

A Message to the Residents of Chillicothe

The City of Chillicothe will be increasing our water rates this summer. Increasing rates is never a pleasant thing but, unfortunately, the City doesn't really have a choice. A State law requires that our water department be able to stand alone financially meaning that our water department expenses must be paid by the revenue the City receives from the water bills. As you can imagine, our expenses have increased over time while the revenue has remained relatively even. We have reached a "tipping point" in which our expenses are about to exceed our revenue.

Also, we were recently notified that we were ineligible for a grant opportunity because our water rates were too low; further evidence that we need to increase our rates.

Our operational expenses include labor, equipment, and energy; all of which continually increase. Our infrastructure includes water mains, pump houses, valves, lift stations, and water towers. Much of this infrastructure is aging and is need of maintenance and/or replacement. In recent years, we have had to delay needed infrastructure projects and maintenance due to our revenue situation. The recent well replacement cost the City \$500,000!

For decades, we have utilized a complicated nine-tier rate table to calculate each water bill. The last change in the rate table was in 1995 and it only changed first two tiers and the minimum charge was increased in 2007 by \$.50. A Bond Fee of \$5.00 was added in 2006 to pay for a bond to build the water tower on Cloverdale. The bond for the water tower is about to be paid off and this \$5.00 fee will come off of your bill this summer when the rates change. The Maintenance Fee was increased by \$5.00 in 2022 to help with the costs of a well improvement which is a part of our aging water infrastructure.

The way the current nine-tier rate table works is complicated. A user pays a given rate for each unit of water until the quantity of water used hits the next tier. The next units of water are charged at a different rate, and so on. The nine-tier rate table has been used by the City for at least forty years, and over time, the City's demographics have changed as we have more heavy users of water than we did years ago. This has created a situation over time in which the low water users are, in a way, subsidizing the high water users.

In order to simplify things, and to make things fair to all users, we plan to abandon the tiered rate table and, instead, use a flat rate in which all users pay a fixed amount for each cubic foot of water used. We will be determining the flat rate per cubic foot so that our overall revenue will increase enough to support the increasing expenses for the next three to five years. The plan moving forward will be to analyze the revenue versus expenses in five or so years to see if we need to increase the flat rate.

Accordingly, along with the \$5.00 Bond Fee for the water tower coming off of your water bill, you will see an increase due to change to the flat rate. The low water users may see a slight increase while the high water users will see a significant increase.

This is a difficult decision, but one we must implement due to the State law. And, we think we have a plan that will pay for increasing expenses on a way that is fair to all; you pay for each cubic foot that you use.

Chillicothe City Council