

Memo

To: North Canton City Council
North Canton Director of Finance

From: Chuck Osborne

CC: Director of Administration

Date: 2/4/02

Re: Comparison of North Canton Water Rates With Alliance, Consumers Ohio, Canton City & Stark County MSD

I would like to pass on some extensive research that I have collected concerning water costs and revenues from the following: City of Alliance, Stark County MSD, Consumers Ohio & Canton City.

I have made the necessary water conversions (cubic feet to gallons) and calculated water costs using the billing rates of each of the five water systems. I then based the comparisons on North Canton's tier rate structure for both Residential and Business, Inside & Outside the city. All of this information is detailed on a single handout for comparison.

In addition, I have charted all of this information to provide an overall picture of how North Canton's water rates compare with our competition (Consumers Ohio) and with other municipal water systems in the area. I think the charts are quite enlightening and reveal some shortcomings in the overall makeup of North Canton's water rate structure. I think a big problem for North Canton's water rates is in the bottom tier of its rate structure. North Canton's water rates for Business Inside & Out the city are extremely low compared to all other water suppliers. This would be quite clear in a chart that focused on the lower consumption levels of the city's rate structure.

City Of Alliance

In addition, I have included a page that details the water & sewer rate increases for the City of Alliance that have occurred since 1990. **At present, they have a scheduled a 3% rate increase for the year 2003.** Including the increase scheduled for 2003, water rates will have increased by 78% since 1990. At present, Alliance water rates inside the city start at **\$4.92 per 1000 gallons with a minimum charge of \$11.06.**

Consumers Ohio

The rates for Consumers Ohio start out at **\$3.94 per 1000 gallons plus a meter charge of \$8.00.**

Canton City

The rates for Canton City start out at **\$1.74 per 1000 gallons and a bi-monthly minimum rate of \$5.75.** I overlooked the bi-monthly notation when doing my calculations and listed the monthly minimum at \$5.75 when in effect it would be half of that amount. This would only have a small affect on water users who use under 2,000 gallons per month. I am also expecting to receive water production cost information from Canton but have not yet received the information.

Stark County MSD

The rates for Stark County MSD start out at **\$4.00 per 1000 gallons with a monthly minimum of \$6.00**. In addition, Stark MSD has contracted with Consumers Ohio for water purchases through 2004. There is also a handout that illustrates Stark MSD's effective water cost that is purchased from Consumers Ohio. By taking advantage of volume pricing, it is able to lower its water cost to \$1.77 per 1000 gallons. On the flip side, the bulk of its water is sold in much smaller volumes at substantially higher rates providing a strong revenue stream. This is seen in the same handout at the top. A 500,000 gallon water purchase costs Stark MSD \$1,034.83 at their volume rate and is resold to the public at \$1,935.00.

Given this arrangement that Stark MSD has with Consumers Ohio, I am inclined to question why North Canton's cost to produce and distribute water is calculated to be so high. It appears to me that Consumers Ohio water production costs are obviously well below North Canton's cost of water production. Again, this is food for thought.

Stark MSD has contracted with Consumers Ohio to purchase water from Consumers Ohio at the following scheduled rates through 2004:

	Beginning 1/1/2002	Beginning 1/1/2003	Beginning 1/1/2004
First 37,500 Gallons	\$4.0049	\$4.1267	\$4.2484
Next 75,000 Gallons	\$3.1261	\$3.2201	\$3.3149
All Over 112,500 Gallons	\$1.7454	\$1.7995	\$1.8536

Note: The above water purchase cost includes a 1.5% administrative charge and costs are per 1000 gallons.

There is a lot of information to digest but I would like to suggest that in addition to adjusting water rates that the following areas also be discussed to bring in revenue for the city. These areas would include the following:

- Monthly minimum water charges
- Monthly meter charges
- Increased tap fees

After digesting a lot of information and briefly looking at the charted comparisons of water costs, I would also be interested in discussing the possibility of having an outside water engineering firm propose a total revamp of the city's water rate structure. One that would be competitive for the city in the future, fair to the residential water users and above all, financially viable and sound. Only on this basis can the City of North Canton maintain the quality water we have enjoyed in the past and ensure that it will be there for the future.

