



CITY COUNCIL AGENDA REPORT

MEETING DATE: December 1, 2025
PREPARED BY: Finance Director / Asst. City Administrator Josh Kent
PRESENTED BY: Finance Director / Asst. City Administrator Josh Kent
AGENDA ITEM: 2026 Proposed Final Tax Levy and Budget Public Hearing

BACKGROUND SUMMARY:

Budget Timeline:

The City's budget process begins in the first half of the year with departmental budget requests and capital improvement plan draft proposals. The City holds several Council work sessions and regular meetings that are open to the public where budgets, capital improvements, debt and tax levies are presented, reviewed, and discussed. The following meetings have been held or are yet to be held during the 2026 budget season.

- July 28th – Long-term financial management plan and draft capital improvement plan (CIP) work session
- August 11th – Review of CIP and current/future governmental debt
- August 19th – Preliminary levy and budget work session
- September 15th – Adopt maximum tax levy and preliminary budgets
- October 20th – Special revenue and enterprise fund budgets, CIP updates
- November 18th – Enterprise funds, CIP, utility rates, and 2026 fee schedule work session
- December 1st (TONIGHT) – Truth in Taxation – Levy and Budget Public Hearing
- December 15th – Adopt 2026 final tax levy and General Fund budget

At the adoption of the preliminary budget and levy on September 15th, the Council adopted a 2026 preliminary tax levy of \$12,860,331, a 4.6% increase from the 2025 levy. Staff is recommending approving the final budget and levy at the same amount as the preliminary levy, \$12,860,331, on December 15th, 2025.

This report and the public hearing presentation will focus on the final 2026 proposed Tax Levy and 2026 General Fund budget. The City-wide 2026 Proposed Budget and Capital Improvement Plan documents will be available on the City's website and at City Center by the date of the public hearing, December 1st, 2025.

The formal adoption of the final budget and levy for 2026 will occur at the December 15th meeting.

2026 Proposed City Levy:

Staff is proposing no change to the 2026 preliminary tax levy adopted on September 15th, 2025.

| 2026 Proposed Tax Levy Summary | | | |
|---------------------------------------|--------------------------|-------------------------|---|
| | 2026 Proposed Levy | 2025 Adopted Levy | Increase/ (Decrease) Over Prior Year |
| General Levy | | | |
| General Fund Levy | \$ 7,809,735 | \$ 7,587,192 | 2.9% |
| Pavement Management | 1,000,000 | 1,000,000 | 0.0% |
| Lease Purchase | 190,002 | 462,777 | -58.9% |
| Civic Center | 325,000 | 250,000 | 30.0% |
| Park Capital Improvement | 150,000 | 100,000 | 50.0% |
| Library | 95,000 | 95,000 | 0.0% |
| Economic Development Abatement | - | 20,300 | -100.0% |
| Total General Levy | 9,569,737 | 9,515,269 | 0.6% |
| Debt Levies | | | |
| Total Debt Levies | 3,290,594 | 2,782,917 | 18.2% |
| TOTAL LEVIES | \$ 12,860,331 | \$ 12,298,186 | 4.6% |

The preliminary 2026 tax levy is set to increase \$562,145 (4.6%) from the 2025 levy. The major drivers of the increase are:

| 2026 Proposed Change in Levy | |
|--|------------|
| Projected Total Change in Levy | \$ 562,145 |
| Increase in Park Improvement Levy | \$ 50,000 |
| Increase in Civic Center Levy | 75,000 |
| Wage Study Adjustment - General Fund | 188,443 |
| Personnel Plan Additions - General Fund | 236,730 |
| 3% Cost of Living Adjustment - General Fund | 226,132 |
| Taxes and Benefits - General Fund | 252,446 |
| Capital Outlay Items (Total Increase from 2025) | 244,500 |
| <i>PD/City Center Remodel Project Architect (Combined \$100,000)</i> | |
| <i>Streets Vehicle and Equipment (Combined \$435,000)</i> | |
| <i>Community Center Furniture and Equipment (\$227,000)</i> | |
| Recipient of grant to construct Splash Pad | (350,000) |
| Sale of Capital Assets | (94,500) |
| Increase in Electric Transfer to General Fund | (50,000) |
| Increase in Water Transfer to General Fund | (25,000) |
| Increase in Sanitary Sewer Transfer to General Fund | (25,000) |
| Increase in Liquor Store Transfer to General Fund | (100,000) |
| Remaining Levy Line Item Changes | (66,606) |
| | \$ 562,145 |

Park Improvement Levy – The proposed levy is for an incremental increase of \$50,000 to the annual allocation dedicated to the park improvement activities to assist in paying for replacement of capital equipment and park capital projects.

