

Sewer District Responds to Coverage

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By Vince Bowlin, Oldham County Sewer District chief engineer

After reading the article and editorial in the June 26 Oldham Era concerning the Oldham County Sewer District, I wanted to clear up some misunderstandings about OCSD's finances and options for the future.

Here are some facts about the Oldham County Sewer District:

- Our last rate increase was in 2005. Over the past three years almost every expense associated with our business has increased.
- We've requested rate increases every year since 2005, but could not get fiscal court approval, primarily because it was thought that we had more than enough cash on hand to conduct our business.
- Our cash flow projections shows that annual rate increases (of 8 to 10 percent) were needed to avoid much larger increases in the future. In 2007, the utilities committee of fiscal court, by a vote of 2-1, denied our rate increase request, in part because we had \$3.9 million in cash on hand. Instead, fiscal court approved a rate restructure for us which resulted in about \$80,000 in new annual revenue, but this was much less than we needed.
- In 2006, we had \$16.8 million of debt, and today our debt is \$16 million.
- The county is a guarantor on \$3.5 million of the \$16 million, but it has always had a solution to ensure it never has to pay anything. If the rate increases we've recommended for the past three years had been approved, it is unlikely there would be major concerns today with our ability to repay our loans.
- In 2007, we began the process to restructure our debt, but were told by Oldham County's financial staff to put the process on hold because better interest rates were found using the county's bonding capabilities. In early 2008, the county officials informed us they were reluctant to use this method, so we must now look for alternative financing.
- It was quoted in The Oldham Era that the new Ohio River Wastewater Treatment Plant near Cardinal Harbour cost \$8 million to build. The actual cost to design and build the plant was about \$5.4 million. OCSD did borrow \$7.8 million but the money was used for several projects. Besides constructing the Ohio River Treatment Plant, OCSD built the Pebble Point pumping station to eliminate the Trails End Treatment Plant, another pumping station to eliminate the Heather Hills Treatment Plant and sewers in Buckner and Kamer Place that provided service to 185 homes and businesses. OCSD also used a portion of the loan to develop a long-range planning document with recommendations for serving portions of the county during the next 20 years. The total for all of these projects was less than the \$7.8 million that was originally borrowed.

- Today we have more than \$2 million in cash on hand, but revenue has not kept pace with expenses and now we are faced with needing a substantial increase — exactly as we have been predicting.

The recent fiscal court resolution asking OCSD to consider outsourcing a portion of its responsibilities is certainly something the OCSD board will consider, but at this point there are more questions than answers. Without consultation from OCSD, the La Grange Utilities Commission was approached about performing work, and it seems reasonable for us to ask questions like, “How will LUC go from operating one treatment plant serving 2,500 customers to operating 14 treatment plants with more than 8,000 customers?” and “Shouldn’t we also look at MSD for this service?”

Our customers and the community need to understand that the proposal by the county does not allow for any capital improvements and that rate increases beyond the 25 percent proposed by the county will be needed. Several OCSD treatment plants are more than 30 years old and it will take millions of dollars in future spending to fix or eliminate these facilities. We also need to build new lines and plants in order to serve future development that is predicted for Oldham County.

Additionally, regulatory agencies like the Kentucky Division of Water and the Environmental Protection Agency will view OCSD with more scrutiny. The enforcement branch from KDOW has already informed us that changes will be needed and that we are on EPA’s watch list, meaning that if significant improvements aren’t made, the federal government could consider coming in and dictating what improvements will be required. Now is not the time to cut back on capital improvements to try and save a few dollars. One only has to look around the state and country to see what happens when EPA decides to require upgrades and improvements. Even without scrutiny from regulators, we should be doing more to upgrade or eliminate our facilities. It’s the right thing to do and it’s the reason for OCSD’s existence.

In 1996, when OCSD was created, fiscal court’s ordinance said, in part:

Oldham County Fiscal Court recognizes the need for a sanitation district to provide for the collection and disposal of sewage and other liquid wastes in Oldham County, Kentucky, to prevent and correct the pollution of streams and provide for the general public health, safety and welfare; and, recognizes the necessity that such a special district be empowered to construct sanitation facilities conducive to the public health, safety, comfort, convenience, or welfare ... The Oldham County Sanitation District shall be created and formed so that it shall have all powers and duties to reasonably, necessarily and effectively implement the provisions of and carry out the duties prescribed by KRS Chapter 220.

That is our mission and we must have fiscal court’s support in order to be successful. In the past three years, three small package plants have been eliminated, removing some of the worst pollution problems in our county. There is much more to do, including providing capacity for the new growth that is expected as our population grows.

We all want clean water in our creeks, streams and rivers at an affordable price. But we must not be short-sighted and jump on temporary solutions that fail to address the bigger picture of what the county wants to look like 20 years from now. We must move forward with repairing the old collection systems and eliminating the outdated package treatment plants now. Problems will only worsen and the longer we wait, the more it will cost.

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