The feedback from the Year 2017 Financial Review (sent to voters in March 2018) has been gratifying, with almost 30 people asking to be notified of future reports. In addition, a few people responded with questions about the 2017 Financial Review. What follows are these questions (in bold print) and respective answers.

**A) Water Department**

**Q1. What is the cost of a water tap?**

A1. A residential water tap is $7,000. A commercial water tap starts at $8,000 and can go higher depending on the size.

**Q2. Do you have a projected cost for the Ohio EPA recommended maintenance? Are grants or matching funds available?**

A2. The water maintenance projects (repainting of the 3 water filter tanks and new filter media, plus a new control panel) will cost $371,500. The village has applied for an OWDA loan for this amount at an interest rate of 0.89% for 10 years. The annual loan payment will be $38,910. We will know by May 31st if the loan is approved by OWDA (Ohio Water Development Authority). To pay for this loan, Council voted to increase water rates by 5% beginning with the 2nd quarter of 2018. Additional rate increases will be needed in future years and our expectation is that future increases can be kept to 5% or lower.

Because this is a required maintenance project, grants or matching funds were unavailable.

**Q3. Why is this maintenance work being done in 2018?**

A3. The normal life expectancy of the water filter media is 10-12 years. Our water filters were installed 16 years ago in 2002. The Ohio EPA began recommending new water filters in 2016. Our current control panel is almost obsolete and some parts for the panel are no longer available. The new control panel will allow the water department staff to monitor water production from their mobile phones but it is too early to know if this will result in fewer overtime hours. The staffing level will not be affected.

The 2018 maintenance work on the water filters and new control panel will be performed in the fall of 2018 when water usage is minimal.
Q4. Does CT Engineering specialize in what the Water Dept needs to do in 2018? Or is there another company more qualified?

A4. CT Engineering does have staff that focuses on water quality issues and works closely with the Ohio EPA and the client water department on planning and implementation. In our case, CT created the bid packages and specifications and then did reference checks on the companies that submitted the low bids to determine that they were qualified to perform the work. There are other companies qualified to provide the same services as CT, but our relationship with CT has been a good one over many years and the village continues to use them.

Q5. Will the water tower be repainted (interior or exterior) in 2018? How long is the useful life between repaintings? What does the village do for a water source while the water tower is repainted?

A5. No maintenance work on the water tower will be done in 2018. The useful life between repaintings is 20+ years and the Ohio EPA agrees with the village that tower maintenance work is not required at this time. In addition, the village must determine the feasibility of extending the water system to the north side of the island and to other areas not on the village water system. If it’s possible to do this, then a new water tower in another location may be necessary.

When the current water tower is taken offline for maintenance, then water is supplied by pumping water from the underground storage tanks.

Q6. Why have water dept salaries increased 69% from 2014 to 2017?

A6. In 2014 the water department was significantly understaffed, with maintenance work not getting done. If fact, the Ohio EPA has commented that they were concerned about the lack of manpower and its potential adverse impact on our production of safe drinking water. In 2015, the village hired a third party company to manage the water department and this experience did not go well. In addition, another employee was added in 2015. At the beginning of 2016, the village hired a water superintendent (from the Norwalk water department) and he’s done a fantastic job over the past 2+ years. The downside is that a qualified water superintendent (with a Class 3 EPA license) commands an annual salary of $70,000 or more. In addition to the superintendent, the water department employs 2 full-time water technicians and a part-time billing clerk. Also, 30% of the village administrator’s salary is allocated to the water department.

Q7. Why are water benefits 38% of salaries?

A7. Village contributions to OPERS (Ohio Public Employee Retirement System) are 14% of salaries (the employee contributes 10% of their salary to OPERS). The remainder of the benefits amount is medical insurance premiums, which I will cover in another section.
Q8. What expenses are part of Office and Distribution Supplies/Services?

A8. This line item includes water treatment chemicals (about $25,000 per year), Hancock Wood ($19,000), propane ($11,000), insurance ($10,000), water quality testing ($15,000), ferry costs ($10,000), telephones ($2,000), and many other expenses that run from a few hundred to a few thousand dollars per year.

B) General Fund

Q9. Why are the Police Department expenses ($245,000) so high, almost 33% of General Fund expenses?

A9. The simplest answer to this question is that the market for part-time seasonal officers is now about $12 per hour versus $10 or less only a couple of years ago. In addition, the Ohio State campground did not have a law enforcement officer present on weekends for the past few years, forcing our police department to respond to many incidents. Beginning in 2018, the State of Ohio agreed to provide weekend police coverage at the campground. Police Chief Craig has committed to an actual reduction of Police expenses for 2018.

Q10. The expense for the Clerk/Treasurers office ($122,000) also seems high. Is this a part-time job? How many people are included in this number?

A10. Three people are employed at the Clerk/Treasurers office – the Clerk/Treasurer, whose annual salary is $50,000, and two part-time administrative assistants. The total annual compensation for these 3 individuals was $76,000 in 2017, with benefits of $21,600, most of which is contributions to OPERS.

Q11. Where does the Village Administrator compensation show up in your report?

A11. The Village Administrator expense, whose annual salary is $25,000, does not appear as a separate department in the General Fund. The VA’s salary and benefits are allocated to 4 separate funds: water, road construction, street maintenance, and transfer station.