Sincerely,

Chuck Osborne
Council at-Large
City of North Canton

CITY OF ALLIANCE WATER AND SEWER INCREASES BY YEAR

WATER INCREASES

NOV. 1, 1990	9%
MAR. 1, 1992	12%
JAN. 1, 1993	12%
JAN. 1, 1994	12%
JAN. 1, 1995	12%
JAN. 1, 1996	12%
1997	0%
1998	0%
1999	0%
2000	0%
JAN. 1, 2001	3%
JAN. 1, 2002	3%
JAN. 1, 2003	3%
TOTAL	78%

SEWER INCREASES

1990	0%
1992	0%
JUL. 1, 1993	15.10%
JAN. 1, 1994	9.22%
1995	0%
1996	0%
1997	0%
SEPT. 1, 1998	9%
1999	0%
JAN. 1, 2000	10%
2001	0%
JAN. 1, 2002	5%
2003	0%
TOTAL	48%

Stark MSD

Water Costs vs. Water Revenues

Consumption Range	Stark MSD Effective Purchase Cost Per 1,000 Gals	Stark MSD Purchase Cost	Stark MSD Rate To Public Per 1,000Gals	Stark MSD Montly Charge To Public
0 - 10,000	\$1.77	\$17.69	\$4.00	\$40.00
10,001 - 75,000	\$1.77	\$132.67	\$3.60	\$270.00
75,000 - 500,000	\$1.77	\$884.47	\$3.25	\$1,625.00
		<u>\$1,034.83</u>		<u>\$1,935.00</u>

Note: Water Sales over 75,000 Gallons to the public are priced at \$3.25. The 500,000 number is an arbitrary number selected to make a calculation.

Stark MSD Water Cost Structure

Effective Water Cost Calculations

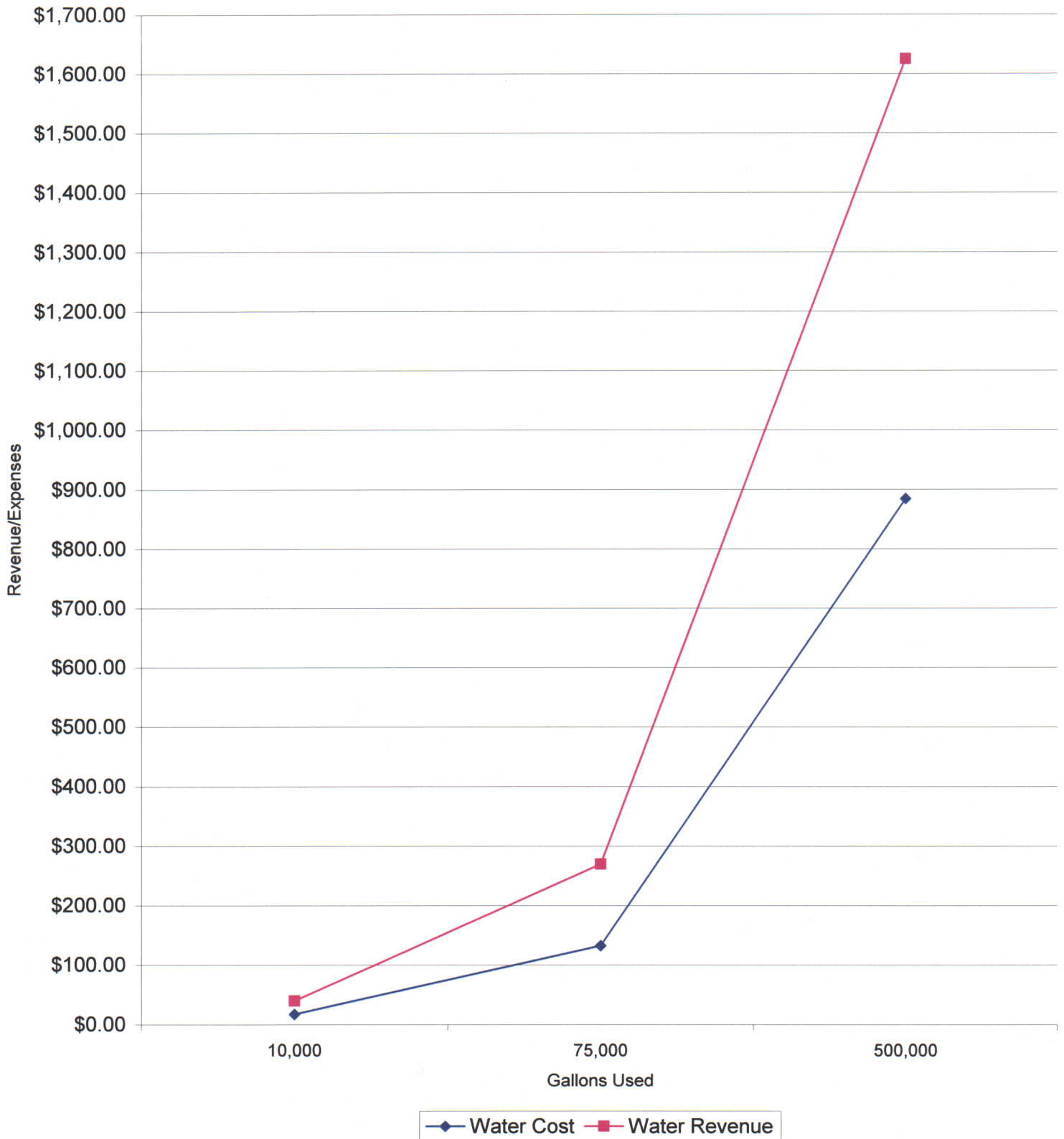
Purchase Range	Cost To Stark MSD Per 1,000 Gals	Stark MSD Monthly Water Costs	Effective Purchase Cost Per 1,000 Gals
0 - 37,500	\$4.01	\$150.22	
35,000 - 112,500	\$3.13	\$234.41	
> 112,500	\$1.75	\$13,766.84	
		<u>\$14,151.47</u>	
			\$1.77 Effective Water Cost Per 1,000 Gallons

