



MEMORANDUM

To: Board of Directors

From: Sean W. Costello, Executive Director & General Counsel

Regarding: Proposed 2026 Budget

Date: October 23, 2025

A proposed 2026 budget is included in the October 27, 2025 meeting agenda packet. As explained below, the 2026 budget anticipates lower revenues and therefore a 5.9% rate increase is recommended. Prior to increasing rates, the Board must conduct a public hearing. The following motion would be appropriate to schedule this hearing:

Motion to schedule a public hearing on November 17, 2025 at 5:00 p.m. regarding the proposed fees, rates, and other charges for all persons and users served by the NFWB water, wastewater, and stormwater facilities to be effective January 1, 2026.

The notice of public hearing must be published between 10 and 20 days prior to the date of the public hearing. After the public hearing is complete, the November 17, 2025 meeting agenda will include resolutions to amend to 21 NYCRR § 1950.2, our Schedule of Rates, Fees, and Charges, and to adopt the budget.

I. Current and Proposed Rates

NFWB rates compare favorably to nearby peers with similar rate structures (Buffalo Water Board, Buffalo Sewer Authority, Erie County Water Authority). It is difficult to compare NFWB rates with rates in other locations because in many locations capital costs are recovered through taxation (special district charges and similar charges) so user fees are not representative of the cost of service. The NFWB levies no tax and does not impose separate charges for stormwater drainage or for infrastructure investment, both of which are included in its rates and fees.

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a. NFWB Rate Increase History

NFWB rate increases in recent years have been as follows:

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
0.00%	2.40%	2.00%	0.00%	2.99%	16.9%	8.9%	0.00%	0.00%	5.9%*

*Proposed

b. Revenue Per 1% Rate Increase is \$347,548

Revenues that would be subject to a rate increase are as follows:

Water	2026 Revenue Estimate Without Rate Increase	Sewer	2026 Revenue Estimate Without Rate Increase
District 1	\$2,100,000	District 1	\$2,800,000
District 2	\$2,455,000	District 2	\$3,265,000
District 3	\$1,935,000	District 3	\$2,580,000
Non-Resident	\$70,000	Industrial	\$4,600,000
Industrial	\$3,100,000	Industrial SIU	\$8,750,000
Industrial SIU	\$2,500,000	Town of Niagara	\$599,873
Total:	\$12,160,000	Total:	\$22,594,873
Grand Total:	\$34,754,873		
<u>1% Increase Nets:</u>	<u>\$347,548</u>		

c. Impact of Proposed 5.9% Rate Increase on Minimum Bill

A rate increase of 5.9% would have the following impact on a minimum bill (9,725 Gallons/Quarter):

	<u>2023, 2024, & 2025</u>	<u>Proposed 2026</u>
Water Charge	\$58.24	\$61.68
Sewer Charge	\$77.09	\$81.64
Service Charge	\$3.70	\$3.70
Total	\$139.03	\$147.04

This increase would equal: \$2.67/month, \$8.01/quarter, \$32.04/year. Around half of users consume more than the minimum in a given quarter and would see a larger increase.

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d. Comparison With Peer Water/Sewer Utility Rates

After a 5.9% increase, NFWB rates would remain considerably lower than some comparable utilities. For example, the quarterly minimum bill for Erie County Water Authority customers, which includes a usage allowance of 9,000 gallons, is \$77.13¹. ECWA rates are for water only and have increased much more rapidly than NFWB rates in recent years, with the following rate increases:

<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
6.5% ²	6.5% ³	12% ⁴	9% ⁵	11% ⁶

Buffalo Water Board’s 2025 quarterly bill for 9,700 gallons of water (no sewer included) is \$116.18⁷. Buffalo Water Board also has had substantial rate increases in recent years:

<u>2023</u>	<u>2024</u>	<u>2025</u>
10% ⁸	7% ⁹	7.5% ¹⁰

Buffalo Sewer Authority charges both user fees and sewer rents (tax) which combined reflect the total cost of sewer service. For 2025-2026, an example bill would be approx. \$99.62 per quarter.¹¹ This is calculated as follows:

Drainage Connection Charge: \$6.37

Quarterly Minimum: \$51.24

Sewer Rent, \$1.29 per \$1,000 assessed valuation, on a \$150,000 assessed home: \$193 annually, or \$48.25 quarterly.

