

# ORIGINAL

## ECONOMIC DEVELOPMENT AGREEMENT

BETWEEN

THE CITY OF CLEVELAND

AND

PORTAGE COUNTY

This Economic Development Agreement ("Agreement") is entered into this 16th day of August, 2006, between the City of Cleveland, under the authority of Ordinance No. 607-06, passed by the Council of the City of Cleveland on May 8, 2006, and Portage County, under the authority of Resolution No. 06-0697 adopted August 10, 2006.

### RECITALS

- 1) Sections 4 and 6 of Article XVIII of the Ohio Constitution authorize Cleveland to extend its water service outside the City's corporate limits and to determine the terms and conditions under which such service will be extended; and
- 2) Portage County desires to obtain Cleveland water service to supply its customers (including the City of Aurora), also known as the "Service Area," through a Competitive Response Master Meter Water Service Agreement (the "WSA"); and
- 3) The provision of Cleveland water to the Service Area will facilitate economic development, create and preserve jobs, improve property values, and advance the economic welfare of the inhabitants and businesses within Portage County; and
- 4) The provision of Cleveland water to the Service Area may have negative economic impacts for Cleveland through the loss of economic development that may otherwise have occurred within Cleveland; and

5) In consideration of such extension of water service by the Cleveland Division of Water, Portage County has agreed to enter into this Agreement to compensate Cleveland for the impacts to economic development within Cleveland, caused by the extension of water service to Portage County.

## **ECONOMIC DEVELOPMENT AGREEMENT**

### **Article I. Compensation to Cleveland**

A)Amount. In consideration of Cleveland's agreement to extend water service, Portage County agrees to pay to Cleveland's General Fund an annual economic loss mitigation fee (the "Fee"), due upon the signing of this Agreement and on the anniversary date each following year, to compensate for current and future economic losses suffered by Cleveland that may be caused by extension of water service to the Service Area, as follows:

- 1) The annual Impact Fee shall initially be \$37,500 until the 16" express main, described in the WSA, is operational.
- 2) Once the main is available, the annual Impact Fee shall increase to \$100,000, and will escalate at the Consumer Price Index (CPI) up to 5% per year, until such time that 2.5 million gallons per day average annual flow is drawn from Cleveland.
- 3) Once Portage County demands more than 2.5 million gallons per day annual flow from Cleveland, the Fee shall increase by an additional \$100,000, and shall escalate as described in the paragraph above.
- 4) The Fee shall be prorated for any year in which the Fee increases to reflect the additional amount.
- 5) The parties agree that for purposes of this Article I, a year shall begin on the date on which Portage County's first payment of \$37,500 is due, and ends on the day before the

first anniversary of that date.

B) Nature of Compensation. The parties expressly recognize that the payments made by Portage County to Cleveland are intended to be compensation to Cleveland for impacts to economic development within Cleveland due to its extension of water service, and shall not be considered tax receipts or revenues of the City's water system. Cleveland shall deposit the fees into a fund designated to offset impacts of economic development outside Cleveland, to promote economic development within Cleveland and/or to promote joint economic development activities between Cleveland and Portage County.

C) Cleveland Businesses. Portage County shall not take any action to promote, encourage, offer economic incentives to, or otherwise solicit Cleveland businesses to relocate to the Service Area. Portage County will include a similar provision in future agreements with other communities in the service area.

## **Article II. Term**

The term of this Agreement shall begin on the date of its execution and shall run concurrently with the term of the WSA, including any renewals or extensions.

## **ARTICLE III. Water Service Agreement**

A) Water service to the Service Area. Cleveland's obligation to provide water service to the Service Area is contingent upon the receipt of the fee described in Article I (A) of this Agreement.

B) Termination. In the event that this Agreement is deemed to be unenforceable under any local, state, or federal law, or if for any reason Portage County ceases to make the payments to Cleveland required by Article I (A), Cleveland shall have the right, upon six months' written notice to Portage County, to terminate the WSA and discontinue water service to Portage County. Prior to Cleveland's exercising such right, however, the parties will use best efforts to enter into a new Agreement and WSA under terms and conditions that will cure the defect(s) that rendered this Agreement unenforceable.

## **Article V. Default and Remedies**

A failure to comply with the terms of this Agreement shall constitute a default. In the event of a default, the parties shall follow the Dispute Resolution process set forth in the WSA.

## **Article VI. Miscellaneous**

- A) Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the laws of Ohio.
- B) Captions and Headings. The captions and headings used in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any contract provision.
- C) Binding On Successors. This agreement shall be binding upon successor governmental authorities of the parties to the extent permitted by law.
- D) Amendments to Be In Writing. This agreement shall not be amended, modified, discharged or extended except by written instrument executed by the parties, under their respective ordinances and charters, and the laws of Ohio.

