

**Functional Analysis of the Governing
Structure of the City of Gardiner
Wastewater Treatment Facility and the
Gardiner Water District**

**Prepared by the Maine Rural Water Association and
Kennebec Valley Council of Governments under a
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I. EXECUTIVE SUMMARY

A. Purpose of this Document

The purpose of this Management Evaluation is to provide a functional analysis of the governing structures of the Gardiner Wastewater Treatment Facility (GWTF), the Gardiner Water District (GWD or the District) and the Gardiner Department of Public Works (GDWP). This analysis is intended to provide the Gardiner City Council and the Trustees of the GWD with the information necessary to make decisions about avenues for enhanced cooperation and possible alternative organizational structures for providing water and wastewater services to local customers.

B. Organization of this Document

Sections II-VII provide factual background. Sections VIII-XI provide analysis, findings and recommendations. Each section begins with an introduction that explains why the content is relevant to the analysis. Each section ends with a conclusion that summarizes conclusions that can be drawn from the material discussed in the section.

This Management Evaluation also includes several attachments and tables that are identified in the above Contents section and located at the end of the document.

C. Content of Each Section

Section II of the Management Evaluation provides a summary of the history of past efforts to address the issues covered by this document. Section III provides a brief comparison of the roles of water district trustees and city council members. Section IV includes a comparison of the organizational structures that provide water and wastewater service in Maine. Section V of the Management Evaluation describes the powers and responsibilities of the GWD. Section VI provides a parallel discussion of the powers and responsibilities of the GWTF. Section VII discusses past recommendations and findings relating to the organization, function and relationship of the GWD and the GWTF. This section also summarizes the status of steps taken to implement past findings and recommendations.

In section VIII, we examine whether the GWTF and the GWD are performing their key functions adequately. In section IX of the Management Evaluation, we compare the costs of the GWD and the GWTF with the costs of similar-size and otherwise comparable entities. In section X, we provide an analysis of alternative organizational structures that could be used to provide water and wastewater services in Gardiner. Finally, section XI includes a summary of the MRWA's findings and recommendations contained in this Management Evaluation. Our major findings and recommendations are summarized in the following subsection.

D. Summary of Major Findings and Recommendations

As noted above, sections II through VII of this Management Evaluation provide factual background relating to the issues addressed in this document. We make several ancillary findings and recommendations in sections II through VII which are summarized at the conclusion of each of those sections. The major finding and recommendations of this Management Evaluation are found in sections VIII through X. These major findings and recommendations can be summarized as follows.

In section VIII, we identify the major functions of the GWD and GWTF and find that each entity is satisfactorily performing its primary functions. In section IX we compare the costs of the GWD and the GWTF with similar-size and otherwise comparable systems and find the following:

- * The GWD has relatively low rates and is mid-range in terms of operating cost, fixed cost and staffing.
- * There may be opportunities for the GWD to reduce its insurance costs.
- * The GWD is generally in line with industry cost standards.
- * The GWTF has average rates and is low to mid-range in several cost categories.
- * The GWTF has a smaller work force than any of the systems in the comparable group.
- * There may be opportunities for the GWTF to reduce its vehicle and equipment expense.
- * The GWTF is generally in line with industry cost standards.

In section X of this Management Evaluation, we identify the following five organizational options for the GWD and the GWTF:

- | | |
|----------|---|
| Option 1 | Maintain separate GWD and GWTF |
| Option 2 | Create multi-purpose district |
| Option 3 | GWD absorbs GWTF |
| Option 4 | City absorbs GWD |
| Option 5 | Establish contractual relationship between the City and GWD |

In section X we identify the following four evaluative goals that we use to identify and weigh the strengths and weakness of each of the five organizational options. The four evaluative goals are:

- | | |
|--------|------------------------|
| Goal 1 | Cost of Financing |
| Goal 2 | Delivery of Service |
| Goal 3 | Ease of Administration |
| Goal 4 | Increased Efficiency |

Based on our analysis in section X, we conclude that the net benefits from consolidating the GWD, GWTF and/or GDPW are not sufficient to justify such consolidation. We therefore recommend that Options 2, 3 and 4 be rejected at this time. We further

recommend the adoption of a combination of Options 1 and 5. Accordingly, we recommend that the GWD and the GWTF remain intact and autonomous. We further recommend that the GWD and the GWTF continue working together through joint discussions and contractual arrangements as described in the document.

In section XI of this document, we list the numerous additional and subordinate findings and recommendations regarding the organizational structures of the GWD and the GWTF that are supported by this Management Evaluation.

II. BACKGROUND

A. Introduction

For more than three years, the City of Gardiner and the GWD have been (1) exploring opportunities for cooperative action and (2) considering the pros and cons of reorganizing the City's water and wastewater services and operations. The purpose of this section of the Management Evaluation is to briefly summarize the history of past efforts to address the issues relating to cooperative action and/or reorganization.

B. Definition of Terms

Over the past three years, a variety of labels have been used to describe (1) the overall review of the current organizational structures of the GWD, the GWTF and the GDPW and (2) suggested changes to the current relationship among those three entities. These labels include "restructuring," "reorganization," "consolidation" and "merger." Each of these words may mean different things to different people. It is therefore important that we clearly define some key terms at the outset of this Management Evaluation so that we all have the same understanding of how these terms are used in this document.

In this Management Evaluation, the following terms have the following meanings:

"Consolidation" is a narrow term relating specifically to the GWD and the GWTF that is limited to the actual merging of those two entities. This could be in the form of a multi-purpose district or a multi-purpose municipal department.

"Reorganization" is a broader term and refers to one or more of the five options discussed section X in this Management Evaluation for altering the current organizational, functional and administrative relationships among the GWD, the GWTF and the GDPS. "Consolidation" is one type of "reorganization."

"Restructuring" is the broadest of the three terms and refers to the changes in organizational structures by *other* water and wastewater systems in the State of Maine.

C. History of Reorganization Discussions

In March of 2001, the Gardiner City Council appointed a Gardiner Water Supply Committee to review the possible reorganization of the GWD and the GWTF. This Water Supply Committee developed a list of recommendations that called for, among other things, greater cooperation and joint planning between the City and the GWD, the investigation of potential costs savings, and additional research into the legal ramifications of creating a single utility district.¹ A copy of the Water Supply Committee's final report is appended to this Management Evaluation as *Attachment 1*.

