

# Memo

To: North Canton City Council  
North Canton Director of Finance

From: Chuck Osborne

CC: Director of Administration

Date: 2/18/02

Re: Response to Rate Increase Compromise Proposed by Doug Foltz, Ward 1 Councilman

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The letter to City Council with the statement highlighted in bold by Councilman Foltz states that “Many millions of dollars have been collected through income tax....” This seems to imply that the City of North Canton has collected a great excess of revenue over the years. If that is indeed true, then North Canton is a very unique municipality. But, I do not think that the city is as blessed financially as that statement seems to imply. The many millions in income taxes that have been collected by the city over the years has been budgeted and spent each year paying for the numerous city services that the city provides. Among these services are the city’s safety forces, street department, recreation department, engineering department and the administration of city business just to name a few. These departments do not produce a product as such but provide a service. Typically, the community at large pays for these services from income tax revenue. One reason for this is that it is hard to gauge on an individual basis how much of each service each citizen consumes each day, each week, or each month. As we all know, there are some city services that many of us rarely use directly but generally, every citizen in the city benefits in some way from all of these city services. And all of these services are supported by revenue generated from the city income tax.

North Canton has a tremendous advantage over many other municipalities in that it has its own municipal water plant. This tremendous asset gives the City of North Canton a greater degree of control over its quality of life than a municipality that does not have its own municipal water plant. The municipal water plant also allows the city to have a greater control over its destiny. With this control, the city can respond to the needs and desires of its citizens as to the quality and taste of the water desired by its residents. The City of North Canton does this by providing a product that is much higher in quality and taste than what might be available if the city did not have its own municipal water plant.

Generally, most consumers understand that there are costs associated with the production of a product and that this cost is calculated into the sale price of the product. And unlike city services, the consumption of water by each resident is easily calculated over time whether it is

If water rates had been properly priced over these many years, the city could have allowed the reserves of the water fund to build up in anticipation of these needs for the water plant and possibly have the \$3 million mentioned by Councilman Foltz already on hand. I must ask if it is okay to raise rates when the needed water improvements are now upon us, why was it not okay to raise rates in anticipation of the needed water improvements a few years back. The needed water improvements have been known for several years. Isn't it better to accumulate the needed funds in advance rather than after the fact?

**Item Four:**

Mr. Foltz's calculations do not include the \$239,000 in principal and interest on two notes that require repayment starting in March 2003. This would leave a deficit of \$109,000 using Mr. Foltz's calculations.

**Item Five:**

Given that Councilman Foltz has excess loan proceeds (\$380,000) in his scenario and that he has not calculated the note repayments in item four, the balance remaining drops to \$271,000. I do not think the \$271,000 or even the \$380,000 cited by Councilman Foltz would make much of a dent in any future expansion of the water plant. And at this point I am confused, as Councilman Foltz said on page one of his letter that he was not in favor of an expansion of the water plant.

In summary, the water fund must be made financially sound and solvent. To accomplish that goal, water rates must be set so that every part of the rate structure is self-supporting. All of the water operations around North Canton are being administered in a fiscally sound manner and North Canton should do the same.

Sincerely,



Chuck Osborne  
Council at-Large  
City of North Canton

# Water Rate Cost Comparison

## Water Rates - Present and Proposed

<b>Residential Inside Rates</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	Foltz Proposal
0 - 3000	\$4.92	\$1.74	\$3.94	\$3.95	\$2.00	\$2.25
3001 - 15000	\$4.92	\$1.74	\$3.94	\$3.95	\$2.00	\$2.25
15001 - 20000	\$4.92	\$1.74	\$3.94	\$3.95	\$2.20	\$2.45
20001 - 25000	\$3.61	\$1.74	\$3.94	\$3.95	\$2.40	\$2.65
25001 - 30000	\$3.61	\$1.74	\$3.94	\$3.95	\$2.60	\$2.85
30001 - 35000	\$3.61	\$1.39	\$3.94	\$3.95	\$2.80	\$3.05
35001 - 40000	\$2.82	\$1.39	\$3.07	\$3.08	\$3.00	\$3.25
40001 - 999999	\$2.82	\$0.82	\$1.72	\$1.72	\$3.20	\$3.45

