

Village of Put-in-Bay

P.O. Box 481 • 157 Concord Ave • Put-in-Bay, OH 43456 • Ph 419-285-8545 • Fax 419-285-2083 • email pibadmin@cros.net

Discussion on the Fiscal and Staffing Status of the Village of Put-in-Bay Utilities February 5, 2016

TO: The Mayor and Council Members

From: Doug Knauer

Fiscal Status

During the February 1, 2016 Council Committee meeting the Mayor talked about urgent need for fiscal reform concerning the operations of the Village of Put-in Bay and its current employee staffing levels. The Mayor felt very strongly some of the current positions need to either be eliminated or reduced to part time position and the Village debt burden was a serious issue that needed immediate attention. The Council indicated they needed some time to review the staffing situation and a special meeting was called for Saturday, February 6, 2016.

The Mayor stated that years ago the Village only had 3 full time employees and had currently ballooned to 15 full time employees. As the Village administrator, I am only going to address the 7 full time positions that are under my charge as well as myself, and operations of the Village departments under my charge.

Back in 2005 when I took over the Village Administrators position, the Water and Sewer Department carry over funds were \$108,290.73. These were not enough funds to pay the utility's bills through the winter and spring and I had to get a \$100,000 loan from the general fund to keep the utilities operational until the summer revenue started coming in. This went on until about 2009 or 2010. This current year, the water and sewer carry over funds are at \$601,794.49. The water and sewer budgets were never able to contribute to debt servicing until about 2010. Today, water and sewer has a combined rainy fund day of about \$450,000 and will be able to contribute about \$120,000 per year to debt servicing. With the current rate structure and annual rate increases enacted in 2009, the funds will be able grow and support the infrastructure needs of the future. I feel the Water and Sewer funds are in a sound financial position.

Over the past ten years the Village has rebuilt the water and sewer plants to new condition and doubled their capacity's to meet the needs of future growth. The sewer lift stations have been rebuilt and updated. Additional water storage capacity was added to meet the weekend surge in water usage. Four townhouses were built to give full time employees comfortable housing that they could afford, with this needed buildup in infrastructure came a buildup in debt. In 2005, the general fund had a January 1st balance of \$383,719.69. In 2016 the general fund had a January 1st balance \$1,405,879.64. This investment in infrastructure has enabled the island economy to grow and allow the Village general fund to grow by more than 1 million dollars, while servicing the increased debt load. The current yearly payments for water and sewer debt are \$345,453.00. The payments will be reduced to \$270,686.92 within 10 years.

In 2015 we saw the first full year operation of the new Village docks. Prior to the dock project the Village insurance company was warning the Village that the conditions of the docks would render them uninsurable. Needless to say if the docks were uninsured they would be unusable. In last several years prior to 2015 the gross dock revenue had been between \$240,000 and \$254,000. The gross revenue generated by the docks in 2015, \$401,000, was a few thousand dollars short of the all-time record in 1998. In 1998 the seasonal rental marinas in the region were full with waiting lists. In the past few years, due to poor economic conditions and the price of fuel the seasonal rental marinas have been only half full. In 2015 the Village docks had far fewer boaters to draw from than in 1998, yet was still able to generate near record revenue. The 6.5 million dollars spent will prove to be a good investment for the future of the Village of Put-in-Bay. During the financing process for the docks, the Village was required to get a bond rating. Moody's Investors Service studied the financial condition of the Village and its ability to repay debt. Moody's rated the Village A2. The A rating is defined as "Obligations rated A are judged to be upper-medium grade and are subject to low credit risk". The bond was sold the first day it went to market and at a rate of just over 3%. Professional investors see the Village of Put-in-Bay as a good investment.