In response to the recommendations of the Water Supply Committee, key staff people from the City and the GWD began meeting in early 2002 to discuss joint planning issues.²

In April 2002, Steven Levy, Executive Director of the Maine Rural Water Association (MRWA) met with the City Council, the GWD Trustees, and certain GWD and City staff members to discuss the advantages and disadvantages of reorganizing Gardiner's water and wastewater services and operations. During his presentation, Mr. Levy presented the group with an outline of the following five potential organizational options for operating and managing Gardiner's water and wastewater functions.

- * Maintain existing organization
- * Create a Joint Utility District
- * Water District takes on wastewater role
- * City takes on water role
- * Establish contractual relationship between City and GWD

Mr. Levy also presented five criteria by which the alternative organizational structures can be evaluated:

- * Administrative
- * Operations
- * Financing
- * Organizational issues
- * Political issues

After lengthy discussion of the various options and evaluative criteria, the group enthusiastically supported the concepts of joint planning and joint solicitation of grant

¹ The Gardiner Water Study Committee's recommendations, and the status of the implementation of those recommendations, are discussed in more detail in section VII of this Management Evaluation.

² In a letter from Lynn Gerard, Chair of the GWD Board of Trustees to Brian Rines, Mayor of Gardiner, dated February 18, 2002, Ms. Gerard noted that the GWD welcomed the opportunity for Paul Gray to meet with Chuck Applebee and Pat Gilbert to discuss planning issues and that such meetings should take place on a regular basis.

funds.³ Following the April 2002 meeting, a six-member Joint Management Team of City and GWD staff members was created.⁴

In March 2003, the Joint Management Team attended a facilitated retreat to discuss various issues relating to the GWD, the GWTF and other City Departments. In April 2003, the City Council and the GWD Board of Trustees held a facilitated workshop with the Joint Management Team to continue the discussion of these issues. The facilitator's notes from the March 2003 retreat and the April 2003 workshop are appended to this Management Evaluation as *Attachments 2 and 3* respectively.⁵

In the fall of 2003, the City approached the Kennebec Valley Council of Governments (KVCOG) for assistance in preparing a legal and functional analysis of the governing structure of the GWTF and the GWD. KVCOG subsequently brought in the MRWA to perform the analysis, under a USDA grant administered by KVCOG.

The Joint Management Team met with MRWA and KVCOG representatives on March 22, 2004⁶ and May 18, 2004⁷ to discuss preliminary drafts of the Management Evaluation. An amended draft was distributed⁸ on July 30, 2004 for final comment. The final draft of the Management Evaluation, dated September 3, 2004, incorporates the final comments of the group, summarizes the MRWA's analysis of the administration and operation of the GWD and the GWTF and includes the MRWA's final recommendations regarding alternative organizational structures and cooperative arrangements.

D. Conclusions

1. Over the past three years, the City of Gardiner and the GWD have earnestly discussed the potential benefits from reorganizing the City's water and wastewater activities as well as finding other opportunities for cooperative action, cost savings and efficiencies.

2. During that time, a Joint Management Team has been formed to (1) work and plan cooperatively, (2) implement interim cost-saving steps and (3) continue discussions regarding possible reorganization.

³ A discussion of the joint planning activities and accomplishments can be found in section VII of this Management Evaluation.

⁴ The current Joint Management Team includes Paul Gray and Jim Connor of the GWD, Chuck Applebee of the GWTF, Jeff Kobrock, City Manager and Trustee of the GWD, Pat Gilbert, Director of City Services (formerly Public Works Director) and Chris Paszyk, Director of Economic Development.

⁵ The findings and action steps from the retreat and workshop, and the status of the implementation of those findings and action steps, are discussed in section VII of this Management Evaluation.

⁶ Attendees at the March 22, 2004 meeting included each member of the Joint Management Team; Ken Young, KVCOG; Steve Levy, Kirsten Hebert and Cathy Robinson of the MRWA and Chris Simpson, facilitator.

⁷ Attendees at the May 18, 2004 included each of the people who attended the March 22nd meeting, plus Lynn Gerard and Roger Gregoire, Trustees of the GWD and Dan Alexander, GWD Advisory Committee.

⁸ The July 30th draft was sent to each of the people who attended the May 18th meeting.

3. The discussions about reorganization and the desire to find cost savings and greater efficiencies have led to the drafting of this Management Evaluation.

4. The purpose of the Management Evaluation is to provide a comprehensive analysis of the many issues relating to the various optional organizational structures under consideration so that the Gardiner City Council and the GWD Board of Trustees can make an informed decision about whether the City's water and wastewater services and operations should be reorganized and about how the water and wastewater services can be provided more efficiently.

III. COMPARISON OF ROLES OF GOVERNING AUTHORITIES

A. Introduction

Before we consider the various options for administering and operating the GWD and the GWTF, it is important to first consider the duties and responsibilities of the current governing authorities of each entity and the obligations these governing authorities have to the public they serve. It is also important to determine, from an organizational perspective, whether one type of governing structure is better equipped to operate a water and/or wastewater system.

The purposes of this section are to (1) briefly compare the roles of a trustee of a consumer-owned water/wastewater system and a member of a city council and (2) assess generally whether one organizational structure is better suited to run a water and/or wastewater system than the other organizational structure.

B. Broad Responsibilities of District Trustees and City Council Members

The duties and responsibilities of trustees of a consumer-owned water or wastewater system and members of a city council fall generally under the following six major headings:

1. Attending meetings. This activity, which includes preparing for and actively participating in board/city council meetings, is one of the most time-consuming activities of a trustee/council member.
2. Planning and policymaking. "Planning" includes long-term as well as short-term planning. It also includes strategic planning and emergency planning.
3. Hiring. This includes the selection, compensation and, if necessary, firing of key employees such as the superintendent by the board of trustees and the city manager by the city council. Part of this task includes the periodic evaluation of the performance of those employees.

4. Financial oversight. This includes approving an annual budget and monitoring its implementation. It also includes contracting for and reviewing audits.
5. Program oversight and staff support. This task includes evaluation and oversight of all major programs. It also includes supporting staff and communicating effectively with the public.
6. Monitoring board/city council effectiveness. This activity includes periodic review to make sure the board/city council is performing activities 1 through 5 listed above. It also includes taking the steps necessary to make sure the board/city complies with its legal obligations.

