and the City have entered into a Financing Agreement, dated as of July 1, 1985, as amended (the "Financing Agreement"), related to, among other things, the financing of Water Projects.

The 2022 Series DD Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has created under the terms of the Second Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Second Resolution, as then in effect, and without limitation as to amount except as provided in the Second Resolution or as may be limited by law. The 2022 Series DD Bonds are being issued for the purposes set forth in the Second Resolution.

The Authority is authorized to issue Bonds, in addition to the 2022 Series DD Bonds, only upon the terms and conditions set forth in the Second Resolution, and such Bonds, when issued, shall, with the 2022 Series DD Bonds

and with all other such Bonds theretofore and hereafter issued, be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Second Resolution.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2022 Series DD Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2022 Series DD Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2022 Series DD Bonds. Pursuant to Supplemental Resolution No. 168 and the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate"), the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2022 Series DD Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority has made certain representations and certifications in Supplemental Resolution No. 168 and the Tax Certificate relating to the tax exemption of the 2022 Series DD Bonds. We have not independently verified the accuracy of those certifications and representations.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, duly created and existing under the laws of the State with the right and lawful authority and power to enter into the Financing Agreement, to adopt the Second Resolution and Supplemental Resolution No. 168 and to issue the 2022 Series DD Bonds.

2. The Second Resolution and Supplemental Resolution No. 168 have been duly and lawfully adopted by the Authority, are in full force and effect and are the legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms. The Second Resolution and Supplemental Resolution No. 168 create the valid, binding and perfected pledges they purport to create of the Revenues and any moneys or securities on deposit in the Funds and Accounts created thereby for the repayment of the Bonds, subject only to the provisions of the Second Resolution, Supplemental Resolution No. 168 and the Financing Agreement permitting the application thereof for or to the purposes and on the terms and conditions permitted thereby, including the making of any required payments to the United States with respect to arbitrage earnings.

3. The 2022 Series DD Bonds have been duly and validly authorized and issued. The 2022 Series DD Bonds are valid and binding special obligations of the Authority payable as provided in the Second Resolution, are enforceable in accordance with their terms and the terms of the Second Resolution and are entitled, together with all other Bonds issued under the Second Resolution, to the benefits of the Second Resolution and the Act.

4. The 2022 Series DD Bonds are payable solely from the Revenues and other amounts pledged to such payment under the Second Resolution. The 2022 Series DD Bonds are not a debt of the State, the City or the Board and neither the State, the City, the Board nor any other political subdivision of the State is liable thereon.

5. The Lease and the Financing Agreement have been duly authorized, executed and delivered by the respective parties thereto and constitute valid and binding obligations of such parties, enforceable in accordance with their terms.

6. The Revenues derived from the operation of the System are the property of the Board. The Financing Agreement validly transfers the right, title and interest of the Board in the Revenues to the Authority to the extent and as provided in the Financing Agreement, subject only to the provisions of the Act, the Financing Agreement and the Second Resolution permitting the application thereof for or to the purposes, and on the terms and conditions, therein set forth.

7. By virtue of the Act, the Authority has a valid, binding and perfected statutory lien upon the Revenues to be paid by the Board to the Authority pursuant to the Financing Agreement and such lien constitutes a first priority security interest therein.

8. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the 2022 Series DD Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

9. Under existing law, interest on the 2022 Series DD Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York (including The City of New York).

Except as stated in paragraphs 8 and 9 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the accrual or receipt of interest on, the 2022 Series DD Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2022 Series DD Bonds, or the interest thereon, if any action is taken with respect to the 2022 Series DD Bonds or the proceeds thereof upon the advice or approval of other counsel.

We have examined an executed 2022 Series DD Bond, and, in our opinion, the form of said bond and its execution are regular and proper. However, we have not verified, and express no opinion as to the accuracy of, any "CUSIP" identification number which may be printed on any of the 2022 Series DD Bonds.

