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Buffalo Water Rates – What Residents Should Know

Buffalo's water rates are based on the actual cost of operating and maintaining the water system. This includes wages, insurance, training, testing, repairs, and debt payments. These costs increase over time, but Buffalo's water rates have not kept pace.

1. What does it cost to run the water system? WATER ONLY (Sewer to come later)

Our fixed annual cost to operate the water system is approximately \$299,000 per year. This number includes only the fixed costs—the basic expenses required to keep water running, safe, and reliable.

It does not include operating costs of chemicals, and other expenses related to water treatment, setting the additional usage rates.

2. What should the base rate be?

Buffalo has 426 water customers. When you divide the fixed cost across all customers, the current rate should be \$58.49 per month. Residents currently pay \$39.85, which does not cover the fixed cost of operating the system.

3. Why is it hard to give a quick rate analysis?

Water rate structures can be set up in many different ways:

- Flat base rate
- Tiered usage rates
- Fixed + variable hybrid models
- Debt recovery surcharges
- Capital improvement add Ons

Because there are multiple ways to structure rates, any “quick” rate comparison can be misleading. A full rate analysis requires reviewing costs, debt, future projects, and regulatory requirements.

4. What about future improvements?

Buffalo's engineer prepared a \$3,477,206 capital improvement plan for the next 2–5 years. The City also obtained General Obligation (GO) bond funding to support water and sewer improvements for some of the upgrades.

However, as residents raised concerns about brown water, PFAS and questioned the City's ability to manage the system—and also expressed frustration with rising utility costs—the Council decided the community should make the final decision:

Should Buffalo keep the water/sewer utilities or sell them?

Until residents vote, the remaining GO allocated funds for water/sewer improvements are on hold. Once the community decides the future of the utilities, those funds will be allocated accordingly.

5. What happens to rates if Buffalo keeps the system?

If Buffalo keeps the water system, rates will need to be set at a level that:

- Covers the fixed cost of operations
- Builds reserves
- Funds future improvements
- Meets industry standards

If the capital improvement plan is fully implemented that breaks down to a \$53.32 addition to a monthly bill. This number is an estimate, as I do not have verified updated numbers from Josh for completed and remaining improvements.

We should rehab or install a backup water source, that is around \$1 million. A key factor is capital improvements. As a general rule:

Every \$1 million in water system improvements adds about \$16–\$20 to the monthly base rate.

Better water quality requires higher investment, which means a higher base rate.

6. What happens next?

We will continue to get more information for people to review, the date will be set for the referendum. Once residents vote on whether to keep or sell the water/sewer utilities:

- GO funds will be assigned
- Long term planning can move forward

This explanation covers water only. As we have more time, there will be additional information.

I want to acknowledge that I am currently managing several major responsibilities at once. I truly appreciate everyone's patience. My goal is to make sure every resident has clear, reliable information so you can make an informed decision about the future of Buffalo's water and sewer systems. Thank you for your understanding as I work to get all the details out to the community.

— Tanna Leonard, City Clerk