Utility Committee Meeting

January 26, 2026

Attendees: Council Members Uhlenhake, Wolfe, Gray, Sanford, Schulte, Doseck; Council President King Mayor Hazel; Mike Sudman WTP Superintendent; Council Clerk Fox

CM Uhlenhake called the Utility Committee meeting to order at 6:32 pm to discuss water rates.

1. Water Rate Increases

Historical Context

* Last water increase was per Ordinance 2013, implemented in 2013, feathered in at 3%.
* Increase worked at time, but since then, costs have risen substantially, especially for materials and supplies.

Current Financial Position

* Current minimum bill: $31.77 for 3,000 gallons
* Current cash on hand: About $4-$4.2 million, but expected to dwindle to $2 million after major projects.
* Desired emergency fund balance: $2-3 million, with $2M considered the absolute minimum for safety.

Projected Needs

* 703 Waterline Project: City portion estimated at $880,000.
* Sugar Street Waterline Replacement: Estimated just over $1 million (to be coordinated with street reconstruction)
* GAC Contractors: 4 more needed; last quote-$2.8 million for the set

Cost Analysis

* 5% rate increase generates about $171,000/year- inadequate for funding large capital projects.
* 25% total increase target generates- $860,000/year.

Rate Structure Proposals and Rationale

* Stepwise Increase Preferred: to ease consumer burden, rather than single 25% leap.
* Proposals Discussed:
* 10%, 10%, 2.5%, 2.5% over 4 years
* 15%, 10% no subsequent years, or 15%, 10%, 2%
* Avoid fractions for ease of billing and communication
* GAC Surcharge: $7/month adder currently. Set to sunset (drop off bills) in 2027.
* Net Effect: While minimum bills will rise, the dropping $7 GAC charge mitigates the immediate year-to-year bill impact for residents.

Chemical Costs

* Chemical cost per 1,000 gallons: $2.82 (excludes electric/personnel), exceeded the built-in adjuster ($2 cap) for several years.
* Proposal to raise chemical cost adder limit from $2 to $4 to allow swiffer adjustments (requires new legislation).

Rate Comparisons

* Hard to compare due to different treatment levels.
* Local rates currently in state’s mid-range; the increase will leave the city slightly above median but not near the highest.
* Quality improvements (such as DAF system) cited as justifying higher costs versus simpler water system.

Minimum Bill Justification

* Includes 3,000 gallons.
* Necessary to cover fixed costs of meter maintenance and infrastructure.
* Based on prior cost-of-service analysis (Sawvel)
* Business users effectively subsidize residential rates due to fixed infrastructure expenses.

1. Bulk Water and Trailer Park Rates

Current Situation

* Bulk Water: $10/1,000 gallon, considered cheapest in the area.
* Many out-of-town tankers buy bulk water (even for distant swimming pools).
* Proposal: Raise bulk water rate immediately to $15, with plan to reach $20 by 2029.
* Discussion if rate for out-of-town users should be higher- practicality issues cited, as nearly all bulk buyers are from outside city.

Planned Adjustments

* Support for raising bulk rates immediately, possibly “one and done” to $20
* No significant revenue impact, but aligns with comparable rates and discourages undercutting.

1. Tapping Fees

Background

* Tapping (connection) fee for residential customer: $700; 1-inch, $800 (or time and materials).
* Fee unchanged for 28 years; actual cost now averages-$2,600, so city loses money on connections.
* Recoup time for the city: 18 months or more before a new customer’s bills cover the initial tap cost.
* Stakeholder Sensitivity: Past reluctance to raise fees to concerns from developers/homebuilders over rising costs per lot.
* Comparison suggested with St. Mary’s Wapakoneta, Van Wert, Greenville to ensure competitiveness.

Proposed Solutions

* Move to actual time and material cost billing for all new taps.
* City does not mark up parts/materials-just recoups direct cost to break even not make profit.
* Potential for Ordinance updates to reflect actual cost.

1. Capital Reserves, Budgeting, and State Requirements

Capital and Savings Accounts

* City maintains capital funds for water, fire, streets.
* State law requires funds to be spent or earmarked for specified improvements; cannot indefinitely accumulate large balances.
* Water revenue collection for prior year: $3.9 million.

Long Range Planning

* Desire to maintain at least $2M in water fund for emergencies/catastrophic events.
* Some planned capital projects (at water plant) deferred due to budget constraints after street and waterline replacements.

1. Ordinance and Procedure Discussions

Chemical Cost Adder Legislation

* Existing Ordinance limits mayoral authority to $2/1,000 gallons adder for rising chemical costs.
* Request for Council to amend this to $4/1,000 gallons (modeled after electric “EAA” adjustment process).

Cost of Service Analysis

* No current plan for new study.
* Past analysis saw business customers subsidizing residential, but upcoming changes keep structure close to cost-of-service “fairness”.

Next Steps for Rate Changes

* General Consensus: Proceed with 15% increase 1 year, 10% year 2; other increments as decided, avoid fractional percentages.
* Legislation to be brought to 2/9/2026 Council Meeting for new rates, bulk water, and to consider changes to tapping fees (possibly in separate legislation.

CM Uhlenhake adjourned the meeting at 7:01 pm.

Submitted by Kari R. Fox, Clerk of Council