The enforceability of the Second Resolution, Supplemental Resolution No. 168, the 2022 Series DD Bonds, the Lease and the Financing Agreement is subject to (a) the overriding State interest in promoting the health, safety and welfare of the people of the State, (b) bankruptcy, insolvency, moratorium or other similar laws validly enacted and applicable to the enforcement of creditors' rights, and (c) general principles of equity regardless of whether the enforcement of a particular remedy is considered in a proceeding at law or in equity.

In rendering the opinions set forth in paragraphs 5 and 6 above, we wish to advise you that we have, with your consent, relied upon the opinion of the Corporation Counsel of The City of New York dated the date hereof and addressed to you as to the validity, binding effect and enforceability of the Financing Agreement and the Lease with respect to the Board and the City.

In rendering the priority of lien opinion set forth in paragraph 7 above, we have (i) relied upon a certification by the Board that it has not made or granted a pledge of or security interest in the Revenues to any person other than the Authority and that it has not taken any action which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues, and (ii) assumed, without making any independent investigation, that (1) no lien, charge or encumbrance upon the Revenues has been imposed or exists by operation of law that is prior to the lien in favor of the Authority and (2) no facts or circumstances have occurred or exist which could result in the imposition by operation of law of any lien, charge or encumbrance upon the Revenues that is prior to the lien in favor of the Authority.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORMS OF OPINIONS OF CO-BOND COUNSEL
(Fiscal 2022 Series DD Bonds)

April __, 2026

New York City Municipal
Water Finance Authority
255 Greenwich Street
New York, New York 10007

U.S. Bank Trust Company, National Association,
as Tender Agent and Trustee
100 Wall Street, Suite 600
New York, New York 10005

Jefferies LLC,
as Remarketing Agent
520 Madison Ave, 6th Floor
New York, New York 10022

Ladies and Gentlemen:

We have acted as bond counsel in connection with the conversion of $87,525,000 aggregate principal amount of Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2022 Series DD (the "Bonds"), originally issued on February 10, 2022, by the New York City Municipal Water Finance Authority (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York (the "State"), created and existing under and pursuant to the Constitution and statutes of the State, including the New York City Municipal Water Finance Authority Act, being Title 2-A of Article 5 of the Public Authorities Law of the State, as amended (which, together with Section 1046 of the Public Authorities Law of the State, is herein referred to as the "Act").

The Bonds were issued under and pursuant to the Act and a resolution of the Authority adopted March 30, 1994, entitled "Water and Sewer System Second General Revenue Bond Resolution," as amended and supplemented to the date hereof (the "Second General Resolution"), including by a resolution adopted on January 24, 2022, entitled "Supplemental Resolution No. 168 Authorizing the Issuance of up to $100,300,000 Water and Sewer System Second General Resolution Revenue Bonds, Adjustable Rate Fiscal 2022 Series DD of the New York City Municipal Water Finance Authority" (the "Supplemental Resolution", and together with the Second General Resolution, the "Resolution") authorizing the Bonds. Capitalized terms used herein and not otherwise defined have the respective meanings given to them in the Supplemental Resolution.

Pursuant to paragraph (b) of "Determination of Rate Mode" contained in Exhibit B of the Supplemental Resolution, the Authority has given a Conversion Notice to convert on the date hereof the Rate Mode of the Bonds from the ARRS[SM] Mode bearing interest at an ARRS Daily Rate to the Fixed Rate Mode (the "Conversion") for the remaining term of the Bonds. In accordance with the requirement of paragraph (b) of "Determination of Rate Mode" contained in Exhibit B of the Supplemental Resolution, this opinion is being given as a condition precedent to the Conversion.

In rendering the following opinions in connection with the Conversion, we have reviewed the record of proceedings relating to issuance of the Bonds, in particular the Second General Resolution and the Supplemental

Resolution, and such other documents, instruments and matters of law as we believe appropriate. Based upon the foregoing, we are of the opinion that:

1. The Conversion is authorized and permitted by the Resolution, and all conditions to such Conversion have been satisfied; and

2. The Conversion will not, in and of itself, adversely affect (a) the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, or (b) the exemption from personal income taxes of the State of New York and any political subdivisions of the State of New York, including The City of New York, of interest on the Bonds.