Stark MSD monthly water purchases from Consumers Ohio approximate 8 million gallons per month. Effective Water Cost Calculations based on monthly water purchase of 8 million gallons.

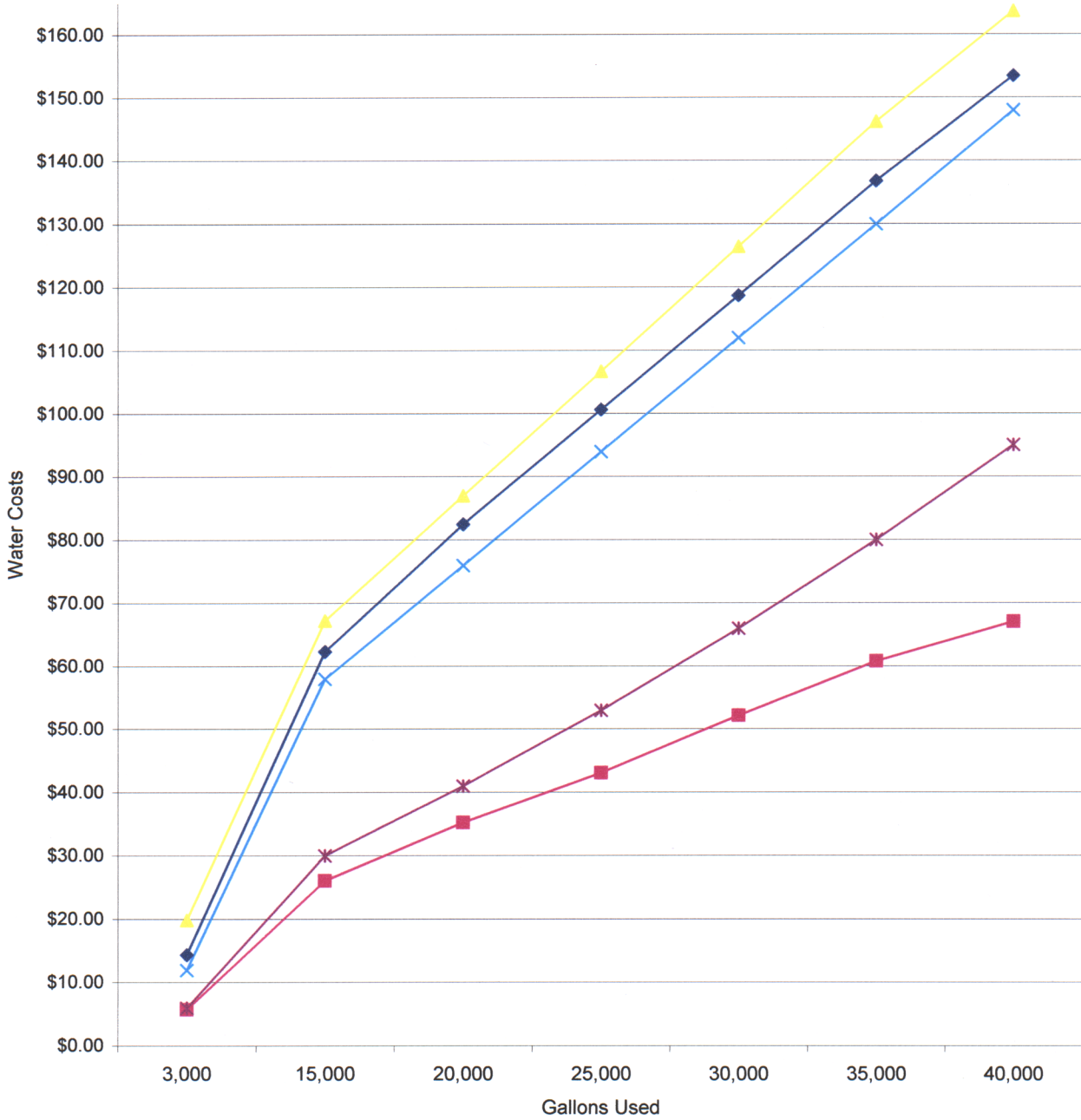
Chuck Osborne

Stark MSD

Water Costs vs. Water Revenues

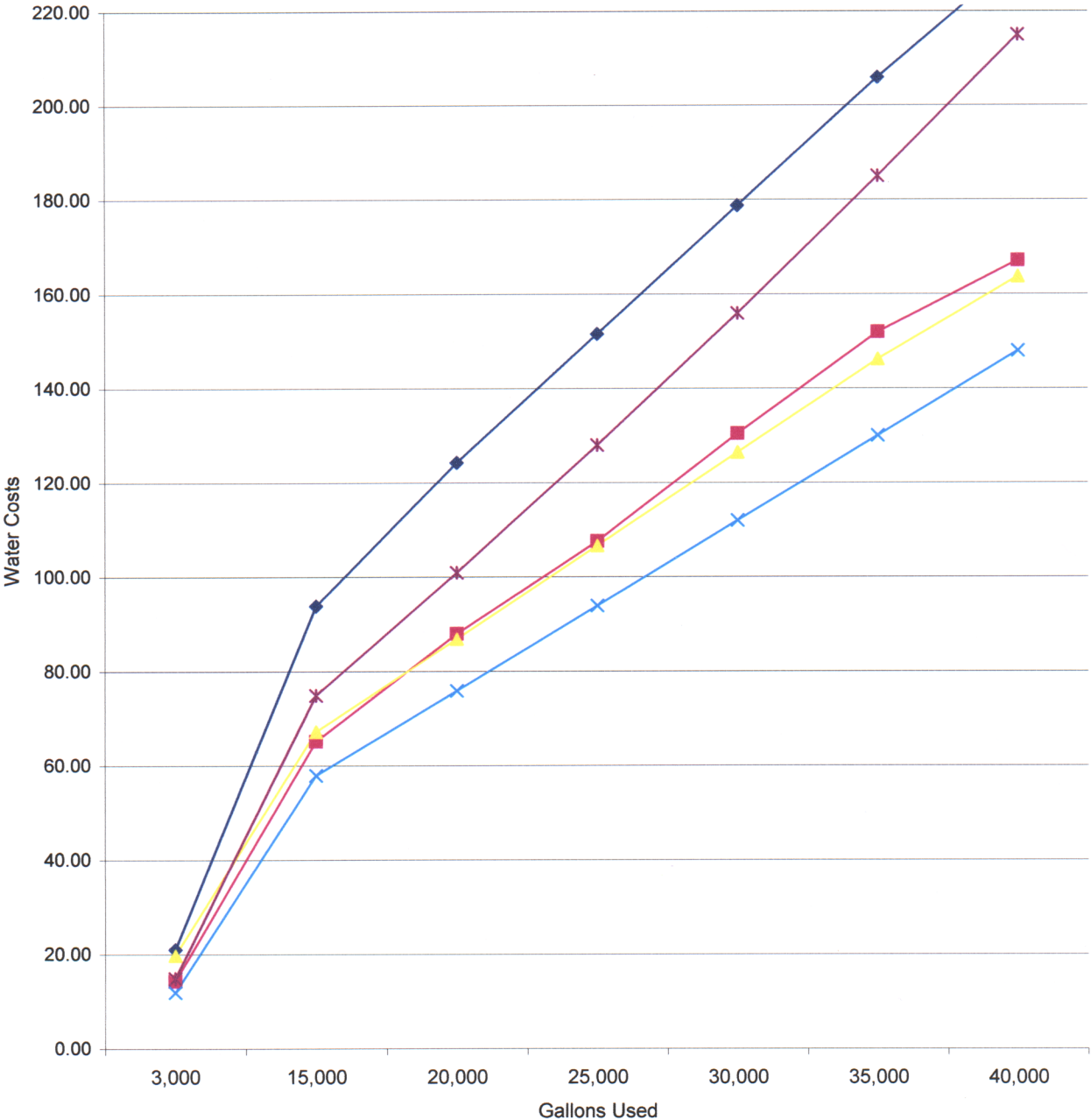


Water Rate Comparison Consumption vs Costs (Residential Inside)



