

**Testimony of the City of Columbus in Opposition to H.B. 602
Before the House Finance Committee
June 26, 2018**

Chairman Ryan, Vice Chair Lipps, Ranking Member Cera, members of the committee, my name is Richard Westerfield and I am Administrator of the Columbus Department of Public Utilities Division of Water, the regional drinking water utility for Central Ohio providing drinking water treatment and distribution for over one million people.

I am here today on behalf of the City of Columbus' to oppose House Bill 602, which will reduce or eliminate a municipality's Local Government Fund allocation and prohibit a municipality from utilizing Ohio EPA revolving loan funds if the municipality charges non-resident customers more for water and sewer service or requires annexation in exchange for such service.

The bill applies to all cities that operate water and wastewater utilities. The bill creates two classes of municipalities—a "non-compliant" municipality and a "predatory" municipality, and treats them differently. A city is "non-compliant" if it has failed to equalize resident and non-resident rates by January 1, 2022, and charges non-residents more than residents for water or sewer service, unless the rate differential is reasonably related to the cost of providing such services.

A city is a "predatory" municipality if it does any of the following:

1. Requires annexation as a condition of providing water or sewer service, presumably even without charging non-residents more than residents;
2. Requires, as a condition of providing water and sewer service to satellite communities, direct payments from those communities that are unrelated to the provision of such service. This language would prohibit Columbus' tax revenue sharing agreements with its suburban partners, again apparently without regard to any resident/non-resident rate differential;
3. Withdraws or threatens to withdraw water or sewer service from a township or other municipality for their failure to make a direct payment or to comply with any other condition not reasonably related to the cost of providing water or sewer services in that territory. This language would prohibit other terms and conditions in Columbus' satellite



community agreements—such as design and engineering specifications, pipe material specifications, annexation by the satellite community etc., and again without regard to any rate differential.

The bill requires a 20 percent reduction in a non-compliant municipality's allocation from the Local Government Fund, and makes a non-compliant municipality ineligible for Ohio EPA state revolving loan funds. The bill eliminates entirely a predatory municipality's LGF allocation, and makes predatory municipalities ineligible for Ohio EPA state revolving loan funds.

Columbus' water and sewer rates are not arbitrary, but are determined on a cost of service basis. Columbus' methodology for calculating the cost of service rate differentials for residents and non-residents is based upon periodic cost of service studies and is consistent with national standards for determining water and sewer rates. Our 2018 Cost of Service Study shows that the cost of serving non-resident water customers is between 1.4 and 1.6 times the cost of serving resident customers. The cost of providing sewer service to non-resident customers is 1.3 times the cost of providing sewer service to residents. These costs include consumption patterns, peak demand factors, storage, pumpage, and a reasonable rate of return on the debt Columbus incurs in building infrastructure to serve non-resident customers.

H.B. 602 is a direct attack on the longstanding and very successful model for economic development and growth in Central Ohio that has made Central Ohio an engine of economic growth for the entire state. Columbus is a growing, dynamic, economically sustainable city of 875,000 people managed with fiscal integrity, and with a AAA bond rating, in large part because for the past 60 years it has required annexation in exchange for water and sewer service. Columbus is the vital core of a region that is expected to be home to three million people by 2050. Because of its size and borrowing capacity in the financial markets, Columbus has been able to construct in a cost effective manner large scale sewer and water projects that have fostered economic development in Central Ohio, and that have provided thousands of jobs and benefited all of Central Ohio. In addition to supporting Columbus' growth, the City's annexation policy also supports our suburban partners by allowing them to annex in exchange for water and sewer service provided by Columbus. This provides growth and economic development opportunities for our suburban municipal partners as well.

H.B. 602 also amounts to an unconstitutional interference with Columbus' municipal utility power under Article XVIII of the Ohio Constitution. Under Article XVIII, municipalities enjoy broad authority to operate water and wastewater utilities. H.B. 602 by penalizing cities for exercising their broad constitutional utility power amounts to an unconstitutional interference with that power.

Finally, there are misstatements of fact in some of the proponent's testimony on H.B. 602. For example, proponent testimony about Columbus' treatment of Mt. Air for purposes of providing water service to that unincorporated area of Franklin County. In fact, Mt. Air could have received water service through an existing contract between Columbus and Franklin County, without annexation. In any event, Columbus is prepared to modify its agreement with Del-Co. to allow Del-Co. to provide water service to Mt. Air. This decision is consistent with Columbus' efforts to be a responsible community partner in Central Ohio.

Mr. Chairman, members of the committee, your attention and consideration in this matter are very much appreciated. I would be happy to take any questions at this time.