

ALLEN COUNTY FEASIBILITY STUDY

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PDG Job No. 7875-005

January 17, 2017

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I. INTRODUCTION

In 2012, I was retained by the Allen Water District to provide legal services to the District. From the first meeting with the District's Board of Trustees, I was impressed by the efficiency of the operation of the Regional Water District. It didn't take long to realize this efficiency was largely due to the close relationship the District had forged with the Allen County Sanitary Engineer's Office. Not only was Steve Kayatin, the Allen County Sanitary Engineer, a Board member of the District, the Allen County Sanitary Engineer housed the District's operations and the District's staff person. One of the first projects the District completed after my services began was a waterline extension to the unincorporated community of Westminster which provided water to Rudolph Foods. That project was a display of regional cooperation between the Allen County Sanitary Engineer, the City of Lima, and the District. The result was an Allen County business was able to secure a better quality and dependable water supply; the City of Lima secured an additional manufacturer as a water customer; and homeowners along the route received an available public water source, if they desired to access it, at a very affordable cost.

It became clear this cooperation among the political subdivisions and the efficiency of the operations of each of the entities in sharing services was the primary reason water and sanitary sewer services can be provided to the customers served by these entities for a cost that is lower than similar services in Northwest Ohio. This could be done while still providing quality services that meet the spirit of the Ohio EPA regulations. When reviewing the reason(s) for this cooperation and efficiency, it became apparent these positive factors were dependent on those individuals administering these entities and those current Board members/office holders that promoted this spirit of regional cooperativeness. The question presented then was: How can Allen County, the Allen Water District, and the City of Lima institutionalize this spirit of regional cooperation so future administrators of these entities and future Board Members and elected officials can build on the current successes?

One option to consider would be the consolidation of the Allen County Sanitary Engineer's Office with the Allen Water District. This feasibility study was undertaken with the goal of determining whether the Allen County Sanitary Engineer's Office should be consolidated with the Allen Water District.

The goal of the District in this study was to engage all of the Allen County political subdivisions in the analysis including the Cities of Lima and Delphos; the Allen County incorporated Villages; the Allen County Township Trustees; other Allen County elected officials; and the general public. Input from the meetings with these constituencies is reflected throughout this study.

II. STUDY BACKGROUND INFORMATION

In 2011, the Ohio Legislature created the Local Government Innovation Program which was to be administered by the Department of Development Services. The LGIP offers communities financial assistance for planning and implementing projects to create more efficient and effective service delivery. Projects are expected to facilitate improved business environments and promote community attraction with their plan for efficiency, collaboration, or shared services. Communities will be able to save money and provide more effective services to their constituents with assistance from this program.ⁱ

In 2014, the LGIP provided a competitive grant program called the Local Government Innovation Fund ("LGIF") that could provide \$50,000 toward the expense of completing a feasibility, planning, or management studies for political subdivisions interested in exploring improved efficiency, collaboration, or the sharing of services.ⁱⁱ

A. COOPERATIVE AGREEMENT BETWEEN ALLEN WATER DISTRICT AND ALLEN COUNTY COMMISSIONERS

On June 5, 2014, the Allen County Commissioners adopted Resolution #323-14A titled:

BOARD OF COUNTY COMMISSIONERS, ALLEN COUNTY, OHIO APPROVING THE PARTICIPATION OF THE COUNTY AS A COLLABORATIVE PARTNER WITH THE ALLEN WATER DISTRICT AND THE ALLEN ECONOMIC DEVELOPMENT GROUP IN MAKING APPLICATION TO THE STATE OF OHIO, DEPARTMENT OF DEVELOPMENT, TO PARTICIPATE IN THE LOCAL GOVERNMENT INNOVATION FUND PROGRAM AND ENTER INTO A COLLABORATIVE AGREEMENT

A copy of the resolution is attached as Appendix A-1

On _____, the Allen Water District Board of Trustees adopted Resolution _____ titled:

A copy of the resolution is attached as Appendix A-2.

On _____, the Board of Commissioners, Allen County, Ohio and the Allen Water District Board of Trustees executed a Cooperative Agreement whereby the parties agreed to partner in determining the feasibility of merging the Allen County Sanitary Engineers Office and the Allen Water District.

The scope of the study was to include:

1. An Inventory of County Sewer and Water Systems (current customers, current rates, work in progress, outstanding debt, agreements among political subdivisions, an inventory of equipment, fixed assets, i.e., wastewater facilities, water management facilities, findings and orders from the Ohio EPA)
2. Review the Advantages and Disadvantages of Consolidating the Allen Water District and Allen County Sanitary Engineer's Office
3. An Assessment of Future Conditions (current population, forecasts and analysis)
4. Financial Plan
5. Transition Plan
6. Petition to Court to amend purpose of the Allen Water District

B. APPLICATION FOR LOCAL GOVERNMENT INNOVATION FUND GRANT

In 2014, the Allen Water District applied for a grant from the LGIF. In its application, the Allen Water District proposed that the feasibility would cost approximately \$3,065,000, with \$20,000 of those funds being spent toward legal fees, \$37,500 would be spent on consultants, the Allen Water District agreeing to pay \$2,500 in cash toward miscellaneous expenses of the project, and the Allen Water District would provide an "In-Kind Match" of \$3,005,000.

On September 10, 2014, the Local Government Innovation Council approved the grant application and awarded the Allen Water District a grant in the amount of \$50,000 to conduct a study to determine the feasibility and benefits of merging the Allen County Sanitary Engineer's Office with the Allen Water District to create a single regional water and sewer district in Allen County, Ohio. On November 17, 2014, the Ohio Controlling Board approved the release of up to \$50,000 to the Allen Water District from the LGIF. The Allen Water District and State of Ohio Development Services Agency executed a grant agreement whereby the feasibility study would be completed by November 17, 2016. A copy of the Grant Agreement is attached as Appendix B.

In April 2015, the Allen Water District employed the law firm of Spitler Huffman, LLP. to assist the Allen Water District in administering the grant. A copy of the agreement with Spitler Huffman, LLP. is attached as Appendix C.

C. MISCELLANEOUS INFORMATION FOR FEASIBILITY STUDY

1. DEMOGRAPHIC DATA FOR ALLEN COUNTY

According to the Ohio Research Office, in July 2015 it is estimated that Allen County, Ohio had a population of 104,425.ⁱⁱⁱ By population, it is estimated that it is the 26th most populated county in Ohio.^{iv} The Census data suggests that the County's population decreased by about 2,000 from the 2010 census.^v

There are twelve townships in Allen County with American Township having the most residents (about 14,151) and Sugar Creek Township having the least residents (less than 1,252).

Allen County boasts two cities, Delphos and Lima. Delphos is located in two counties, Van Wert and Allen Counties. As of July 2015 it is estimated that there were 7,023.^{vi} Lima has been the county seat of government for Allen County since 1831.^{vii} As of July 2015 it is estimated that there were 37,873 residents in Lima.

Table 1 shows the seven incorporated villages in Allen County.

TABLE 1 INCORPORATED VILLAGES IN ALLEN COUNTY		
Beaverdam	Est. July 2015	369
Bluffton	Est July 2015	4,161
Cairo	Est July 2015	531
Elida	Est July 2015	1,858
Harrod	Est July 2015	412
Lafayette	Est July 2015	428
Spencerville	Est July 2015	2,200

viii

Allen County has several unincorporated communities, or hamlets including Gomer and Westminster.

Allen County has several large industrial employers. Among them are General Dynamics, Proctor & Gamble, American Trim, MetoKote, and the Ford Motor Company, Lima Engine Plant.

Allen County has over 900 farms. Those farms occupy over 180,000 acres and in 2012 produced over \$140,000,000 in agricultural commodities, which at that time ranked Allen County in the top 30 counties in Ohio for agricultural production.^{ix}

2. CURRENT WATER AND WASTEWATER ISSUES IN NORTHWEST, OHIO

Nationally, some believe we face a clean water crisis. They point to the extreme drought coupled with increased demand that has severely impacted the West Coast. Additionally, fracking techniques for oil extraction have caused some concern regarding the water supply in some regions of the country.