¹ https://my.ecwa.org/pdf/Tariff/010_Tariff/2025%20Tariff.pdf

² https://buffalonews.com/news/local/article_dd11b882-1c72-11eb-972d-ef7ab3346dd4.html

³ https://buffalonews.com/news/local/article_fcf23554-3dab-11ec-8358-3b239fbf24bb.html

⁴ https://buffalonews.com/news/local/article_a76f1e42-50b2-11ed-8890-63f198a5459b.html

⁵ https://buffalonews.com/news/local/article_3dbfec50-85c3-11ee-8150-670b141a45cb.html

⁶ https://buffalonews.com/news/local/government-politics/article_07f6b1fo-a8fc-11ef-90ab-179cc89ba7c7.html

⁷ <https://buffalowater.org/wp-content/uploads/2025/09/RESOLUTION-OF-THE-BWB-ADMENDMENT-AND-ADOPTION-OF-SCHEDULE-OF-RATES-FEES-AND-CHARGES.pdf>

⁸ https://buffalonews.com/news/local/government-politics/buffalo-water-board-bills-increasing/article_eeb835ce-8d71-11ef-a58e-77b81208c6a3.html

⁹ https://buffalonews.com/news/local/government-politics/buffalo-water-board-bills-increasing/article_eeb835ce-8d71-11ef-a58e-77b81208c6a3.html

¹⁰ <https://www.btpm.org/local/2025-09-30/water-bills-to-increase-by-7-5-for-buffalo-homes>

¹¹ <https://buffalosewer.org/app/uploads/2025/04/Attachement-A-Proposed-SSR-25-26.pdf>

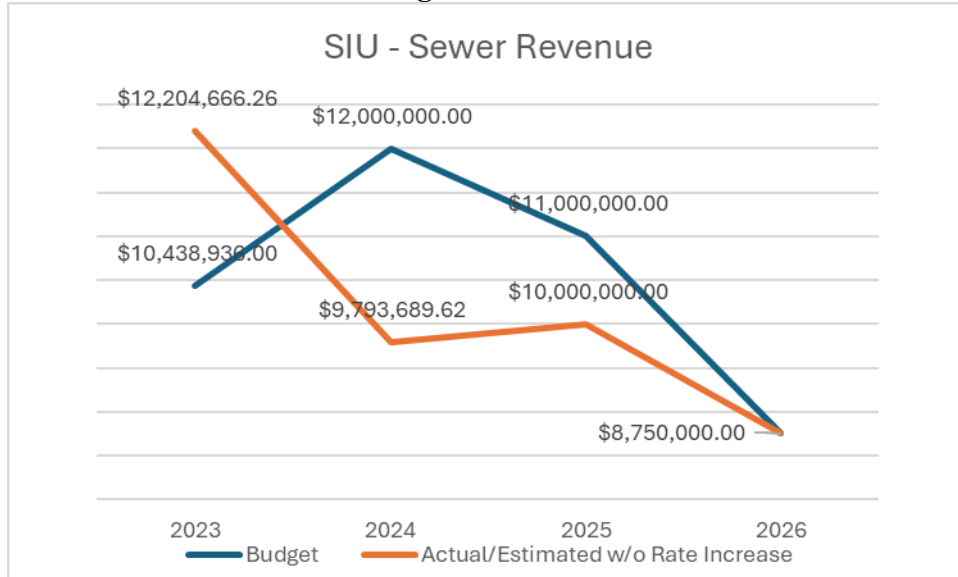
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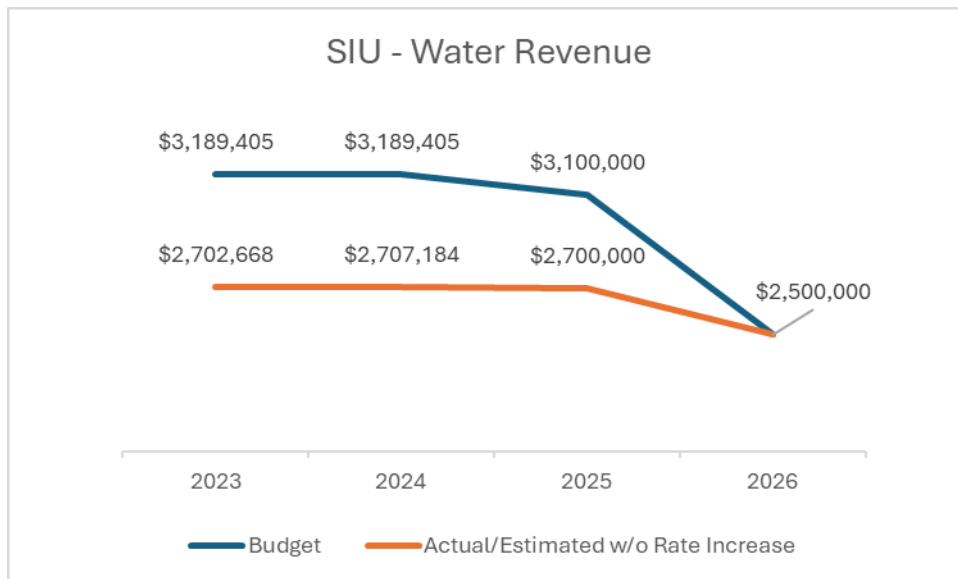
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II. Revenue Notes

