

Water/Sewer Utility Surcharge and Infrastructure Improvement Analysis: Common Questions

City of Whitehall, Ohio

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Analysis Overview

- Current State of Water/Sewer Infrastructure
- Current Capital Improvement Plan (CIP)
 - Five-Year Lookback: 2017–2021 CIP Investments
 - Current CIP Funding Sources
- Potential Water/Sewer Utility Surcharge
 - Potential Funding and Surcharge Basis Options
 - Resident / Commercial User Impact
- Potential Financing Options
- Proposed Five-Year 2022–2026 CIP
- Next Steps

Potential Water/Sewer Utility Surcharge

- **What is it?**

- A surcharge (aka an added fee) paid by residential and commercial water/sewer customers directly to City of Columbus, with fees remitted back to the City

- **Why establish one?**

- To create a dedicated funding source for future water main and sewer system replacements

- **How much would it raise?**

- Designed to fund a 5-Year CIP for water main and sewer replacements
 - Water: \$750,000 annually
 - Sewer: \$350,000 annually

Potential Water/Sewer Utility Surcharge

(Based on a 5/8 Meter Size – Residential)

	Water Surcharge		Sewer Surcharge
Funding Option	Pay as You Go	Financing	Pay as You Go
Surcharge Basis	Flat	Flat	Flat
Average Monthly/ Quarterly Cost	\$5.15 / month	\$5.15 / month	\$2.37 / month
New Average Monthly Bill	\$38.15	\$38.15	\$33.94
Total Annual Surcharge Revenue	\$750,000	\$750,000	\$375,000

- 43% of all connections are 5/8 meter, representing most single-family homes
- 5/8 meter size is known as a “Equivalent Residential Unit”
- Meter sizes above this pay the surcharge as a ratio to the 5/8 meter size

Bonded Approach: Funding Options

Program and Terms	Ohio EPA SRF	OWDA Freshwater	OWDA Freshwater	Bonds - General Obligation	Bonds - General Obligation
Loan Term	20 Year	20 Year	30 Year	20 Year	30 Year
Current Rate	0.60%	2.02%	2.12%	2.00%	2.50%
Annual Bond Payment	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Estimated Borrowing Amount	\$9,396,791	\$8,159,959	\$11,015,638	\$8,175,717	\$10,465,146