One fundamental point to always keep in mind is that the board/city council acts only as a whole and individual trustees/council members lack the authority to act unilaterally. No individual trustee/council member can take action that could be construed as an act of the full board/city council.

C. Specialized Governance vs. Generalized Governance

While the duties and responsibilities of trustees of a consumer-owned water or wastewater system and members of a city council are similar in many respects, the scope of those duties and responsibilities differs significantly. The focus of the board of trustees is on the governance of a public utility. The city council has a much broader focus. Thus, the purview of a board of trustees is relatively specialized, while the responsibilities of a city council are more diverse in nature.

Governing a water system or a wastewater system requires specific knowledge and expertise. However, as discussed in more detail in section IV below, either a specialized governing body (such as a board of trustees) or a more generalized governing body (such as a city council) is capable of overseeing a wastewater or water system in an effective and efficient manner. The history of Maine's water and wastewater systems indicates that it is often not the type of organizational structure, but rather the capabilities of the individuals who sit on the governing body in question, that determines that body's governing ability. However, there are a number of additional factors that will determine which organizational structure will work best in a particular situation. These additional factors are enumerated in section IV(A) below.

D. Stewardship Responsibility

While the scope of duties and responsibilities of a city council and a board of trustees may differ considerably, the responsibilities of a trustee and a council member have an additional and important common element – they are both public servants and, as such, have a stewardship responsibility. A “steward” is someone who takes responsibility for the care of someone else's possessions entrusted to him or her. Water district trustees and city council members are stewards of their community, which has entrusted them with providing critical services and protecting the community's investment. As stewards

of their local communities, water district trustees and city council members are representatives of the public and have the duty to protect the public interest.

E. Conclusions

1. While the duties and responsibilities of the GWD trustees and the Gardiner City Council members differ considerably, their duties and responsibilities with respect to water and wastewater oversight are generally similar.

2. In addition, GWD trustees and Gardiner City Council members are public servants and as such have similar stewardship responsibilities to their respective constituencies.

3. As a general matter, the scope of the authority/responsibility of a board for a consumer-owned water utility is narrower and more focused than the scope of authority/responsibility of a city council.

4. From an organizational perspective, either a board of trustees or a city council is capable of overseeing a water and/or wastewater system.

5. When comparing the relative governing capabilities of a district structure versus a city council structure, it is often the aggregate capabilities of the individuals who are members of the particular organization in question, rather than the organizational structure itself, that will determine the organization's ability to govern.

6. There are also a number of additional factors that will determine which organizational structure will work best in a particular situation.

IV. SUMMARY OF ORGANIZATIONAL STRUCTURES CURRENTLY USED TO PROVIDE WATER AND/OR WASTEWATER SERVICE IN MAINE

A. Introduction

There are several organizational structures and contractual relationships through which Maine communities provide water and wastewater services to their residences and businesses. These include investor-owned utilities, quasi-municipal single purpose districts, quasi-municipal multi-purpose districts⁹, municipal utilities and departments, and a variety of contractual relationships.

Many factors have influenced which organizational structure a community selects to provide these basic services. These factors include, but are not limited to:

⁹ As discussed in section B(2)(c) below, a multi-purpose district is a single quasi-municipal corporation that administers and operates both water and wastewater operations.

- * Number of communities within service area;
- * Size of service area;
- * Local politics and custom;
- * Technical complexity of system;
- * Location of source of supply;
- * Location of water or wastewater treatment facility;
- * Desire of existing board to expand service;
- * Borrowing authority;
- * Economics; and
- * Grant availability.

It should be pointed out that these organizational structures are also political units of government. The role of state politics and political relationships within and among towns and districts has often been the deciding factor in how and why an organizational structure is selected.

The organizational and political structure of Maine’s water and wastewater systems has evolved over time. Maine’s communities have shown flexibility and creativity in the delivery of water and wastewater services. Local units of government typically have an excellent understanding of resources and needs, and will modify their organization to best provide the necessary services. The following summary demonstrates how the governing bodies of these organizations have adapted to a changing environment.

The purposes of this section are to (1) provide background on the various types of organizational structures used to provide water and wastewater services in Maine; (2) summarize how and why those organizational structures have evolved over time and (3) list the number of each type of organizational structure that currently exists in Maine.

B. Organizational Structures that Provide Water Service In Maine

1. Background

Up until the early 1900’s, private, investor-owned water utilities provided most water service in Maine. These companies, however, were unwilling or unable to invest in the new plant necessary to provide modern fire protection. Communities such as Gardiner, Brunswick and Waterville wanted to purchase and improve their local utilities, but due to constitutionally imposed municipal debt limits, the municipalities were unable to incur additional debt.

In response, the Maine Legislature created a new political unit of government, “the water district,” which could sell bonds without constitutional debt limits. Additionally, a water district has the authority to provide services in multi-town jurisdictions. Many districts also have water rights well beyond their service territory.

Interestingly, the move to create water districts was a major step toward the “regionalization” of water systems.

2. Types of Organizational Structures

a. Water Districts

A water district is a public corporation created under the Private and Special Laws of the State of Maine to perform the functions of a water utility. The Maine Legislature grants the district a charter, which must be ratified in a referendum by the legal voters within the district. A water district is owned by its customers and exists only to serve those customers.

A water district’s charter grants broad authorities and responsibilities to the district. Each water district has a service territory, a source of supply, the right of eminent domain and the authority to issue bonds and establish rates. A board of trustees manages the affairs of the district. The board is either appointed by the municipal officers or elected by the voters within the district.

As discussed in section V of this Management Evaluation, water districts are regulated by the Maine Public Utilities Commission (PUC) for economic and service quality matters, by the Maine Department of Human Services (DHS) for drinking water standards, and by a host of other state and federal agencies.

There are currently 102 water districts operating in Maine.

b. Water Departments

A municipal water department is a division of municipal government that performs the functions of a water utility. As discussed in section VI of this Management Evaluation, a department’s authority and responsibility for operation is found in state law and local ordinance. As with a water district, the PUC regulates finances, customer relations and quality of service of a water department and the DHS oversees drinking water standards for a department. As a unit of municipal government, departments must also meet the provisions of local ordinances as well as state municipal law. Municipal departments, like water districts, are considered consumer-owned public utilities.

The elected municipal officers and the town manager are responsible for the affairs of this division of municipal government. In some cases, such as Lisbon and the former Boothbay Harbor Water Department, municipal officials choose water commissioners to have a direct supervisory role over the system.

