CITIZEN STUDY OF FEASIBILITY OF REGIONAL WATER AND WASTEWATER SYSTEM FOR THE AREAS INCLUDED IN LUCAS, MONROE AND WOOD COUNTIES

December, 1991

CORPORATION FOR EFFECTIVE GOVERNMENT
One Stranahan Square, Suite 351
Toledo, Ohio 43604
(419)241-5229

Copyright 1991, Corporation for Effective Government
CORPORATION FOR EFFECTIVE GOVERNMENT

Founded in 1935, the Corporation for Effective Government, formerly TAGRA — the Toledo Area Governmental Research Association — is an independent research and educational organization specializing in issues affecting local government.

The Corporation for Effective Government's main purpose is to provide in-depth nonpartisan studies of local government issues. The resulting reports, which are used to help make informed decisions, are developed by volunteer Citizen Study Committees. These committees are supported by a professional and clerical staff.

Membership is open to the public. The Corporation for Effective Government is a private, nonprofit corporation financially assisted through tax exempt contributions from individuals, businesses and foundations.

The Corporation for Effective Government Citizen Study Reports include:

- Lucas Metropolitan Housing Authority
- Toledo Public High Schools
- City of Toledo Assessed Service Program
- Regional Governmental Cooperation
- Regional Solid Waste Management
- The Lucas County Department of Human Services
- The City of Toledo Department of Health
- The Toledo Department of Law
- TARTA
- Toledo Area Parks & Recreation
- 9-1-1: The Emergency Telephone Number System
- Water Delivery Systems in the Toledo Area
- The Toledo Zoo
- The Lucas County Children Services Board
- CCEG: Toledo Public Schools
- CCEG: The City of Toledo
- CCEG: Lucas County
# TABLE OF CONTENTS

**Preface**  
A. Scope ........................................................................... ii  
B. Committee ................................................................... ii  
C. Acknowledgements ...................................................... iv  
D. Process ......................................................................... iv  
E. Data Collection ........................................................... v  

**I. Executive Summary** ................................................... 1  

**II. Current Water and Wastewater Service Areas and Infrastructure** .................................................. 5  
A. Water ........................................................................... 5  
B. Wastewater .................................................................... 6  
C. Meters, Taps and Billings ............................................. 8  
D. Observations and Conclusions ........................................ 10  

**III. Current Rate Information** ........................................ 11  
A. Current Rate Schedules ............................................... 11  
B. Surcharges .................................................................... 15  

**IV. Financial Considerations** .......................................... 19  
A. Overview ....................................................................... 19  
B. Long-Term Debt and Capital Expenditures ..................... 21  

**V. Environmental Considerations** ................................. 27  
A. Overview ....................................................................... 27  
B. Regulation and Treatment Process ................................ 27  
C. Current and Upcoming Regulations ............................... 28  
D. Impact of Regional Organization .................................. 30  
E. Conclusion ...................................................................... 30  

**VI. Legal Issues** ............................................................ 31  
A. Feasibility of regional organization crossing state lines .... 31  
B. Regional Water and Wastewater District under Ohio law 31  
C. Conclusions ................................................................... 34  

**VII. Human Resources Issues** ......................................... 35  

**Appendixes**  
A. People Interviewed ......................................................... A1-2  
B. Entities Surveyed .......................................................... B1-2  
C. Entities Served by Treatment Facilities ......................... C1-4  
D. Infrastructure Inventory Charts .................................... D1-10  
E. Current Rate Schedules ................................................ E1-27  
F. R.C. 6119 ........................................................................ F1-32  
G. City of Toledo Combined Sewer Overflow (CSO) Abatement Plan ..................................................... G1-4  
H. Additional Considerations ............................................. H1-4  
J. Recent Developments in Wood County ............................ J1-2
A. Scope

The purpose of this study was to gather data related to the feasibility of establishing a regional water and wastewater processing utility that might include Lucas, Monroe and Wood Counties.

The study specifically reviewed and evaluated the following issues:

1. Current service areas and those which are feasible for inclusion in a regional system.
2. Current scope and extent of services delivered and whether current scope would continue to be feasible.
3. Current rate for services and the expected impact moving to an area-wide system would have on rates.
4. Resolution of existing debt, user charge/surcharge and financial structures, and personnel requirements.
5. Compensation to all jurisdictions for relinquishing their facilities and infrastructures such as treatment plant, intake facilities and major trunk lines.
6. Effect such a system would have on ownership of existing water and wastewater lines and equipment.
7. Impact/effect on current employees and employment issues if regional system is instituted.
8. Environmental impact and accountability.

B. Committee

The following individuals served on the Citizen Study Committee:

Larry Peterson (Chairman)
President
Midwest Fluid Power Co.