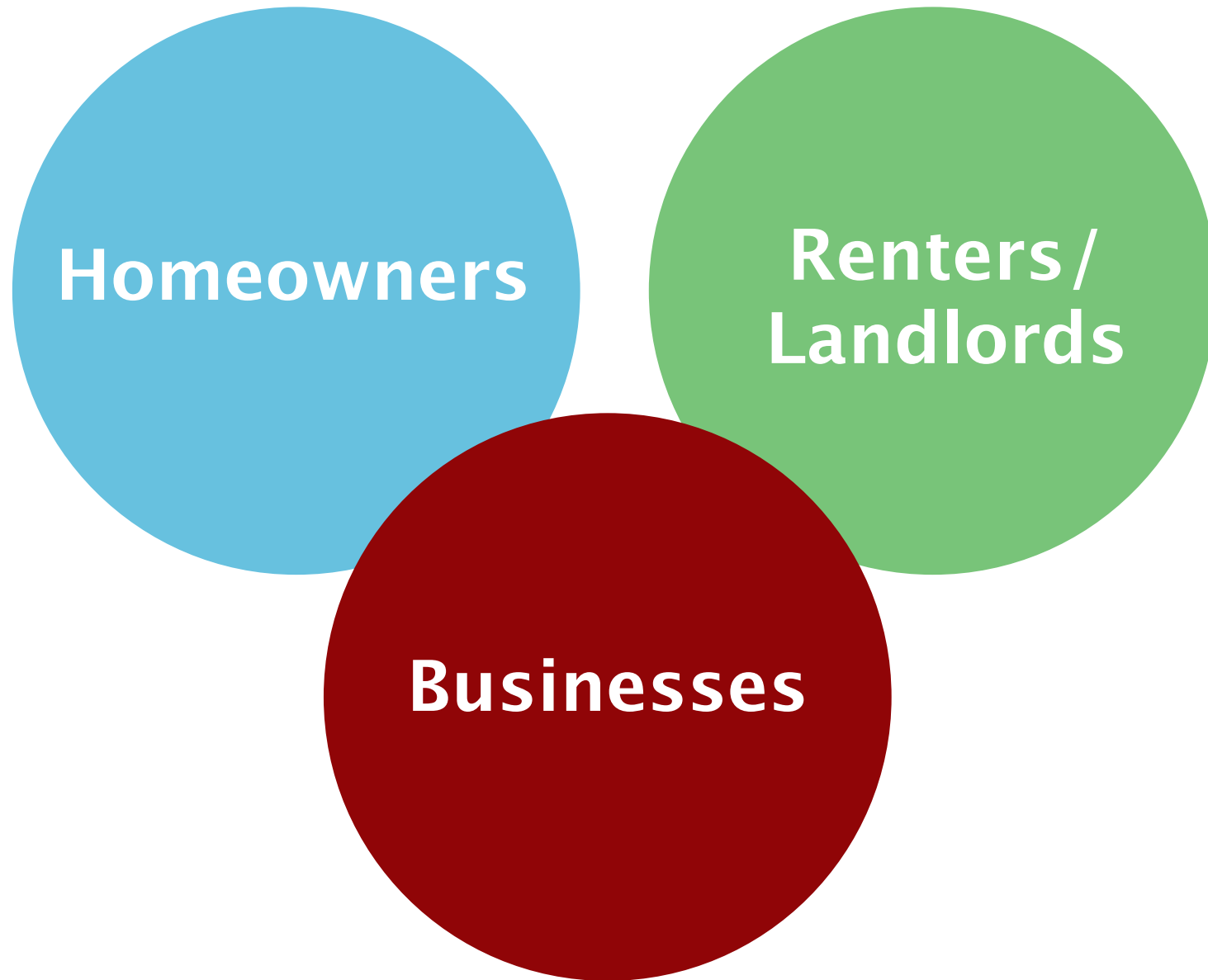
Proposed 5-Year CIP: All Categories

Category	Total 5-Year CIP	2022	2023	2024	2025	2026
Streets	\$39,331,066	\$13,847,549	\$8,908,517	\$4,125,000	\$7,375,000	\$5,075,000
Sanitary Sewer	\$3,200,000	\$300,000	\$875,000	\$675,000	\$675,000	\$675,000
Water Main	\$10,067,000	\$637,000	\$8,480,000	\$450,000	\$50,000	\$450,000
Total	\$52,598,066	\$14,784,549	\$18,263,517	\$5,250,000	\$8,100,000	\$6,200,000

Proposing \$52,598,066 5-Year CIP compared to \$14,934,759 in spending over last five years (Not including parks)

Question: Who would pay
the surcharge?

Surcharge Impact



Surcharge Impact: Large Accounts

Large Users	Current Water Bill	Monthly Surcharge	Total Water Bill	Current Sewer Bill	Monthly Surcharge	Total Sewer Bill
New Life Multi-Family	\$33,529.86	\$7,171.65	\$40,699.51	\$39,262.67	\$3,527.14	\$42,789.81
VA Outpatient Clinic	\$6,050.30	\$849.75	\$6,899.78	\$5,816.97	\$831.87	\$6,648.84
Shaker Square Apartments	\$4,353.22	\$257.50	\$4,610.72	\$6,257.83	\$215.67	\$6,473.50
Colonial East Apartments	\$3,488.55	\$128.75	\$3,617.30	\$5,242.01	\$100.73	\$5,342.74

(Based on 2019 Billing Information)

Question: I thought that the income tax increase, adopted by voters in 2010, was going to pay for all necessary water and sewer projects?