a. SIU Revenues Have Not Met Budget Forecasts



The 2026 budget forecasts substantially lower sewer revenues from Significant Industrial Users. SIU sewer revenues are variable but have declined significantly since 2023. The most notable change affecting the 2026 budget is forecast SIU sewer revenue of \$8,750,000 (prior to a rate increase), a \$2,250,000 decrease from 2025. This figure anticipates loss of revenues from Cascades closing its Norampac containerboard packaging plant, though not all revenue from that customer is lost because the Greenpac mill remains open. Every year since at least 2013, Cascades has been the Water Board’s largest customer by revenue.

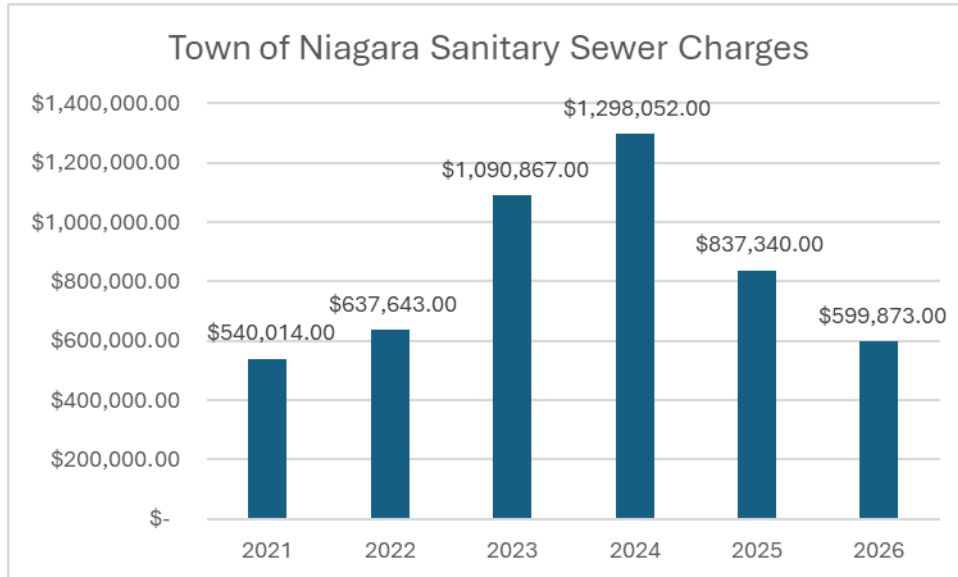


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For 2023-2025, SIU water billings have fallen short of budget by approximately \$480,000. The projected revenue figure used for 2026 corrects this overestimation and includes an additional projected decline of \$200,000 for 2026 to reflect an anticipated decline in revenue due to closure of the Cascades mill. Note that the decline in water use from Cascades is much smaller than the decline in sewer use because Cascades draws much of its water from its own wells or river intake.