<b>Residential Outside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	Foltz Proposal
0 - 3000	\$7.36	\$4.35	\$3.94	\$3.95	5.00	\$5.63
3001 - 15000	\$7.36	\$4.35	\$3.94	\$3.95	5.00	\$5.63
15001 - 20000	\$7.36	\$4.35	\$3.94	\$3.95	5.20	\$5.83
20001 - 25000	\$5.44	\$4.35	\$3.94	\$3.95	5.40	\$6.03
25001 - 30000	\$5.44	\$4.35	\$3.94	\$3.95	5.60	\$6.23
30001 - 35000	\$5.44	\$3.48	\$3.94	\$3.95	5.80	\$6.43
35001 - 40000	\$5.44	\$3.48	\$3.07	\$3.08	6.00	\$6.63
40001 - 999999	\$1.52	\$2.04	\$1.72	\$1.72	6.20	\$6.83

<b>Business Inside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	Foltz Proposal
0 - 3000	\$4.92	\$1.74	\$3.94	\$3.95	\$2.00	\$2.25
3001 - 40000	\$3.61	\$1.74	\$3.94	\$3.95	\$2.00	\$2.25
40001 - 100000	\$2.82	\$1.39	\$3.07	\$3.08	\$1.80	\$2.05
100001 - 750000	\$2.82	\$0.82	\$1.72	\$1.72	\$1.60	\$1.85
750001 - 999999	\$1.52	\$0.82	\$1.72	\$1.72	\$1.40	\$1.65

<b>Business Outside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	Foltz Proposal
0 - 3000	\$7.36	\$4.35	\$3.94	\$3.95	\$5.00	\$5.63
3001 - 40000	\$5.44	\$4.35	\$3.94	\$3.95	\$5.00	\$5.63
40001 - 100000	\$4.30	\$3.48	\$3.07	\$3.08	\$4.50	\$5.13
100001 - 750000	\$4.30	\$2.04	\$1.72	\$1.72	\$4.00	\$4.63
750001 - 999999	\$2.32	\$2.04	\$1.72	\$1.72	\$3.50	\$4.13

# Water Rate Cost Comparison

## Consumption vs. Costs

(25 Cent Increase Inside, 63 Cent Increase Outside)

<b>Residential Inside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	With Increase Foltz Proposal
0 - 3000	\$14.38	\$5.75	\$19.84	\$12.00	\$6.00	\$6.75
3001 - 15000	\$62.36	\$26.09	\$67.20	\$58.00	\$30.00	\$33.75
15001 - 20000	\$82.48	\$35.22	\$86.93	\$76.00	\$41.00	\$46.00
20001 - 25000	\$100.65	\$43.04	\$106.67	\$94.00	\$53.00	\$59.25
25001 - 30000	\$118.70	\$52.17	\$126.40	\$112.00	\$66.00	\$73.50
30001 - 35000	\$136.76	\$60.78	\$146.13	\$130.00	\$80.00	\$88.75
35001 - 40000	\$153.45	\$67.04	\$163.70	\$148.00	\$95.00	\$105.00
40001 - 999999	\$2,152.74	\$957.98	\$1,913.14	\$3,283.43	\$3,163.80	\$3,416.66

<b>Residential Outside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	With Increase Foltz Proposal
0 - 3000	21.11	14.38	19.84	12.00	15.00	\$16.89
3001 - 15000	93.93	65.22	67.20	58.00	75.00	\$84.45
15001 - 20000	124.28	88.04	86.93	76.00	101.00	\$113.60
20001 - 25000	151.62	107.61	106.67	94.00	128.00	\$143.75
25001 - 30000	178.80	130.43	126.40	112.00	156.00	\$174.90
30001 - 35000	205.99	151.95	146.13	130.00	185.00	\$207.05
35001 - 40000	231.18	167.11	163.70	148.00	215.00	\$240.20
40001 - 999999	3,270.86	2,394.96	1,913.14	3,283.43	6,161.00	\$6,796.32