There are currently 31 water departments operating in Maine.

c. Multi-Purpose Districts

A multi-purpose district is a single quasi-municipal corporation that administers and operates both water and wastewater operations. A multi-purpose district typically has a charter and powers similar to those of a water district. The major difference between a multi-purpose district and a water district is the multi-purpose district's authority to collect, treat, and discharge wastewater. A multi-purpose district charter usually includes powers typically found in sewer district's enabling legislation.

There are a number of instances in which a water district's charter has been amended to include wastewater treatment authority. Similarly, there have been instances in which a sewer district's charter has been amended to include authority to provide water service. Each utility division must still comply with all relevant laws and regulations. Multi-purpose districts operate with one board of trustees, whose members are either appointed or elected.

There are currently approximately 22 multi-purpose districts operating in Maine.

d. Contractual Arrangements

Water utilities occasionally use contractual arrangements in order to gain efficiencies and/or improve service. While the utility's organizational structure and political function remain intact, contracts add, delete or modify certain functions. The following list highlights some of the functional areas where contracts are in force.

- * *Licensed Operators.* With new operator licensing requirements, some water utilities share or contract with one another for coverage. Coverage includes full-time operation or weekend duty. Some water utilities have hired private individuals or firms as water operators.
- * *Billing.* Some water utilities have added sewer-billing functions. Others have contracted with municipalities, sewer/sanitary districts, other water systems or private firms to perform their water billing.
- * *Meter Readings.* Water utilities are responsible for water meter readings. They either sell or give these readings to the wastewater facility in their respective town for the wastewater billing.
- * *Overall Operation.* There are a handful of water utilities that have contracted with either neighboring utilities or private firms for their complete operation. Also, some

water utilities have been engaged to operate a local wastewater facility.

3. Evolution of Organizational Structures in Maine Since 1983

The organizational structure of the water industry has changed considerably since 1983. A statistical breakdown of the water industry by organizational structure as of 1983 is presented in the *Table 1* below.

TABLE 1*

Organizational Structure of Maine’s PUC-Regulated Water Utilities as of 1983

	Quasi-Municipal Water Districts	Municipal Water Departments	Private
Number	80	25	37
Percent of Total	56%	18%	26%

*1. Based on MRWA review of data prepared by the PUC in 1983.

Out of a total of 142 regulated water utilities, 56% were districts, 18% were municipal and 26% were private.¹⁰

The water industry structure as of 2003 is summarized in *Table 2* below.

TABLE 2*

Organizational Structure of Maine’s PUC-Regulated Water Utilities as of 2003

	Quasi-Municipal Water Districts	Municipal Water Departments	Private	Village Corporation
Number	102	31	18	3
Percent of Total	66%	20%	12%	2%

¹⁰ We do not have data on the number or percentage of water districts that functioned as multi-purpose districts in 1983.

Breakdown of 102 Quasi-Municipal Districts

	Quasi-Municipal Water Districts	Quasi-Municipal Water & Wastewater Districts
Number	80	22
Percent of Total	78%	22%

*1. Based on MRWA review of data prepared by the PUC dated 3/12/03.

Table 2 shows the significant growth in the number of water districts during the last 20 years. This growth has taken place on a total number basis (increasing from 80 to 102) and a percentage of total systems basis (increasing from 56% to 66%). The two major drivers for change were the Safe Drinking Water Act (SDWA) and the role of Maine Department of Environmental Protection (DEP) creating new water utilities as a result of groundwater contamination.

Table 2 provides a further breakdown of water district organization, by dividing all water districts into single purpose and multi-purpose districts. Seventy-eight percent of the 102 total water districts currently in operation are single purpose districts. The remaining 22% are multi-purpose districts. The multi-purpose districts provide regulated water service as well as wastewater functions under one administration. Some of these multi-purpose districts are called “utility districts,” while others are known as “water districts.”

As a result of the reauthorization of the SDWA in 1986, many private utilities with surface water were forced to switch from surface water to groundwater sources of supply in order stay in compliance with drinking water rules. Due to the availability of Rural Development grant funds for consumer-owned water utilities, twelve private utilities have converted into water districts since 1983, while one community chose the municipal alternative form of governance. A list of systems that restructured as a result of the SDWA is *Table 3* below.

TABLE 3

Systems that have Restructured to Comply with SDWA

System Name	Resulting Entity	Year of Transition	Governance Structure	Customers	1990 Population
Allen Water Company	P to D	1989	Select Board	27	552
Farmington Falls	P to D	1999	Select Board	101	7,436
Hebron	P to Private non-profit	1997	Select Board	24	878
Long Pond	P to D	1989	Select Board	169	295
Morrill	P to D	1991	Select Board	52	644
Phillips	P to D (Mt. Blue)	1997	Select Board	300	1,148
Quantabacook	P to D	1989	Select Board	143	893
Northeast Harbor	Merge w/Seal Harbor to D	1993	Select Board	327	1,899
Seal Harbor	Merge w/Northeast	1993	Select Board	550	1,899

	Harbor to D				
Waldoboro	P to M	1993	Select Board	400	4,601
Winter Harbor	P to D	1989	Select Board	276	1,157

D = District
M = Municipal

P = Private

Since 1983, the DEP has taken an active role building micro-water utilities to provide drinking water to people with contaminated groundwater. As is shown in *Table 4* below, of the twelve new systems that have been constructed by the DEP since 1983, seven communities chose the district option; three chose a municipal structure, and two created non-profit water associations¹¹ to provide drinking water.

TABLE 4

PUC-Regulated Systems Created by DEP as a Result of Groundwater Contamination Since 1983

Corinna	(D)	12 Systems
Deer Isle	(D)	7 Districts (D)
Dresden	(M)	3 Municipal (M)
East Pittston	(D)	2 Non-Profit Association (NP)
Exeter	(M)	
Friendship	(M)	
Oquossic	(D)	
Plymouth	(D)	
Readfield	(NP)	
South Penobscot	(NP)	
Tenants Harbor	(D)	
Waterboro	(D)	

Table 5 below is a list of water utilities that have restructured their organizations in the past five years.

TABLE 5

¹¹ A non-profit association is a limited organizational structure that is not applicable in the Gardiner context. We therefore do not discuss non-profit associations in detail in this Management Evaluation.