In Ohio, both Grand Lake St. Mary's and Lake Erie have experienced water quality issues that have impacted water consumption. For over ten years Grand Lake St. Mary's has experienced a water quality issue from toxic algae. The Ohio Department of Agriculture and the Ohio Department of Natural Resources have combined with others to attempt to remedy the conditions that cause the algae problem.^x But as recently at 2015, the lake has experienced caution from health officials regarding its use.^{xi}

In 2014, the City of Toledo was forced to issue a "do not drink" warning to the users of its water system as the result of a toxic algae bloom at its water intake in Lake Erie. The water ban lasted approximately 3 days, but left a poor image for the City and region regarding its water quality.^{xii}

Compounding the water source issue is the aging infrastructure issue facing many urban areas of the country. In Flint, Michigan a change in the City's water supply resulted in the lead pipes, which were installed decades ago in the City, releasing harmful levels of lead to the City's users. Some of those responsible for the decisions regarding the water issue have been criminally indicted and investigations continue regarding holding the operators of that system responsible for the water quality issues.^{xiii}

In November 2014, the City of Lima reached a settlement with the United States Environmental Protection Agency wherein the City agreed to pay a \$49,000 fine and make and estimated \$147 million of improvements to the City's sanitary sewer system. The consent decree was reached as the result of claims that the City violated Section 301 of the Clean Water Act and terms and conditions of its National Pollutant Discharge Elimination System permits. The City's alleged violations included frequent discharges of raw sewage and combined sewage to the Ottawa River, and WWTP bypasses of secondary and tertiary treatment.^{xiv}

a. STATE ISSUES AND INITIATIVES

Algal Blooms

In response to the Algal Bloom problem plaguing the water source for many communities in Ohio, the Ohio EPA has crafted a Public Water System Harmful Algal Bloom Response Strategy.^{xv} In this report, the Ohio EPA highlights that the Ohio Administrative Code now requires each community's water system to develop contingency plans for supplying water to the public in the case of an emergency.^{xvi}

Additionally, continued enforcement of violations of discharges of raw sewage from public sewer systems will require increased updating of sanitary sewer systems, such as that required by the consent decree with the City of Lima discussed earlier in this study.

In 2015, the Ohio legislature placed limits on farmers for the application of fertilizer and manure during times when the farm ground is saturated with water or frozen. The goal of Senate Bill 1 is to reduce nutrient runoff associated nuisance algae blooms in Lake Erie. The new regulations took effect in July 2015.^{xvii}

The Ohio Department of Health updated its rules regarding home sewage treatment systems, which became effective on January 1, 2015. The new rules were drafted in an effort to modernize the older rules, which hadn't been changed since 1977. Additionally, the new rules set a minimum standard for Ohio homeowners, regardless of the county in which their home was located. Among other things, the new rules will eventually require that homeowners must prove their systems are working and are regularly maintained.^{xviii}

Lead in Drinking Water

The Ohio legislature has also addressed concerns regarding lead in the public's drinking water. In 2016 the Ohio legislature adopted HB 512. The law requires residents be notified within 48 hours of finding lead at a water tap.^{xix}

In January 2016, the Ohio EPA opened a criminal investigation into the conduct of the Sebring, Ohio water treatment operator to determine if the operator failed to properly perform his duties as the Village's water plant operator. In July, the operator was charged with misdemeanors by the Ohio Attorney General as the result of his failure to comply with the duties his operator's license required, including two counts of failing to notify affected customers within 30 days of receiving lab results and of failing to provide system wide notice of the lead issue.^{xx}

b. FEDERAL ISSUES AND INITIATIVES

Algal Blooms

U.S. Department of Agriculture's (USDA) Regional Conservation Partnership Program (RCPP); The Tri-State Western Lake Erie Basin Phosphorus Reduction Initiative will receive \$17.5 million in funding to help farmers implement conservation practices that reduce the flow of phosphorus, which contribute to harmful algal blooms that compromise water quality. The funds will help farmers enroll in the Environmental Quality Incentives Program (EQIP), which provides resources for producers to implement conservation practices to ensure and preserve water quality.^{xxi}

III. ALLEN COUNTY SANITARY ENGINEERING DEPARTMENT (ACSE)

A. HISTORY/BACKGROUND OF THE ACSE

Organization and Infrastructure

The ACSE is split into two divisions, the Wastewater Treatment Division (WWTD) and the Wastewater Collection Division (WWCD), with the Main Office of the Sanitary Engineer coordinating the day-to-day operations.

The WWTD is responsible for the maintenance and operations of all wastewater treatment plants and the operations of the sludge management program. The WWTD operates three major treatment plants located in Bath, Shawnee and American Townships and three smaller package treatment plants located in Bath and Richland Townships.

The WWCD is responsible for the maintenance and operation of approximately 250 miles of gravity sewer lines; 57 high pressure sewage lift stations; 125 low pressure lift stations; and 125 miles of high pressure and low pressure sewer lines located within American, Auglaize, Bath, Jackson, Monroe, Perry, Richland and Shawnee Townships.

Service-Sanitary Sewer

The County Sanitary Engineer derives authority through the Ohio Revised Code Section 6117. The code allows boards of County Commissioners to establish Sanitary Engineering departments for the purpose of preserving and promoting the public health and welfare. The Sanitary Engineer is responsible for the enforcement of all rules and regulations established by the Board of County Commissioners for the construction, maintenance, protection and use of sewers and sewer improvements in the county, including the establishment and use of connections of systems.

Service-Water

Ohio Revised Code Section 6103 allows the Board of County Commissioners to acquire, construct, maintain and operate any public water supply or water works system within its county for any sewer district. The county has installed and owns approximately 50 miles of public waterlines within the county connected to the City of Lima water grid system serving approximately 9,000 customer accounts.

History

Late in 1924 the Board of County Commissioners hired J.H. Meyer as Sanitary Engineer to oversee the design and construction of the Lost Creek Sewer Sub-district sanitary sewer improvements. The Lost Creek Sewer Sub-district was established through petition and resolution on January 27, 1925 by the Board of County Commissioners.

On December 31, 1925 the Board of County Commissioners established the original version of the Rules and Regulations Governing the Installation and Use of Sanitary Sewers and Water Supply Improvements in Allen County, Ohio.

Records indicate from the early 1950's to late 1960's the Board of County Commissioners employed R. H. Jacob as the County's Sewer Superintendent to operate and maintain wastewater treatment and collection systems constructed by villages and developers to treat the waste produced from the expanding development areas. The facilities were not being attended to in an acceptable manner per State Health Department requirements, therefore with the development of the Ohio Environmental Protection Agency and the Clean Water Act, the Board of County Commissioners were tasked with establishing an organizational structure to better manage the County's wastewater infrastructure.

On May 16, 1966 the Board hired Robert Tschanz, the second Sanitary Engineer to oversee the department as we know it today. On May 8, 1967 the Board of County Commissioners consolidated all of its sewer sub-districts under one single countywide sewer sub-district. This allowed the Board of County Commissioners to control all sanitary sewer and wastewater treatment construction in the unincorporated areas of the County. On August 3, 1967 the Board of County Commissioners adopted a new set of Rules, Regulations, Procedures and General Specifications Governing Sanitary Sewerage and Water Supply replacing the December 31, 1925 version. From 1967 through 1968 contracts were given to construct sanitary sewer collection and treatment facilities to centralize treatment at three different locations within the county. The centralization would eliminate the "packaged treatment facilities" presently serving individual service areas and subdivisions. The three facilities constructed were: the American Bath WWTP; the Shawnee #2 WWTP; and the American #2 WWTP. The three

facilities were originally constructed as temporary facilities. The plan was for all sewage in the county to be eventually tied into the City of Lima System. To date, the trend is to continue expansion of the three facilities and use them as permanent facilities.

On January 19, 1988, the Board of County Commissioners hired Henry Hollinger as Sanitary Engineer to replace retiring Robert Tschanz. On July 23, 1991 Steve Kayatin, who holds the position today, was promoted from Assistant Sanitary Engineer to Sanitary Engineer filled by the vacancy of retiring Henry Hollinger. Continued growth, consolidation, outreach to other smaller municipal communities and regulatory compliance has been the vision and tasks of the department.

B. GENERAL DATA REGARDING THE ACSE

As of September 1, 2016, the BOARD OF COUNTY COMMISSIONERS has 8,970 sanitary sewer customers and 9,000 water customer accounts, all of whom are served with water from the City of Lima.

The Board of County Commissioners has wastewater treatment and maintenance contractual arrangements with the City of Lima, Village of Cairo, Village of Lafayette, Village of Beaverdam, Village of Cridersville, and Village of Harrod for treatment of District customer's wastewater.

The Board of County Commissioners has no written contract with the City of Lima for supplying water to its customers, but currently, the customers of the BOARD OF COUNTY COMMISSIONERS pay a water service charge to the City of Lima which is calculated by applying the Inside Rate which is charged to the City of Lima's Inside Customers within the same user class. In addition, the residential customers of the BOARD OF COUNTY COMMISSIONERS pay a Contract fee not to exceed 50% of the water service charge. Outside users, other than the Allen Water District pay a Contract Fee of 100% of the water service charge.

The City of Lima performs all of the maintenance on the BOARD OF COUNTY COMMISSIONERS's water lines that are connected to the City of Lima's water mains. The City also reads the customer's meters and performs all of the billing and collection functions for the BOARD OF COUNTY COMMISSIONERS.