Current Staffing

Water Plant – The OEPA requires the water plant to have at least one Class III Plant operator, and the Class III can be absent no more the 30 days per year and must be on duty a minimum of 40 hours / week. When the Class III Operator is not on duty, they must be replaced by a Class II or higher. If the Class III is replaced by a Class II there must also be a Class II Distribution operator on duty. If the Class III is replaced by a Class III, then the Class II Distribution operator is not required. The Village currently has two Class III, and one Class I operators. The Class III operators are responsible for the daily production of water. The Class I operator is responsible for the maintenance of the water plant and the distribution system, and fill in for the plant operators. The water plant and distribution system requires a minimum of 3 people

Sewer Plant - The OEPA requires the sewer plant to have at least one Class II operator, when the Class II operator is not on duty, they must be replaced by a Class I operator or greater. The Village currently has one Class III operator and one Class II operator. Both operators share total responsibility for the 24 hour /day operation of the plant. The OEPA recommended at least one additional staff member be added the waste water department.

Administration - There are no OEPA requirements for administration. The Village currently has a Village Administrator and an assistant administrator to cover the administration of the water and sewer departments, streets, parks, bathhouse, docks, village housing, town hall, and project management.

Maintenance - The Village currently has one full time maintenance person. The full time maintenance person also serves as the dock operations supervisor during the boating season.

There are 10 – 13 summer help positions.

Discussion

The Mayor and Council have been recently discussing the need to cut and/or reduce to part time some of the above staff which currently consist of 8 full time position and 10-13 summer help positions. The staffing before the new administrator took over, consisted of 5 full time and 12-14 summer help positions. The administrator also served as the water and sewer superintendent. The water plant was a Class II plant and the sewer was a Class I plant. The capacities of the plants have since been doubled and now the water plant is a Class III plant and the Sewer plant is a Class II.

During the process of staffing the Village over the last 10 years, I have done so with growth and the future in mind. The Water and Sewer operator profession is a skill set that is developed over years of experience and study. During the process of designing the new water and waste water plant, I hired people with experience to help in the design and operation of the new plants. Based on the past people hired for these positions, I determined part time and inexperienced operators were not going to work in building new systems. I have also tried to hire young islanders to train for the future. We have one young islander employed at the sewer plant. Plant operators need several years of experience at a single plant to learn and know how to respond to operational challenges that arise.

The fields of water and waste water treatment are constantly changing. One major example is the algae bloom that is threatening the drinking water supply of the region. The operations staff have made operational and system changes to meet the challenges, and more updates and changes will be required at our plants in the future. This will require experienced operators that know the system. Part time operators will not meet the challenges the Village will face in the future.

In 2015 the Village spent \$50,000 to have The Auditor of State's Ohio Performance Team conduct a performance audit in order to provide an objective assessment of the economy, efficiency, and effectiveness of its operations and management of the water, sewer, dock, streets, parks, and bathhouse operations. Concerning the Water Department, the audit found the overall staffing level was lower relative to our peers. It also said "Although inefficiencies appear to exist in the distribution system, in order to maintain operations the Village must maintain coverage on various aspects of the operation making reductions in labor difficult." Concerning the Sewer Department the audit said "In order to maintain continuous 24 hour service, staffing reductions are not likely to be feasible due to the Village's total combined Sewer Department staffing level of only 2."

When I took over as Village Administrator the water system was under findings and orders from the Ohio EPA because the operational regulatory requirements of a public water system were not being fulfilled, and the system was undersized to meet the needs of the community it served. The other administrative duties during this time, of the Village administrator, were not given the attention they needed in order to keep the water and sewer system operating. Due to the pressures of long hours and lack of resources to do the job, the previous administrator resigned from his job. The previous administrator was also served with his own findings and orders and his OEPA Operators license was revoked.

The primary purpose of the administrative staff is to provide for the effective and efficient operation of the afore mentioned departments and their staff. Another function is to provide project management for construction and maintenance the numerous projects the Village undertakes to support and expand the services provided by the Village. It is the duty of this office to protect the interest of the Village during the design, finance, and construction of these projects. All of the major projects the Village has under taken in the last ten years have come in on or under budget, and to the satisfaction of the Mayor and Council. This office also works to secure grants for these project and over the last ten years we have received \$3,940,000.00 in grant funds. Without these funds, the Village outstanding debt would be 45% higher than it is now. I feel a part-time staff could not have achieved this.