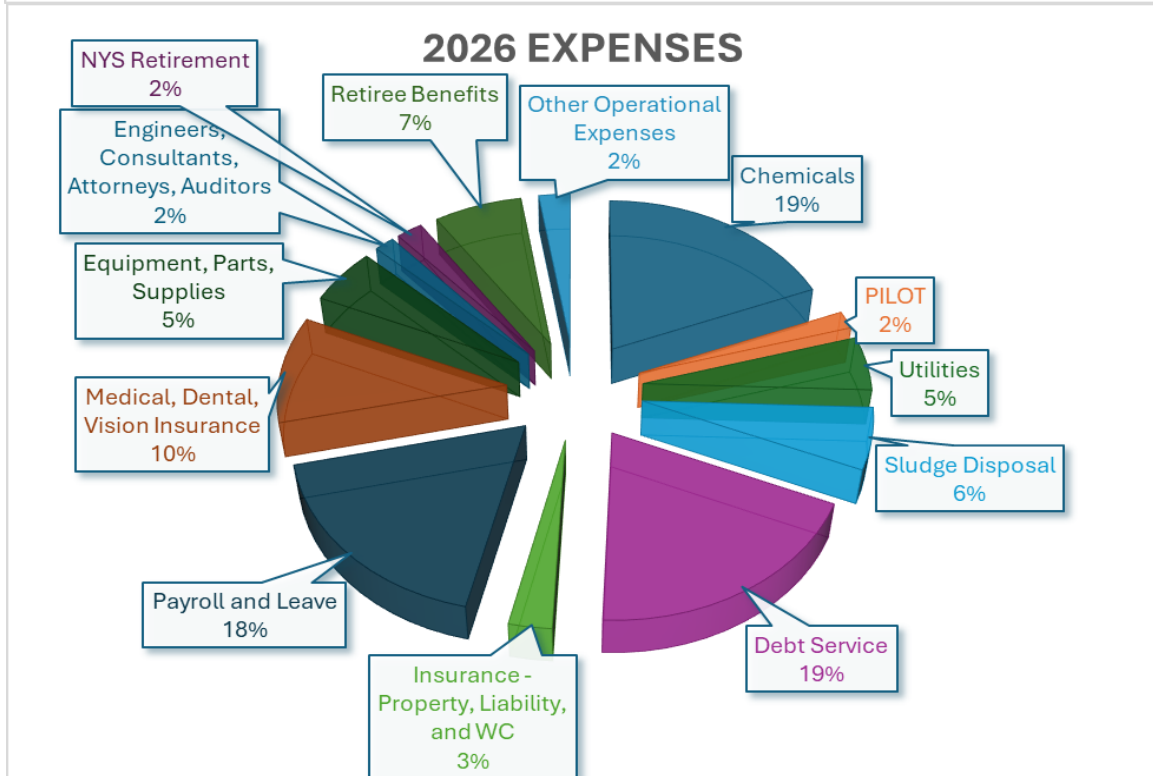
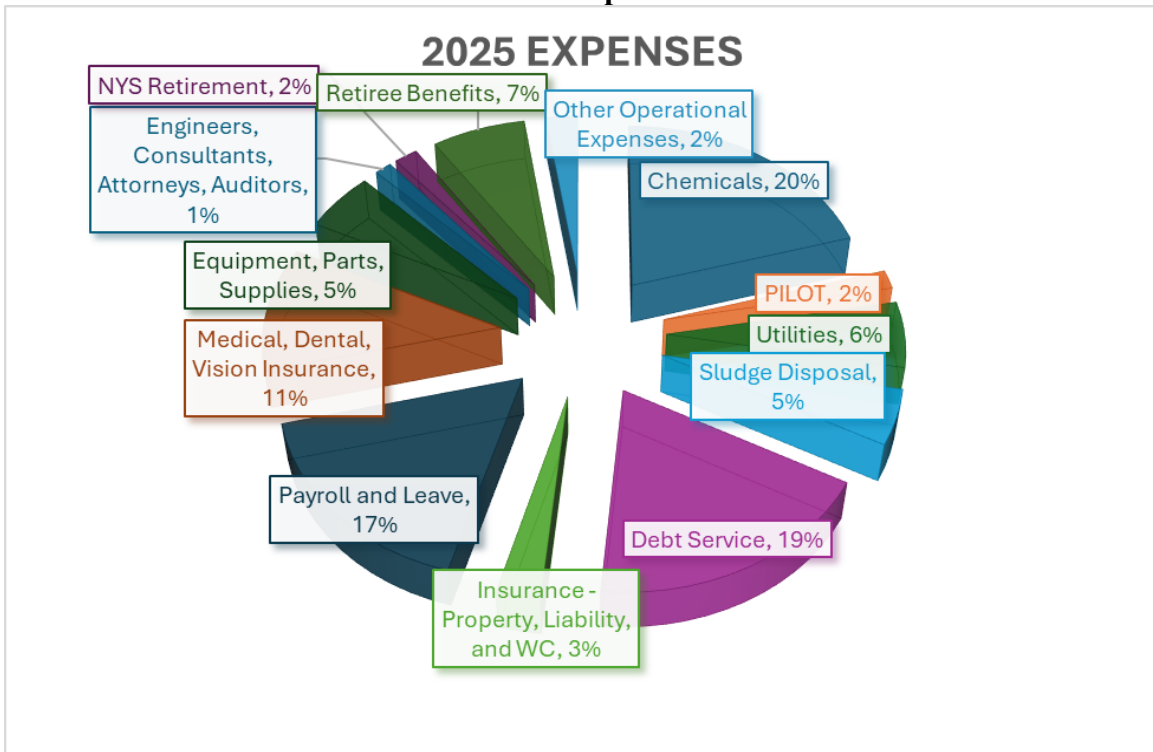
Additionally, because of the unusually dry late summer, flows were low during the second flow monitoring period upon which our bill to the Town of Niagara will be based next year. The agreement with the Town still needs to be renegotiated. This will be an area of focus for the remainder of 2025, but in the meantime, we will continue to bill them.