Issue 30 Recap

The impact of Issue 30 on Whitehall residents.

Issue 30 is the proposed changing of Whitehall's income tax rate from 2.0% to 2.5%. Issue 30 is essential to enable the city to address immediate infrastructure needs, pay for unfunded Ohio E.P.A. mandates, maintain current levels of service to residents and reinvest in our parks and recreation system while not affecting the majority of Whitehall residents. The last time the city's income tax was raised was 18 years ago. There may be a lot of misleading and misinformation regarding this issue, so here are the facts:

- Fact 1:** Retired Seniors **WILL NOT PAY** anything more if Issue 30 passes. A change in the income tax rate will not affect your property taxes.
- Fact 2:** You **WILL NOT PAY** anything additional if you work in Columbus, Worthington, Grandview or any other city with a 2.5% income tax rate and Issue 30 passes. You already pay 2.5%!
- Fact 3:** Issue 30 will allow the city to address immediate infrastructure needs, such as road repaving, curb and gutter replacement and bridge repair to name a few.

Issue 30 Recap

- Fact 4:** Issue 30 will enable the city to pay for new unfunded Ohio E.P.A. regulations. This will cost Whitehall at least \$1.5 million dollars over the first three years.
- Fact 5:** If Issue 30 **DOES NOT PASS**, the city would have to create a public utility surcharge. This will mean that roughly \$75 dollars (approximately \$300 dollars) would be added to your water bill.
- Fact 6:** The passage of Issue 30 is vital in order to maintain critical city services, such as police, fire and snow removal.
- Fact 7:** Issue 30 will allow the city to reinvest in our parks and recreation system which is vital to improving the quality of life in Whitehall and attracting new homeowners. One such enhancement will be the transformation of the former U.S. Armory site into a community center.

Issue 30 Follow Through

- **Ohio EPA Inflow and Infiltration (I/I) Mitigation Program**
 - 2009–2014 cost of studies: \$691,991
 - 2014–2028 program implementation cost: \$2.857 million
- **5–Year Capital Improvements Lookback (2017–2021):**
 - Roadways/Streets: \$13,721,205
 - Sanitary Sewer: \$500,591
 - Water Main: \$712,963
- **Major park renovations and construction of Whitehall Community Park YMCA (2017–2021)**
 - \$11,049,023
- **General operating/personnel needs**
 - Police (new school resource officers, data analysts), fire and general administration
- **Other capital needs**
 - Police, fire and public service equipment replacement

Question: How are these water/sewer projects different than the system improvements proposed as part of the income tax increase in 2011?