Civic Center Levy – This fund has a deficit fund balance and requires additional tax levy support. Staff proposes to continue the incremental increases to the Civic Center until the fund balance deficit is eliminated.

Personnel & Benefits – General Fund – There was a market rate wage study that was completed in 2025 that compared the City of Buffalo to 21 comparable cities. The results recommended that there be an adjustment of \$188,443 to be applied to the current 2025 rates. Due to timing of receiving this study, staff is proposing implementing this plus a cost-of-living adjustment of 3% or \$226,132 for 2026 to make sure that positions are still being compensated competitively to both retain and attract talent to the City of Buffalo. There are a total five positions that will either be brand new positions starting in 2026 (Election Assistant, Police Officer, Parks Maintenance Worker) or will be budgeted 100% for the first time in 2026 (GIS & Engineering Tech, Admin & Communications Assistant) for an increase of \$236,730. As is the case each year, there are increased health and benefit costs which total an increase of \$252,446 in 2026.

Increase in Capital Outlay – The increase in capital outlay items is mainly due being able to fund the outright purchase of vehicles and equipment, instead of having to lease these items and paying interest for them.

Sale of Capital Assets – While the city is looking to purchase new equipment and vehicles, we also look to be able to sell our current items to be able to offset some of the cost of the new purchases. Often older vehicles or large machinery will have trade-in value or be auctioned off

Increase in Transfers from Enterprise Funds - Increased the Liquor Transfer by \$100,000, increased the Electric Transfer by \$50,000, added a transfers of \$25,000 from both the Water Fund and the Sanitary Sewer fund (to continue to offset the levy and support City wide government expenses), and proposed a one-time transfer by Utility Funds totaling a combined amount of \$10,000 (for a room sponsorship at the Community Center).

2026 General Fund Budget Expenditures – Comparative:

| Expenditures & Transfers-Out by Type | | | | |
|--------------------------------------|----------------------|----------------------|-------------------|-------------|
| Expenditure Type | 2026 Proposed Budget | 2025 Adopted Budget | \$ Change | % Change |
| Personnel Services | \$ 7,877,809 | \$ 6,974,058 | \$ 903,751 | 13.0% |
| Supplies | \$ 1,261,800 | \$ 1,250,139 | \$ 11,661 | 0.9% |
| Other Services & Charges | \$ 4,594,865 | \$ 4,833,829 | \$ (238,964) | -4.9% |
| Capital Outlay | \$ 797,000 | \$ 502,500 | \$ 294,500 | 58.6% |
| Debt Services | \$ 179,800 | \$ 423,340 | \$ (243,540) | -57.5% |
| Transfer to Other Funds | \$ 50,000 | \$ 50,000 | \$ - | 0.0% |
| Total Expenditures | \$ 14,761,274 | \$ 14,033,866 | \$ 727,408 | 5.2% |

- Personnel Services – Increase is related to the Personnel Plan additions (three new positions, two additional positions that were not funded 100% in 2025, increase to seasonal budgets (~\$236K) and an increase to tax and benefits budget (~\$252K) and the market rate study implementation (~\$188K). The remaining increase is related to COLA and steps.
- Other Services & Charges – Drivers of the decrease are the increase to the new Community Center budget (~\$180K), and a reduction to the internal IT allocation to the MIS Fund.
- Debt Service – The General Fund is servicing debt issued under financing arrangements, formerly known as lease purchase agreements, for capital equipment purchased in 2020 through 2022. These terms are coming due with the final payments occurring in 2026.

2026 General Fund Budget Expenditures – Comparative, Continued:

| Expenditures & Transfers-Out by Function | | | | | |
|--|----------------------|----------------------|-------------------|-------------|--|
| Function | 2026 Proposed Budget | 2025 Adopted Budget | \$ Change | % Change | |
| General Government | \$ 2,574,314 | \$ 2,685,615 | \$ (111,301) | -4.1% | |
| Public Safety | \$ 4,980,861 | \$ 4,865,457 | \$ 115,404 | 2.4% | |
| Public Works | \$ 4,245,909 | \$ 3,770,184 | \$ 475,725 | 12.6% | |
| Culture and Recreation | \$ 2,910,190 | \$ 2,662,610 | \$ 247,580 | 9.3% | |
| Transfer to Other Funds | \$ 50,000 | \$ 50,000 | \$ - | 0.0% | |
| Total Expenditures | \$ 14,761,274 | \$ 14,033,866 | \$ 727,408 | 5.2% | |

- All Functions – The increases spread among all functions (i.e. General Government, Public Safety, Public Works, Culture & Rec) are primarily related to the increased budgets for personnel services (as discussed in the chart in the above section, “Expenditures & Transfers-Out by Type”).

