



**Written Testimony of Shelley Dickstein, City Manager,
Representing the City of Dayton,
Opposing House Bill 602**

Chairman Ryan, Vice Chair Lipps, Ranking Member Cera and members of the committee, I appreciate the opportunity to provide testimony regarding the as-introduced version of House Bill 602.

As written, this legislation would preempt municipalities from setting water rates for political subdivisions to which we have extended water and sewer services. Not only does it infringe on local authority, but in its current form, raises several questions and issues with implementation. For instance, higher rates can be charged if they are reasonably connected to the service being provided, but the bill does not define what reasonable is.

Recently, Dayton and Montgomery County successfully negotiated a collaborative, historic water agreement using a best in class Cost-of Service Model. Under this contract, the City of Dayton provides water to the County Water District which turns around and charges township residents higher rates. How, if at all, is this scenario impacted by House Bill 602, which does not seem to include County Water and Sewer Districts? Additionally, this bill prevents municipalities from utilizing local research, best practices, and data analysis to set water rates when developing, installing and maintaining water and sewer infrastructure to neighboring municipalities.

The legislation does not take into consideration that the utility may have sold 30 year bonds on the assumption of the higher rates outside the municipality and that by cutting the rates on January 1, 2022 municipalities may be violating their bond covenants or may be unable to meet their bond coverage ratios.

It also penalizes the tax supported services of the municipality for actions taken through negotiated contracts with the fee based supported services of the municipality. Rarely would the utility be impacted by this penalty. Instead it would harm tax supported services like roads and bridges.

The legislation also does not take into consideration times when townships may be willing to pay higher rates in return for some consideration. It is likely that the municipal utility has a higher bond rating or the ability to borrow several million dollars to pay for infrastructure extensions and improvements to allow development in a township. The township may be willing to pay a higher rate since the municipal utility is financing those improvements. This legislation could adversely affect Joint Economic Development Districts.

House Bill 602 is a confusing and unwarranted intrusion in local government operations. It leaves more questions than it answers and ensures implementation would be tied up in protracted legal challenges. For these reasons the City of Dayton is opposed to this legislation and urges you to vote no. I appreciate the opportunity to present opponent testimony and thank you for giving the above points consideration.