Other Systems That Have Recently Restructured

Bar Harbor	P to M
Boothbay (M)	Merged with East Boothbay to D
East Boothbay (D)	Merged with Boothbay to D
Waldoboro	P to M
New Harbor	P to non profit association
Brewer	D to M
Castine	D to M
Great Salt Bay	Took over private water company to UD
Jackman Sewer	Merge w/Jackman Water to Utility District
Jackman Water	Merge w/Jackman Sewer to Utility District
Fort Kent	M to UD to M
Sabattus Sanitary	Merged with Sabattus Water to UD
Sabattus Water	Merged with Sabattus Sanitary to UD

D = District

P = Private

M = Municipal

UD = Utility District

The reasons for restructuring of the systems on *Table 5* were as varied as the communities that pursued them. The following summary briefly outlines the goal or goals that motivated each of the organizational restructurings listed on *Table 5*.

- * *Bar Harbor.* The municipality took the private utility by eminent domain.

Goals: Local control and reduced rates.

- * *Boothbay.* The municipal Boothbay Harbor Water Department merged with East Boothbay Water District.

Goals: Grant availability and greater efficiency.

- * *Waldoboro.* The Town of Waldoboro took over the private water utility that was having water quality problems.

Goals: Better water quality, grant availability and local control.

- * *New Harbor.* A non-profit water association purchased a private water utility.

Goals: Better water quality and local control.

- * *Brewer.* The City of Brewer took over the Brewer Water District through local referendum.

Goals: Better management, better coordination and cost controls.

- * *Castine.* The town took over the water district.

Goal: Ease of management.

- * *Damariscotta.* The Great Salt Bay Sanitary District took the private water utility by eminent domain.

Goals: Local control, lower rates and grant availability.

- * *Jackman.* The Jackman Sewer District merged with the Jackman Water District. Prior to the reorganization, each system had the same board and the same staff.

Goal: Ease of management.

- * *Fort Kent.* The municipal water and wastewater department converted into a utility district. The utility district then converted back to a municipal department.

Goal: Better management.

- * *Sabattus.* The sanitary district took over the water district. Prior to the reorganization, each system had the same board and the same staff.

Goal: Better management.

Finally, *Table 6* below provides a list of communities that have considered restructuring in the past, but decided, for various reasons, that the existing organizational structure served their needs adequately.

TABLE 6

**Systems that have Considered Restructuring But
Chose to Stay with the Existing Organizational Structure**

Bethel
Augusta
Dover-Foxcroft
Mexico
Newport
Northport
South Berwick

C. Organizational Structures that Provide Wastewater Service in Maine

1. Background

Prior to authorization of the Clean Water Act of 1972, Maine’s wastewater industry only performed primary treatment or waste was simply collected and directly discharged into our rivers and streams. Unlike the water industry, there were few if any private investor-owned wastewater collection or treatment systems prior to 1972. Collection and primary treatment was relegated to Maine’s mid-sized and large municipalities. Systems were either quasi-municipal sewer districts or municipal. Their prime functions were the collection, pumping and discharging of waste. The Clean Water Act forced Maine’s communities to meet definite water quality standards. It also provided a capitalization program to finance construction of secondary waste treatment facilities.

2. Types of Organizational Structures

a. Sewer Districts

A sewer district is a public corporation created under the Private and Special Laws of the State of Maine. The Maine Legislature grants the district a charter, which must be ratified in a referendum by the legal voters in the district. The charter authorizes the district to collect, pump, treat and discharge waste within a specific territory. The district has the right of eminent domain, borrowing authority, ability to charge rates and levy assessments. A board of trustees manages the affairs of the district. The board is either appointed by the local municipal officials or elected by the voters within the district. Sewer districts have discharge licenses that are regulated by the DEP and the Environmental Protection Agency (EPA). Sewer districts are not considered “public utilities” and are therefore not regulated by the PUC.

There are currently 20 sewer districts operating in Maine.

b. Sanitary Districts

The primary difference between a sanitary district and a sewer district is that a sewer district has a legislatively granted charter and a sanitary district does not. In 1965, the Maine Legislature allowed formation of a new type of quasi-municipal corporation, the sanitary district, which does not require legislative approval. Sanitary districts are quasi-municipal public corporations formed under Title 38, Chapter 11, of the Maine statutes. Municipal officers of one or more municipalities must first file an application with the Board of Environmental Protection. Upon approval, creation of the district is then submitted to the voters within the district at a referendum.

The purpose of a sanitary district is to construct, maintain and operate a sewage system. A sanitary district has the right of eminent domain, authority to issue bonds and to charge rates. An elected board of trustees manages the affairs of a sanitary district. The DEP and the EPA regulate water quality issues. Like a sewer district, a sanitary district is not considered a “public utility” and is therefore not regulated by the PUC.

There are currently 19 sanitary districts operating in Maine.

c. Municipal Wastewater Departments

A municipal wastewater department is a division of municipal government that collects, pumps, usually treats and often discharges wastewater. A municipal wastewater department must meet the provisions of local ordinances. The DEP and the EPA regulate a municipal wastewater departments discharge licenses and permits. A municipal wastewater department’s authority and responsibilities are found in state law. As with sewer and sanitary districts, a municipal wastewater department is not regulated by the PUC. Elected municipal officers and town managers are responsible for operating a municipal wastewater department.

There are currently 74 municipal wastewater departments operating in Maine.

d. Multi-Purpose Districts

As discussed above, a multi-purpose district is a single quasi-municipal corporation that administers and operates the local wastewater and water facilities. Sewer, sanitary districts and municipalities may each perform the function of a multi-purpose district. The powers of a multi-purpose district are specified in either its charter or through state law. A multi-purpose district operates through one board of trustees, whose members are either appointed by the municipal officers or elected.

There are currently 24 multi-purpose districts operating in Maine.

e. Contractual Arrangements

Like water systems, wastewater systems frequently use contractual arrangements to gain efficiencies and/or improve service. Contracts add, delete or modify certain functions, but the wastewater system's organizational structure and political function remains intact. The following list illustrates areas where contracts are in force.

- * *Meter Readings.* Most wastewater facilities operating in communities with water utilities purchase water meter readings from the local water utility.
- * *Billing.* Some wastewater facilities have added or eliminated billing functions through contracts with water utilities.
- * *Overall Operations.* Many wastewater facilities use the services of private contract operators.
- * *Licensed Operators.* A number of wastewater facilities contract with one another, or with private firms for either full-time operators, weekend duty or to meet licensing obligations.
- * *Wastewater Sludge Disposal and Testing.* A number of wastewater facilities contract with one another, or with private firms for wastewater sludge disposal and testing.