Proposed 2026 City Tax at Different Residential Valuations

Projected calculations of the proposed 2026 levy show the following estimated city taxes payable at different residential valuations:

| Proposed 2026 Levy - \$12,860,331 | | | | | | |
|-----------------------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Est Residential Market Value | \$ 200,000.00 | \$ 356,000.00 | \$ 500,001.00 | \$ 750,000.00 | \$ 1,100,000.00 | \$ 1,500,000.00 |
| Homestead Exclusion | (28,550.00) | (14,510.00) | (1,549.91) | - | - | - |
| Taxable Market Value | 171,450.00 | 341,490.00 | 498,451.09 | 750,000.00 | 1,100,000.00 | 1,500,000.00 |
| Class Rate - Set by Legislature | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.25% |
| Net Tax Capacity | 1,714.50 | 3,414.90 | 6,230.64 | 9,375.00 | 13,750.00 | 18,750.00 |
| Proj. Tax Rate | 51.64% | 51.64% | 51.64% | 51.64% | 51.64% | 51.64% |
| Net Tax Payable | \$ 885.37 | \$ 1,763.45 | \$ 3,217.50 | \$ 4,841.25 | \$ 7,100.50 | \$ 9,682.50 |

The following shows the decrease from the 2025 tax rate at the same property valuations:

| Change in Tax Payable from Prior Year | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Est Residential Market Value | \$ 200,000.00 | \$ 356,000.00 | \$ 500,001.00 | \$ 750,000.00 | \$ 1,100,000.00 | \$ 1,500,000.00 |
| 2026 Proj. Tax Rate from 2025 Rate | \$ (5.49) | \$ (10.93) | \$ (19.94) | \$ (30.00) | \$ (44.00) | \$ (60.00) |

Median Value Home – 2026 vs 2025

A median valued home that is increasing in line with the overall increase in estimated market values (5.65%), is estimated to be \$356,000 for 2026 (valued at \$336,965 in 2025), projected 2026 taxes would increase by approximately \$96.88 per year, or \$8.07 per month.

| Tax Calculation Based on Median Valued Home | | | |
|---|-------------------|-------------------|-------------|
| | Payable 2026 | Payable 2025 | % Change |
| <i>Est. Taxable Market Value (EMV)</i> | <i>\$ 356,000</i> | <i>\$ 336,965</i> | 5.65% |
| instead Market Value Exclusion | (14,510) | (16,223) | |
| Taxable Market Value | 341,490 | 320,742 | |
| Class Rate - Set by Legislature | x 1% | x 1% | |
| Tax Capacity | 3,415 | 3,207 | |
| City of Buffalo Tax Rate | 0.5164 | 0.5196 | |
| City of Buffalo Estimated Taxes | 1,763 | 1,667 | |
| Annual Change | \$ 96.88 | | |
| Monthly Change | \$ 8.07 | | |

2026 Utility Rates

Staff recommends increasing the base-rate (fixed) portion of the Electric and Water utility rates as well as an increase in the Electric utility consumption rates for both demand and non-demand as was discussed at the 4th work session on November 18th. Staff is proposing no change to rates in the Water Reclamation utility for 2026. This increase in base rates is a continuation of the efforts to bring our “fixed” revenues from utilities more in line with the city’s “fixed” costs, and to reduce the variability of large revenue swings that are related to weather/seasonality.

Below is the breakout of the proposed changes between Residential and Commercial customers:

Residential:

| 2026 Residential Utility | | Consumption Rate |
|--|--------------------------|------------------------------|
| Service | Base Rate Changes | Changes |
| Water | +\$1.35 per month | - |
| Sewer | +\$0.00 per month | - |
| Electric* | +\$0.50 per month | +\$0.0026 per 100 kwh |
| All Services | +\$1.85 per month | +\$0.0026 per 100 kwh |
| *Electric rates shown excludes the variable PCA charge that is passed on to user | | |