Proposed Water/Sewer Projects

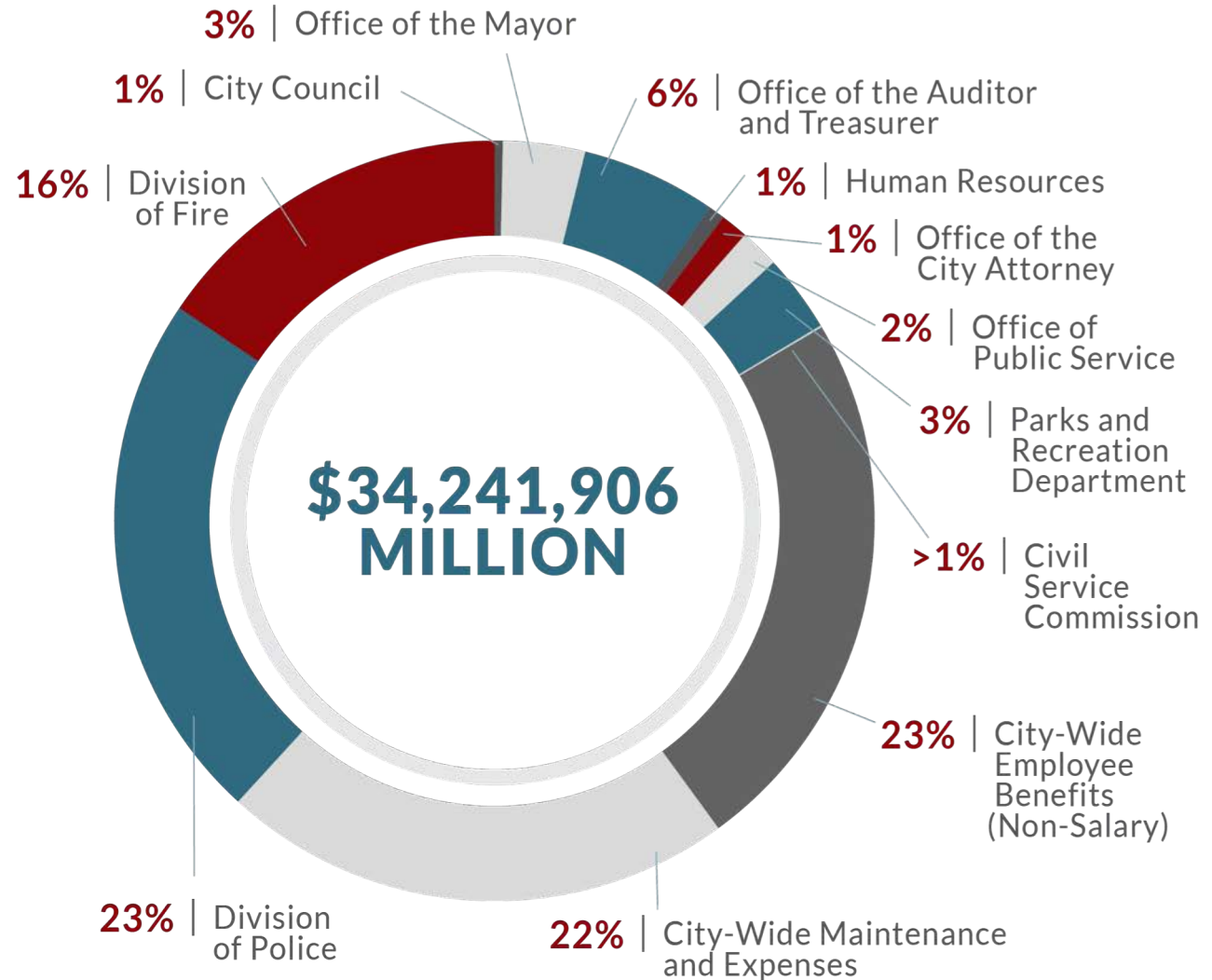
- 2011: City needed to fund Ohio EPA Inflow and Infiltration (I/I) Mitigation Program, among other infrastructure improvements
 - Ohio EPA I/I Program: 15-Year (2014–2028) Timeline
 - Flow monitoring, manhole inspections, CCTV
 - Rehabilitation and Replacement as needed based on SSES Findings
 - Only addresses sanitary sewer system
- 2021: City Proposing First–Ever 5–Year CIP
 - Plan to begin major overhaul of water distribution and sewer system
 - Water main and sewer segment replacement
 - Doubling of annual inspections
 - Continued cleaning and manhole replacement

Question: Can't the City just find money for the water and sewer system replacement projects somewhere else in the budget?