Ralph Bragg, Esq.
Partner
Spengler, Nathanson, Heyman, McCarthy & Durfee

Claude Brown, Jr.
CEO
Cumberland Construction Corp.
Citizen Study of Feasibility of Regional Water and Wastewater System

Luis Comas
Lead Environmental Engineer
Sun Refining & Marketing

Joseph A. Gregg, Esq.
Eastman & Smith

Linnie Hamlin-April
Technical Writer/Regulatory Specialist
Envirosafe Services of Ohio

Gene Hardy
Secretary and Treasurer
La-Z-Boy Chair Company

Kathryn S. Hoops
Senior Manager - Tax Division
Arthur Andersen & Co.

John Hoover
President
Planning Concepts of Ohio, Inc.

Ralph Kubacki
Business Manager
Terry Robie Industrial Advertising

Tom E. Moroni
Project Engineer
BP Oil - Toledo Refinery

Dennis L. Nemec
Executive Vice President and Chief Financial Officer
Mid Am, Inc.

Clifford C. Sasfy, II
Director of Property Management
SeaWay Food Town, Inc.

Kenneth R. Smith
Chairman
Finkbeiner, Pettis & Strout, Ltd.

Mitchell R. Ulrich, P. E.
Consulting Engineer
M. R. Ulrich Engineering

James W. White, Jr., Esq.
Principal
The Danberry Co. Asset Management Group
C. Acknowledgements

The Study Committee gratefully acknowledges the cooperation of the elected and appointed officials, administrators and staff of the many water and wastewater facilities and political entities in Lucas, Monroe and Wood Counties for providing candid interviews, instructive tours and voluminous information during the course of this study.

The Study Committee and the staff and Board of the Corporation for Effective Government (CEG) also wish to extend a special thanks to James Cummins of Strategic Research and Consulting for his significant work in creating the survey sent to 94 entities in the tri-county area.

D. Process

CEG was contracted to perform this feasibility study by sixteen entities. These sixteen sponsors are as follows:

- City of Bowling Green
- Jerusalem Township
- Lucas County
- City of Maumee
- Monroe County
- City of Northwood
- City of Oregon
- Village of Ottawa Hills
- City of Perrysburg
- Perrysburg Township
- City of Rossford
- City of Sylvania
- Sylvania Township
- City of Toledo
- Waterville Township
- Village of Whitehouse

The Citizen Study Committee was formed in May, 1991, and was comprised of 17 volunteer citizens from Lucas, Monroe and Wood Counties. The study committee members reside and/or work in the following communities:

- City of Bowling Green
- City of Maumee
- City of Monroe
City of Oregon
Village of Ottawa Hills
City of Perrysburg
Perrysburg Township
Springfield Township
City of Sylvania
Sylvania Township
City of Toledo

Over the next eight months, the committee and staff devoted 1240 hours of their time to the study. After careful investigation of the facts, the committee developed this report. This report has been discussed and approved by the Board of Directors of CEG.

E. Data Collection

The committee collected data pertinent to the study through the following means:

- Interviews with 39 individuals (see Appendix A)
- Review of information gathered in oral and written surveys of 94 political entities in the tri-county area (see Appendix B for list of those surveyed and type of response received).
- Review of applicable state laws of Michigan and Ohio
- Review of federal and state laws and regulations related to environmental issues regarding water and wastewater
I. Executive Summary

CEG was asked to determine whether a regional water and wastewater utility would be feasible for the areas included in Lucas, Monroe, and Wood counties. A regional utility in this sense would be a water and wastewater system which serves a geographical area encompassing more than one political subdivision. For purposes of this study, the committee considered joining all of the political subdivisions in Lucas, Monroe, and Wood Counties into one regional system. These counties were chosen because, at the present time, the City of Toledo supplies water to various communities in all three. Further, the cities of Bowling Green, Monroe and Oregon also supply water to communities outside their municipal boundaries. In essence, a de facto regional system already exists.

In order to determine the feasibility of a regional system, the study committee reviewed existing infrastructure, current rate and debt information, current and pending environmental regulations and legal issues. During the course of the study, several additional issues kept recurring. Although these issues do not directly bear on the feasibility of a regional utility, it is clear that they would need to be recognized and resolved before such a utility could actually be formed.

At the present time, thirteen water treatment plants and twenty-two wastewater treatment plants serve the tri-county area. A total of 33.1 billion gallons of potable (drinking) water was delivered to 197,000 residential and commercial customers by five of the major water treatment systems in 1990. Approximately $39.8 million was generated in water revenue during the same time period. Assets for the five major systems total more than $500 million. The water treatment plants range in size from 4 million gallons per day (Pemberville) to 150 million gallons per day (Toledo). Wastewater plants handle 0.2 million gallons per day (Pemberville) to 100 million gallons per day (Toledo). With a few exceptions, the plants are running at less than 70% capacity.

No engineering modifications would be required for a regional system to be created. The necessary physical connections currently exist. One possible benefit of a regional utility would be the new opportunities to re-route water and wastewater to plants with excess capacity and possibly delay expansion of certain plants. For example, the Lucas County and Monroe County wastewater treatment plants are currently operating at or near capacity. If wastewater from these plants could be treated

---

1 It should be noted that CEG was specifically not charged with designing a regional organization, evaluating what impact, if any, economic development and population shifts have on local school systems or whether revenue sharing would be legal or appropriate for a regional utility.
elsewhere, the plants might not need to be expanded in the near term. This could ultimately save money for the regional utility and the consumer.