We have undertaken no investigation as to matters affecting the exclusion of interest on the Bonds from gross income for federal income tax purposes since the date of their issuance. In delivering this opinion, we have assumed with respect to the Bonds, without investigation, that the Issuer is in compliance with its covenants and agreements under the Resolution and that the proceeds of the Bonds were applied in accordance with the Resolution and the tax certificate of the Issuer delivered in connection with the issuance of the Bonds. Failure of the Issuer to have so complied or to have so applied the proceeds of the Bonds, could adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes. No opinion is expressed herein as to whether interest on the Bonds is excludable from gross income for federal income tax purposes or as to any other federal, state or local tax consequences of the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. We are also expressing no opinion herein as to whether any matter, action, other than the actions described above, or omission subsequent to such date of issuance, may have adversely affected the exclusion of interest on the Bonds from gross income for federal income tax purposes. Furthermore, we express no opinion as to any federal, state or local tax consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

We express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Bonds. This opinion is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances or any changes in law, or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Very truly yours,

ADJUSTABLE RATE BONDS

Variable Rate Demand Bonds

The Authority has entered into credit and liquidity agreements with the financial institutions listed below to support its First Resolution Bonds and Second Resolution Bonds. Reference is made to the disclosure relating to the individual series of obligations for information relating to the respective financial institutions and the terms and provisions of the related credit and liquidity agreements.

Series	Outstanding Principal Amount	Provider	Expiration or Optional Termination by Provider[(1)]
2009 BB-1*	$ 100,435,000	UBS AG	05/04/2026
2009 BB-2*	100,435,000	UBS AG	05/04/2026
2011 FF-2	100,000,000	JPMorgan Chase Bank, N.A.	05/27/2026
2015 BB-4	100,000,000	Barclays Bank PLC	06/17/2026
2007 CC-1*	160,500,000	Sumitomo Mitsui Banking Corporation	09/14/2026
2017 BB-3	39,500,000	Sumitomo Mitsui Banking Corporation	09/14/2026
2014 AA-1	125,000,000	JPMorgan Chase Bank, N.A.	09/17/2026
2014 AA-2	125,000,000	JPMorgan Chase Bank, N.A.	09/17/2026
2017 BB-1A	100,000,000	State Street Bank and Trust Company	10/05/2026
2017 BB-1B	100,000,000	State Street Bank and Trust Company	10/05/2026
2016 AA-1	100,000,000	Bank of America, N.A.	10/27/2026
2011 DD-2	75,000,000	JPMorgan Chase Bank, N.A.	11/12/2026
2007 CC-2	50,000,000	State Street Bank and Trust Company	01/20/2027
2014 AA-4	100,000,000	State Street Bank and Trust Company	01/20/2027
2017 BB-2	50,000,000	State Street Bank and Trust Company	01/20/2027
2011 FF-1	100,000,000	Bank of America, N.A.	03/15/2027
2019 BB	100,000,000	TD Bank, N.A.	04/27/2027
2011 DD-3A	50,000,000	US Bank, N.A.	09/30/2027
2011 DD-3B	50,000,000	State Street Bank and Trust Company	09/30/2027
2013 AA-1	50,000,000	PNC Bank, N.A.	10/01/2027
2016 AA-2	100,000,000	PNC Bank, N.A.	10/25/2027
2010 CC	200,000,000	State Street Bank and Trust Company	01/19/2028
2023 CC	200,000,000	Barclays Bank PLC	02/16/2028
2013 AA-2	150,000,000	Barclays Bank PLC	03/02/2028
2011 DD-1	100,000,000	TD Bank, N.A.	04/21/2028
2014 AA-3	100,000,000	TD Bank, N.A.	04/21/2028
2025 EE-2	125,000,000	The Bank of New York Mellon	05/12/2028
2015 BB-2	100,000,000	Mizuho Bank, Ltd	06/13/2028
2015 BB-3	100,000,000	Sumitomo Mitsui Banking Corporation	07/07/2028
2014 AA-5	100,435,000	Mizuho Bank, Ltd	08/18/2028
2014 AA-6	100,435,000	Mizuho Bank, Ltd	08/18/2028
2021 EE-1	100,000,000	US Bank, N.A.	08/21/2028
2023 BB-1	100,000,000	Mizuho Bank, Ltd	12/15/2028
2023 BB-2	100,000,000	Mizuho Bank, Ltd	12/15/2028
2015 BB-1	100,000,000	Bank of America, N.A.	07/06/2029
2025 EE-1	100,000,000	TD Bank, N.A.	05/10/2030
2026 CC	175,000,000	TD Bank, N.A.	02/04/2031
2021 EE-2	225,500,000	State Street Bank and Trust Company	03/05/2031
	$ 4,052,240,000		

