

Strapped for cash: Fiscal court steps in to resolve sewer district's financial crisis

Oldham Era

Thursday, June 24, 2008

By Laura Hagan

With \$16 million in debt and only \$2 million in revenue for the next year, the Oldham County Sewer District needs a plan. The plan could include a rate increase for the district's 5,700 customers as well as debt restructuring and cutting expenses.

County Treasurer Stan Clark said the budget put forth by the sewer district includes a 10 percent increase, and shows them running out of money by August 2009. In looking at the budget, Clark said, he realizes that in its current state and with needed improvements, there would have to be at least a 50 percent rate increase to increase cash flow – to make the budget the district proposed work. He said OCSD would have to double its current rate to start to generate money to be able to fix problems and deal with operational issues.

Members of the Oldham County Fiscal Court met in executive session June 17 and came up with a resolution to fix some of the district's problem, while keeping the rate increase around 25 percent. The recommendation will go to the OCSD board, which have a little more than a month to decide what it wants to do.

"The fiscal court felt like the situation was grave enough, it just can't go on (like this)," Clark said. "Action needs to be taken."

He said currently the average customer with OCSD pays about \$30 a month. If the district decided to go with a 25 percent increase, about \$7 would be added to the monthly bill.

"(We) want to make sure customers are getting as much as they possibly can for what they pay," Clark said.

The resolution, Clark said, is basically a recommendation from fiscal court.

Judge-Executive Duane Murner said the debt comes from three different areas. Fiscal court provided \$3 million in startup costs. About \$5 million is from Crestwood, who merged with OCSD to create more of a countywide regional system. The other \$8 million comes from expansion costs.

Murner said part of the reason the district is in trouble is because it counted on expansion, but the county is not seeing much in terms of new residential building permits. He said OCSD spent \$8 million to build the Ohio River Sewage Treatment Plant – but it was not built in an area where new residences are planned.

Murner said to survive, OCSD needs a rate increase, which it could receive with fiscal court's permission, but only if OCSD cuts expenses by about \$400,000.

Clark said that amount would go a long way to help with debt restructuring, another thing Murner said the district needs. Clark said operating expenses are hard to cut, and thinks most cuts will have to be administrative.

He said the district's lender is willing to do a debt restructuring that would allow OCSD to pay off the amount over a span of 30 years, rather than 10. The debt restructuring is only an option if OCSD increases rates.

Clark said fiscal court is trying to fix the problem before it is out of control.

"We can't just sit by and do nothing," Murner said.

Members of fiscal court also approached officials from La Grange Utilities to see if they would be interested in a management contract. If OCSD entered a management contract with LGU – or any other utility – the other utility would take over day-to-day operations, including maintenance.

Murner said the OCSD board would be the legal entity, and Clark said the board would handle future growth, oversight, construction and decisions on how to fix problems. The board will decide whether to enter a management contract.

The resolution, passed 8-1 at the June 17 meeting, also "recognizes that ... Crestwood has retained the right to withdraw from the current OCSD."

Dennis Deibel is the chairman of the OCSD board and mayor of Crestwood. He said Crestwood previously operated a system the city paid to build and contracted with Metropolitan Sewer District.

Deibel said OCSD and county officials liked the thought of Crestwood merging with the county.

Murner said the purpose of OCSD was to merge all of the smaller plants within the county.

Crestwood appointed two members to the sewer district's board – Deibel and Clayton Stoess Sr. Three were previously appointed by the fiscal court. He said Crestwood merged with OCSD to form a joint sewer agency – in essence, Deibel said, taking over the assets and liabilities of Crestwood – with the hopes that LGU would join, which has not happened.

He said depending on the solution to what fiscal court has recommended, it could be different than what Crestwood originally signed on for, and may be something the city chooses not to participate in.

Murner said there is a dispute as to whether the merger was properly and legally done and said it occurred with a vote from Crestwood but not a vote from the fiscal court.

Deibel said the city of Crestwood reserves the right to withdraw and if the commissioners choose to withdraw, customers will see no change. He said the customers did not see a change after the original merge. He said that while the debt is there, it has not cost the county any money, and Crestwood has paid all debt payments in the past 2 1/2 years.

The next step, Deibel said, will be for the board members to discuss what they may or may not do or be able to do. This will be done at the next OCSD meeting, July 8.

District 8 Magistrate Bob Deibel – Mayor Deibel's brother – offered the only dissenting vote in fiscal court's approval of the recommendation.

"I think what they're proposing to do is the wrong way to go for the county," Bob Deibel said. "There's been attempts to try to merge (before) and they've gone nowhere."

Vince Bowlin, executive director of OCSD, said the district will look at the recommendations from the fiscal court, and he would like to have something for the board to consider at their next meeting.

"I'm sure there will be some discussion of it, and hopefully we'll have some sort of plan in place by Aug. 1," Bowlin said.

As far as cutting expenses, Bowlin said he doesn't think there is anything wrong with trying to keep expenses as low as possible, and the district is finding ways to cut costs. Administration is an area Clark said will likely see cuts.

OCSD employs nine people in full-time positions – four administrative employees and five field employees, who work in operations and maintenance.

"(We're) going to look at ways to get to where fiscal court would like it," Bowlin said.

By Aug. 1, the district has to decide whether it wants to accept a management contract, accept the recommendation from fiscal court and whether it wants to restructure the debt.

"If they do nothing," Murner said, "18 months from now, they will be broke."

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