There is a concern regarding the aging infrastructure of some of the systems. The actual condition of the systems is unknown primarily because the costs associated with a thorough review are prohibitive for some communities. It is however a fact that many of the systems begun at or before the turn of the 20th century will need repair, replacement, and/or upgrading. These costs will need to be passed on to consumers. If a regional system were instituted, the customer base would be broader which could make these costs per customer lower.

The impact a regional water and wastewater utility would have on rates is difficult to predict. Many factors must be considered in establishing rates but the primary factors are:

(a) which jurisdictions would participate,
(b) the scope of activities assigned to the district,
(c) what, if any, infrastructure, equipment and personnel would be transferred to the regional utility, and
(d) compensation, if any, for items in (c).

It is clear that certain economies of scale could be effected by the formation of a regional organization if administrative, billing and customer service functions were consolidated and duplicate personnel and associated costs were eliminated. Further, some expenditures for services provided by various outside contractors might be eliminated if expertise, personnel and equipment were shared within the region. For example, Lucas County currently pays approximately $140,000 per year to the City of Toledo to do Lucas County’s billing. With a consolidation of billing functions and a sharing of equipment, this cost could be eliminated. All of these issues and their resolution would affect the regional utility’s effective rate.

Surcharges are used to generate revenue for the central source utility or are levied to generate revenue for debt service in contract communities. When the allocation of monies received is examined, it is clear that the portion of the rate going back to the source entity (e.g. Toledo) is, in most cases, not as significant as originally thought. (See chart on page 17a for graphic demonstration of this.) The reasons for surcharges could be eliminated if a regional system were formed. However, the required revenue would have to be generated in the basic rate.

It is generally expected by the populace that rates would go down if a regional utility were formed. As noted above, certain economies of scale could be achieved and many costs could be eliminated or spread over a larger customer base. However, there is no guarantee that rates would
be lower across the board. For instance, some jurisdictions currently rely on income tax and special assessment revenues to pay for capital improvements. In the absence of special legislation, these revenues would not be available to a regional utility. There may also be costs associated with forming the regional utility such as compensating jurisdictions in some way for infrastructure or penalties associated with canceling an existing contract. These factors could ultimately have a negative impact on rates. As a result, many issues must be resolved by the participating jurisdictions before a rate could be determined for the utility.

More than $132 million of debt will need to be paid. Much of the debt will be transferable to the regional utility if the proper procedures are followed. More than $71 million of capital expenditures are also planned in the next five years. These issues will also ultimately affect rates.

From an environmental standpoint, it is apparent that there are no existing or upcoming regulations that would create any impediments to a regional utility. The regulations will continue to be applied to each treatment plant individually in the same manner whether or not a regional system exists. One possible benefit that could result from a regional utility would be the establishment of dedicated environmental monitoring positions within the organization. Such environmental workers would have an opportunity to assist in the development of regulations thus placing the utility and the region in a responding rather than reacting posture to new regulations.

The only tangible impediment to forming a regional utility for the three counties is the fact that they are in different states. Both Ohio law and Michigan law allow for regional utilities to be formed but neither allow such organizations to cross state lines. It would be possible for Lucas and Wood Counties to form a regional utility that could supply Monroe County by contract (similar to Monroe County's current arrangements with the City of Toledo) but, in the absence of special legislation, all the counties could not form one regional utility.

In the event that a regional water and wastewater system were created in Ohio, it is suggested that Ohio Revised Code (O.R.C.) 6119 be utilized. This statute provides a mechanism for the resolution of all significant issues by negotiation of and agreement on a plan of operation. The plan of operation can and should resolve all issues relating to compensation (if any) to entities transferring property to the utility, retiring outstanding debt, staffing of the district facilities and any other issue that could affect the operation of a regional utility.

A number of perceived benefits were identified in the course of the study, although the study committee did not address their legality or ramifications. A cooperative approach to economic development was
often cited. Other perceived benefits include improved water quality to the region (particularly in areas where quality is beginning to decline) and increased backup in the event of system failure.

Another issue is the interest of some local school districts in the formation of a regional utility. Their interest lies in revenue generation possibly based upon new taxes from outlying areas where economic development follows water service extension. It is possible that resolution of this issue could be part of the negotiations preparatory to the formation of the plan of operation.

Although many possible benefits of a regional water and wastewater utility are identified above, CEG was not asked to comment on the advisability of forming a regional system. The report that follows catalogues existing infrastructure, rate and long term debt information, human resources and legal issues as well as environmental considerations. It is designed to act as a reference tool for the political subdivisions and their leaders who commissioned the study. CEG was not asked to determine what, if any, steps should next be taken. CEG was asked to determine whether a regional utility would be feasible. After eight months of research, review, and analysis of the facts and issues, it is clear that with one modification (the separation of organizations by state), the answer to the feasibility question is yes.