(1) The Authority expects to renew or replace any expiring credit or liquidity agreement on or prior to its expiration date.

* Expected to be refunded with the proceeds of the Fiscal 2026 DD Bonds on or about the date of issuance of the Fiscal 2026 DD Bonds.

Index Rate Bonds[1]

Series	Outstanding Principal Amount	Step Up Date
2016 AA-3	$ 50,000,000	August 14, 2028
2019 CC	300,000,000	December 11, 2026

Adjustable Rate Remarketed Securities[2]

Series	Outstanding Principal Amount
2022 DD*	$ 100,105,000

(1) The Authority's index rate bonds pay interest based on a specified index. Such bonds also provide for an increased rate of interest commencing on an identified step-up date if such bonds are not converted or refunded.

(2) The Authority's Adjustable Rate Remarketed Securities℠ provide for an increased rate of interest if tendered bonds cannot be remarketed for a specified number of days.

* Expected to be remarketed in the Fixed Rate Mode to their final maturity on or about the date of issuance of the Offered Bonds.

BOOK-ENTRY-ONLY FORM

The Depository Trust Company ("DTC"), Brooklyn, NY. will act as securities depository for the Offered Bonds. The Offered Bonds will be issued or reoffered, as applicable, as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Offered Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC, in the aggregate principal amount of the Offered Bonds.

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 (the "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 (the "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 or www.dtc.org.

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of any Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Offered 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 Offered Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered 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 the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payment of redemption proceeds and principal and interest payments on the Offered 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 Trustee, 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Offered Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, 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.