| Proposed Utility Rate Increase Impacts - Residential Examples | | | | | | | |
|--|------------|---------------|---------------------|---------------|-------------------------|------------------------|--------------------|
| | 2025 Rates | | 2026 Proposed Rates | | Monthly Dollar Increase | Approximate % Increase | Annual \$ Increase |
| Low User – Residential | | | | | | | |
| Water (2,000 gals/month) | \$ | 30.70 | \$ | 32.05 | \$ 1.35 | | |
| Sewer (2,000 gals/month) | | 41.00 | | 41.00 | - | | |
| Electric (400 kwh/month)* | | 66.10 | | 67.64 | 1.54 | | |
| Total Monthly Cost | \$ | 137.80 | \$ | 140.69 | \$ 2.89 | 2.10% | \$34.68 |
| Low Moderate User – Residential | | | | | | | |
| Water (4,000 gals/month) | \$ | 42.90 | \$ | 44.25 | \$ 1.35 | | |
| Sewer (4,000 gals/month) | | 71.00 | | 71.00 | - | | |
| Electric (800 kwh/month)* | | 115.70 | | 118.28 | 2.58 | | |
| Total Monthly Cost | \$ | 229.60 | \$ | 233.53 | \$ 3.93 | 1.71% | \$47.16 |
| High Moderate User – Residential | | | | | | | |
| Water (6,000 gals/month) | \$ | 60.90 | \$ | 62.25 | \$ 1.35 | | |
| Sewer (6,000 gals/month) | | 101.00 | | 101.00 | - | | |
| Electric (1200 kwh/month)* | | 165.30 | | 168.92 | 3.62 | | |
| Total Monthly Cost | \$ | 327.20 | \$ | 332.17 | \$ 4.97 | 1.52% | \$59.64 |
| High User – Residential | | | | | | | |
| Water (9,000 gals/month) | \$ | 87.90 | \$ | 89.25 | \$ 1.35 | | |
| Sewer (9,000 gals/month) | | 146.00 | | 146.00 | - | | |
| Electric (1600 kwh/month)* | | 214.90 | | 219.56 | 4.66 | | |
| Total Monthly Cost | \$ | 448.80 | \$ | 454.81 | \$ 6.01 | 1.34% | \$72.12 |
| Summer – Residential Lawn | | | | | | | |
| Water (25,000 gals) | \$ | 300.00 | \$ | 300.00 | \$ - | 0.00% | \$0.00 |
| Sewer – No Impact | | | | | | | |
| Total Monthly Cost | \$ | 300.00 | \$ | 300.00 | \$ - | 0.00% | \$0.00 |
| *Electric rates shown excludes the variable PCA charge that is passed on to user | | | | | | | |

Commercial:

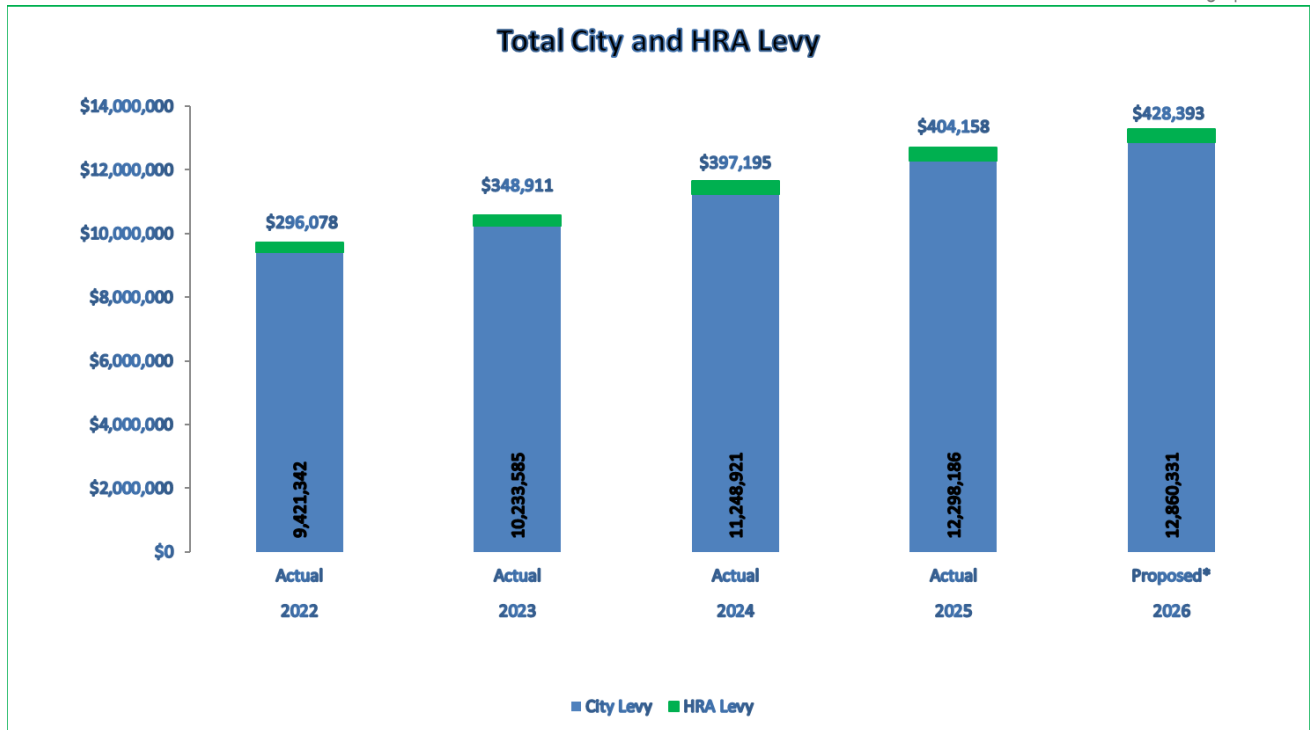
| 2026 Commercial Utility Service | Base Rate Changes | Consumption Rate Changes | Demand Charges |
|--|--------------------------|--------------------------|----------------|
| Water | +\$5.20 per month | - | - |
| Sewer | +\$0.00 per month | - | - |
| Electric (Non-Demand)* | +\$1.50 per month | +\$0.0023/kwh | - |
| All Services | +\$6.70 per month | +\$0.0023/kwh | \$ - |
| Electric Demand Customers Only | | | |
| Electric Demand - Flat | n/a | - | +\$0.84 / KW |
| Electric Demand - Seasonal (non-summer) | n/a | +\$0.0002/kwh | +\$1.05 / KW |
| Electric Demand - Seasonal (summer) | n/a | +\$0.0002/kwh | +\$0.13 / KW |
| *Electric rates shown excludes the variable PCA charge that is passed on to user and sales tax | | | |