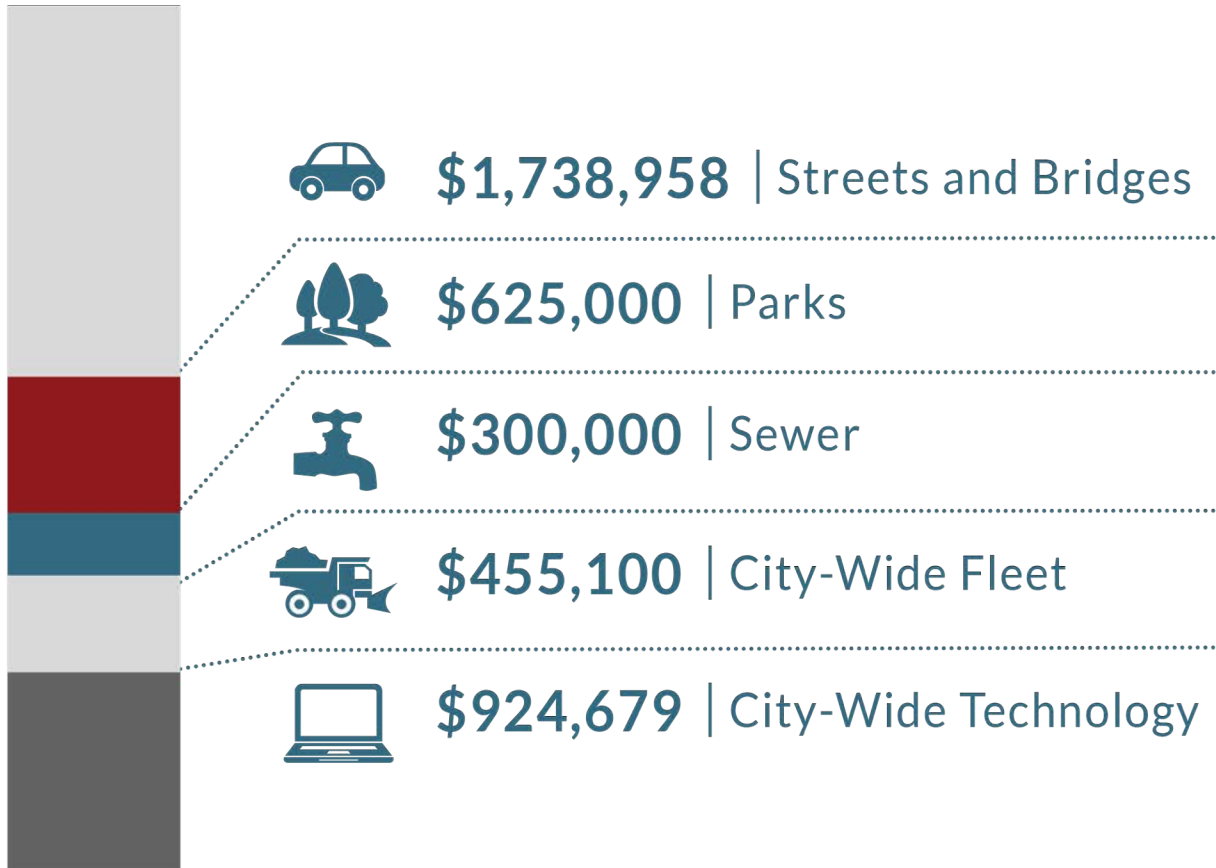
2021 General Fund Budgeted Expenditures

Police and fire
represents 39%
of budgeted
expenditures

Total 2021
Infrastructure
Budget:
\$4.0436 million
(With \$3.82
million funded by
General Fund)



2021 Budgeted Capital Improvements



Over \$4 million in City funded infrastructure and capital projects

\$5.1 million in additional grant funding from ODOT and OPWC

Some facility maintenance accounted for in General Fund

Question: Why now? We've never needed a surcharge to fund infrastructure improvements in the past?