In 2006 Village utility's and administrative staff consisted of myself, a utilities clerk, and 3 fulltime operators. The prominent concerns of personal at that time were of low pay and lack of affordable housing. In 2009 the Village revised the utility rate schedule to include annual utility rate increases. These additional funds have enabled the Village pay scale to be competitive with other small governments and allow the Village to hire and retain the skilled positions that are required for the efficient operation of the Village.

The utility rate increases have allowed the Utilities department to build a \$450,000 rainy day fund, and start contributing to debt servicing. With the buildup in infrastructure there also came a buildup in debt. In 2006, the general fund paid the entire utilities debt burden, which was \$222,000. In 2015, the utilities debt burden was \$345,000. With the rate increases and the growth of the island economy afforded by the expanded infrastructure, the utilities department started contributing to debt payment in about 2011. In 2016 the Utilities department will be able to contribute about \$120,000 to debt payment and the general fund will have to pay \$225,000. Over the last 10 years we have doubled the size of the utilities infrastructure to meet the needs of a growing economy into the future. We have built affordable employee housing, properly staff and pay employees to maintain and operate the system, and the utilities debt burden on the general fund is back to the level it was when we started this adventure back in 2006, \$225,000.

The Village has gone through a lot of growth in the last ten years. As you can see from the information presented in this paper, the Village has built a new infrastructure without a significant burden on the rate and tax payers and the Village is in a much better financial and operational position than it was ten years ago. The Council and Mayor's over the past ten years chose an aggressive path to build the Village services to where they are today. These demands could not have been met with the part time, over worked, underpaid staff I started with 10 years ago. Over the past ten years the Village administrative and operations staff has developed into an experienced, efficient, and dedicated asset to the residence and businesses of the Village of Put-in-Bay.

The worst is not over and we will be faced with more challenges and changes in the future as the Village continues to grow. I realize it is the duty of the elected officials to ensure the Village is operated in an efficient and cost effective manner. When making the important decisions of current government operations and planning for future needs, we all need to thoughtfully study facts as they exist and have the foresight to accurately anticipate the needs of the future.

Summary:

The Past – Starting 2006

- Water treatment and waste water treatment plants undersized and unable to meet the needs of the community
- Waste water lift stations overloaded on weekends
- Utilities tap in ban had to put in place
- Employees overworked and could not afford to live on island
- High employee turnover rate
- Utility funds needed to borrow from General fund to pay bills in the off season
- Utility funds could not contribute to utility debt burden
- Debt service requirements were 41% of gross utility income.
- Five full time personnel

2015

- Water treatment and waste water treatment plants have been modernized and their capacities have been doubled to meet current and future needs
- Waste water lift stations modernized and capacities increased to meet future demand
- New businesses requiring service from utilities department are being built as I write this letter
- We have an experienced staff with competitive wages and affordable housing and no turnover
- Utilities department has a rainy day fund of \$450,000

- Utility funds will be able to contribute \$120,000 to utility debt burden and still grow the rainy day fund.
- Debt service requirements have been decreased by 10% . Currently 31% of gross utility income.
- Eight full time personnel

I must express my concern on the sudden and urgent need for fiscal reform and staff reductions discussed at the February 1, 2016 Council Meeting. I was caught by surprise as this topic has not been discussed at any recent public meetings that I am aware of, nor have I been approached to discuss where cuts in staff, or their associated duties can be made. To that end, I am having all full time employees (8) write a description of their required duties and the daily task required in completing those duties. I will present this information to the Mayor and Council in the near future. I am asking the Mayor and Council thoroughly and thoughtfully study the duties required of each position, the fiscal status of the Village, and the future needs of the Village. Please make your decisions based thoughtful consideration and in anticipation of economic growth of the Village. These are not austere times. When and if we see austere times, I am confident the department heads and elected officials will make the hard decisions to make cuts in staff and budgets, to satisfy our creditors and provide the basic services required of the Village.