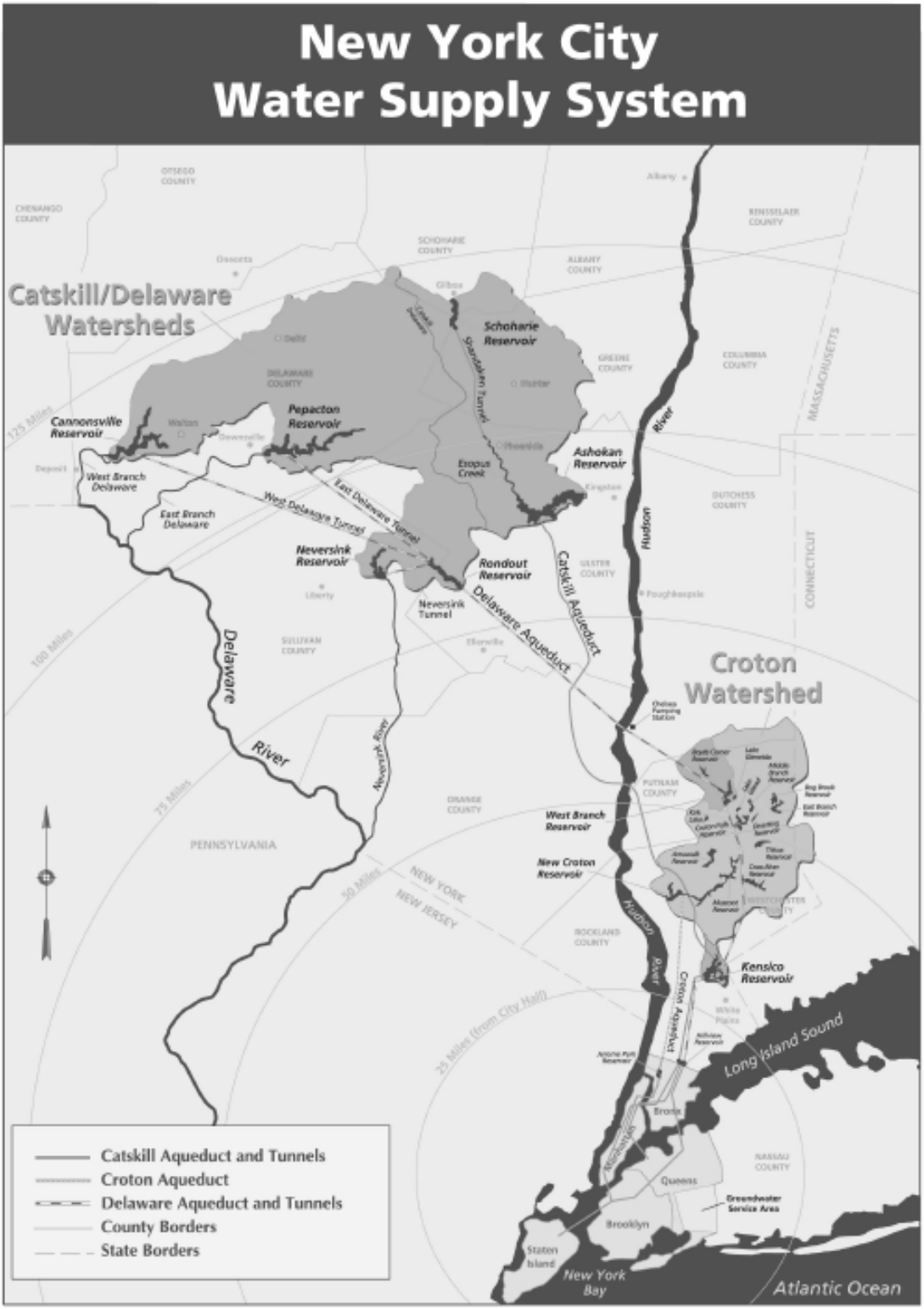
DTC may discontinue providing its services as depository with respect to the Offered Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed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