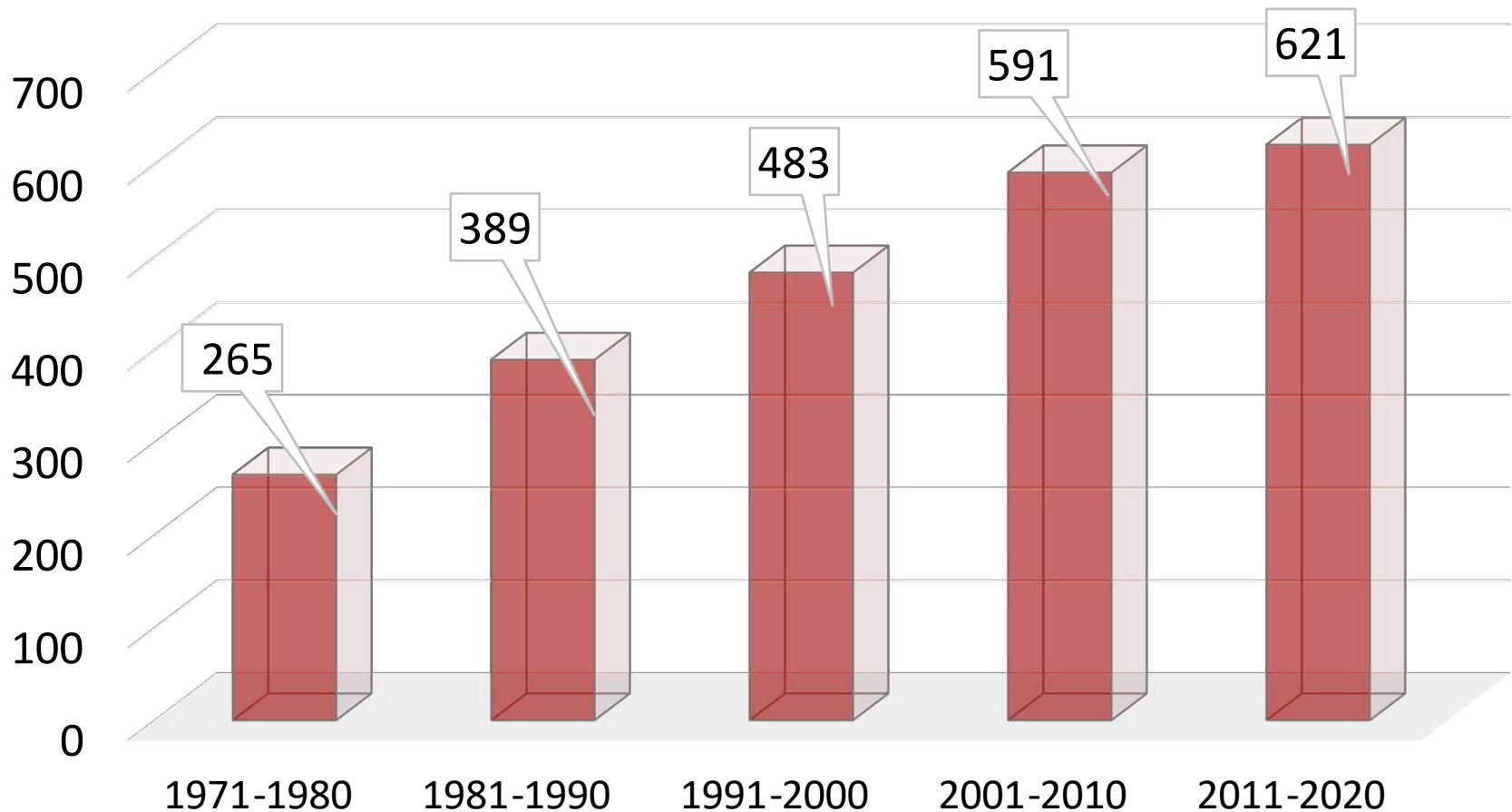
Timing of Surcharge Proposal

Contractual Obligation to Water Production Provider

- **2014:** Whitehall enters into new water production and distribution contract with City of Columbus
 - Contract allows City of Columbus to request a Water Main Replacement Plan should Whitehall exceed it's allotted number of water main breaks for three or more years of the contract
 - Whitehall exceeded breaks in 2015, 2016 and 2017
- **2018:** City of Columbus requests a Water Main Replacement Plan
- **2019:** Whitehall provides plan and initiates a water and sewer utility surcharge analysis to consider how the plan might be funded
- **2020:** Financial impact of COVID-19 defers most major infrastructure projects; Surcharge conversation also deferred
- **2021:** City of Columbus requests a funding plan for Water Main Replacement Plan