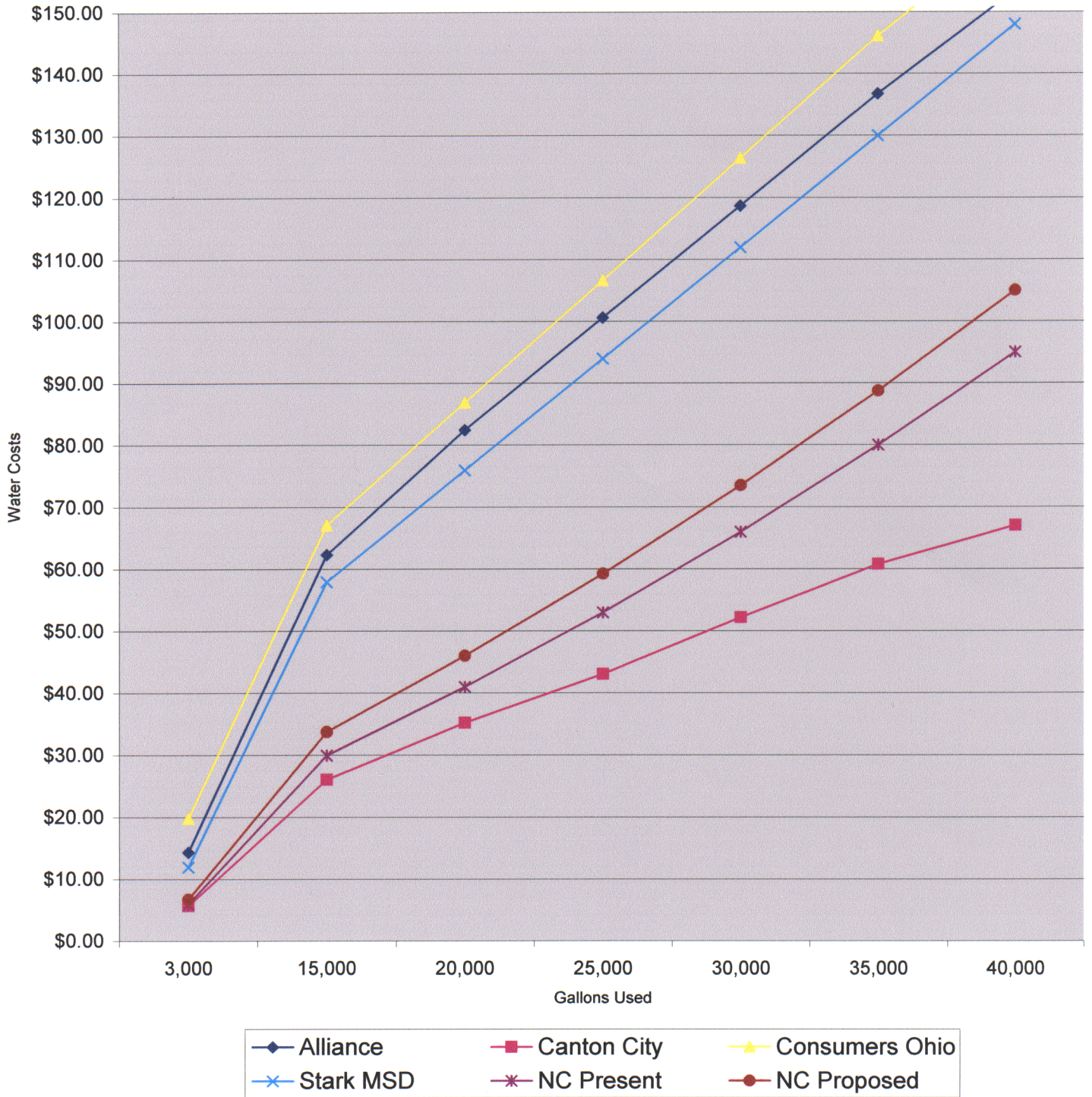
<b>Business Inside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	With Increase Foltz Proposal
0 - 3000	\$109.83	\$57.39	\$35.04	\$94.00	\$6.00	\$6.75
3001 - 40000	\$153.45	\$67.39	\$178.90	\$184.00	\$80.00	\$90.00
40001 - 100000	\$323.19	\$150.85	\$340.49	\$358.75	\$188.00	\$213.00
100001 - 750000	\$1,771.64	\$755.80	\$1,475.24	\$2,471.25	\$1,228.00	\$1,415.50
750001 - 999999	\$2,152.74	\$958.13	\$1,905.14	\$3,283.43	\$1,577.00	\$1,827.84

