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File	<i>68-6846</i>

Rel. 6-30-83
KDD

Review Of Certain Aspects Of A Water And Sewer Project In Jefferson County, Ohio

B-173465

Department Of Housing And
Urban Development

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

915733 / 10/19/78

SEPT. 1, 1971



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Hays:

In your letter dated June 18, 1971, you requested that we examine into certain aspects of a federally assisted water and sewer project near Wintersville, Jefferson County, Ohio. Your request stated that user charges for water and sewer services were established at a level which would be prohibitive to persons having fixed incomes and that the potential users of the system had not been provided with financial information on the level of user charges until after the system was constructed.

Our work included an examination into the responsibilities of the Federal Government, Jefferson County, and the project engineers (Rackoff Associates, Inc.) relating to the establishment of user charges for water and sewer services. We obtained certain information regarding the basis on which the county had established such charges.

A brief description of the project and information on the basis for the user charges are presented in the following sections.

BACKGROUND INFORMATION ON
JEFFERSON COUNTY WATER AND SEWER PROJECT

In January 1969 the Department of Housing and Urban Development (HUD), under its Water and Sewer Facilities Grant Program, awarded a grant of \$1.5 million to Jefferson County to assist the county in constructing water and sewer facilities estimated to cost \$4.6 million. HUD has administratively established \$1.5 million as the maximum grant available under the program. The facilities to be constructed were designed to provide water service for five districts of the county and sanitary sewer service for two of these five districts.

In addition, the Office of Water Programs of the Environmental Protection Agency (formerly the Federal Water Pollution Control Administration) in February 1970, under its Construction Grant Program, awarded a grant of \$259,310 to the

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county for a sewage treatment plant, estimated to cost \$790,800, which was being constructed in connection with the HUD-assisted project.

According to information provided to us by HUD, the districts selected by the county for inclusion under the project were considered by the Jefferson County Regional Planning Commission to be in critical need of water and sewer facilities. County and State Departments of Health officials also concluded that the designated project areas of the county were in dire need of water and sewer facilities.

Construction of the facilities was initiated in July 1969 and, according to the Jefferson County sanitary engineer, was about 99 percent complete at July 29, 1971. As of that date HUD had paid the county \$1.35 million of the \$1.5 million grant for the project. The remaining amount--\$150,000--was being withheld by HUD until the project was completed, an audit of final project costs was made by an independent public accountant, and all Federal requirements with respect to the project were met.

ESTABLISHMENT OF USER CHARGES
FOR WATER AND SEWER SERVICES

With regard to your interest in the apparently high rates that users would have to pay for water and sewer services, we noted that the Jefferson County Board of Commissioners had established the following minimum monthly rates for such services in the five districts included in the project.

<u>Type of service</u>	<u>County district</u>	<u>Minimum monthly rate</u>
Water	All districts	\$10.50
Sewer	District M	\$10.50
Sewer	District O	\$ 4.60

The minimum rate for both water and sewer services in district M--an area west of Wintersville--is \$21 a month. The minimum rate for water and sewer services in district O--an area north of Wintersville--is \$15.10 a month.

We discussed the established user charges with HUD regional officials in Chicago, Illinois; with the HUD area engineer in Columbus, Ohio; and with the Jefferson County sanitary engineer. These officials advised us that the minimum monthly rates had been established at the above-stated levels so that sufficient revenue would be generated to provide funds to cover the operating costs of the facilities and the payment of principal and interest on funds borrowed for construction of the facilities (debt service). HUD officials advised us that they had no jurisdiction or control over the amount of user charges levied by local governments for water and sewer services.

Information prepared by the county sanitary engineer in February 1971 showed that the minimum monthly rates for water and sewer services had been established on the following basis.

	<u>Amount of minimum monthly rate</u>		
	<u>Sewer service</u>		<u>Water service--</u>
	<u>District M</u>	<u>District O</u>	<u>all districts</u>
Debt service	\$7.50	\$1.06	\$7.51
Operating costs	<u>3.00</u>	<u>3.54</u>	<u>2.99</u>
Total	<u>\$10.50</u>	<u>\$4.60</u>	<u>\$10.50</u>

In general, higher construction costs and the construction of a sewage treatment plant account for the rates in district M being higher than the rates in district O.

The HUD area engineer and the county sanitary engineer informed us that the rates were set at these levels principally because of the following factors.

- The project area was adjacent to the Ohio River and consisted of many ridges and valleys, particularly in district M, which resulted in high construction costs.
- The number of users per square mile was small.
- No special assessments were levied nor were fees charged for household connections for water service.

The county sanitary engineer advised us that the average water and sewer bill would be about \$26 to \$28 a month in district M and about \$20 to \$22 a month in district O. He said that the average water bill would be about \$13 to \$14 a month in the three other districts.

With regard to your concern that the potential users had not been provided with financial information on the level of user charges until after the facilities were constructed and that this appeared irregular on the part of the project engineers, the county sanitary engineer informed us that it was the responsibility of the county, and not of the project engineers, to make this information available to the potential users and that the county commissioners, in fact, had informed the potential users of the anticipated charges at an early date.

The county sanitary engineer told us that, at a public hearing on the district M sewer project held in 1965, district M residents were advised that the minimum monthly charge for sewer service would include about \$3.80 for operating costs. At this hearing it was also pointed out that the monthly charge for debt service costs would depend upon the costs of construction and the amount of funds obtained from Federal grants, assessments, and connection fees.

The county sanitary engineer told us also that, in January 1969 when HUD awarded the \$1.5 million grant to the county for the water and sewer project, the county commissioners passed a resolution which precluded the county's levying special assessments for water service provided under the project.

In February 1969 public hearings were conducted by the county commissioners on the proposed water facilities for the five districts and sewer facilities for district O. At that time information was provided to potential users that showed the anticipated charges. These charges approximated the charge which was finally established by the county commissioners for water service and exceeded the charge which was finally established for sewer service in district O.

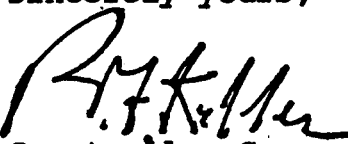
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We did not obtain written comments from any of the parties involved in this review; however, this report was based on information available in their files or furnished by them and was discussed informally with them.

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We plan to make no further distribution of this report unless copies are specifically requested, and then copies will be distributed only after your approval has been obtained or public announcement has been made by you concerning the contents of the report.

Sincerely yours,


Deputy Comptroller General
of the United States

The Honorable Wayne L. Hays
House of Representatives