The BOARD OF COUNTY COMMISSIONERS also has a water service agreement, attached as Appendix J, with the Village of Beaverdam. In this agreement the BOARD OF COUNTY COMMISSIONERS through the Allen County Commissioners has agreed to purchase water from the Village of Beaverdam to resell within the Richland Township #1 Water Sub-District Improvement Area. In this agreement the Village of Beaverdam agreed to provide potable to the service area; maintain and repair all of the lines; and bill and

collect for the services. The BOARD OF COUNTY COMMISSIONERS agreed to own and construct the water service lines. The customers within the service territory would be charged the inside rate as charged the inside customers of the Village of Beaverdam, plus a Contract Fee. In addition, the customers within the service area could be charged the BOARD OF COUNTY COMMISSIONERS's necessary charges as provided or permitted in Chapter 6103 of the Ohio Revised Code.

General Financial Data

For the 2017 fiscal year, the ACSE's estimated annual revenue is \$8.2 million with operational expenses totaling approximately \$4.3 million. The total department principal debt is approximately \$15 million with annual payments of \$2.6 million.

The ACSE has 11 administrative/management staff members. The ACSE also has 17 operational staff members that are members of the AFSCME Union.

IV. ALLEN WATER DISTRICT (AWD)

A. HISTORY/BACKGROUND OF THE AWD

The AWD is a "Regional Water District: formed under Ohio Revised Code Chapter 6119, and as such, is a political subdivision of the State of Ohio. Currently, in Ohio, there are over 80 regional water and/or sewer districts that were similarly formed under Chapter 6119. A list of some of those entities is attached as Appendix D.

The AWD was formed on March 9, 1989 at the request and petition of four Townships: American, Bath, Perry and Shawnee.

The AWD consists of the unincorporated areas in American, Bath, Perry, Shawnee, Spencer, Marion, Sugar Creek, Amanda, Auglaize, Monroe, Jackson, and Richland Townships with the exception of those areas already receiving water service from the Allen County Sanitary Engineer's Office prior to the formation of the District in 1989.

The purpose of the AWD is to provide public water to the residents, businesses, and institutions within the District. The AWD's actions are directed by a seven member Board of Trustees; one appointed by each founding Township, one County member and two Members-at-large. The AWD leases its offices space from the ACSE at 3230 North Cole Street, Lima, Ohio 45801. Regular meetings of the AWD are held once per month on the third Wednesday of the month at the AWD office. The Water District operations are self-funded through fees charged to customers receiving water. The Water District receives no Tax Money for carrying out its commitments to its customers or for future customers.

In the AWD's water agreement with Lima, the City performs all of the routine maintenance on the district water lines transporting Lima water.

AWD customers are billed monthly. The City of Lima acts as an agent for the AWD by accepting applications for water service; sending out bills; collecting fees; and other administrative services.

The Water District provides water service to areas previously unable to obtain service. The water service enhances fire protection by providing a dependable source of water. The water service also increases property values by eliminating on-site water well concerns, often reducing the homeowner's insurance premiums, and the service generally eliminates the need for expensive and troublesome home water treatment systems. Since its beginning, the Water District has added approximately 4,300 water customer accounts.

A list of public projects completed by the Water District is attached hereto as Appendix E. In addition to public projects, the AWD has received water systems from private developers. A list of those systems is attached hereto as Appendix F. The AWD has also completed several miscellaneous water system improvements or repairs. A list of some of those improvements is attached hereto as Appendix G.

B. GENERAL DATA REGARDING THE ALLEN WATER DISTRICT

As of September 1, 2016, the AWD has 3,548 water customers, all of whom are served with City of Lima water pursuant to the AWD's contract with the City. The AWD has contracts to purchase finished water from two suppliers, the City of Lima and the City of Delphos.

City of Lima Contract

The contract with the City of Lima was executed on or about September 10, 1990 and was modified by an addendum on or about December 18, 2003. A copy of the contract is attached hereto as Appendix H. The contract has a term of fifty (50) years with an automatic extension of an additional twenty-five (25) years. The original territory of the area to be served with water from Lima was the area set forth on Appendix A of the agreement. This area was expanded in 2010 to include all of the unincorporated area of the Allen County, Ohio townships of Spencer Township, Amanda Township, Sugar Creek Township, and Marion Township. A copy of the amendment is attached hereto as Appendix H-1. The area was expanded again in 2012 to include all of the unincorporated area of the Allen County, Ohio townships of Monroe Township, Richland Township, Jackson Township, and Auglaize Township. This final addition of territory

provided that at least some of all of the unincorporated areas of all of the townships in Allen County, Ohio was within the jurisdiction of the AWD. A copy of the amendment is attached hereto as Appendix H-2.

Pursuant to the City of Lima contract, the customers of the AWD pay a water service charge to the City of Lima which is calculated by applying the Inside Rate which is charged to the City of Lima's Inside Customers within the same user class. In addition, the residential customers of the AWD pay a Contract fee not to exceed 50% of the water service charge. Outside customers, other than those of the BOARD OF COUNTY COMMISSIONERS, under the Lima contract pay a Contract fee not to exceed 100% of the water service charge. As a final part of the customer's AWD bill, the customer pays the District Fee of \$9.50 per month. The AWD has never raised this fee during its 27 years of existence.

The City of Lima performs all of the maintenance on the AWD's water lines that are connected to the City of Lima's water mains. The City also reads the customer's meters and performs all of the billing and collection functions for the AWD.

City of Delphos Contract

The contract with the City of Delphos was executed on or about February 12, 2009. A copy of the agreement is attached hereto as Appendix I. The contract has a term of twenty-five (25) years with an automatic extension of an additional twenty-five (25) years. The Primary District Territory of the area to be served with water from Delphos was all of the unincorporated area of the Allen County, Ohio townships of Spencer Township, Amanda Township, Sugar Creek Township, and Marion Township. The contract also provided for a Zone of First Refusal which is an area of unincorporated territory east and southeast of the City of Delphos within which Delphos may, if it chooses to do so, serve potable water outside its City limits

Pursuant to the City of Delphos contract, the customers of the AWD pay a water service charge to the City of Delphos which is calculated by applying the Inside Rate which is charged to the City of Delphos' Inside Customers within the same user class. In addition, the customers of the AWD would pay a Contract fee not to exceed 40% of the water service charge. As a final part of the customer's AWD bill, the customer would pay the District Fee of \$9.50 per month.

General Financial and Operational Data

According to its 2015 financial statements, the AWD possesses total assets of \$18,995,627. At the time it had total liabilities of \$5,529,395. From 2013, the net position of the AWD improved by approximately, \$2,100,000 due to additional

infrastructure being constructed through various capital contributions and a reduction in debt.

In 2016, the AWD adopted a Budget showing estimated operating income of \$1,816,538; estimated operating expenses of \$128,200.00; and estimated capital expenses of \$1,155,642. It should be noted that the AWD monthly operational district fee of approximately \$9.50 has never been increased since the AWD was formed.

The AWD has employed one full time administrative assistant who had worked 34 hours per week. The AWD is currently in search of executive administrator to oversee the affairs of the district. The AWD does not employ any operations staff. All infrastructure, operational, and billing responsibilities of the AWD are performed as provided in contracts with various political subdivisions.

V. ALLEN COUNTY WATER AND SEWER INFRASTRUCTURE INVENTORY

A. SPENCERVILLE

Water

The Village of Spencerville draws its water from 3 wells, each producing approximately 720,000 gallons per day. Spencerville maintains 16.5 miles of waterlines ranging in size from 4" to 16". The Village has 190 mainline valves, 145 fire hydrants, and 1000 service connections ranging in size from ¾" to 4". Spencerville has one 400,000 elevated storage tank.

Wastewater

Spencerville has a wastewater treatment plant rated to treat 0.45 MGD of wastewater. The village maintains 12.9 miles of wastewater lines ranging in size from 8" to 15".

Rates

The Village's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = \$78.46 per month
- b. Water = \$58.81 per month,
- c. Total = \$137.27 per month
- d.

B. BLUFFTON

Water

The Village of Bluffton purchases their water from the Village of Ottawa located in Putnam County. The Village signed a cooperative agreement in the form of a 50-year contract for Ottawa to provide water service to Bluffton. This agreement was signed in

2005. The water travels approximately 13 miles to reach Bluffton. The Village has approximately 600 mainline valves, 270 fire hydrants and 1400 service connections with an average day demand of 0.46 mgd.

The Village has one booster pump station, two elevated tanks at 750,000 gallons each and one 500,000 gallon ground storage tank.

Wastewater

Bluffton has a wastewater treatment plant rated to treat 1.9 MGD of wastewater and discharges to Riley Creek with eventually reaches the Blanchard River. It was constructed in 2003.

The average daily flow treated at the WWTP is 0.65 mgd. The sewers range in size from 6-inch to 24-inch. There are approximately 350 manholes and 5 lift stations with capacities between 100 to 250 gpm.

