



NIAGARA FALLS WATER BOARD

Financial Projections and User Rates



NOVEMBER 20, 2023

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 are based on:
 - Historical trends and audited financial data.
 - The most current available information provided through discussions with the Board Management.
 - Year-to-date budget to actual reports per the financial software
 - Other information obtained from the 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					
	2023	2024	2025	2026	2027	
Revenues						
1	Water and Sewer rents	\$ 40,802,156	\$ 41,210,178	\$ 42,034,381	\$ 42,875,069	\$ 43,518,195
2	Interest earnings	1,189,065	1,000,000	600,000	636,000	674,160
3	Licenses, permits and other revenues	448,659	493,525	516,721	541,006	566,434
4	Total	42,439,880	42,703,702	43,151,102	44,052,075	44,758,789
Operations and Maintenance Expenses						
5	Salaries and benefits	12,678,850	13,800,692	14,315,224	14,847,428	15,399,420
6	Contractual	15,496,297	17,228,435	17,931,232	18,662,698	19,424,003
7	Total	28,175,147	31,029,127	32,246,456	33,510,126	34,823,423
8	Revenues available for debt service	14,264,733	11,674,576	10,904,646	10,541,949	9,935,366
Debt Service						
9	Debt service on outstanding bonds	7,916,793	7,963,410	8,332,243	8,307,885	8,286,262
10	Debt service on future Authority bonds	-	-	-	-	-
11	Total	7,916,793	7,963,410	8,332,243	8,307,885	8,286,262
12	Debt Service Coverage (minimum 1.15)	1.80	1.47	1.31	1.27	1.20
13	DMLLP Recommended Rate Increase for O&M		1.0%	2.0%	2.0%	1.5%

Key Findings

- **Contractual costs:**

- 2023 projections: \$1.6M increase from 2022.
 - Hypochlorite solutions (\$1.0M)
 - Sludge Disposals (\$300k)
 - Other chemicals (\$300k)
- \$1.7M added in 2024 related to:
 - Carbon (\$600k)
 - Chemicals, IT equipment (\$500k)
 - Other (\$600k) – 4.08% increase (see below)
- 4.08% increase beyond 2024 based on a 10 year average.

- **Salaries and Benefits:**

- 2023 projections: \$1.1M increase.
 - Retirement contributions (\$300k)
 - Health insurance (300k)
 - Step increases (\$350k)
- 2024 and beyond: 3.7% based on 10 year average
- Exception: Health insurance rates projected to increase 15-20% in 2024

Key Findings

- **Projecting Revenues:**

- 2023 YTD figures project increased consumption resulting in an annual projected increase in water and sewer rents of 12.6%.
- No expected change in customers/consumption beyond 2023.
- High interest earnings projected to continue in 2024.

- **Rate Increase:**

- Based on the results of our financial projection model, the Board should achieve a 1.40 debt ratio on its O&M budget with a 1.0% rate increase in 2024.
- Beyond 2024, small incremental increases projected to remain above the ratio during the projection period (1.0% to 2.0%).

2024 Leadership Budget

	<u>Rounded</u>
Revenues	
Operating revenues	\$ 42,013,379
Total	<u>42,013,379</u>
Operations and Maintenance Expenses	
Salaries and benefits	13,546,292
Contractual	<u>19,067,257</u>
Total	<u>32,613,549</u>
Revenues available for debt service	9,399,830
Debt Service	
Debt service on outstanding bonds	7,963,410
Debt Service Coverage Ratio	1.18

Note:

Beyond 2024, Board Management anticipates rate increases between 1.0% to 1.5% will be required to remain above the coverage ratio during the projection period. This assumes no significant deviations in historical precedents as a result of changes in regulatory requirements, changes in customers, union negotiation, etc.