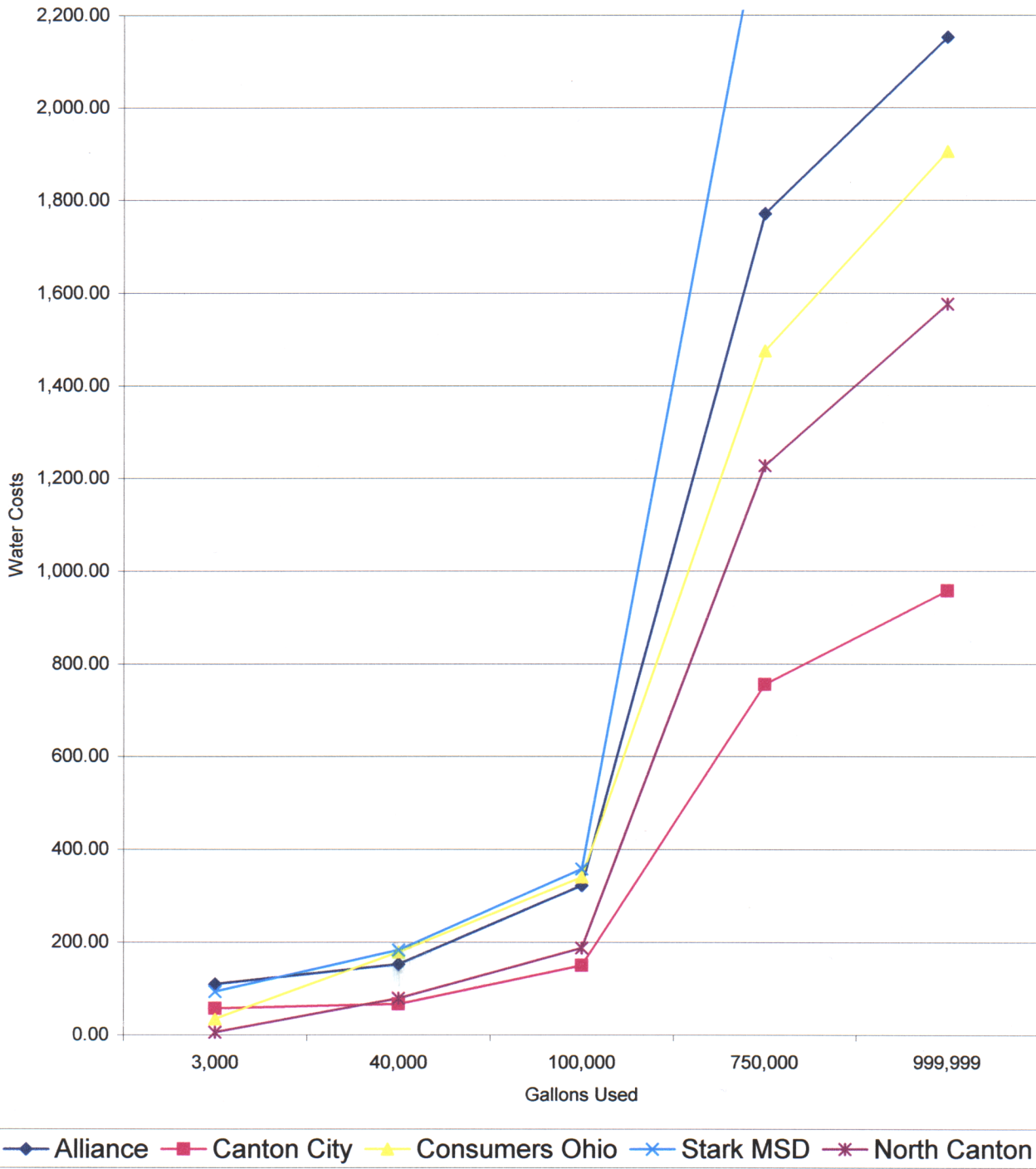
◆ Alliance ■ Canton City ▲ Consumers Ohio × Stark MSD * North Canton

Water Rate Comparison Consumption vs Costs (Residential Outside)



◆ Alliance ■ Canton City ▲ Consumers Ohio × Stark MSD * North Canton

Water Rate Comparison Consumption vs Costs (Business Inside)



Water Rate Comparison Consumption vs Costs (Business Outside)