Rates

The Village's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = \$59.97 per month
- b. Water = \$85.07 per month,
- c. Total = \$145.04 per month

C. DELPHOS

Water

Since 2007, The City of Delphos draws its water from the Gilmore Reservoir which is filled from the Auglaize River. Delphos draws about 438 million gallons per day from the Auglaize River. Delphos' water plant can produce 3.75 million gallons per day of water. Delphos maintains about 50 miles of waterlines with a size ranging from 1" to 12" as well as 300 fire hydrants. It maintains 3 clearwells which have a combined storage capacity of 1 million gallons and has constructed two elevated storage tanks, one with a capacity of 300,000 gallons and one stand pipe with a capacity of 300,000 gallons.

Wastewater

Delphos has a wastewater treatment plant rated to treat 3.83 million gallons per day of wastewater and discharges to Jennings Creek with eventually reaches the Auglaize River. The plant was constructed in 2006. Delphos is still approximately 70% combined sewers and maintains approximately 43 miles of sewers. Delphos also maintains 16 pump stations. (10 sanitary pump stations and 6 combined sewer pump stations).

Rates

The City’s rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = \$89.40 per month plus a \$7.58 monthly service charge or \$96.98 per month
- b. Water = \$79.10 per month plus a \$9.83 monthly service charge or \$88.93 per month
- c. Total monthly water and sewer bill \$185.91.

The AWD has a contract with Delphos for the purchase of water.

D. BEAVERDAM

Water

The Village of Beaverdam draws its water from 3 wells, producing approximately 250,000 gallons per day.

Wastewater

Spencerville has a wastewater treatment plant rated to treat 250,000 gallons per day of wastewater.

Rates

The Village’s rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = _____
- b. Water = \$ per month,
- c. Total = \$ per month

Beaverdam has contracts with the BOARD OF COUNTY COMMISSIONERS for both water and sewer service. A copy of the contract is attached hereto as Appendix J.

E. HARROD

Water

The Village of Harrod has no public water supply and the residents all have individual wells.

Wastewater

Harrod has a wastewater treatment plant rated to treat 90,000 gallons per day which discharges into an unnamed tributary to Manahan Ditch. Harrod has .5 miles of sanitary sewers and approximately 75 manholes.

The BOARD OF COUNTY COMMISSIONERS has a contract for the treatment of wastewater with the Village. The ACSE operates and maintains the collection systems located outside the village.

Rates

The Village's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = \$25.00 per month (Flat rate)

F. ELIDA

Water

The Village of Elida has a contract with the City of Lima for the purchase of water for the resale to its customers.

Wastewater

Elida had a wastewater treatment plant rated to treat 500,000 gallons per day which discharges into the Ottawa River.

Rates

The Village's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer = \$36.85 per month
- b. Water = \$60.13 per month,
- c. Total = \$96.98 per month

G. LAFAYETTE

Water

The Village of Lafayette has no public water supply and the residents all have individual wells.

Wastewater

Lafayette had a wastewater treatment plant rated to treat 100,000 gallons per day and discharges to Little Hog Creek. The BOARD OF COUNTY COMMISSIONERS has a contract for the extension of wastewater treatment to the Village and the ACSE operates the collection system located outside the village.

Rates

The Village's rates for 1000 cubic feet of treated wastewater are as follows:

- a. Sewer=\$47.54 per month

H. CAIRO

Water

The Village of Cairo purchases water from the City of Lima as an outside customer.

Wastewater

In September of 1997 a contract was agreed upon between the Village of Cairo and Allen County for the treatment, and operation and maintenance of the newly constructed sanitary sewer within the Village of Cairo. This agreement includes the Village of Cairo maintaining ownership of the sanitary sewer with the BOARD OF COUNTY COMMISSIONERS treating the sewage flowing from the Village to the American/Bath Wastewater Treatment Plant. Also included in this agreement, the County will be responsible for both the operation and maintenance of the sanitary sewer for many years to come.

Rates

The Village's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer =\$65.50 per month (includes debt service)
- b. Water = \$60.13 per month (includes debt service)
- c. Total = 125.63 per month

I. LIMA

Water

The City of Lima obtains its water from the Auglaize and Ottawa Rivers. The City has extended approximately 476.2 miles of waterlines ranging from 1" to 30". The City's water system has 10,629 main line valves, 3,536 fire hydrants, and 32,668 service connections. The City has three elevated water storage tanks: 1.5 million gallons, 1 million gallons and .05 million gallons. The City maintains 4 raw water pump stations, 2 each from the Auglaize and Ottawa Rivers. The consumer demand for water from the City is 13.2 million gallons per day.

The City has written water agreements with the AWD, the Village of Elida, and the Village of Cairo. The City provides water to customers of the ACSE, but there is no written contract for this service.

Wastewater

The City of Lima treats the average daily volume of 14.47 million gallons per day of wastewater. The WWTP has a design flow of 18.5 MGD and discharges to the Ottawa River. The City has 251 miles of sewers ranging from 8" to 108". The City has 5,395 manholes to maintain and 33 pump stations.

Lima's collection system is comprised of combined sewers (approximately 80 percent) and separate sanitary sewers. The separate portion of the system includes 27 lift stations. Lima has individual contracts the BOARD OF COUNTY COMMISSIONERS for wastewater treatment, such as the Lost Creek Lift Station Agreement.

Rates

The City's rates for 1000 cubic feet of water or treated wastewater are as follows:

- a. Sewer= \$37.89 per month
- b. Water= 31.84 per month,
- c. Total= \$69.73

J. OTHER PRIVATE PERMITTED SYSTEMS

Table 2 below lists the NPDES permits for Private Sewer Systems

TABLE 2			
ENTITY	LOCATION	FLOW	DISCHARGE
The Bluffton Stone Company	Quarry Drive, Bluffton	1.53 MGD	Riley Creek
Buckeye Pipe Line Company LP - Lima Station	S. Dixie Highway, Lima		unnamed tributary to Ottawa River
Chemtrade Logistics, Inc.	Ottawa Road, Cairo		Arnold Ditch
Colonial Golfers Club, Inc.	Harding Highway, Harrod	7500 gpd	Little Hog Creek
County Line investments, LLC	Hanthorn Road, Lima	3000 gpd	unnamed tributary of Lost Creek
Ernst Enterprises, Inc. - Lima Division	South Central Ave, Lima		Ottawa River
Pilot Travel Centers, LLC #695	E. Main Street, Beaverdam		May Ditch
guardian Lima Holdings, LLC	Houx Parkway. Lima		unnamed tributary of Lost Creek

TABLE 2			
ENTITY	LOCATION	FLOW	DISCHARGE
Lima Refining Company	Metcalf Street, Lima	8 mgd	Ottawa River
Marathon Pipe Line, LLC- Lima Transfer Station	West Buckeye Road, Lima		unnamed tributary to little Ottawa River
Allen County Commissioners (Mast Estates Subdivision)	Phillips and Lugabill Rd, Richland Township	9000 gpd	Little Riley Creek
Mid-Valley Pipeline Company	West Buckeye Road, Lima		unnamed tributary to little Ottawa River
Marathon petroleum Company, LLC	S. Dixie Highway, Lima		unnamed tributary to Ottawa River
National Lime & Stone Company	Findlay Road, Lima	2 mgd	Ottawa River
PCS Nitrogen Ohio, LP	Fort Amanda Road, Lima	3.74 mgd	Ottawa River
National Lime & Stone Company	Bloomlock Road, Spencer Township	1 mgd	Jennings Creek
Pilot Travel Centers, LLC #457	E. Main Street, Beaverdam		unnamed tributary of May Ditch
Proctor and Gamble Manufacturing Company	Reservoir Road, Lima		Lost Creek
Rudolph Foods Company, Inc.	Belfountain Rd		unnamed tributary of Auglaize River
The Shelly Company	S. Dixie Highway, Shawnee Twp.		unnamed tributary to Ottawa River
Superior Forge and Steel Corporation	McClain Road, Lima		unnamed tributary to Ottawa River
United States Army Joint System Manufacturing Center	Buckeye Road, Lima		unnamed tributary to Ottawa River

Table 3 below lists all the private Public Water System (PWS) in Allen County.