<b>Business Outside</b>						
Consumption Range	Alliance	Canton City	Consumers Ohio	Stark MSD	NC Present	With Increase Foltz Proposal
0 - 3000	\$164.79	\$143.49	\$35.04	\$94.00	\$15.00	\$16.89
3001 - 40000	\$231.18	\$166.46	\$178.90	\$184.00	\$200.00	\$225.20
40001 - 100000	\$489.03	\$377.11	\$340.49	\$358.75	\$470.00	\$533.00
100001 - 750000	\$2,690.76	\$1,884.51	\$1,475.24	\$2,471.25	\$3,070.00	\$3,542.50
750001 - 999999	\$3,270.86	\$2,395.32	\$1,905.14	\$3,283.43	\$3,945.00	\$4,574.59



# Water Rate Comparison Consumption vs Costs

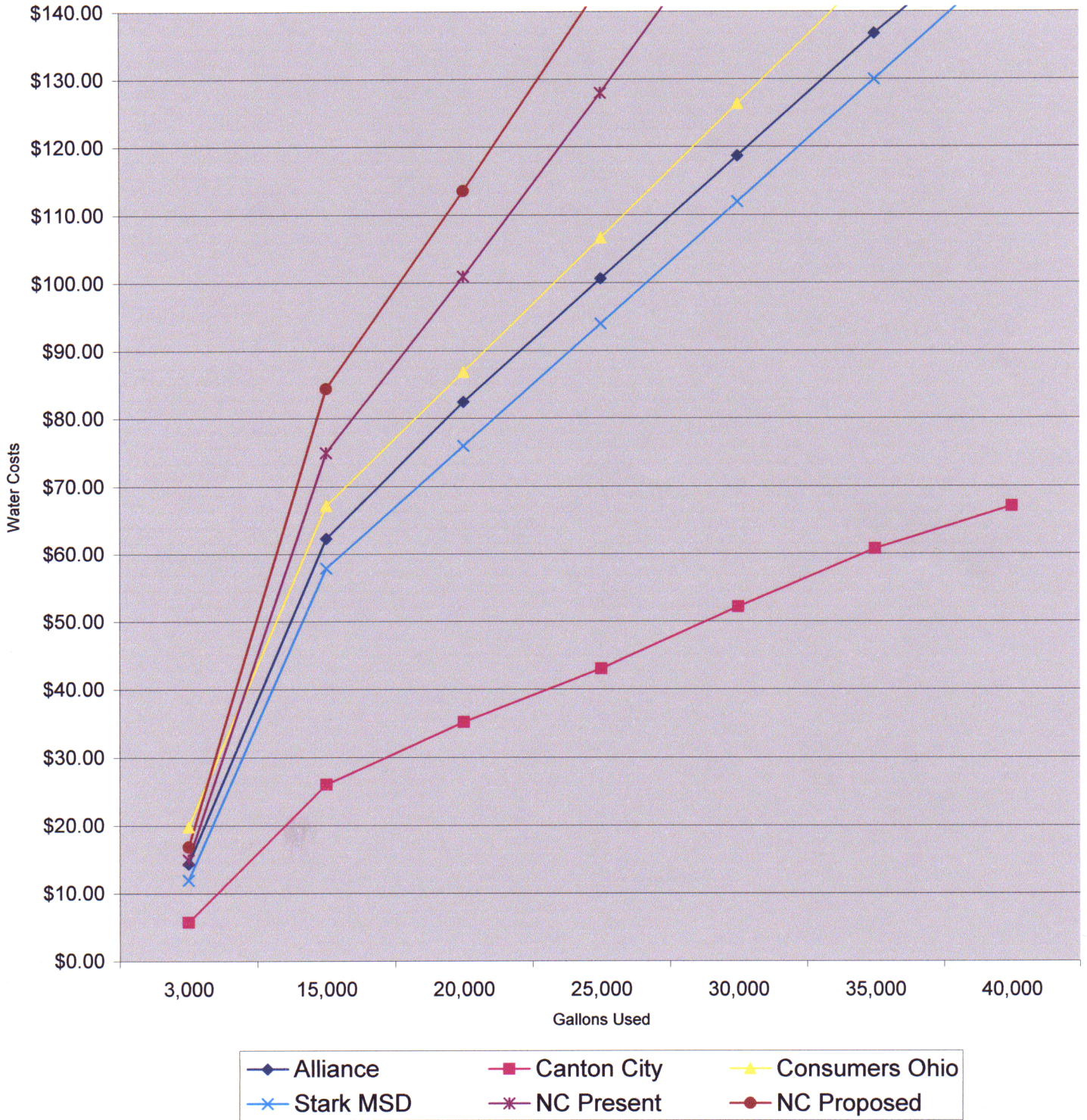
(Residential Inside)  
25 Cent Increase





# Water Rate Comparison Consumption vs Costs

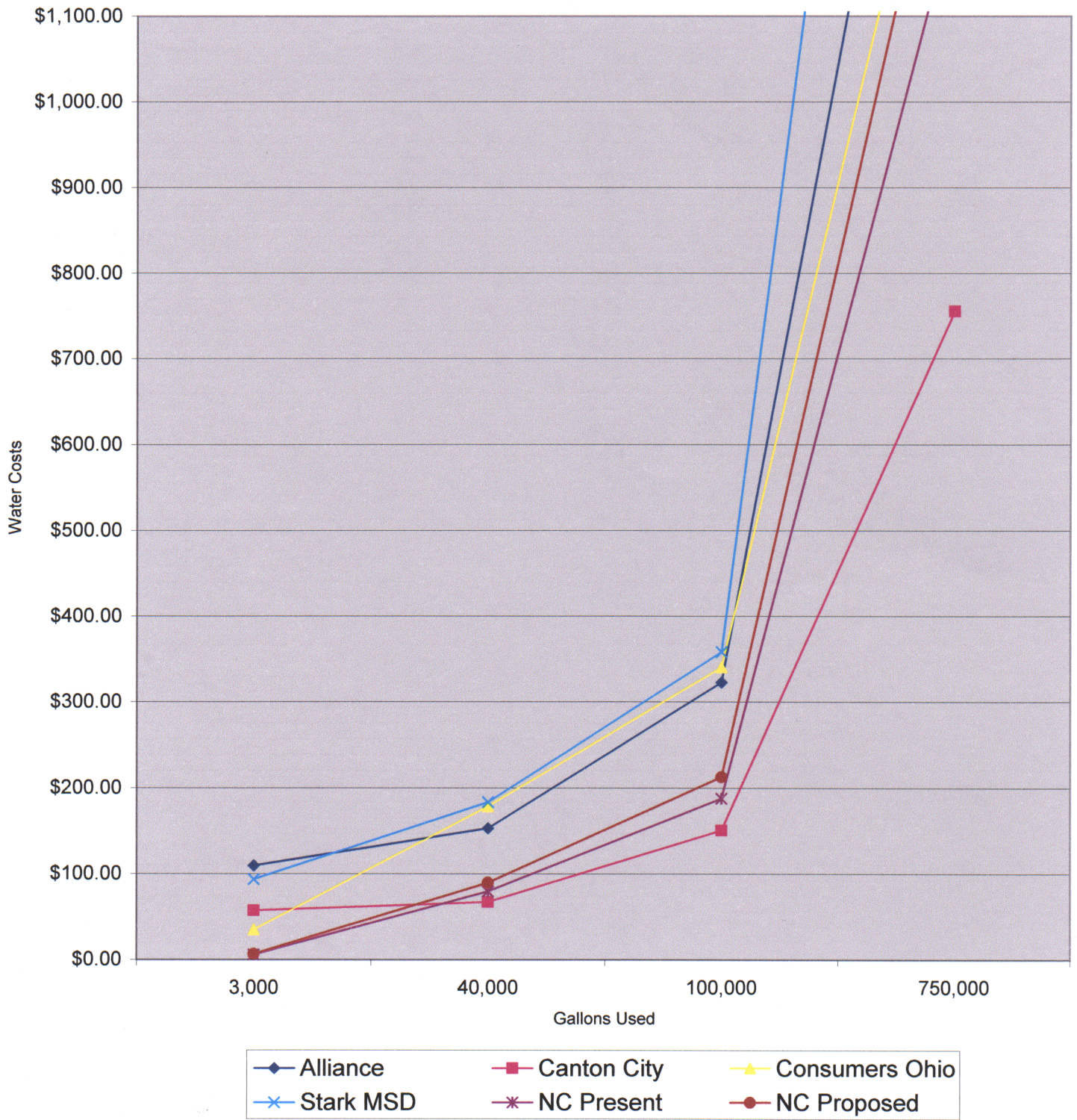
(Residential Outside)  
63 Cent Increase