| Proposed Utility Rate Increase Impacts - Commercial Examples | | | | | |
|--|--------------------|---------------------|-------------------------|------------------------|--------------------|
| | 2025 Rates | 2026 Proposed Rates | Monthly Dollar Increase | Approximate % Increase | Annual \$ Increase |
| Low User – Commercial | | | | | |
| Water (3,000 gals/month) | \$ 41.80 | \$ 47.00 | \$ 5.20 | | |
| Sewer (3,000 gals/month) | 56.00 | 56.00 | - | | |
| Electric (1000 kwh/month)* | 146.50 | 150.30 | 3.80 | | |
| Total Monthly Cost | \$ 244.30 | \$ 253.30 | \$ 9.00 | 3.68% | \$ 108.00 |
| Moderate User – Commercial | | | | | |
| Water (33,000 gals/month) | \$ 248.00 | \$ 253.20 | \$ 5.20 | | |
| Sewer (25,000 gals/month) | 386.00 | 386.00 | - | | |
| Electric (25,000 kwh/month)* | 3,194.50 | 3,253.50 | 59.00 | | |
| Total Monthly Cost | \$ 3,828.50 | \$ 3,892.70 | \$ 64.20 | 1.68% | \$ 770.40 |
| Higher User – Commercial (Elec Demand) | | | | | |
| Water (90,000 gals/month) | \$ 761.00 | \$ 766.20 | \$ 5.20 | | |
| Sewer (50,000 gals/month) | 761.00 | 761.00 | - | | |
| Electric (32,000 kwh/month, 96.4 KW Demand)* | 4,171.58 | 4,258.96 | 87.38 | | |
| Total Monthly Cost | \$ 5,693.58 | \$ 5,786.16 | \$ 92.58 | 1.63% | \$ 1,110.91 |
| *Electric rates shown excludes the variable PCA charge that is passed on to user and sales tax | | | | | |

*Note that Electric Demand customers do not pay a base-rate.

HRA Levy –

The HRA Board approved a preliminary 2026 Levy at its September 9th meeting. The 2026 preliminary levy was set at \$428,393 which is the statutory maximum levy for taxes payable in 2026. This is an increase of \$24,235 from 2025. For a residential market value of \$356,000 (estimated 2026 median valued home), this is expected to result in an HRA tax levy payable of \$59 per year, which is an increase of \$4 from 2025.



ALIGNMENT WITH CITY COUNCIL STRATEGIC PLAN:

Innovative and Forward-Thinking Governance: Maintain a fiscally sound government with competitive taxes and utility rates, responsible use of debt, and a budget that reflects community priorities.

FISCAL CONSIDERATIONS:

- Estimated Cost: \$12860331.00
- Funding Source(s): Public Levy
- Budgeted:

RECOMMENDED ACTION:

Hold the public hearing for the 2026 proposed final tax levy and General Fund budget for the City of Buffalo and the Buffalo Housing & Redevelopment Authority (HRA).

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