TABLE 3			
PWS NAME	PWS TYPE	POPULATION EQUIVALENT	LOCATION
INDIAN VILLAGE MOBILE HOME PARK	Community	500	LIMA
RUDOLPH FOODS	Nontransient Noncommunity	185	LIMA
BLUFFTON GOLF CLUB	Transient Noncommunity	180	BLUFFTON
BIGGIES COAST TO COAST	Transient Noncommunity	75	ELIDA
LAKE CODY	Transient Noncommunity	70	ELIDA
LIMA RESCUE MISSION/CAMP ROBERTS	Transient Noncommunity	88	LIMA
THE STALLION	Transient Noncommunity	35	LIMA
CARTER LUMBER STORE 65-8	Transient Noncommunity	25	
COLONIAL GOLFERS CLUB	Transient Noncommunity	189	HARROD
CONGREGATIONAL CHRISTIAN CHURCH	Transient Noncommunity	75	LAFAYETTE
DAIRY HAUS	Transient Noncommunity	70	HARROD
ELIDA ELEMENTARY KINDERGARTEN SCHOOL	Nontransient Noncommunity	150	ELIDA
ALLEN EAST COMMUNITY CENTER	Transient Noncommunity	220	HARROD
HAWTHORNE HILLS COUNTRY CLUB	Transient Noncommunity	140	LIMA
ROBINS NEST CAMPGROUND	Transient Noncommunity	50	HARROD
RAABE MOTOR SALES INC	Transient Noncommunity	72	DELPHOS
SALEM MENNONITE CHURCH	Transient Noncommunity	80	ELIDA

TABLE 3			
PWS NAME	PWS TYPE	POPULATION EQUIVALENT	LOCATION
SANDY POINT LAKE	Transient Noncommunity	80	LIMA
KEITH'S LANDECK TAVERN & CATERING	Transient Noncommunity	84	DELPHOS
UNION CHAPEL MISSIONARY CHURCH	Transient Noncommunity	65	LIMA
THE OAKS GOLF CLUB	Transient Noncommunity	200	LIMA
WINONA LAKE SWIM & TENNIS	Transient Noncommunity	75	LIMA
ZION EVANGELICAL LUTHERAN CHURCH	Transient Noncommunity	85	LAFAYETTE
ORIOLES AUGLAIZE RIVER BEND CAMP 1	Transient Noncommunity	100	LIMA
ORIOLES AUGLAIZE RIVER BEND CAMP 2	Transient Noncommunity	40	LIMA
BUCKEYE TRUCK CENTER INC	Transient Noncommunity	40	LIMA
CAIRO UNITED METHODIST CHURCH	Transient Noncommunity	50	CAIRO
ODOT REST AREA 1-31 EB	Transient Noncommunity	100	LIMA
ODOT REST AREA 1-32 WB	Transient Noncommunity	225	LIMA
PIKE MENNONITE CHURCH	Transient Noncommunity	225	ELIDA
SOUTHGATE LANES	Transient Noncommunity	60	BLUFFTON
EBENEZER MENNONITE CHURCH	Transient Noncommunity	100	BLUFFTON
PLEASANT VIEW CHURCH OF BRETHREN	Transient Noncommunity	450	ELIDA
MENNONITE CHRISTIAN SCHOOL	Nontransient Noncommunity	85	ELIDA
KENDRICK WOODS METRO PARK	Transient Noncommunity	66	LIMA

TABLE 3			
PWS NAME	PWS TYPE	POPULATION EQUIVALENT	LOCATION
SUN VALLEY FAMILY CAMPGROUND	Community	50	HARROD
MARATHON MINI MART	Transient Noncommunity	238	LIMA
LANDECK ELEMENTARY SCHOOL	Nontransient Noncommunity	350	DELPHOS
CROSSROADS CHURCH OF GOD	Nontransient Noncommunity	118	LIMA
ALLEN EAST LOCAL SCHOOLS	Nontransient Noncommunity	155	HARROD
PROCTER & GAMBLE DIST CTR - LIMA	Nontransient Noncommunity	1403	LIMA
BENROTH DRIVE-THRU	Transient Noncommunity	480	LIMA
SNACK SHACK	Transient Noncommunity	110	HARROD
ST MATTHEWS LUTHERAN CHURCH	Transient Noncommunity	100	LIMA
SAFY	Nontransient Noncommunity	125	DELPHOS

VI. FINANCIAL IMPACT OF PROPOSED CONSOLIDATION ON CUSTOMERS OF ALLEN WATER DISTRICT AND ALLEN COUNTY WATER AND SEWER DISTRICT

In order to assess the financial impact on customers of the proposed consolidation of the Allen Water District and the Allen County Water and Sewer District, it is important to understand the current status of finances and operations of both entities. Provided below is a summary of both entities.

A. Allen Water District General Information

1. Current accounting software – Quickbooks
2. Current accounting basis – GAAP/accrual. The District does make some adjustments at year end to address items such as accounts receivable, accounts payable and similar items but capital assets, special assessments

receivable, loans payable and related items are maintained on an accrual basis during the year.

3. Cash:
 - a. District currently has approximately 27 bank accounts to track operating costs as well as to track cash held for project loans. Semi-annual special assessment settlements are allocated to these project accounts and then debt payments are made out.
4. Special assessments and debt service receivables:
 - a. 34 projects with ongoing collections – payments received from Allen County semi-annually and posted to appropriate receivable and interest general ledger accounts
 - b. 11 deferred agricultural assessment projects with no activity unless property is converted to non-agricultural use
5. Capital assets:
 - a. Approximately 110 items currently maintained on a Microsoft Excel spreadsheet with appropriate GAAP information for auditors. District records these assets in the general ledger with appropriate capital asset line item accounts.
6. Accounts receivable:
 - a. The City of Lima bills and collects all service charges and remits payments to the District monthly.
7. Loans outstanding:
 - a. Ohio Water Development Authority - 26 loans paid semi-annually-electronically and posted to appropriate general ledger accounts
 - b. LGIF loan – 1 loan – paid quarterly and posted to appropriate general ledger account
8. Estimate of non-payroll checks processed per year - 100 checks maximum excluding payroll, withholding taxes, PERS, unemployment and worker's compensation which are denoted below.

9. Payroll:
 - a. 1 full time person – paid weekly – 52 checks per year via direct deposit
 - b. 7 board members – paid quarterly – 28 checks per year via direct deposit
 - c. Federal tax withholding & Medicare – paid monthly 12 electronic payments per year
 - d. State income tax withholding – paid monthly 12 electronic payments per year
 - e. City of Lima & Village of Cairo – paid quarterly 4 checks each per year
 - f. Public Employees Retirement System – paid monthly 12 electronic payments per year
 - g. Unemployment – Ohio Jobs & Family Services – paid quarterly 4 electronic payments per year
 - h. Bureau of Workers Compensation- paid semiannually 2 electronic payments per year for 2015

B. Allen County Water and Sewer District (ACWSD) General Information

1. Current accounting software – Allen County’s fund accounting software is called Munis and is provided by Tyler Technologies. ACWSD uses this software for their accounting and reporting needs.
2. Current accounting basis – Cash basis. The ACWSD maintains their accounting records on a cash basis during the year and presently converts to GAAP/accrual basis for year-end reporting. For fiscal year 2015, ACWSD and the rest of Allen County contracted with the Auditor of State to assist in the compilation of their GAAP basis financial statements.
3. Cash:
 - a. ACWSD uses the cash and investment pool maintained by the Allen County Treasurer for their cash management needs. Fund accounting records segregate the various funds used by ACWSD with the Allen County Auditor providing the fund accounting software for use by ACWSD.

4. Special assessments and debt service receivables:
 - a. Various projects with ongoing collections – payments received from Allen County semi-annually and posted to appropriate revenue accounts
 - b. Various deferred agricultural assessment projects with no activity unless property is converted to non-agricultural use

5. Capital assets:
 - a. ACWSD uses Allen County’s capital asset (fixed asset) management system provided through MUNIS for tracking their capital assets.

6. Debt and Capital Lease Obligations outstanding:
 - a. Allen County Treasurer Investment –paid semi-annually from the ACSE funds to the Allen County Treasurer.
 - b. Special Assessment Bonds with Government Commitment – 8 loans paid primarily through special assessment revenue collections but secured by Allen County in event of non-collection of special assessments. Paid semi-annually by County Auditor’s office and posted to appropriate fund and expenditure accounts.
 - c. Ohio Water Development Authority - 12 loans (2 loans included as one loan number by OWDA but different interest rates) paid semi-annually by County Auditor’s office and posted to appropriate fund and expenditure accounts.
 - d. Ohio Public Works Commission Loans – 1 loan – paid semi-annually by County Auditor’s office and posted to appropriate fund and expenditure accounts.
 - e. Department Financed Projects- 4 projects funded with 20 year assessments paid by the impacted property owners

7. Non-payroll checks processed per year – The ACWSD enters requisition or purchase order information directly into the automated financial management system. When goods and/or services are received, the ACWSD verifies the receipt of such goods and/or services and approves invoices for payment. Payments are then processed by the County Auditor’s office and approved by the County Commissioners prior to payment by the County Auditor. The County Auditor’s office and the County Treasurer’s

office then have a joint reconciliation process to ensure that bank and investment accounts are properly reconciled.