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III. Expenses



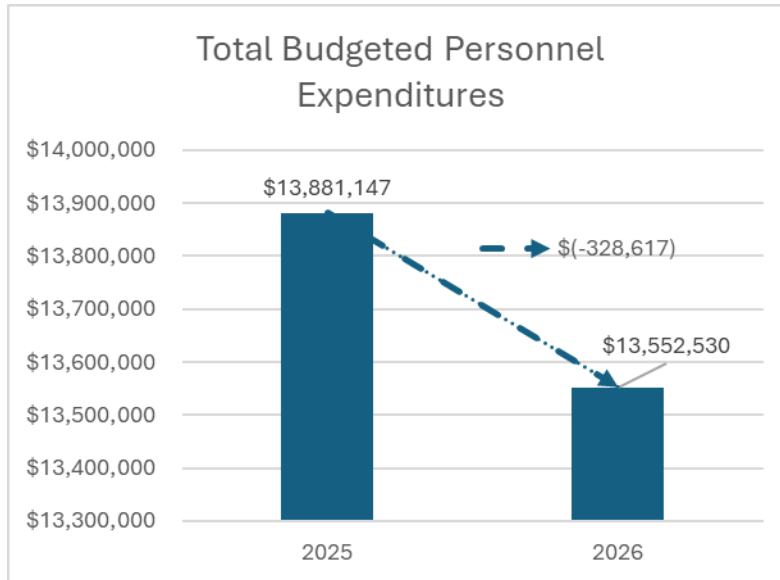
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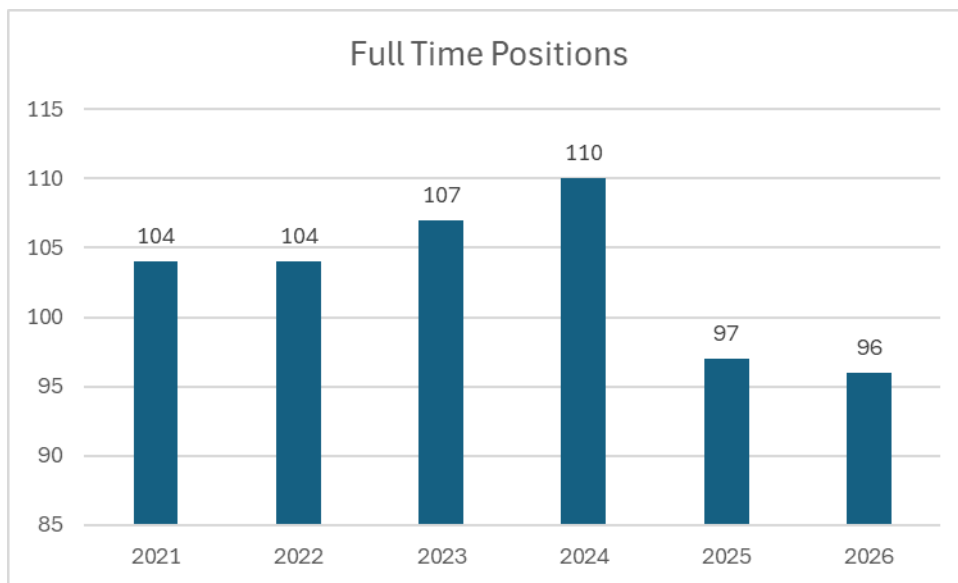
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a. Personnel Cost Control

