



NIAGARA FALLS WATER BOARD

Financial Projections and User Rates



NOVEMBER 14, 2022

Drescher & Malecki Projections and Analysis

- To provide independent cash flow estimates sufficient to meet the Board's Rate Covenant (Debt-service coverage ratio of 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.)



Coverage Ratio Components

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

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



Projection of cash flows and rates

Line	Estimated					
	2022	2023	2024	2025	2026	
Revenues						
1	Operating revenues	\$ 39,889,584	\$ 41,272,005	\$ 42,888,885	\$ 44,150,052	\$ 45,449,053
2	Total	<u>39,889,584</u>	<u>41,272,005</u>	<u>42,888,885</u>	<u>44,150,052</u>	<u>45,449,053</u>
Operations and Maintenance Expenses						
3	Salaries and benefits	11,822,551	13,268,802	13,534,178	13,804,862	14,080,959
4	Contractual	<u>14,490,036</u>	<u>19,490,036</u>	<u>20,123,896</u>	<u>20,778,370</u>	<u>21,454,129</u>
5	Total	<u>26,312,587</u>	<u>32,758,838</u>	<u>33,658,074</u>	<u>34,583,232</u>	<u>35,535,088</u>
6	Revenues available for debt service	13,576,997	8,513,167	9,230,811	9,566,820	9,913,965
Debt Service						
7	Debt service on outstanding bonds	7,747,065	7,066,776	7,570,484	7,963,261	7,963,938
8	Debt service on future Authority bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
9	Total	<u>\$ 7,747,065</u>	<u>\$ 7,066,776</u>	<u>\$ 7,570,484</u>	<u>\$ 7,963,261</u>	<u>\$ 7,963,938</u>
10	Debt Service Coverage (minimum 1.15)	1.75	1.20	1.22	1.20	1.24
11	DMLLP Recommended Rate Increase for O&M	16.9%*	7.5%	4.0%	3.0%	3.0%
12	NFWB's Capital Contribution		\$ 1,408,935			
13	Rate increase including O&M + capital contribution		10.5%			

* Approved in the prior year.

Key Findings

- **Contractual costs (~\$5M increase):**
 - Based on year-to-date figures, 21% increase projected in 2022.
 - An additional \$5.0M added in 2023 related to hypochlorite solutions (\$4.5M) and sludge disposal (\$500k) in accordance with contracts.
 - 3.2% increase beyond 2023 based on pre-COVID 10 year average.

Key Findings

- **Projecting Revenues - Customer Changes:**
 - Occidental closure. Projected impact of \$800,000.
 - Additional billings in 2021 and 2022 (Cascades) not expected in 2023.
- **Salaries and Benefits (~\$1.4M increase):**
 - Step increases
 - Additional employees
 - Health insurance and other qualifying benefits
- **Rate Increase:**
 - Based on the results of our financial projection model, the Board should achieve a 1.20 debt ratio on its O&M budget with a 7.5% rate increase in 2023.
 - To fund the Board's 2023 capital plan contribution in addition the O&M budget, we recommend a minimum rate increase of 10.5%.

2023 Leadership Budget*

	<u>Rounded</u>
Revenues	
Operating revenues	\$ 40,872,078
Total	<u>40,872,078</u>
 Operations and Maintenance Expenses	
Salaries and benefits	12,599,986
Contractual	<u>19,796,381</u>
Total	<u>32,396,367</u>
 Revenues available for debt service	 8,475,711
 Debt Service	
Debt service on outstanding bonds	7,066,776
Debt service on future Authority bonds	-
Total	<u>\$ 7,066,776</u>

* Differences between Independent cash flow projections and Proposed Budget are expected. However, the proposed rate increase appears to be above the DMLLP recommended minimum rate increase per the cash flow model.