

"Regional Water Update"

On September 3rd, Toledo City Council unanimously approved a standard water sales contract. The contract incorporates the Regional Water Commission approved by Toledo voters last year. If accepted by the eight suburban communities and water systems currently purchasing water from Toledo, the contract and the Commission will be a step forward toward greater water safety, fairness, regional economic development and regional cooperation.

The City of Sylvania and the other seven purchasing water systems have forty-five days, or until October 18th, to accept this contract to purchase Toledo water and be represented on the new Water Commission. Sylvania City Council has scheduled a tour of the Toledo Water Plant September 19th to review plant improvements and current plant operation. They will weigh the issue of a 40 year contract and the requirement to help pay Toledo's water plant debt with no ownership of the plant at the end of the contract. The safety of a single water source and single water plant for Sylvania and 500,000 people in the Toledo area will also be a consideration.

Sylvania has studied four other water supply options in preparation for this decision: Build our own water intake and treatment plant on property and right-of-way acquired in southeast Michigan almost 20 years ago, connect to the Great Lakes Water Authority (Detroit), connect to the City of Monroe, Michigan or help develop the Michindoh Aquifer.

All four options proved to be more expensive than the current Toledo contract offer, the first three quite a bit more and the Aquifer a little more. All four options offer greater redundancy and safety, however, because they would be a second water source for Sylvania. Further, the Detroit system gets some water from Lake Huron, a second great lake, and the Michindoh Aquifer is also separate from Lake Erie. Maumee and Perrysburg have studied purchasing water from Bowling Green. Waterville left the Toledo system several years ago to purchase water from Bowling Green.

Planning and negotiation for a regional water agreement has been going on since I became mayor in 1996, when Sylvania refused to sign a contract with Toledo requiring us to pay Toledo one third of our income tax just for the privilege of buying Toledo water. In 1998, Lucas County proposed purchasing the Toledo water plant for regional use, but the plan was scuttled when Toledo demanded \$1 Billion for the plant.

In 2008, Sylvania successfully negotiated a 20 year contract which reduced our 120% surcharge (which was being increased 10% annually) to 70% in exchange for sharing some income taxes with Toledo. Because the tax sharing formula was indexed to growth and inflation, taxes were shared for only a few years, but might again be required until the contract expires in 2028.

In 2014, the water crisis occurred, shutting off water to 500,000 residents, and water safety and dependability became a major issue. The water plant was politically managed and in poor and deteriorating condition. The entire region demanded improvement and the Ohio EPA required water safety improvements costing \$500 Million, which are still under construction. Sylvania's portion of those improvements is 3% or \$15 Million based on our water flow.

In 2016, the Toledo Metropolitan Area Council of Government (TMACOG) studied and proposed a regional water authority. In 2018, with the help of the Toledo Regional Chamber of Commerce, the Toledo Area Water Authority (TAWA) was negotiated in detail and approved by everyone, except Toledo City Council. They demanded to retain ownership of the plant despite the obvious financial benefits to Toledo of receiving an estimated \$137 Million for the plant, and the region being responsible for the \$500 Million of improvements and the ongoing operation of the plant.

In an effort to continue negotiations, Toledo Mayor Wade Kapszukiewicz proposed a Regional Water Commission with rate setting authority and oversight of the Toledo plant. The Commission would include a professional utilities director from each participating community. Last fall, Toledo voters approved the idea and changed the Toledo City Charter.

The timing for water contract negotiations was critical because most suburban water contracts expire between 2024 and 2028, and time is needed to develop alternate water sources. All nine parties, including Toledo, met regularly in hard but constructive negotiations on technical and legal issues for over a year. A formula was developed to calculate what the actual cost of producing water should include and could not include. Tax sharing agreements, however, would continue until their expiration dates.

One of the last provisions, added at my request, was that the cost of wholesale water, which Sylvania and six other communities will pay, must always be less than the cost of retail water, which Toledo and Lucas County residents will pay. This requirement became necessary when Toledo bond counsel required Toledo City Council have veto authority over the rates set by the Commission in order to insure sufficient funds always be available to repay the \$500 Million plant improvement bonds. Retail water cost in the suburban communities will likely always be higher than for Toledo customers because of the need to add our own distribution system operating costs.

In June of this year, Mayor Kapszukiewicz asked me to convene a meeting of the eight mayors and water system leaders to review the proposed contract, but I declined because several issues remained unresolved. He called again two months later and we agreed the proposed agreement was finally ready to formally propose. A meeting was scheduled at TMACOG on August 16th and all nine parties were in attendance. Each community had a chance to speak, and all agreed the proposed contract was something they could present to their city councils or boards for review and possible acceptance. Further, it was agreed Toledo City Council's approval should occur first before the eight customers would consider acceptance.

That's where we are today, with the eight suburban communities and water systems considering the proposed contract. Sylvania City Council is studying the proposed contract and four other water supply options. The pricing and operation of the plant will be overseen by a professional Regional Water Commission. Redundancy is also part of the agreement with a second water intake and elevated water tanks in Toledo required by the Ohio EPA, and with continuing study of a possible second water plant. The offered contract is a great step forward toward water safety, fairness, regional economic development and regional cooperation from where we were in 1996.

Craig A. Stough
Mayor of Sylvania
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