The proposed personnel cost for 2026, including payroll, benefits, overtime, etc., represents a decrease in overall personnel cost versus the 2025 adopted budget.



The 2026 contractual increase for majority of employees (5%) adds \$240,330 to annual payroll. Funding this increase is equivalent to raising the estimated 2026 revenues without a rate increase by 0.7%.



2026 personnel costs are controlled in part through personnel reductions. The following positions are eliminated for 2026:

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- 1 Cross Connection Inspector. Historically we have had one individual in this position, increased to two in 2023 based on anticipated retirement that has not occurred. Dan McGovern's provisional appointment to that role will be terminated and he will return to his permanent position as WTP Control Maintenance Mechanic. 2026 salary saved is \$63,463.
- 1 WWTP Control Maintenance Mechanic. Eliminating currently vacant position saves 2026 salary of \$59,695.
- 1 Administrative Assistant. Administrative Services Department often has had one administrative assistant and one Director during the past 20 years. Second administrative assistant was added in 2021 to prepare for retirement of long-time employee. The administrative assistant position to be left vacant from permanent appointment of Erin Macri to Sr. Administrative Assistant is being eliminated. 2026 salary saved is \$54,341.
- 1 Records Retention and Control Specialist. Position was created in 2021 and has performed warehouse and purchasing/courier duties, not records-related work. Courier duties will be returned to WWTP Buildings and Grounds which previously performed them. Warehouse and purchasing function for position is not well utilized and will be performed by Planning and Resource Coordinators who presently do much of this work. 2026 salary saved is \$61,698.
- 1 Temporary employee in the Collection and Distribution Team. Jim Hook; 2026 salary saved is approximately \$30,000.

Total Salary Saved is approximately \$269,197, plus at least \$50,000 in benefits saved, for a total 2026 savings of at least \$319,197.

b. Personnel Additions and Upgrades

To enhance efficiency or effectiveness the 2026 budget includes the following:

- 1 Deputy Director of Financial Services, Deborah Ziolkowski, salary \$85,000.
- ½ Compliance Officer / Industrial Waste Inspector at \$51,014/annually. This will allow training prior to retirement of Steve Stewart, Sr. Industrial Waste Inspector, on May 20, 2025. Anticipated request to hire on December PA sheet.
- Upgrade 1 Billing Clerk to Billing and Office Supervisor (16A to 18A). Lisa Landers is senior, annual salary increase of approx. \$670. Intention is to develop an intermediate supervisor to address certain customer service issues and to ensure consistency in customer service in order to help free up time for the Director of Financial Services to focus on critical tasks.
- Upgrade 1 WWTP Buildings and Grounds MW2 to MW3. Victor Spatarico has reached three years longevity, meets qualifications, and promotion is recommended by supervisor. Note that courier duties will be returned to WWTP Buildings and Grounds in 2026. Annual increase of approx. \$1,705.