8. Payroll:

- a. Various full time and part time employees – Payroll is submitted to the County Auditor and processed through the payroll system. The majority of payroll is paid through direct deposit.
- b. Federal tax withholding & Medicare – The County Auditor’s office handles withholdings and remittances for ACWSD.
- c. State income tax withholding – The County Auditor’s office handles withholdings and remittances for ACWSD.
- d. City, Village and School District Income Tax – The County Auditor’s office handles withholdings and remittances for ACWSD.
- e. Public Employees Retirement System – The County Auditor’s office handles withholdings and remittances for ACWSD.
- f. Unemployment – Ohio Jobs & Family Services – The County uses a claims paid reimbursement basis meaning that payments are only made upon actual claims for unemployment being made by persons previously employed by the County who now are unemployed.
- g. Bureau of Workers Compensation- The County Auditor’s office handles payments for ACWSD.

C. Proposed Consolidation Financial Structure

1. How would the proposed consolidated District operate?

- a. The monies currently being maintained in various bank accounts and being tracked via Quickbooks by Allen Water District would be transferred to Allen County and would be maintained as separate funds (number and structure to be determined) to provide complete accountability for such funds.
- b. The District would utilize the Allen County Auditor’s Office and Treasurer’s Office to provide cash management, accounting and payroll services for the District.
- c. The consolidated District would be treated as a separate fiscal entity by Allen County and all funds associated with the consolidated District would be treated as Agency Funds by Allen County for the County’s reporting purposes.

- d. The Allen County Water and Sewer District would no longer be included as an Enterprise Fund within Allen County’s basic financial statements as the consolidated District would be a separate governmental entity operating as a Chapter 6119 Water and Sewer District.
 - e. The consolidated District would treat Allen County as its fiscal agent and would properly disclose this in its financial statements.
 - f. Ohio Water Development Authority Loans, Ohio Public Works Commission Loans, Revenue Bonds and Bond Anticipation Notes would be legally assigned to the consolidated District so the County would not be held liable on such debt.
 - g. Special Assessment Bonds most likely would remain as part of Allen County due to the nature of such debt and how the special assessment levies were structured; however, the County and the consolidated District could consider some type of hold harmless agreement should any special assessment levies not be able to fully repay the special assessment bonds due to uncollected delinquencies.
 - h. The consolidated District would be treated as a separate fiscal entity by the Auditor of State and would require a separate audit (most likely every two years similar to what the Allen Water District has required in the past).
 - i. Any assets and liabilities associated with Allen Water District and the Allen County Water and Sewer District would transfer to the consolidated District as permitted by law.
 - j. The governance of the consolidated District will have to have representation from a broad base of the community with the ability to be adjusted as the need arises.
2. What Would the Consolidation and the Impact of the OWDA Interest Rate Reduction do to District Water Fee Charges that Existing Customers Pay
- a. Initially the rate and usage charge structure of the consolidated District would not change from the existing rate and usage charge structure of the two consolidating districts. Any rate increases implemented by the City of Lima would be directly passed on to all District customers just like they always have done.
 - b. The consolidated District is estimated to result in an estimated annual savings of almost \$50,000 related to the existing Allen Water District operations. The elimination or sharing of costs for the administrative

assistant, the Board, certain professional services, bonding insurance and the audit are the factors resulting in the estimated annual savings.

- c. The potential impact of the consolidation would be that the existing Allen Water District customers may be able to see some reductions in the District service charges which are currently being charged to them.
- d. Preliminary analysis indicates that the existing District Fee charge of approximately \$9.50 per month per customer for existing Allen Water District customers could possibly be reduced by \$2.00 per month per customer or roughly 16% directly related to the consolidation over an eight to ten year period.
- e. The OWDA implemented an interest subsidy program which will result in interest savings of over \$300,000 over the life of the OWDA loans which positively impacts the existing Allen Water District.
- f. This interest rate subsidy program could possibly enable the District to reduce the District Fee charges for existing Allen Water District customers significantly further which could ultimately result in the District Fee lowering from the previously discussed reduction to less than \$2.50 per customer per month over an eight to ten year period.
- g. Existing Allen County Sanitary Engineer Water customers most likely would not experience any significant changes in the short run. Given the fact the Allen County Sanitary Engineer Water customers don't presently pay any water fee charges above and beyond what the City charges for water, there is the potential for a consolidated district to consider some small water fee charge to recover some portion of costs associated with operating the water side of the District. Most likely if any such charge were considered it would likely be offset by a reduction of charges on the Sewer side as it presently covers the costs associated with operating the Allen County Sanitary Engineer's office.
- h. In evaluating the impact of the proposed consolidation on the Sewer side of operations, there is not estimated to be any significant difference in costs due to the following factors:
 1. The District presently pays for a portion of audit costs through the County's cost allocation plan so any shared audit costs with the consolidated district should balance out with a reduction of costs being paid through the cost allocation plan or potential sharing of costs with Allen County Sanitary Engineer's existing water customers.

2. The District presently pays for certain other costs through the County's cost allocation plan so any additional shared costs with the consolidated district should still balance out with a reduction of costs being paid through the cost allocation plan or potential sharing of costs with Allen County Sanitary Engineer's existing water customers.
- i. It is not practicable to estimate additional savings that might be achieved at the present time; however, the consolidation would provide additional benefits to all customers due to all the water and sewer activities being coordinated by one fiscal entity and one governing board.

VII. ISSUES/CONCERNS REGARDING CONSOLIDATION

A. CONSISTENT RATE AND FEE CHARGES IN THE COUNTY

1. AWD OPERATION AND MAINTENANCE FEE

- a. The AWD charges its customers the District Fee to generate funds to provide for the operations of the AWD and to repay the general indebtedness incurred when the AWD was formed. The fees collected are used to pay for the administrative expenses of the AWD, such as the wages and benefits of its Administrative Assistant; professional fees for the accounting of the AWD funds and a biennial audit; legal expenses; and general expenses. Additionally, a significant amount of that fee is used to repay the debt incurred when the AWD was formed.

The ACSE water customers pay no such fee. The administrative, accounting, legal, and miscellaneous expenses from the ACSE are absorbed by the Allen County Commissioners in the County's sanitary sewer rates. These expenses for water are *de minimis*. The indebtedness for the wastewater facilities of the ACSE is included in the sanitary sewer rates it charges its customers. The operation and maintenance expenses of the ACSE for its wastewater customers are also included in the monthly sewer rates charged to its customers. Included in that rate is an estimate for the administrative, accounting, legal, and miscellaneous expenses absorbed by the Allen County officials.

As discussed above, there would not be any anticipated change for either the AWD customers or the ACSE customers in the fees they are currently paying. In fact, the AWD customers would see some reduction in the cost of operations.

B. ACCOUNTABILITY

1. APPOINTED VS ELECTED BOARD MEMBERS

- a. A regional water and sewer district formed under Chapter 6119 of the Ohio Revised Code has a board of trustees that exercises the powers conferred on it by the judgement entry establishing the District and by the powers vested in it by the Ohio Revised Code. When creating a regional water and sewer district, the petition filed with the County Common Pleas Court charged with the task of considering the creation of the District submits the manner of selection, the number, the term, and the compensation of the members of the board of trustees.

Many regional water and/or sewer districts in Ohio are comprised of Board of Trustee members who are appointed by other political subdivisions. This appointed board causes some to be concerned about the responsiveness of the Board to its customer's best interest. Those who have this concern often point to the ability of customers to remove Board members through an election process should the removed Board member not be acting in the best interest of the District.

In fact, Section 6119.071 of the Ohio Revised Code provides that a member of the board of trustees of a regional water and sewer district who has been appointed to the board may be removed by the appointing authority for misfeasance, nonfeasance, or malfeasance in office. Thus, any appointed Board member(s) of a regional water and sewer district formed under that chapter of the Ohio Revised Code can be removed if appropriate, without waiting for an election by its customers.

Further, as stated above, the petition for the creation of a regional water and sewer district provides for the manner of selection of the board of trustee members. For instance, political subdivisions appointing representatives to the board of trustees of a regional water and sewer

district may provide that an elected member or members from that appointing authority shall serve on the board of trustees, so long as no political subdivision appointing board members to the board of trustees will have a majority of the board be elected officials from that appointing political subdivision.

One could argue that since the Board of Trustees of a regional water and sewer district is often faced with making politically unpopular decisions regarding rates for service and construction of projects that some argue are not necessary for the public health, having Board members who are not elected officials often allows for the long term sustainability of the infrastructure necessary to serve a given region.

- b. This independence of Boards of Trustee of regional water and sewer districts can cause an additional concern regarding the balancing of the necessity of maintaining and constructing water management and waste water management facilities with the additional costs borne by customers who are paying for that maintenance and construction. Maintenance projects necessary to keep a water management system or waste water system functioning are seldom controversial, even though those costs can be high and are paid by customers. Similarly, constructing expansions of water management systems or waste water systems that do not impact other users or potential users are seldom controversial as those new users typically pay for the additional infrastructure and the additional customer base ultimately helps to stabilize the rates for the existing customers.

