



Heartland Values, Flowing Opportunities

STATEMENT OF

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BEFORE THE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT

OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

REVIEW OF INNOVATIVE FINANCING APPROACHES FOR COMMUNITY
WATER INFRASTRUCTURE PROJECTS

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Good morning, Chairman Gibbs, Ranking Member Bishop and members of the Subcommittee. My name is Ronald Behm and I am the Mayor of the City of Napoleon, Ohio.

The City of Napoleon is located in Northwest Ohio, in Congressman Latta's District, along the Maumee River and is your typical small town, U.S.A. We are facing challenges, similar to others who live in the Midwest with high unemployment, lower salaries, decreasing property values and rising costs. Based on a comparison of the 2000 and 2010 census numbers, the City of Napoleon has lost nearly 600 residents (9,318/2000 and 8,749/2010) and the median household income in 2010 was \$35,762, roughly \$2000 lower compared to the 2000 average. Based on the median household income for the State of Ohio of \$47,318, it is clear to see that ours is not a wealthy community.

Our City is also similar to others in Northwest Ohio in that we are under "Findings and Orders" for our SSO's (Sanitary Sewer Overflows) and CSO's (Combined Sewer Overflows). In 2004, the City came to an agreement with the EPA for a 20 year plan, which requires the City to remove all SSO's from our system and reduce the CSO's to one. Due to our economic situation, we were able to receive a 20 year agreement instead of a typical 10 year plan. The plan was estimated to cost our City \$35 million to complete and contained 62 individual projects.

As of 2012, the City of Napoleon is on schedule and we have completed 22 of the 62 projects which have helped us remove 22 of the 29 CSO's from the system. So far, we have spent more than \$19.5 million. Our City Engineer estimates that the total cost of all 62 projects for the 20 year period will cost closer to \$100 million. In addition to the \$100 million, an engineering study shows we will need \$15 million to upgrade our water treatment plant to meet current and near future EPA standards. Therefore, we anticipate spending a total of \$115 million in the 20 year period and does not include any additional capital improvements that may become necessary over the next 14 years.

The City of Napoleon is paying the debt service for the projects by raising the sewer and water rates. These increases have been added every year, but one, since 2003 and have doubled the water and sewer bill for our residents and businesses. For example, a typical residential water bill in 2003 was \$74.31 and in 2012 that number is now \$137.31. The higher rates have had a larger affect on our businesses. For example, in 2003 a typical monthly industrial water and sewer bill was \$1460.25. In 2012 that number is now \$2,942.45.

As I had mentioned previously, the City of Napoleon has spent \$19,572,245 to complete one third of the projects and we have had to issue debt for \$19,427,845. So, after the City has doubled the water and sewer rates, we are still only able to service the debt and pay for normal water and sewer operations. Please also remember that our resident's median household income over that ten year period has decreased by \$2000.

Over the next two years, our City Council has authorized two additional rate increases, totaling 20 percent as suggested by an independent consultant. In three years, when it is time to upgrade the water plant, it has been recommended that the City must raise the water rates by an additional 50-60%. Remember that we have only completed one third of the projects and we expect to quadruple our debt by the time all projects are completed. At the same time our residents have also reluctantly voted to

increase our income tax by 0.3% to help offset the operational costs of the City and preserve fire and police services.

The concern with increasing taxes and raising rates is that at some point you reach a breaking point. A point where the residents can't afford to pay the rates, but instead are forced to leave our City. Especially when you take into consideration that 30-40 percent of our residents rent, which makes them fairly portable, as they can pick up and move at any time.

Businesses could also decide that their only option is to move and I don't know of many communities in our region that wouldn't openly welcome a business into their town and offer them nice incentives to entice them to relocate. If the City of Napoleon begins to lose residents and businesses we will find ourselves in deeper trouble, because our rates and the ability to pay off our debt is calculated based on an estimate of usage.

The bottom line is that we simply can't continue to proceed down this road, a road we have chosen to go down rather than pay fines imposed by the EPA. The City of Napoleon has never argued with what the EPA is attempting to achieve; we have, however, argued about how we get there and how it will be paid for.

The Water Infrastructure Finance and Innovation Act (WIFIA), as I understand it, attempts to help communities receive funding. However, the City of Napoleon hasn't had a problem with receiving funds and issuing debt. Our problem is with raising money to pay the debt and the amount of time in which we have to pay. I am familiar with another bill, H.R. 1189, the Clean Water Affordability Act of 2011, sponsored by Congressman Latta, which helps address the problems that the City of Napoleon and so many communities of similar size are facing.

HR 1189 would help assist municipalities in funding projects for wastewater treatment and extend repayment periods to 30 years or the design life of the project. This would have been helpful with our equalization basin, which cost the city \$8.85 million to build and has an estimated life of 30-40 years, but we could only receive funding for 20 years. H.R. 1189 also requires states to put aside 15 percent of funds for assistance to municipalities of fewer than 10,000 residents that meet specified affordability criteria. It also requires states to establish affordability criteria to help identify those in greatest need.

The City of Napoleon needs assistance if we are expected to continue to meet the mandates we have been saddled with. This is an issue that is shared by all residents, regardless of their political positions and beliefs. That is why I am hoping that Congress will come to an agreement which will help cities in similar situations to that of the City of Napoleon.

I appreciate the opportunity to provide the subcommittee with a local government perspective on this important issue and thank you for your time today.