



NIAGARA FALLS WATER BOARD

Financial Projections and User Rates



NOVEMBER 8, 2021

Drescher & Malecki Projections and Analysis

- To provide independent cash flow estimates sufficient to meet the debt-service coverage ratio (1.15).
- Assumptions based on:
 - Historical trends and audited financial data from the prior years
 - The most current available information provided by Board Management and year-to-date actual reports per the financial software
 - Other (NYS retirement system, health insurance publications, etc.)



Debt Covenant Components

- Operating Revenues (A)
 - Water and Sewer rents
 - Interest earnings
 - Licenses and permits (cell towers and rental)
 - City payments
- Operating Expenses (B)
 - Employee salaries and benefits
 - Contractual and other
- Debt Service (C)
 - Principal and interest outstanding
- The ratio is calculated as follows:

$$\frac{C}{(A-B)}$$



2022 Leadership Budget

	<u>Rounded</u>
Line	
Revenues	
1 Operating revenues	<u>\$ 37,127,000</u>
2 Total	<u>37,127,000</u>
 Operations and Maintenance Expenses	
3 Salaries and benefits	11,200,000
4 Contractual	<u>17,700,000</u>
5 Total	<u>28,900,000</u>
 6 Revenues available for debt service	 8,227,000
 Debt Service	
7 Debt service on outstanding bonds	6,513,392
8 Debt service on future Authority bonds	-
9 Total	<u><u>\$ 6,513,392</u></u>
 10 Debt Service Coverage (minimum 1.15)	 1.26
 11 Proposed Rate Increase	 16.90%

Projection of cash flows and rates

Line	Estimated					
	2021	2022	2023	2024	2025	
Revenues						
1	Operating revenues	\$ 33,924,231	\$ 37,420,097	\$ 38,517,050	\$ 39,646,911	\$ 41,198,588
2	Total	<u>33,924,231</u>	<u>37,420,097</u>	<u>38,517,050</u>	<u>39,646,911</u>	<u>41,198,588</u>
Operations and Maintenance Expenses						
3	Salaries and benefits	11,462,767	11,712,914	12,096,735	12,495,839	12,910,914
4	Contractual	<u>12,133,707</u>	<u>17,883,708</u>	<u>18,465,326</u>	<u>19,065,861</u>	<u>19,685,925</u>
5	Total	<u>23,596,474</u>	<u>29,596,622</u>	<u>30,562,061</u>	<u>31,561,699</u>	<u>32,596,839</u>
6	Revenues available for debt service	10,327,757	7,823,475	7,954,989	8,085,212	8,601,749
Debt Service						
7	Debt service on outstanding bonds	7,198,765	6,513,392	6,553,449	6,560,085	7,128,828
8	Debt service on future Authority bonds	-	-	-	-	-
9	Total	<u>\$ 7,198,765</u>	<u>\$ 6,513,392</u>	<u>\$ 6,553,449</u>	<u>\$ 6,560,085</u>	<u>\$ 7,128,828</u>
10	Debt Service Coverage (minimum 1.15)	1.43	1.20	1.21	1.23	1.21
11	DMLLP Recommended Rate Increase	2.99%*	17.50%	3.0%	3.0%	4.0%

* Approved in the prior year.

Key Findings

- **Contractual costs:**
 - Based on year-to-date figures, 15% increase projected in 2021.
 - An additional \$5.75M added in 2022 related to hypochlorite solutions (\$5M) and sludge disposal (\$750k) in accordance with bids.
 - 3.3% increase beyond 2022 based on 10 year average.

Key Findings

- **Customer Changes:**

- Cascades billing resulting in a “one-time” \$1.5M increase in most recent third quarter.
- Occidental closure causes an \$800k impact over 3 years.

- **Debt Service:**

- A refunding proposal provides upfront savings of \$3.7M between 2022 to 2025.
- Short-term interest free financing used for the Capital Improvement Plan will eventually factor in to the model.

- **Rate Increase:**

- Based on the results of our financial projection model, the Board should achieve a 1.20 debt ratio with a 17.5% rate increase in 2022.