3. Evolution of Organizational Structures

There is not much historical information on wastewater organizational structures and how they have evolved over time. Most of the growth of the industry took place after the Clean Water Act of 1972 and is attributable to new environmental regulation. *Table 7* below provides a current organizational breakdown of 139 Publicly-Owned Treatment Works (POTW). A POTW is a facility owned by a State or municipality (including quasi-municipalities) and includes the piping storage, treatment, and discharge of sewage and industrial waste.

TABLE 7

Current Organizational Breakdown of POTWs

Type of System	Number	Percent
Sanitary Districts	19	14%
Sewer Districts	20	14%
Multi-Purpose District	24	17%
Municipal	74	53%
Others	2	1%

Municipal wastewater treatment facilities represent 53% of the total POTWs. This is not surprising because the maintenance of road, culverts and collection systems is a traditional municipal function. Quasi-municipal districts, which include sewer, sanitary and multi-purpose districts represent 45% of the total. Prior to the 1965 Maine Sanitary District Enabling Act, all quasi-municipal districts were in fact private and special sewer districts.

There has been little growth or change in the organizational structure of Maine’s wastewater treatment facilities in the past decade. However, two sanitary districts have had legislation passed to give them authority to provide drinking water.

D. Conclusions

1. Both water and wastewater services in Maine are provided by one of the following: single-purpose quasi-municipal district; multi-purpose district; municipal department or contractual arrangement. Private industry owns several water utilities in Maine and also contract operations for water and wastewater systems.

2. The water industry in Maine has evolved from almost total private control in the early twentieth century to an industry predominately organized as consumer-owned utilities. The largest growth has been within the water district sector. The driving forces for change have been economic, in the form of SDWA-driven expenses, and a host of groundwater contamination incidents.

3. Generally, the transition from private water utility to publicly-owned water utility has been fairly smooth. The Maine Legislature, as well as local voters, have supported legislation creating districts.

4. The wastewater industry differs from the water industry in many respects. First, it is exempt from PUC economic regulation. This has given the industry more latitude in how it conducts its finances. Second, it is a relatively new industry, having blossomed during the last quarter of the century. Third, in general, it is more technical than the water industry, which is probably why wastewater facilities have made greater use of contract operators. Fourth, because the industry is still relatively new, it has not experienced the evolution that the water industry has witnessed.

V. POWERS AND RESPONSIBILITIES OF THE GARDINER WATER DISTRICT

A. Introduction

The responsibilities and powers of the GWD are set forth in a variety of places including the District's charter, Maine statutes, state and federal agency rules and regulations, the GWD's Terms and Conditions and Gardiner City ordinances. In addition, the primary characteristics of the GWD are established in the District's charter.

The purposes of this section are to (1) provide a brief history of the GWD; (2) identify some of the key features of the GWD and (3) list the major powers and responsibilities of the District.

B. History of the GWD

The Gardiner Water Company, a privately-owned corporation, was chartered in 1885 to serve the areas of Gardiner, Farmingdale, Randolph and Pittston with potable water for domestic and municipal purposes. The primary reason for the creation of the Gardiner Water Company was to provide the City of Gardiner with adequate fire protection. On March 12, 1885, the Gardiner Water Company and the City of Gardiner entered into a contract that established the number of hydrants and size of the mains that would be installed. The contract also established a hydrant rental fee that the City of Gardiner would pay to the Gardiner Water Company. In 1891, the Gardiner Water Company was acquired by the Maine Water Company.

The Gardiner Water District was one of the first water districts formed in Maine. In 1903, the citizens of Gardiner voted to create the Gardiner Water District to acquire the water system that had deteriorated over its 18 years of operation. The value of the system was determined by a court-appointed panel of appraisers and in January 1904, the Gardiner Water District acquired the Gardiner Division of the Maine Water Company for approximately \$245,000. The City of Gardiner issued bonds to cover the cost of the initial acquisition of the system by the GWD. The GWD subsequently issued bonds to reimburse the City.

The GWD's initial, charter, P&SL 1903, c. 82, was enacted in 1903. The initial charter has been amended seven times: P&SL 1903, c. 194; P&SL 1905, c.89; P&SL 1917, c. 53; P&SL 1951, c. 153; P&SL 1955, c. 194; P&SL 1979, c. 40 and P&SL 1981, c. 58.

C. Key Features of the GWD

The key features of the GWD are set forth in the District's charter. These key features include the following:

1. District Boundary

Section 1 of the GWD's charter describes the territorial limits of the District¹². The District that was established in 1903 included wards one, two, three, four, five and part of six of the City of Gardiner. The District was also authorized to supply water to the Towns of Randolph, Pittston and Farmingdale, however, these three towns were not included in the chartered boundary of the District. In 1917, the Legislature authorized the GWD to supply water to the City of Hallowell. In 1951, the District's boundary was extended to include all of the City of Gardiner.

In 1979, the Maine Legislature enacted a law that would have expanded the District to include the Towns of Farmingdale and Randolph and to increase the size of the GWD Board of Trustees from 3 to 6 members. The preamble to the bill that preceded the new law indicated that the GWD serves a large population outside of the District's boundary and that sales to such customers provide approximately one third of the District's total revenues. The preamble further noted that "the population outside the district has proposed to become part of the district, and extension of the territorial limits of the district is necessary to provide representation for a significant population on the Board of Trustees....[T]he additions to the Board of Trustees will provide valuable input and direction to the district." The new law would have provided that the expanded board of trustees would consist of four members from Gardiner, one member from Farmingdale and one member from Randolph.

For the new law to take effect, the people in each of the three municipalities had to approve the proposed expansion. In separate referenda, the people of Gardiner and Farmingdale approved the proposed expansion of the District, but the people of Randolph voted the measure down. Because it was not approved by all three municipalities, the proposed expansion of the territorial limits of the District and the corresponding enlargement of the District's board of trustees never took place.

2. Service Territory of the GWD

Section 1 of the District's current charter authorizes the GWD to provide service to the inhabitants of the City of Gardiner and the Towns of Farmingdale, Randolph and Pittston. As discussed in section C(1) above, the territory of the District is currently limited to the City of Gardiner. Thus, the District's service territory is considerably larger than the actual boundary of the District.

