

Memorandum

DATE: August 16, 2019

TO: Council President Matt Cherry, Council Member Tyrone Riley, Chair of Streets, Public Services & Utilities Committee, Council Member Nick Komives, Chair of Water Quality and Sustainability Committee, Honorable Members of Council

FROM: Dale Emch, Law Director; Ed Moore, Director of Public Utilities

THRU: Mayor Wade Kapszukiewicz

RE: Uniform Water Purchase and Supply Agreement Summary

For nearly a year, the City has been working with area jurisdictions to reach an agreement that will provide long-term stability to the water system and create a rate structure that will benefit Toledoans and regional customers for decades to come. The goal was to maintain the Toledo water system's customer base in order to ensure high-quality drinking water and the best possible rates for Toledo and our region.

We believe this contract meets those objectives, while also keeping ownership and ultimate authority of the utility with the City.

The jurisdictions participating in these discussions include Fulton County, Lucas County, City of Maumee, Monroe County South Water District, Northwestern Water and Sewer District, City of Perrysburg, City of Sylvania, and the Village of Whitehouse.

This Memorandum provides an overview of key terms of the draft agreement negotiated with the parties and based on the work of the Regional Water Technical Committee.

Key elements of the negotiated agreement include:

- A 40-year term. This term adds stability to the Toledo water system and its ability to secure necessary financing for system improvements and cover debt costs over the long term through a predictable base of customers.
- Securing the above jurisdictions as customers spreads the costs of the water plant and distribution mains and other components of the Toledo water system over a larger base of customers, helping to keep water costs affordable for all customers, including Toledo residents and businesses. It also allows Toledo to offer retail programs including, senior and low-income discounts and lead line replacement, while reducing the mandatory minimum charge and implementing monthly billing.
- Additional regulation and requirements for water systems related to environmental or health concerns will likely create new capital requirements in the future. Maintaining this larger base of customers will be important to managing costs and water rates. It also will be helpful to deal effectively with anticipated system requirements for redundancy.

- Specifies the adoption of a cost of service methodology for setting rates to cover costs of operation, maintenance and capital repair and replacement. It identifies all common to all components of the Toledo water system and allocates or proportions such costs among Toledo, Lucas County and the other contracting jurisdictions. All jurisdictions are responsible for their own distribution systems and related costs.
- Based on the cost of service methodology, the agreement establishes a uniform wholesale rate, for which Toledo would supply water to contracting jurisdictions (other than Lucas County, which is a retail customer).
- The provisions of City of Toledo Charter Chapter XV are made part of the agreement. The Regional Water Commission may make recommendations to Toledo City Council for capital improvements to the common to all components of the Toledo water system and the wholesale rate. Contract language makes it clear that the Commission must consider the debt service requirements for common to all improvements.
- If the Commission does not recommend improvements, Council in accord with the requirements of Chapter XV, may still move forward with those improvements it deems necessary and ensure their inclusion in the wholesale rate.
- Establishes defined Service Areas for each contracting jurisdiction, within which residents and businesses will be the customer of the contracting jurisdiction. Toledo will be the sole supplier of water within the Service Areas.
- Protects the Toledo water system by prohibiting commingling except in case of emergency with the approval of Toledo.
- Toledo and Lucas County customers will be billed a retail rate, which will incorporate the cost of service methodology. But such rates will be determined by Toledo, just as each wholesale contracting jurisdiction will determine their own retail rate above the wholesale rate payable to Toledo.
- Toledo may still offer a high-volume retail rate or a negotiated rate where appropriate to large industrial or commercial customers within Toledo and the Lucas County Service Area. A contracting jurisdiction may offer the same if it is deemed in the best interests of Toledo, the contracting jurisdiction, and the economic development of the region.
- Continues existing joint or cooperative economic development agreements, and retains and incorporates provisions in existing water agreements for such economic development districts or zones into the new uniform agreement.
- Protects the Toledo water system's ability to pay any debt on common to all improvements by providing that contracting jurisdictions remain liable after termination of the agreement for their proportional share of specified common to all water system debt incurred during the term of the agreement.