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**MEMORANDUM**  
*Office of the Administrator*

**To:** City Council

**From:** Marsha Hall, Administrator

**Cc:** Lance Westcamp, Mayor; Jeff Green, Asst. Administrator/Director of Finance

**Date:** March 14, 2017

**Re:** GROVEPORT WATER SYSTEM RATES

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I have met with Jeff and Anna to review where we are with the financial condition of the Water Fund which funds the Groveport Water System.

Background

2017 is the last year of rate increases included in Ordinance 12-035. That ordinance approved a 20% increase in 2012, a 20% increase in 2013, a 20% increase in 2014, a 12% increase in 2016, and a 3% increase in 2017. Those increases were put into place in order to have the revenue necessary for the construction of the new water plant, necessary due to OEPA concerns regarding the old plant, as well as catching up after not increasing rates to keep up with expenses for several years.

Current Conditions

The table below provides you with a snapshot of where we are in the Water Fund. It should be noted that the large difference between 2014 and 2015 expenses is due to the \$180,663 debt payment on the new plant and non-operational, one-time expenses (ie; removal of water tower).

Over the last three years actual expenses have averaged 90% of Appropriations. The fourth line of the table below shows both estimated revenue and appropriations for 2017. The fifth line of the table shows what our end year balance for 2017 will be if we spend 90% of the appropriations again this year.

	Beg. Balance	Revenue	Expenses	End Balance
2014	\$160,702.00	\$589,588.00	\$442,725.00	\$307,565.00
2015	\$307,565.00	\$696,998.00	\$749,461.00	\$255,102.00
2016	\$255,102.00	\$704,859.00	\$727,748.00	\$232,213.00
2017	\$232,213.00	\$740,000.00	\$784,477.00	\$187,736.00
2017	\$232,213.00	\$740,000.00	\$706,029.00	\$266,184.00



As a comparison, the portion of Groveport that uses the Columbus Water System has routinely seen an annual increase of 3% over the last several years in order to keep up with inflation.

Recommendation

While the ending balance (contingency) each year is trending downward, we are hopeful that our actual expenses for 2017 will not follow that trend. For that reason we are recommending no water rate increase for 2018.

In 2018, we will review our situation for a potential small increase in 2019 to add to our contingency to account for both any possible large water line repairs that may be needed and inflation in the cost of supplies, etc. We believe small annual increases to account for increased costs are better for both the City and the consumer than no increases for multiple years then charging a series of large increases.