# Water Rate Comparison Consumption vs Costs

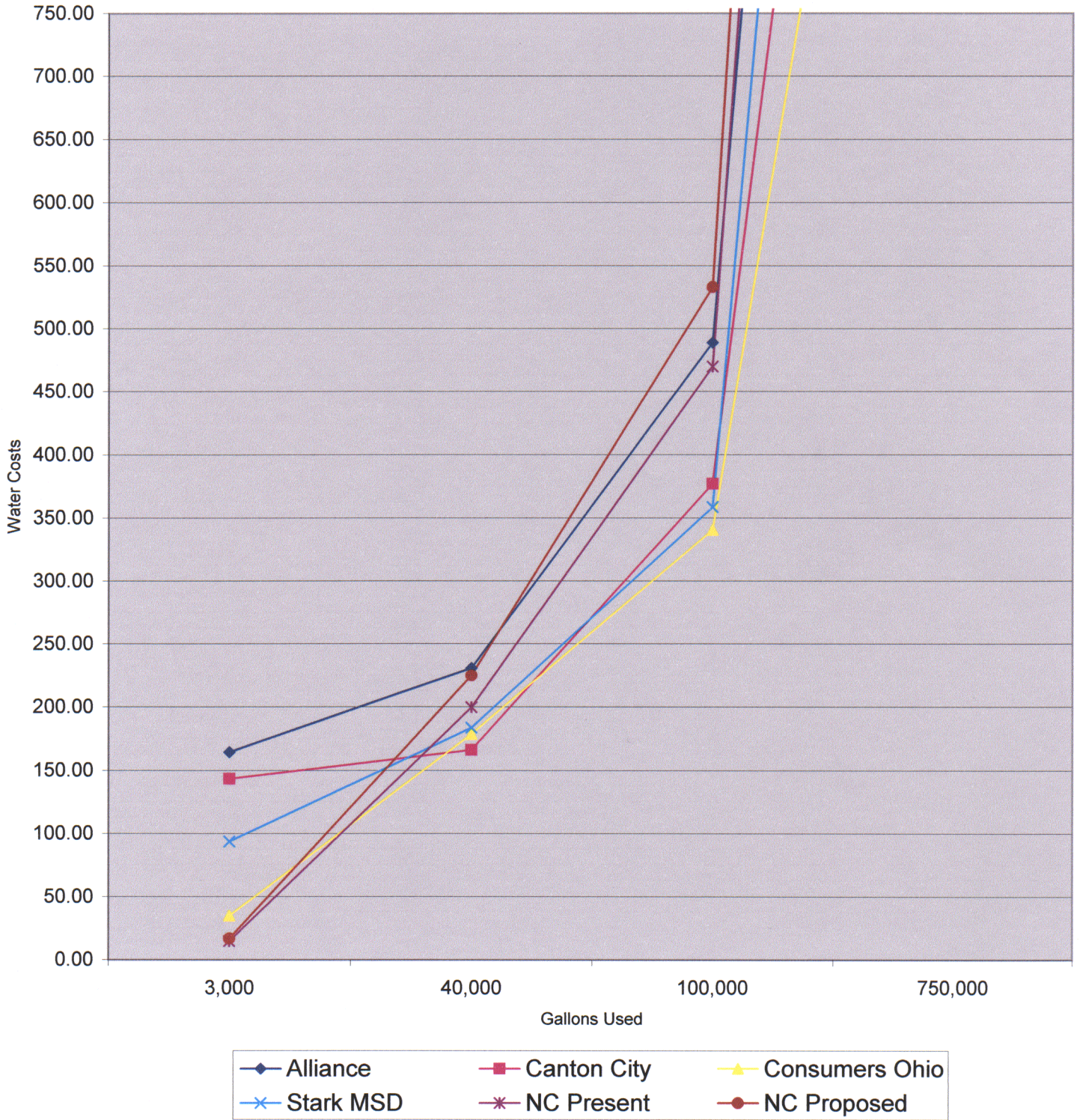
(Business Inside)  
25 Cent Increase





# Water Rate Comparison Consumption vs Costs

(Business Outside)  
63 Cent Increase





# North Canton Water Revenue Analysis

Total Water Revenues vs Costs  
(25 Cent Increase Inside, 63 Cent Increase Outside)