District customers in Farmington, Randolph and Pittston

¹² The distinction between the territorial limits of the District, and the District's *service territory* is important. See section C(2) below for a discussion of this distinction. The territory of the District is currently limited to the City of Gardiner. However, the District is authorized to provide service to several towns outside the District. Thus, the District's service territory is considerably larger than the actual boundary of the District.

generally have the same rights and responsibilities as GWD customers who live within the District. However, there are two important distinctions between GWD customers who live within the District (inhabitants of the City of Gardiner) and GWD customers who live outside the District, but within the GWD service territory (inhabitants of the Towns of Pittston, Randolph and Farmingdale). First, GWD customers who live within the District have indirect control over the membership of GWD Board of Trustees through their locally elected City Council. GWD customers who live outside the District have no input into the membership of the GWD Board of Trustees. Second, GWD customers who live within the District are ultimately financially liable if the District becomes insolvent. GWD customers who live outside the District have no such liability.

3. Source of Supply

Section 2 of the District's initial charter authorized the GWD to take water from the Cobbosseecontee River and to take land necessary to deliver water from its source of supply. In 1955, section 2 was amended to prohibit the GWD from condemning the property of other public service corporations/districts without prior legislative approval.

4. Composition of Board and Board Responsibilities

Section 5 of the GWD's initial charter provided for three trustees who were appointed by the Gardiner municipal officers and served 3-year terms. In 1955, a law was enacted requiring the GWD board to file an annual report with the Gardiner municipal officers. As noted above, in 1979, a law was passed that would have expanded the District's territorial limits to include the Towns of Farmingdale and Randolph and to increase the size of the GWD Board of Trustees from 3 to 6 members. As also noted above, the referendum to implement these proposed changes failed. In 1981, a law was enacted that repealed the existing section 5 and replaced it with entirely new language. The 1981 text of section 5 provides for three appointed trustees, serving 3-year terms. The new language specifies trustee compensation, requires the District to file an annual report with the PUC and the City of Gardiner and establishes the fiscal year for the District.

D. Powers Established in the GWD's Charter

The primary powers of the GWD are set forth in the District's charter.¹³

1. Eminent Domain

Section 6 of the District's charter explicitly authorizes the District to condemn property within the District and in the Towns of Pittston, Farmingdale and Randolph. This section of the GWD charter has never been amended.

¹³ Additional headings and section numbers from the GWD's charter that are not specifically discussed in this summary include the following: Damages (section 3); Acquire the Maine Water Company (section 7); Assume Existing Contracts (section 8); Referendum (section 12); Subject to Acquisition of Maine Water Company (section 13); Costs (section 14) and Effective Date (section 15).

2. Authority to Issue Bonds

Section 9 of the GWD's charter describes the District's authority to issue bonds. Section 9 of the 1903 charter authorized the GWD to issue bonds and declared the District a quasi-municipal corporation.¹⁴ Section 9 was repealed and replaced in 1955 and again in 1979. It appears that the 1955 and 1979 amendments implemented applicable statutory changes that occurred after the District was created.

Section 9 of the District's current charter provides that the GWD is authorized to negotiate temporary loans and to issue notes and bonds with the approval of the PUC. Section 9 lists the purposes for which the GWD may issue notes and bonds. This section further provides that the GWD trustees are authorized to make all decisions relating to the District's financial activities. Finally, section 9 provides that the District may issue notes or bonds payable within one year without the approval of the PUC.

3. Authority to Establish Rates

Section 10 of the District's charter authorizes the District to establish rates and identifies what revenues from rates may be used for. It appears that this section of the GWD charter has never been amended. However, certain provisions within this section appear to be inconsistent with subsequent changes to Title 35-A.

4. Authority to Lay Pipe

Section 4 of the GWD's charter authorizes the District to lay and repair pipe throughout the District and in the Towns of Pittston, Randolph and Farmingdale. In 1955, section 4 was amended to prohibit the GWD from crossing another public utility's line without permission from that utility or the PUC.

5. Incidental Powers

Section 11 of the District's charter includes standard water district charter language that gives the GWD all "incidental powers, rights and privileges" that are "necessary to the accomplishment" of the District's purposes. This section of the charter has never been amended.

E. Additional Sources of Powers/Responsibilities of the GWD

A variety of other sources establish additional powers and responsibilities for the GWD. These additional sources include state and federal laws, rules and regulations and the GWD's Terms and Conditions.

¹⁴ The District's bond issuing authority was modified in 1905, with the enactment of P&SL 1905, c. 89. Chapter 89 appears to be stand-alone language and section 9 of the initial GWD charter is not specifically identified in chapter 89. This somewhat ambiguous situation was cleared up in 1955 when chapter 89 was subsequently repealed in its entirety.

It is important to note that state and federal laws apply to all water utilities in Maine, regardless of organizational structure. That means that, in general, these laws apply with equal force to water districts, water departments and the water side of multi-purpose districts. As the City Council and GWD Board consider issues relating to reorganization, they should understand that whatever organizational structure they select to provide local water service, that entity will still need to comply with all applicable state and federal laws, rules and regulations. From a regulatory standpoint, one organizational structure does not have significant advantages over another.

1. Maine Statutes

Most laws governing public utilities are found in Title 35-A of the Maine Revised Statutes Annotated. Some of the key provisions within Title 35-A that relate to the powers and responsibilities of water districts include:

- * Chapter 21 - organization, powers and service territories
- * Chapter 61 – general provisions and rates
- * Chapters 63 and 64 – water districts and standard water districts
- * Chapter 65 – eminent domain

These provisions dovetail with, and reinforce, the powers and responsibilities established in the GWD’s charter.

An additional group of laws in Title 35-A that is important to the discussion of organizational structures relates to the accounting practices of public utilities. Sections 501-507 of Title 35-A establish the accounting requirements for water utilities. Section 502 requires that each water utility keep its books and accounts in a manner prescribed by the PUC. Section 503 provides that every water utility that is engaged directly or indirectly in a subsidiary business must keep separate books and records to ensure that there is no cross-subsidization between the water utility and any subsidiary businesses. The purpose of §503 is to help ensure that the rates paid by water utility customers are not used for any purpose other than those of the water utility. If the GDW were consolidated with the GWTF and/or the GDPW, the water side of the consolidated entity would have to comply the accounting requirements of Title 35-A. If such a consolidation occurred, §503 would require that the water side of the consolidated entity keep separate books and accounts to protect against cross-subsidization.