Q12. Why does the Solicitor expense increase from $48,000 in 2017 to an estimated $62,000 in 2018?

A12. The solicitor had not received any type of compensation increase for more than 10 years. Council voted to increase his salary by $12,000 for 2018. The remainder of the $14,000 increase is for OPERS contributions.
Q13. Why does the estimated Mayors Office expense increases by $13,000 (65%) from 2019 to 2020?

A13. I believe that the Mayors job for our village easily requires a commitment of 25 hours per week, probably more to do a good job. The Mayors salary is currently $15,000 and the year 2020 estimate assumes a $25,000 salary. Council may not approve this increase, which has to be done 3-4 months prior to the next mayoral election in November 2019.

Q14. Mayors Court expenses exceed income by about $10,000 per year. Is the Village required to have a Mayors Court? Can we send cases to the County? Can we raise fines so that Mayors Court operates at a ‘breakeven’?

A14. The Village is not required to have a Mayors Court. However, if Erie County handled all of our cases, a police officer would have to go to the mainland for every case in order to testify, increasing police expenses. The Mayors Court Magistrate and Prosecutor believe that having a Mayors Court makes the most economic sense. I will pursue the idea of increasing fines for various infractions.

Q15. Can you provide any details about Lands/Buildings (L/B) Capital Outlay for 2016 and 2017, which totaled about $170,000?

A15. Capital improvements to Village facilities had been deferred for many years, so the expense levels of 2016/2017 included some ‘catchup’ expenditures. The 2016/2017 amounts include:

1) Dwelle house, mold remediation and floor repair, $25,000
2) Police building, replace floor and repair roof, $9,400
3) Pavilion by ball field, cleaning and sealing roof, replace fasteners, $6,300
4) Maintenance garage, repair and coat roof, install concrete floor, $16,000
5) EMS office/training room, $10,800
6) EMS clinic/garage, renovations to accommodate new ambulance, $19,200
7) Municipal building, new HVAC system, $6,000
8) Town Hall, new HVAC units, $12,000

Q16. What expenses are included in Lands/Buildings (L/B) Contrac Svcs/Supl/Matl?

A16. This line item covers expenses for all Village properties, including propane, electricity, telephones, water, insurance, and other expenses (e.g. tree removal).

Q17. Regarding the Communications Towers, how long will the revenue stream continue?

A17. At this time (May 2018), the Village has signed a contract with Pierce Broadband, which provides the Village with a 5-year income stream of $60,000 per year. Pierce has agreed to pay the Village $180,000 (3 years of income up front) prior to the start of construction,
which is scheduled to begin in the fall of 2018. After the initial 5-year period, the contract can be renewed for successive 5-year periods with inflation adjustments for the annual income amounts. Pierce has an option not to renew the agreement, but then the tower must be removed from Village property at Pierce’s expense. Given Pierce’s time and initial investment, plus the potential cost of tower removal, the Village anticipates that Pierce Broadband will have a presence on the island for a long time.

Q18. Why did the Village purchase the Goliath house? What is the financial impact of this purchase on the General Fund?

A18. The purchase was made because the land is adjacent to current Village property and is desirable for future Village needs (e.g. possibly to house fire or EMS personnel in the future). For the near term, Council believed that the house could be improved so that our EMS director could live there instead of the Village renting a property for her.

The Goliath home was purchased for $350,000 with the full amount financed with a 20-year loan. The monthly mortgage payment is $2,071. Council now understands that the Village does not have the financial resources to improve the property and is having discussions about selling the house in the near future. Assuming the house sells by the end of 2018, the economic loss to the Village will probably be in the range of $80,000 to $110,000, depending on the sales price.

Q19. The Year 2017 Financial Review refers to a large General Fund deficit in 2020 and a possible tax increase in 2020. Will the potential tax increase come from a voter approved tax levy or from a reduction in the school millage credit?

A19. At this time, the tax increase would most likely be generated by a general real estate tax levy. However, we will have discussions with the school board to determine if any of the school millage credit could be redirected to the General Fund. The bottom line, however, is that property owners would pay higher taxes – either through a direct real estate tax increase, or through a reduced school millage credit.

C) Street Maintenance Fund

Q20. How can Benefits vary from 164% of Salaries in 2014 to 75% of Salaries in 2016 and 2017?

A20. The total Village Workers (2 full time positions) Salaries and Benefits for 2017 was $127,900, with Salaries of $75,600 and Benefits $52,300. Benefits (medical insurance premiums and OPERS contributions) amounted to 69% of Salaries. Depending on how these employees spend their time, the Salaries and Benefits is allocated to the General Fund, Street Maintenance Fund, or Road Construction Fund. The 2014 ratio of Benefits to Salaries at 164% in the Street Maintenance Fund was an allocation issue.
D) Medical Insurance Premiums

Currently, the medical insurance premiums for 6 employees, plus a Medicare supplement policy for the Clerk/Treasurer, are $107,000 per year. The average premium for the 6 employees is $17,300 per year.

During February through April, the Finance Committee focused on a long-term budget plan for the Water Department in order to support the OWDA loan application for $371,500.

The next priority for the Finance Committee is to look at all potential solutions for reducing medical insurance premiums and keeping them under control.

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Greg Ritchie  
Chairman, Finance Committee  
May 22, 2018