## Residential Inside

Consumption Range	# of Accounts	Consumption x1000	Current Revenue	Water Production Costs \$1.62	Water Distribution Costs \$0.78	Administrative Water Cost \$0.16	Debt Service \$0.14	Total Water Costs \$2.70	Proposed Revenue	Gain/Loss From Current Revenue	Gain/Loss From Proposed Revenue
0-3000	1,928	43,766	\$87,532	\$70,901	\$34,137	\$7,003	\$6,127	\$118,168	\$98,474	-\$30,636	-\$19,695
3001-15000	3,445	270,908	\$541,816	\$438,871	\$211,308	\$43,345	\$37,927	\$731,452	\$609,543	-\$189,636	-\$121,909
15001-20000	86	18,281	\$40,218	\$29,615	\$14,259	\$2,925	\$2,559	\$49,359	\$44,788	-\$9,140	-\$4,570
20001-25000	40	10,899	\$26,158	\$17,656	\$8,501	\$1,744	\$1,526	\$29,427	\$28,882	-\$3,270	-\$545
25000-30000	28	9,302	\$24,185	\$15,069	\$7,256	\$1,488	\$1,302	\$25,115	\$26,511	-\$930	\$1,395
30001-35000	22	8,748	\$24,494	\$14,172	\$6,823	\$1,400	\$1,225	\$23,620	\$26,681	\$875	\$3,062
35001-40000	13	6,118	\$18,354	\$9,911	\$4,772	\$979	\$857	\$16,519	\$19,884	\$1,835	\$3,365
40001-999999	58	52,807	\$168,982	\$85,547	\$41,189	\$8,449	\$7,393	\$142,579	\$182,184	\$26,404	\$39,605
Totals	5,620	420,829	\$931,740	\$681,743	\$328,247	\$67,333	\$58,916	\$1,136,238	\$1,036,947	-\$204,499	-\$99,291

## Residential Outside

Consumption Range	# of Accounts	Consumption x1000	Current Revenue	Water Production Costs \$1.62	Water Distribution Costs \$0.78	Administrative Water Cost \$0.16	Debt Service \$0.14	Total Water Costs \$2.70	Proposed Revenue	Gain/Loss From Current Revenue	Gain/Loss From Proposed Revenue
0-3000	232	5,411	\$27,055	\$8,766	\$4,221	\$866	\$758	\$14,610	\$30,464	\$12,445	\$15,854
3001-15000	496	39,932	\$199,660	\$64,690	\$31,147	\$6,389	\$5,590	\$107,816	\$224,817	\$91,844	\$117,001
15001-20000	18	3,750	\$19,500	\$6,075	\$2,925	\$600	\$525	\$10,125	\$21,863	\$9,375	\$11,738
20001-25000	11	2,878	\$15,541	\$4,662	\$2,245	\$460	\$403	\$7,771	\$17,354	\$7,771	\$9,584
25000-30000	8	2,547	\$14,263	\$4,126	\$1,987	\$408	\$357	\$6,877	\$15,868	\$7,386	\$8,991
30001-35000	5	2,026	\$11,751	\$3,282	\$1,580	\$324	\$284	\$5,470	\$13,027	\$6,281	\$7,557
35001-40000	4	1,613	\$9,678	\$2,613	\$1,258	\$258	\$226	\$4,355	\$10,694	\$5,323	\$6,339
40001-999999	10	10,595	\$65,689	\$17,164	\$8,264	\$1,695	\$1,483	\$28,607	\$72,364	\$37,083	\$43,757
Totals	784	68,752	\$363,137	\$111,378	\$53,627	\$11,000	\$9,625	\$185,630	\$406,451	\$177,507	\$220,821

Chuck Osborne

# North Canton Water Revenue Analysis

## Total Water Revenues vs Costs

(25 Cent Increase Inside, 63 Cent Increase Outside)