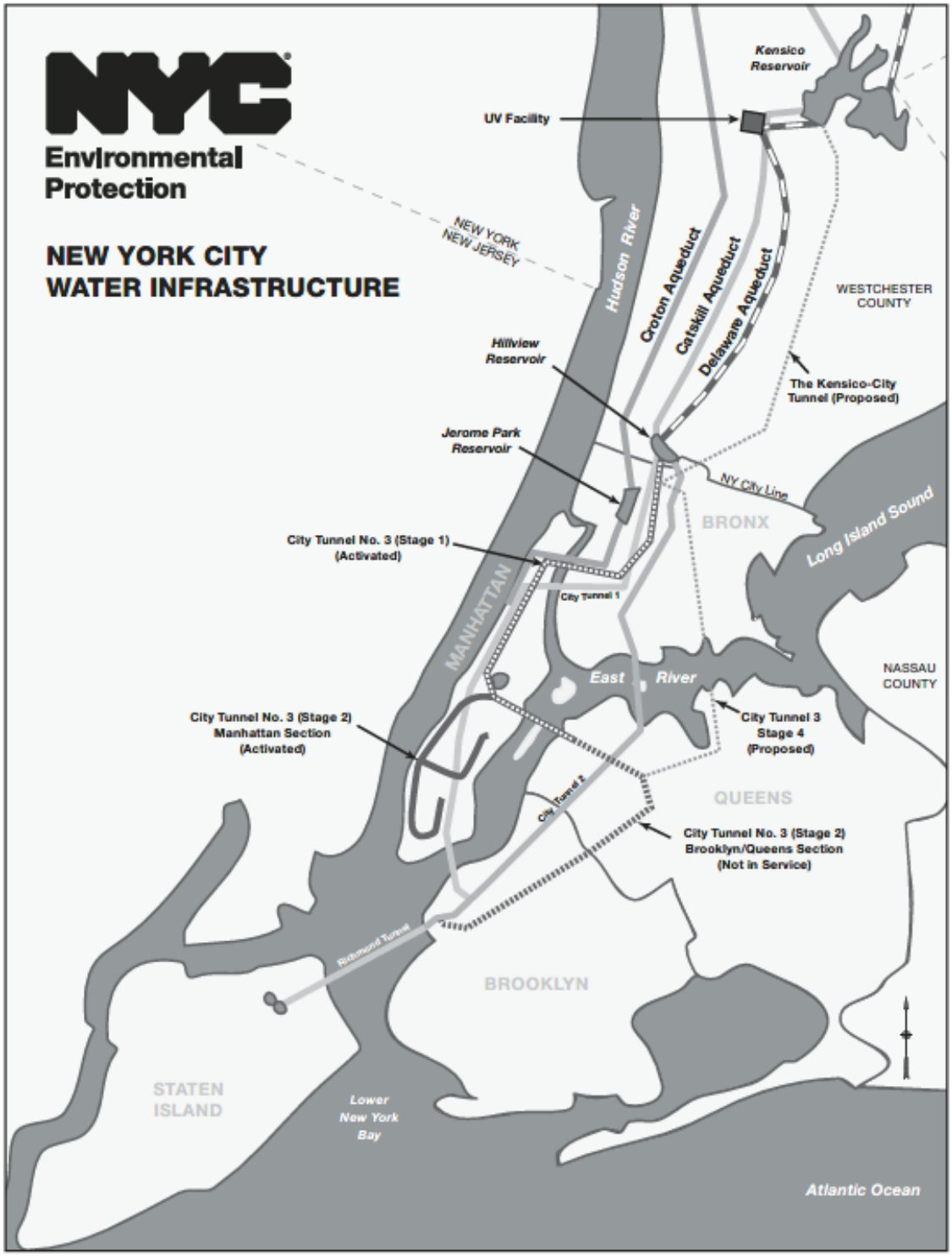
The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Unless otherwise noted, the information contained in the preceding paragraphs of this subsection "Book-Entry-Only Form" has been extracted from information given by DTC. Neither the Authority, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereto.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS.

SYSTEM MAPS


New York City
Water Supply System
Catskill/Delaware
Watersheds
Croton
Watershed
Schoharie
Reservoir
Pepacton
Reservoir
Cannonsville
Reservoir
Ashokan
Reservoir
Esopus
Creek
West Branch
Delaware
East Branch
Delaware
West Delaware Tunnel
East Delaware Tunnel
Neversink
Reservoir
Rondout
Reservoir
Neversink
Tunnel
Delaware Aqueduct
Catskill Aqueduct
Hudson
River
Delaware
River
Neversink River
West Branch
Reservoir
New Croton
Reservoir
Kensico
Reservoir
Croton Aqueduct
Long Island Sound
Bronx
Queens
Brooklyn
Staten
Island
New York
Bay
Atlantic Ocean
PENNSYLVANIA
NEW YORK
NEW JERSEY
Catskill Aqueduct and Tunnels
Croton Aqueduct
Delaware Aqueduct and Tunnels
County Borders
State Borders


NYC
Environmental Protection
NEW YORK CITY
WATER INFRASTRUCTURE
Kensico Reservoir
UV Facility
NEW YORK
NEW JERSEY
Hudson River
Croton Aqueduct
Catskill Aqueduct
Delaware Aqueduct
WESTCHESTER COUNTY
Hillview Reservoir
The Kensico-City Tunnel (Proposed)
Jerome Park Reservoir
NY City Line
BRONX
Long Island Sound
City Tunnel No. 3 (Stage 1) (Activated)
City Tunnel 1
MANHATTAN
East River
NASSAU COUNTY
City Tunnel No. 3 (Stage 2) Manhattan Section (Activated)
City Tunnel 3 Stage 4 (Proposed)
City Tunnel 2
QUEENS
City Tunnel No. 3 (Stage 2) Brooklyn/Queens Section (Not in Service)
Richmond Tunnel
BROOKLYN
STATEN ISLAND
Lower New York Bay
Atlantic Ocean