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c. Debt Service

2026 Debt Service Expenses will total \$7,980,132. The Water Board inherited \$110,000,000 in debt when it was created and debt service has been a significant expense every year. As of 12/31/2024, \$68,194,673, in debt remains outstanding.

d. Retiree Costs

Another substantial recurring expense is the cost of providing healthcare to retirees. Plans for “Tier I” retirees, individuals hired before December 31, 2007, are particularly costly. 2026 budgeted Retiree Costs are \$2,814,110.

e. Contractual Expenses

Overall budgeted contractual expenses are \$17,646,068 for 2026 versus \$18,934,868 for 2025, a decrease of \$1,288,800.

Water Contractual Expense Highlights:

- Budgetary estimate for WTP Water & Sewer reduced from \$625,000 to \$375,000. Overbudgeted in 2025, billing ourselves also has no ultimate net impact on finances.
- WTP Sludge Removal reduced from \$100,000 to \$0. Freeze-thaw beds were emptied in 2025 and sludge now is routed to WWTP through sewer.
- Decreased WTP Misc. Chemicals by \$50,000, partially thanks to lower bid price on one-ton chlorine cylinders.
- Increased Light and Power by \$60,000.

Sewer Contractual Expense Highlights:

- Reduced Sodium Hypochlorite by \$1 million; reflects modestly lower bid price, trend of reduced utilization (partly due to decline in significant industrial discharges with the concomitant reduction in revenue)
- Increased WWTP sludge disposal by \$440,000 to reflect 37% increase in bid price
- Increases for Carbon (\$40,000), Ferric Chloride (\$40,000), Lime (\$40,000)
- Decreases for polymers: primary (\$-20,000) and sludge (\$-15,000)
- Increased Light and Power by \$45,000

Benefits:

- Medical costs are budgeted with current actual rates plus 8.75% as a contingency in the event of a rate increase at the 6/1 renewal. This also will provide flexibility for any plan changes by current employees during the year, e.g., individual to family plan.
- Medicare Advantage plans for certain retirees renew on 1/1 and are increasing by 9.95%.

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- The Water Board's required contribution to the NY State and Local Retirement System has increased by 13.5%, from \$739,416 for 2025 to \$839,177 for 2026. Contribution rates are set by the State based on factors including investment performance, inflation, and actuarial assumptions.

f. Reduced Contingency, 2025 versus 2026 Budget

The 2026 budget has \$400,000 available for contingency, versus \$820,000 in 2025.

- Budget status will need to be monitored closely.
- Less potential surplus to fund capital projects.

IV. Looking Ahead

There are certain known and anticipated costs that will impact future budgets.

- In 2027, it is anticipated that repayment of debt for WWTP and water main improvements completed between 2019-2026 will commence, adding approximately \$700,000 to annual debt service.
- Payroll increases by approximately \$202,000 in 2027.
- Lead and Copper Rule Improvement requirement to replace all lead service lines may result in costs exceeding \$100,000,000 between 2026 and 2037, though substantial grant money should be available.
- Recent Order on Consent and Draft WWTP SPDES permit likely will require plant upgrades in excess of \$100,000,000. It is imperative to begin seeking funding once Preliminary Engineering Report is completed.
 - Until plant upgrades are complete, we are very susceptible to fluctuations in chemical prices, particularly sodium hypochlorite.

V. Alternatives

1. Recommended: 5.9% rate increase to fund draft budget as presented.
2. Alternative 1: 8.7% rate increase could increase contingency by \$473,000 and replenish capital fund by \$500,000; minimal increase would be anticipated for 2027.
3. Alternative 2: 5% rate increase. Not recommended. To address \$313,000 revenue shortfall it may be possible to reduce \$20,000 each from Collection and Distribution Team, WWTP Maintenance, and WTP Maintenance tool/repair budgets, potentially impacting equipment reliability and number of jobs completed. Remaining \$253,000 would require eliminating approximately four additional positions, impacting ability to maintain current level of operations.