The controversy found most often in expanding waste water infrastructure is when expansion results in others being forced to tap into the new infrastructure. The ACSE, with the Allen County Health Department, has developed a "temporary variance to connection" alternative that allows for a reasonable period of transition for those systems.

Another area of controversy in maintaining or expanding either water management or waste water facilities is the result of mandates from regulatory agencies, such as the Department of Health or Environmental Protection Agency. These mandates are manageable so long as they are

affordable and/or feasible. The difficulty arises over the definition of the terms affordable and feasible. Most of the mandates for maintenance or new water management facilities or wastewater facilities come from the EPA. The EPA gets its mandate from the Clean Water Act of 1972. The Clean Water Act now requires the Ohio EPA to consider at a minimum income, unemployment data, and population trends when determining a project's affordability. Clean Water Act [see Section 603 (i)(2)(A)]. Additionally, funding sources for maintenance or construction projects have loan requirements that determine a project's affordability.

C. PUBLIC PERCEPTION

Consolidating the AWD and ACSE will likely draw some public comment. Recognizing that, the AWD began the efforts to complete this feasibility study by visiting each city, village, and township in Allen County and introducing this idea. Going forward it is recommended that factual information regarding the pros and cons of this consolidation concept be distributed in a variety of ways to effectively convey the information to the public that would allow the Allen County Commissioners and Allen Water District Board of Trustees confidence that the decisions each entity makes in considering the consolidation is made with the best interest of the health and welfare of the citizens of Allen County.

VIII. BENEFITS OF CONSOLIDATION

A. FINANCIAL IMPACT

1. BENEFIT TO COUNTY WATER CUSTOMERS

a. CONTRACT WITH LIMA

As stated above, the ACSE does not have a written contract with the City of Lima for its water customers. While presently, the working relationship is excellent among all of the parties involved with water service, it is submitted that having all of the customers served by the ACSE and AWD under the same written agreement would provide stability both to those customers and the City of Lima.

2. BENEFIT TO AWD CUSTOMERS

The primary benefit that will be realized by the AWD customers will be the reduction in the District Fee and the long term stabilization of those expenses by being able to share general expenses with more customers.

3. BENEFIT TO CUSTOMERS OF BOTH AWD AND ACSE

a. EFFICIENCY FOR CUSTOMERS

In areas of Bath, American, Shawnee, and Perry Townships, there are customers of both the ACSE and the AWD. Issues such as extensions of water lines, service territory issues, appointment of AWD Board members among others are presented with this dual representation in these areas. It is submitted that having all of the water customers under one legal entity would provide a clearer path to all parties to resolve these issues.

b. EFFICIENCY FOR OPERATIONS

Currently, the ACSE has the benefit of the assistance of both the Allen County Treasurer and Allen County Auditor for cash management, payroll, and accounting services. Both current office holders have expressed a willingness to consider continuing to provide similar assistance to a consolidated entity. This efficiency will save all customers from both entities from a duplication of these costs.

Additionally, expenses such as audit expenses would be combined so that instead of two audit expenses each year, there would only be one expense.

c. COMBINED BALANCE SHEET MAKES BOTH ENTITIES STRONGER

Combining the assets and liabilities of the ACSE with the AWD will allow each entity to gain the benefit of having stronger borrowing power when considering future maintenance or construction projects. Further, combining the water customers of the two entities allows the new entity to divide general operation and maintenance expenses over a larger number of payers.

d. BENEFITS TO THE CITIES AND VILLAGES

As discussed above, many changes are being made for the operation and maintenance of public water and sewer plants and distribution systems. Federal and State legislation is continually being revised to address the environmental issues presented with operating these systems. Smaller providers are going to have an increasingly difficult time in keeping up with the changes, both financially, and due to their lack of trained manpower.

In Wood County, Ohio, since 2005, over nine municipalities have merged their water and sewer systems with the Northwestern Water and Sewer District, a regional water and sewer district based in that county. The reasons for each merger were different, yet the common theme was the lack of financial resources and the lack of the expertise necessary to operate these water and sewer systems.

The consolidation would allow for a city or village to join the district with representation through board membership appointment. The city or village could join the district in two ways:

- i. Join the consolidated regional district with a transfer of all assets to the district, or
- ii. Join the consolidated regional district with the city or village keeping all assets, and developing service agreements with the district utilizing the city or village's infrastructure to serve areas outside the municipal corporation limits.

Joining the consolidated regional district would provide ownership for the city or village by having a board appointment being a partner with planning and executing water and sewer infrastructure projects, and having an active role in the operations of the district.

An additional benefit to a city or village is having the technical expertise at their disposal to oversee the management and administration of infrastructure improvements and providing long range planning of utilities.

e. BENEFITS TO THE TOWNSHIPS

All townships are presently represented by the Allen Water District for water, or the Board of County Commissioners for water and/or sewer. Consolidating the two would allow for a unified single public entity handling water and sewer needs for the townships.

Townships, as a whole, will have a broader representation with membership appointments to the consolidated modified regional district handling water and sewer infrastructure needs. Townships would have a higher level of responsibility for utility infrastructure management by having additional board appointments partnering with planning and executing water and sewer infrastructure projects, and having an active role in the operations of the district.

B. BENEFIT TO COUNTY ECONOMIC DEVELOPMENT

The Allen County Economic Development Group Website (<http://www.aedg.org>) has a drop down menu titled “Natural Resources”. That webpage is a great example of the importance of water in the economic development of a region. The webpage states as follows:

About Our Water

Water is a key driver of sustainable economic growth and development, and a critical element of many industrial processes. The water infrastructure in Lima/Allen County is second to none – this is one of many reasons why our community is a prime location for manufacturing facilities.

With more than **15 million gallons of water** processed daily, and five reservoirs – our water system is easily accessible, and regulated. Access to quality water saves industries time and money by minimizing the processing and purification processes.

The City of **Lima works diligently to prevent potential water quality issues** through various water protection measures to protect the Ottawa and Auglaize Rivers. Potential issues include contaminant sources such as agriculture, industrial storm water, septic systems, wastewater treatment discharges, and more.

In the past three years, the Allen Water District has participated in the extension of potable water to three major Allen County employers. In 2014, a waterline was constructed to Rudolph Foods Company, Inc. in Auglaize Township. This project consisted of the extension of approximately five miles of 12” waterline to the manufacture to provide for a higher quality and more reliable water supply, with the source of the water coming from the City of Lima. This project allowed many residential properties along the route of the waterline extension the possibility of a public water source at a very reasonable cost.

In 2016, a waterline was extended to Chemtrade Logistics (U.S.), Inc. in Monroe Township. The extension of this waterline allowed Chemtrade and another industrial user, Eagle Rail Car Services to access water from the City of Lima, which like Rudolph Foods, provided a higher quality and more reliable water supply to those entities.

Currently, the Allen Water District is endeavoring to extend a water line to The Lima Pallet Company, Inc. and to Raabe Motor Sales, Inc. All of these projects have helped to insure that these employers would continue to do business in Allen County, Ohio.

Further, all of these projects were assisted greatly by the collaboration between the Allen Water District and the Allen County Sanitary Engineer's Office. This collaboration, while at times appearing to be seamless, was burdened by the duplication of efforts by two different and distinct entities. It is this author's opinion that streamlining the process for potential or current water and sewer users to have one entity to contact would be of great benefit for the continued success of the economic activities in Allen County.

C. RESTRICT LIABILITY TO COUNTY GENERAL FUND

In the ever changing area of enforcement of water and sewer regulations, political subdivisions should be mindful of the financial liability of operating water and sewer systems. There are two primary areas of potential financial liability for water and sewer system operators. One area the potential liability is for fines for violating regulations imposed by the regulatory agencies, particularly the United States and Ohio Environmental Protection Agencies. As was seen in Lima, a violation of these regulations can result in fines, such as the \$49,000 fine the City of Lima agree to pay as the result of the violations it was alleged to have committed. Also, in May 1999, the Board of County Commissioners paid a \$100,000 civil penalty for violations of the Clean Water Act.

Another area of potential liability is the liability for damages suffered by property owners when a water or sewer system fails to operate properly. In Ohio, the planning and design of water and sewer systems is still arguably protected by the theory of sovereign immunity, but the maintenance and operation of these systems is arguably not protected by this theory of immunity. In recent decisions, the City of Athens, Ohio was denied the protection of sovereign immunity for a collapsed sewer and the City of Parma, Ohio was denied the protection of sovereign immunity, at least prior to trial for the failure to take actions to remove storm water from the sanitary sewer.