Current State of Water/Sewer Infrastructure

Water Main Breaks Per Decade



Timing of Surcharge Proposal

- **Other Timing Factors:**
 - Low cost of borrowing (bonding)
 - Cost of deferred maintenance

Water Main Line Repairs (2015-2019)

Year	Total	Repair Costs (Paid to Columbus)
2015	64	\$187,695
2016	74	\$163,120
2017	39	\$147,330
2018	36	\$154,154
2019	50	\$251,524
Totals	263	\$903,823

Question: Could we half the surcharge?

Surcharge Amount

- 5-Year CIP designed to begin multi-decade process of replacing water and sanitary sewer system (over 50+ years old)
 - CIP was designed as a minimum project proposal that would still make a meaningful impact and benefit from economies of scale
- Surcharge amount allows for a \$9 million bond, with an additional \$500,000 in funding every two years for projects as needed for water main projects, and \$375,000 annually for sewer projects
 - With a smaller amount, full bond and/or smaller projects not possible

Question: If the City stopped offering business incentives, could we afford the water and sewer system projects?

How Business Incentives Are Funded

Incentive Type	Property Tax Abatements	Income Tax Reimbursement Grants
How It Works	Abates payment of increase in property tax based on the new property value after property is improved	Reimburses a business for income tax paid in excess of a minimum payment
How It Impacts City Revenue	Minimal Impact: City receives less than 1.5% of any given property tax bill	Allows City to attract businesses that may not otherwise locate in Whitehall; City still collects revenue (above what would be collected if business did not locate in Whitehall)

Question: If the City stopped purchasing blighted property, would there be money for the water and sewer system projects?

How Business Incentives Are Funded

Blighted Property	Commons at Royal Landing	Woodcliff Condominiums
Funding Mechanism	Purchased using Main Street Tax Increment Financing	Non-tax revenue bond; Repaid by future developer

Question: Why is the City approving new development when current infrastructure is in need of repair?

New Development

- New developments do not have a measurable, significant impact on the capacity of the overall water and sewer system
- New developments do attract new residents and businesses to continue to increase the community's amenities and overall tax base
- New developments would be subject to the surcharge, paying into the overall system improvements

Question: If the City of Columbus contract holds the City of Whitehall accountable for system upgrades, can we find another water service provider?

Water Provider Options

- Whitehall would need to complete water and sewer system replacement projects regardless of our provider
- There are not other water providers with capacity to provide to the City of Whitehall
- Whitehall does not have the the ability to begin it's own water utility

Question: Are there other grant opportunities the City has not pursued for the water and sewer system projects?

Funding Options

- Few grants exist for these types of projects
- Bond counsel has recommended multiple feasible loan programs

Recommendations

- Phase in water and sewer utility surcharge
 - July 1, 2022: Implement half of total combined surcharge of \$3.76 (half of total)
 - January 1, 2023: Implement total combined surcharge (\$7.52)
- Apply for Ohio EPA SRF for Water Main Projects
- Integrate 5-Year CIP into annual budget conversations
- Revisit surcharge basis every two years as part of budget process

Next Steps

- **Tentative Consideration Timeline:**
 - June 22: Legislation introduced at City Council Subcommittee Meetings
 - July 15: Virtual Town Hall
 - July 20: Third Reading and Consideration
- **Implementation Schedule (If adopted):**
 - March 2022: Submit for Ohio EPA SRF Funding
 - July 1, 2022: Phase I of Surcharge Implementation
 - January 1, 2023: Phase II of Surcharge Implementation

Questions?