



MEMORANDUM

TO: Mayor Vance Funk
Councilman Paul Pomeroy
Councilman Jerry Clifton
Councilman Doug Tuttle
Councilman David Athey
Councilman Ezra Temko
Councilman Stu Markham
Roy Lopata, Interim City Manager
Dennis McFarland, Finance Director
Roy Simonson, Water and Wastewater Director

FROM: Gerald Kauffman, Director
University of Delaware, Institute for Public Administration
Water Resources Agency

DATE: October 17, 2008

SUBJECT: Newark Water Rates

I wish to share the initial results of our water rate survey of over 60 water purveyors in Delaware and surrounding states of Maryland, New Jersey, and Pennsylvania. Excerpted are results for the six public and private purveyors in New Castle County. We update the water rate survey every 4 years; the last editions were in 2000 and 2004. In 2000, Newark's water rates were very low, in the lowest 10% percentile of all purveyors surveyed in 4 states. Our earlier water survey was used by Newark to incrementally raise water rates to a level still very affordable to City residents and fund the Newark Reservoir. Presently, Newark's water rates are in the 30th percentile, still quite low compared to other purveyors in Delaware and in adjacent states.

Referring to the following charts, water rates inside the City are quite low at \$3.51/1000 gallons or \$211 per year per customer assuming average residential consumption of 15,000 gallons per quarter. Newark water rates for customers outside the city limits are also low at \$4.63/1000 gal or \$278 per year. Newark's rates are very low when compared to other towns such as the City of New Castle (\$402/year) and investor owned purveyors such as United Water Delaware (\$326/year) and Artesian Water Company (\$506/year).

We recommend raising water rates for those customers who live outside the City limits but are served by the Newark water system. The enclosed map of the water system indicates that these neighborhoods are situated mostly east of the City. These customers are not taxpayers to the City nor are they represented by the City. Taxpayers within the City are subsidizing the low water rates for these outside of city customers. Considering that private water purveyors charge almost 50% to 100% more in adjacent neighborhoods just a few blocks away, we recommend that the City of Newark raise outside of city water rates by at least \$100 to \$200 per customer per year. The enclosed table indicates the projected increase in outside of City water revenues would be \$200,000 per year assuming 1000 customers and an increase of \$200 per customer.

Inside the City, if water rates were increased by \$50 per year, the new rate would be \$261, still substantially less than the City of New Castle rate of \$402. An increase of \$50 inside the City would bring in additional revenues of \$400,000 per year assuming there are 8,000 customers in the City. If inside the City rates were increased by \$100 per year, increased revenue would be \$800,000 annually.

This water rate survey is one of the services that we provide to our funding governments. Since 1977, the Water Resources Agency has been sponsored in water resources policy, planning and management by a regional partnership of the State of Delaware, New Castle County, and the Cities of Newark and Wilmington.

Increased water rate, outside of City (\$/customer/yr)	250 customers	500 customers	1000 customers
\$50	\$12,500	\$25,000	\$50,000
\$100	25,000	50,000	100,000
\$200	50,000	100,000	200,000
\$300	75,000	150,000	300,000