Certainly, the operator of a water and/or sewer system will have insurance to cover damages occurring from its negligence in maintaining or operating the system. Also, ultimately, the users of the system can be billed for the resulting cost of such liability. In

a municipality, where almost all users are also citizens of the municipality and thus responsible for the general revenue of the municipality, one could argue that it doesn't really matter if the funds for such fines or damages come from the general fund. However, for counties or townships having water and/or sewer customers seldom are all of the residents who contribute to the general fund of the county or township also users of the water and sewer systems in those counties or townships. Therefore, the general revenue of those counties or townships is put at risk for potential liabilities that are not shared by all of the residents.

Merging all of those users into a water and/or sewer district would limit the potential risk of such liability to only those users much like incorporating a business limits the exposure of the owners to the particular business enterprise of the corporation.

D. MORE FLEXIBLE COMPULSORY CONNECTION METHODS

As was discussed above, the Ohio Department of Health has adopted new rules impacting the use of septic tanks in Ohio. One area of concern among most rural Ohio residents is the compulsory connection rules that have been adopted requiring connection to public sewers if they are available. Ohio Revised Code Chapter 6117 establishes the rules by which a County Sanitary District, such as the Allen County Sanitary District are created and operated. R.C. 6117.51 provides framework where owners of premises that have public sewers accessible or available to them must connect to the public sewers constructed by the county. Generally, if the premises are within 200 feet of an available or accessible public sewer the owner must connect and abandon its onsite system.

Ohio Revised Code Chapter 6119 establishes the rules by which regional water and/or sewer districts are created and operated. R.C. 6119.06(AA) provides the Board of Trustees of the District may require the owner of any premises located within the district to connect the owner's premises to a public sewer that it determines is accessible to such premises, but the Board of Trustees must also find that such individual connection is necessary to prevent or abate pollution or protect the health and property of persons in the district. There is no 200 foot requirement in this section of the Ohio Revised Code.

E. EFFICIENCY IN PROJECT MANAGEMENT

Presently joint water and sewer projects require the ACSE to coordinate multiple processes dictated by multiple statutory requirements to complete projects. Consolidation would provide one statutory mechanism to perform these multiple projects.

IX. ACTIONS TO TAKE TO CONSOLIDATE ACSE AND AWD

A. PUBLIC INFORMATION PLAN

A first step to take in completing the consolidation of the AWD and ACSE will be the development of a plan to educate the public on the pros and cons of a consolidation so the public's concerns can be heard and hopefully fears they may have that are unfounded due to lack of information can be alleviated.

B. COURT PROCEEDINGS TO CHANGE THE PURPOSE OF THE ALLEN WATER DISTRICT

If a consolidation of the Allen County Sanitary Engineer's Office and the Allen Water District were to take place, the Allen Water District would first have to petition the Allen County Common Pleas Court to change the purpose for which it was created. R.C. 6119.01 provides that any area within an unincorporated part of one or more contiguous counties, or any one or municipalities, or both may form a regional water and sewer district to either or both of the following purposes: a). supply water to users within and without the district; and/or b). to provide for the collection, treatment, and disposal of waste water within and without the district.

The Allen Water District was created on or about March 9, 1989 by the petition of four Allen County Townships, Bath Township, American Township, Shawnee Township, and Perry Township. The purpose for which the District was formed was for the supply of water to users within the district. Pursuant to R.C. 6119.051, the Allen Water District Board of Trustees has the power to petition the Allen County Common Pleas Court to increase its purposes to include the collection, treatment, and disposal of waste water within and without the district. If such a petition is filed, the Allen County Common Pleas Court must set a date for a hearing on the petition and direct the Allen County Clerk of Courts to publish the notice of the hearing for four consecutive weeks prior to the hearing in a newspaper of general circulation in Allen County, Ohio. A sample petition is attached as Appendix K.

C. ASSIGNMENT OF ALLEN COUNTY SANITARY ENGINEER'S OFFICE ASSETS AND CUSTOMERS AND ASSUMPTION OF THE INDEBTEDNESS OF THE ALLEN COUNTY COMMISSIONER'S INDEBTEDNESS

If a consolidation of the Allen County Sanitary Engineer's Office and Allen Water District were to take place, the assets of the Allen County Sanitary Engineer's Office, including customer base could be transferred to the Allen Water District and the indebtedness of the Allen County Commissioners for those assets could be assumed and/or refinanced

by the Allen Water District, depending on the terms of the indebtedness. Such an assignment of assets and assumption of indebtedness would be a negotiated matter between the Allen County Commissioners and the Allen Water District. A sample of such an agreement is attached hereto as Appendix M.

D. ISSUES TO CONSIDER REGARDING GOVERNANCE

If the ACSE and AWD consolidate, the parties to the agreement could consider changes to the governance of the new consolidated entity. Changes could include the number of members of the Board of Trustees; how the Board members are appointed; and compensation of the Board members.

X. SUMMARY AND RECOMMENDATIONS OF STUDY

Certainly one could argue that the current distribution of water and sewer service in most areas of Allen County is working without much difficulty. This is most assuredly due to the experience of those elected officials currently serving at the County, Township, City, and Village levels and the collaboration and cooperation currently existing between the utility providers. This has probably not always been the case and certainly, this is not the case in other areas in northwestern Ohio.

So, the question posed is how do you preserve and improve this current regional approach that is being successfully managed by the public utility providers. Is this current system working because of the existing agreements between the entities? One would question that premise, because the Allen County water customers have no written agreement with the City of Lima. Thus, it is more likely that this collaboration and cooperation exists because of the people currently at the controls. Institutionalizing this collaboration and cooperation, then, would seem to be an important undertaking so that the generations that follow have the ability to reap from the investments in water and waste water infrastructure that has been made.

The State Legislature has established a mechanism that allows political subdivision to collaborate and cooperate in the establishment and maintenance of water and wastewater facilities. It is a regional water and sewer district as set forth in Chapter 6119 of the Ohio Revised Code. Currently Allen County has a regional water district established under this Chapter of the ORC and it has all of the power and responsibilities to maintain and expand the potable water system in all of the townships in Allen County, except for those customers currently served directly by the Allen County Commissioners. Consolidating that entity with the sewer provider, the Allen County Sanitary Engineer's Office and combing those water customers currently served by that entity would certainly allow Allen County to gain those benefits highlighted in Article VII above, but most importantly, it will insure that the collaboration and cooperation

between the Allen Water District and Allen County Sanitary Engineer's Office will continue long after the current county commissioners, the Allen Water District Board of Trustee members, and the current administrators of those entities are no longer serving those entities.

FOOTNOTES

ⁱ http://development.ohio.gov/cs/cs_lgip.htm

ⁱⁱ Ibid.

ⁱⁱⁱ Ohio Research Office 2015 Population Estimates by County for Cities, Villages and Townships

^{iv} www.ohio-demographics.com/counties_by_population

^v Ohio Research Office 2015 Population Estimates by County for Cities, Villages and Townships

^{vi} Ibid

^{vii} http://www.ohiohistorycentral.org/w/Lima,_Ohio

^{viii} Ohio Research Office 2015 Population Estimates by County for Cities, Villages and Townships

^{ix} https://www.agcensus.usda.gov/Publications/2012/Online_Resources/County_Profiles/Ohio/cp39003.pdf

^x https://www.nrcs.usda.gov/Internet/FSE_DOCUMENTS/nrcs144p2_029443.pdf

^{xi} DeVito, Maria. *Toxic –algae warnings issued at Grand Lake St. Marys*. Columbus Dispatch. June 9, 2015

^{xii} Henry, Tom. *Toledo seeks return to normalcy after do not drink advisory lifted*. Toledo Blade. Aug. 5. 2015

^{xiii} <http://www.npr.org/sections/thetwo-way/2016/04/20/465545378/lead-laced-water-in-flint-a-step-by-step-look-at-the-makings-of-a-crisis>

^{xiv} *US, et al vs. City of Lima*, United States District Court Ohio, Western Division, Case No. 3:14 CV 2551, (2015)

^{xv} www.epa.state.oh.us/Portals/28/documents/HABs/PWS_HAB_Response_Strategy.pdf

^{xvi} Ibid

^{xvii} Ohio Senate Bill 1. Agricultural Pollution Abatement Program-transfer to Department of Agriculture/applicators of fertilizer or manure-regulate/algae management and response
Effective date July 3, 2015.

^{xviii} <http://www.odh.ohio.gov/homesewagerules>

^{xix} <https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA131-HB-512>

^{xx} <http://www.ohioattorneygeneral.gov/Media/News-Releases/July-2016/Charges-Filed-Against-Former-Sebring-Water-Operator>

^{xxi} <https://www.nrcs.usda.gov/wps/portal/nrcs/detail/oh/programs/farbill/rcpp/?cid=nrcseprd362006>