## **Article VII. Form of Notices**

Any notice or demand to be given by or to any of the parties shall be made in writing and shall be deemed to have been given or delivered, as the case may be, two (2) days after deposit in the U.S. Post Office, registered or certified mail, postage prepaid, return receipt requested and addressed as follows (or as to each party, to such other address as the party may designate by a notice given in accordance with the provisions of this Section):

Notice to Cleveland shall be addressed to:

Director of Finance  
City of Cleveland  
Department of Finance  
601 Lakeside Avenue  
Cleveland, Ohio 44114

With a copy to:

Director of Public Utilities  
City of Cleveland  
Department of Public Utilities  
1201 Lakeside Avenue  
Cleveland, Ohio 44114

Notice to Portage County shall be addressed to:

Board of Portage County Commissioners  
449 South Meridian Street  
Ravenna, Ohio 44266-1217

The parties have executed this Agreement as of the date and year first above written.

**CITY OF CLEVELAND**

By: Sharon Dumas  
Director of Finance

The legal form and  
correctness of this Agreement are approved:

ROBERT J. TRIOZZI

Director of Law

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By: Katie Novak  
Assistant Director of Law

Date: 8/15/06

**PORTAGE COUNTY  
BOARD OF COMMISSIONERS**

\_\_\_\_\_  
Christopher Smeiles

\_\_\_\_\_  
Charles W. Keiper, II

\_\_\_\_\_  
Maureen T. Frederick

8-10-06  
Date

8-10-06  
Date

8-10-06  
Date

Approved:

ASSISTANT PORTAGE COUNTY PROSECUTOR

By: \_\_\_\_\_

Date: 8-10-06

**Certificate of Auditor**

I HEREBY CERTIFY that the amount of \$ **37,500.00** required to meet the foregoing contract, agreement, or obligation has been lawfully appropriated, or authorized or directed for such purposes, and is in the County treasury to the credit of Fund 54001004 400000 free from any outstanding obligation.

8-10-06  
Date

Janet Esposito (signed)  
Portage County Auditor



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Common Council President



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15th District Alderman

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**Willie L. Hines, Jr.**  
*City of Milwaukee Common Council*

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**For Immediate Release:**  
**August 12, 2008**

**Contact: Bill Arnold**  
**286-3285**

President Hines asks,  
**"What is Water Worth?"**

Last week, Mayor Barrett signed an agreement to sell Lake Michigan water to New Berlin. This binding contract will undoubtedly benefit the citizens of New Berlin, but little value was gained for the residents of Milwaukee. When it comes to our most precious natural and economic resource, we owe it to Milwaukee taxpayers to negotiate an arrangement that serves the interests of all parties involved.

What is water worth? Specifically, what is Lake Michigan worth to Milwaukee and its suburban counterparts? That is the critical question that must be addressed before another agreement is made.

Selling water to New Berlin – or any other suburb that is attempting to establish itself and gain population – is an action central to how Southeastern Wisconsin is developed. Lake Michigan water is more than sinks and swimming pools; it is subdivisions, shopping malls and industrial parks. When fresh water is pumped to an undeveloped area, businesses begin to boom. These new businesses and developments do not occur in a vacuum – they take away resources from Milwaukee.

We can no longer afford to ignore this reality. We cannot merely pretend to know the economic impact and value of Lake Michigan water. Some have touted the fact that New Berlin will pay a \$1.5 million surcharge for its 20-year contract with Milwaukee. That money, however, will serve as a one-time budget patch for this year only; for the remaining 19 years, Milwaukee will essentially give away its most powerful economic leveraging tool without any benefit to our taxpayers.

Other municipalities throughout the Midwest, like Cleveland, have secured much better deals for their residents when selling water to suburban neighbors. Cleveland secured a \$200,000-per-year, 20-year contract for its taxpayers – about \$3 million more than Milwaukee will earn in its 20-year deal with New Berlin.

**-More-**



## Water/ADD ONE

The field of water resource economics is robust and mature in other parts of the United States. In the Southwestern and the Southern states especially, fresh water is so scarce that local and state governments have dedicated millions of dollars to the academic study of its sale – and the economic impact that those sales mean for development. In Milwaukee, however, we've managed to largely avoid investing in this research, because we are in the fortunate position of bordering one of the largest bodies of fresh water in the world.

I am not against selling Lake Michigan water. In fact, my position has always been that New Berlin is in a good position to purchase water from Milwaukee, considering that it is a "straddling community" (as designated by the Great Lakes Compact) and that we already sell water to the eastern part of New Berlin.

But these considerations do not outweigh Milwaukee's own requirements for water sales. According to a resolution adopted by the Common Council and signed by the Mayor, New Berlin was required to submit a housing study and a transportation study in order to be considered as a candidate for Lake Michigan water. These studies were never attempted, much less submitted.