### Business Inside

Consumption Range	# of Accounts	Consumption x1000	Current Revenue	Water Production Costs	Water Distribution Costs	Administrative Water Cost	Debt Service	Total Water Costs	Proposed Revenue	Gain/Loss From Current Revenue	Gain/Loss From Proposed Revenue
0-3000	140	2,489	\$4,978	\$4,032	\$1,941	\$398	\$348	\$6,720	\$5,600	-\$1,742	-\$1,120
3001-40000	145	22,398	\$44,796	\$36,285	\$17,470	\$3,584	\$3,136	\$60,475	\$50,396	-\$15,679	-\$10,079
40001-100000	26	20,433	\$36,779	\$33,101	\$15,938	\$3,269	\$2,861	\$55,169	\$41,888	-\$18,390	-\$13,281
100101-750000	17	44,462	\$71,139	\$72,028	\$34,680	\$7,114	\$6,225	\$120,047	\$82,255	-\$48,908	-\$37,793
750001-999999	4	91,114	\$127,560	\$147,605	\$71,069	\$14,578	\$12,756	\$246,008	\$150,338	-\$118,448	-\$95,670
<b>Totals</b>	<b>332</b>	<b>180,896</b>	<b>\$285,252</b>	<b>\$293,052</b>	<b>\$141,099</b>	<b>\$28,943</b>	<b>\$25,325</b>	<b>\$488,419</b>	<b>\$330,476</b>	<b>-\$203,167</b>	<b>-\$157,943</b>

### Business Outside

Consumption Range	# of Accounts	Consumption x1000	Current Revenue	Water Production Costs	Water Distribution Costs	Administrative Water Cost	Debt Service	Total Water Costs	Proposed Revenue	Gain/Loss From Current Revenue	Gain/Loss From Proposed Revenue
0-3000	441	8,036	\$40,180	\$13,018	\$6,268	\$1,286	\$1,125	\$21,697	\$45,243	\$18,483	\$23,545
3001-40000	666	80,735	\$403,675	\$130,791	\$62,973	\$12,918	\$11,303	\$217,985	\$454,538	\$185,691	\$236,554
40001-100000	62	48,471	\$218,120	\$78,523	\$37,807	\$7,755	\$6,786	\$130,872	\$248,656	\$87,248	\$117,785
100101-750000	54	135,968	\$543,872	\$220,268	\$106,055	\$21,755	\$19,036	\$367,114	\$629,532	\$176,758	\$262,418
750001-999999	3	46,446	\$162,561	\$75,243	\$36,228	\$7,431	\$6,502	\$125,404	\$191,822	\$37,157	\$66,418
<b>Totals</b>	<b>1,226</b>	<b>319,656</b>	<b>\$1,368,408</b>	<b>\$517,843</b>	<b>\$249,332</b>	<b>\$51,145</b>	<b>\$44,752</b>	<b>\$863,071</b>	<b>\$1,569,791</b>	<b>\$505,336</b>	<b>\$706,720</b>

# North Canton Water Revenue Analysis

Summary of Water Revenues & Costs  
 (25 Cent Increase Inside, 63 Cent Increase Outside)

	Current Revenue	Proposed Revenue
Residential Inside Water Revenue	\$931,740	\$1,036,947
Residential Outside Water Revenue	\$363,137	\$406,451
Business Inside Water Revenue	\$285,252	\$330,476
Business Outside Water Revenue	\$1,368,408	\$1,569,791
<b>Total Water Revenue</b>	<b>\$2,948,537</b>	<b>\$3,343,665</b>

	Water Costs	Water Costs
Residential Inside Water Costs	\$1,136,238	\$1,136,238
Residential Outside Water Costs	\$185,630	\$185,630
Business Inside Water Costs	\$488,419	\$488,419
Business Outside Water Costs	\$863,071	\$863,071

**Total Water Costs** **\$2,673,359** **\$2,673,359**

**Net Gain/Loss From Water Sales** **\$275,178** **\$670,306**

Bond Payments Starting 2003 (\$400k & \$900k) **\$239,000** **\$239,000**  
 1st Year P & I - Water Plant Improvement **\$36,178** **\$431,306**

**Water Fund Balance** **\$891,000** **\$891,000**  
**-\$854,822** **-\$459,694**