New York City
Drainage Areas and
Water Pollution Control Plants

Plant Location	Capacity (MGD)
North River	170
Wards Island	250
Hunts Point	200
Newtown Creek	310
Red Hook	60
26th Ward	85
Owls Head	120
Coney Island	100
Bowery Bay	150
Tallmans Island	80
Jamaica	100
Rockaway	45
Port Richmond	60
Oakwood Beach	40

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLES OF REFUNDED BONDS

The Authority expects to redeem the Refunded Bonds specified below by applying a portion of the proceeds of the Fiscal 2026 DD Bonds, together with other available funds of the Authority, for the redemption of such Refunded Bonds on the Redemption Dates, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the applicable Redemption Date, noted in the table below. The redemption is contingent upon delivery of the Fiscal 2026 DD Bonds.

Series	Maturity Date (June 15)	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	Redemption Date	CUSIP[(1)]
2007 CC-1	2038	Variable	$160,500,000	$160,500,000	April 7, 2026	64972FHH2
2009 BB-1	2039	Variable	100,435,000	100,435,000	April 7, 2026	64972FWK8
2009 BB-2	2039	Variable	100,435,000	100,435,000	April 7, 2026	64972FWL6
2013 DD	2027	3.125%	41,335,000	41,335,000	May 7, 2026	64972GBU7
2013 DD	2038	3.750	26,215,000	26,215,000	May 7, 2026	64972GBT0
2015 FF	2028	3.000	13,885,000	13,885,000	May 7, 2026	64972GFM1
2015 FF	2037	3.500	25,000,000	25,000,000	May 7, 2026	64972GFV1
2015 FF	2037	4.000	20,000,000	20,000,000	May 7, 2026	64972GFW9
2015 GG	2032	3.125	16,145,000	16,145,000	May 7, 2026	64972GHE7
2015 GG	2038	4.000	12,750,000	12,750,000	May 7, 2026	64972GHF4
2015 HH	2030	3.375	15,290,000	15,290,000	May 7, 2026	64972GHU1
2015 HH	2032	3.500	21,340,000	21,340,000	May 7, 2026	64972GHW7
2015 HH	2037	3.750	5,775,000	5,775,000	May 7, 2026	64972GHY3
2015 HH	2038	4.000	9,735,000	9,735,000	May 7, 2026	64972GJB1
2016A	2032	4.500	122,380,000	122,380,000	June 15, 2026	64972GJZ8
2016A	2036	3.000	67,930,000	67,930,000	June 15, 2026	64972GKA1
2017 CC-1	2046	5.000	171,585,000	171,585,000	June 15, 2026	64972GMW1
2017 CC-1	2046	5.250	73,840,000	73,840,000	June 15, 2026	64972GMY7

The Authority expects to redeem its Second Resolution Bonds specified below by applying a portion of the proceeds of the Fiscal 2026 EE Bonds and the Fiscal 2026 FF Bonds, together with other available funds of the Authority, for the redemption of such Bonds on April 7, 2026, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption. The redemption is contingent upon delivery of the Fiscal 2026 EE Bonds and the Fiscal 2026 FF Bonds.

Series	Maturity Date (June 15)	Interest Rate	Principal Amount Outstanding	Principal Amount to be Refunded	CUSIP[(1)]
2010 AA-1	2041	5.75%	$403,390,000	$403,390,000	64972FH25

(1) Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services ("CGS"), which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. These data are not intended to create a database and do not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of Owners of the Refunded Bonds only at the date of this Official Statement and neither the Authority nor the Underwriters make any representation with respect to such numbers and do not undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the date of this Official Statement as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the above-referenced Bonds.

[THIS PAGE INTENTIONALLY LEFT BLANK]