Just as it is important for New Berlin to have clean, Milwaukee-treated water, it is important to accurately assess the economic ramifications of regional water sales. We cannot have the attitude of New Berlin's own state representatives, when they brazenly proclaimed, "Milwaukee will survive," in regard to our state-shared revenue cuts. If our western neighbors need water, they have to be willing to compensate Milwaukee appropriately.

Fortunately, the Common Council has taken action to set aside funds for a thorough analysis of Lake Michigan's worth. We will finally be able to quantify its value for residents in Milwaukee and throughout the region. This new data will allow City of Milwaukee policymakers to make informed decisions.

When our suburban counterparts exhibit a true appreciation for the region's most important economic and natural resource, they demonstrate a true commitment to regionalism.

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# Portage County aims to avoid water problems

**By: Kristen Russo and Morgan Day**

**Posted: 10/18/07**

With a 3.5 percent yearly population increase, Portage County is giving a "Herculean effort" to keep its water supply in the clear, said Harold Huff, director of Portage County Water Resources.

Portage County Commissioner Chuck Keiper said, before an agreement made last year with Cleveland for 5 million gallons of drinking water a day, the county only had enough resources to provide its residents with water for another four to five years. The agreement fully went into effect in August of this year.

"We now believe we can serve the needs of Portage County for 100 years until we need to find additional sources," Keiper said.

The agreement was originally made to help supply Aurora and Streetsboro with water, but the water, which will travel through pipes from Lake Erie to Aurora, will help with the rest of Portage County's future needs as well. Keiper said the agreement also saves Portage County money because it doesn't have to create another water plant.

"Both federal and Ohio (Environmental Protection Agencies) have significant numbers of regulations to comply with," he said. "We take advantage of the fact Cleveland has a plant that can already meet those regulations without us spending another dime (for water)."

However, in addition to paying for the water it receives from Cleveland, Huff said Portage County will pay \$100,000 a year into the city's economic development fund.

Huff explained that money for water can only go into funding the water supply, and Cleveland needed money for economic development.

"What's good for Portage County is good for Cleveland - what's good for Cleveland is good for Portage County," he said. "If Cleveland collapses tomorrow, we've got problems over here."

The \$100,000 for the fund is included in individual customer's water rates and future rate increases. Beginning this past August, the rate increase is at 3.5 percent per year for the next two years.

Huff said this is a low rate of increase. Aurora had an 11 percent rate increase in January, but the agreement with Cleveland brought the rate down to 3.5 percent, a drop of 7.5 percent.

The increase also includes the rising costs of chemicals, employee salaries and supplying an increasing customer base with water.

Cleveland Water Commissioner Chris Nielson said the city was happy to enter the agreement with Portage County, and the 5 million gallons a day won't pose any threat to Cleveland's water supply.

"It's a national trend that people are using less water, so we're not worried about our ability to serve water to Portage County or surrounding areas," Nielson said.

Huff agreed.

"Are we running out of supply? The lake's not going down," he said. "We've hit a home run."

However, the agreement with Cleveland isn't the only effort the county has taken when planning for its future water needs. It also has an agreement with Ravenna and Mantua, which have their own separate water supplies. The Ravenna agreement is for a maximum of 2.5 million gallons per day and the Mantua agreement is for a maximum of 400,000.

Huff said the county actually gets about 600,000 gallons per day from Ravenna, but could use up to 2.5 million if needed.

The county doesn't use any of the 400,000 gallons from its agreement with Mantua. But Huff said the agreement is in place in case the county builds a customer base in that area.

He said the county is also working on an agreement for 1.5 million gallons per day of raw, untreated water from Mantua. The water would be treated in Portage County water plants and sent out for customer use.

There are no extra costs in the agreements with Ravenna and Mantua. Huff said the county only pays for the water it uses.

When supplying the area with water, Huff said he likes to take the regional approach. He said Cleveland has the means to supply the water, and Portage County has the means for distributing the water, engineering and offering customer service.

"Let them remain their own entity. Let us remain our own entity," he said. "But let's work together for the common good."

*Contact public affairs reporters Kristen Russo at [karusso@kent.edu](mailto:karusso@kent.edu) and Morgan Day at [mlday1@kent.edu](mailto:mlday1@kent.edu).*

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## **COMMUNITIES**

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## **CLEVELAND**

### Water deal with Portage

The city will sign a 20-year agreement today to sell water to Aurora and Portage County. The water service agreement also stipulates that the cities and the county will not lure businesses from each other through tax breaks and will work together to attract new jobs and companies from outside the region. Cleveland will sell at least 1 million gallons daily to Portage County, which in turn will sell it to Aurora. As part of the agreement, the county will pay an annual economic development fee to Cleveland once the county starts taking water. That will be in about 18 months, after a waterline ties Cleveland's system to Portage County's, said Cleveland Water Commissioner J. Christopher Nielson. The development fee will start at \$100,000 and will escalate yearly with consumer price index.