2. State and Federal Agency Rules and Regulations

Maine’s water districts must comply with a variety of state rules and regulations. Most of these requirements come from the PUC and Department of Human Services (DHS). The PUC regulates a water district’s rates and quality of service. Part 6 of the PUC’s rules includes chapters relating to such things as accounting practices, service standards, construction projects, private fire protection, water main extensions, contingency reserve funds, depreciation rates, fire protection revenues and sale of water resource land. Other PUC rules govern such things as Dig Safe requirements and electronic mapping.

One of the PUC's rules that is particularly germane to the discussion of the possible reorganization of the GWD and the GWTF and/or the GDPW is Chapter 69, which is entitled "Determination of Fire Protection Revenues for Water Utilities." Chapter 69 establishes (1) the method for determining the percentage of gross revenues that a water utility should receive for public fire protection from any municipality it serves, (2) charges for public fire protection for new line extensions and (3) charges for new public hydrants. Chapter 69 governs all water utilities in Maine and applies to all municipalities served by Maine water utilities. The typical charge for public fire protection in Maine is approximately 30% of the utility's gross revenues. A copy of Chapter 69 is appended to this Management Evaluation as [Attachment 4](#).

The current rate that the City of Gardiner pays to the GWD for public fire protection is calculated according to the provisions of Chapter 69. If the GWD were consolidated with the GWTF and/or the GDPW, the rate charged by the water side of the consolidated entity would still be determined according to Chapter 69. Therefore, it appears that the City of Gardiner cannot reduce its public fire protection rate through the consolidation of the GWD with the GWTF and/or the GDPW.

The Division of Health Engineering within the DHS regulates the quality of the water provided by Maine's water districts. The Division of Health Engineering is also responsible for making sure Maine water utilities comply with federal drinking water requirements. Some of the areas governed by the Division of Health Engineering rules include facilities approval; operation, maintenance and disinfection; record maintenance; reporting requirements; primary and secondary drinking water regulations and cross connections.

Water districts in Maine must also comply with various requirements of the Maine Department of Transportation (DOT) and the Maine Department of Environmental Protection (DEP). For instance, the GWD must obtain a permit from the DOT prior to opening a public road. Similarly, the GWD has had to obtain a waste discharge permit from the DEP to allow the District to backwash its water treatment filters into Cobbossee Stream. In addition, water districts must comply with a variety of federal regulations including water quality regulations and regulation for how a public entity must conduct business.

3. The GWD's Terms and Conditions

A water district's Terms and Conditions is essentially a contract between the utility and its customers. A water district's Terms and Conditions must be approved by the PUC. The GWD's Terms and Conditions establishes such things as billing and credit and collection procedures; disconnection and restoration of service; unauthorized use of water and tampering with District property; metering; cross connections and utility jobbing.

4. Gardiner City Ordinances

Chapter 1 of Title 27 of the Gardiner ordinances relates to the GWD and repeats a few of the provisions that are in the District's charter. Chapter 1 also establishes some prohibitions and enforcement provisions for the GWD.

F. Conclusions

1. The primary characteristics of the GWD are set out in the District's charter.

2. The territorial boundary of the District is the City of Gardiner. The District's service territory includes the City of Gardiner and the Towns of Farmingdale, Randolph and Pittston. If the City of Gardiner were to take over the GWD, it would need to make sure that it has the authority to provide water service outside its jurisdictional limits so that it could continue to serve all customers in the District's current service territory. We recommend that if the Gardiner City Council and the GWD Board of Trustees are inclined to move forward with consolidation, they should obtain legal advice on this issue.

3. If the GWD were to take over the GWTF and/or the GDPW, the GWD would need to amend its charter to provide the authority to provide the additional services.

4. The GWD's board consists of three trustees appointed by the Gardiner City Council. The Towns of Farmingdale, Randolph and Pittston are not directly represented on the GWD board. The GWD may consider whether it wants to revisit the issue of representation of Farmingdale and Randolph on its board and submit the corresponding legislation.

5. The powers and responsibilities of the GWD are established in a variety of sources and each of these sources should be reviewed when considering reorganization options.

6. Most of the laws, rules and regulations that govern the GWD apply to the District by virtue of its public utility status. If the GWD were consolidated with the GWTF and/or the GDPW, these laws, rules and regulations would continue to apply to the water side of the consolidated entity. Thus, the regulatory obligations are essentially the same, regardless of the organizational structure.

7. State statutes and PUC accounting rules prohibit the cross-subsidization between a water utility and any subsidiary business. If the GWD were consolidated with the GWTF and/or the GDPW, the water side of the consolidated entity would have to keep separate books and take steps to ensure that rates paid by water utility customers are not used for any purpose other than those of the water side of the operation.

8. Chapter 69 of the PUC's rules establishes the formula for calculating public fire protection charges. The public fire protection rate currently charged by the GWD to the City of Gardiner is calculated according to Chapter 69. If the

GWD were consolidated with the GWTF and/or the GDPW, the rate charged by the consolidated entity to the City of Gardiner would still be calculated according to Chapter 69. Accordingly, it appears that the City of Gardiner cannot reduce its public fire protection rate through the consolidation of the GWD with the GWTF and/or the GDPW.

9. Certain provisions of the GWD's current charter appear to be inconsistent with laws that were enacted after the most recent amendment to the District's charter. We recommend that the GWD consider submitting legislation to bring its charter up to date.

VI. POWERS AND RESPONSIBILITIES OF THE GARDINER WASTEWATER TREATMENT FACILITY

A. Introduction

The responsibilities and powers of the GWTF are set forth in a variety of places including the Gardiner City ordinances, Maine statutes, state and federal agency rules and regulations, the City of Gardiner Charter and the Sewage Disposal Service Contract between Gardiner, Randolph and Farmingdale.

The purposes of this section are to (1) provide a brief history of the GWTF; (2) identify some of the key features of the GWTF and (3) list the major powers and responsibilities of the GWTF.

B. History of the GWTF

Wastewater is water containing suspended and dissolved substances from domestic, commercial and industrial resources along with groundwater and storm water. Prior to the creation of the Gardiner Wastewater Treatment Facility, wastewater from local communities was typically discharged directly into the Kennebec River. In the 1960's, the public's interest in wastewater treatment began to grow and the people of Gardiner, Randolph and Farmingdale became increasingly concerned about discharges of pollutants into the Kennebec River. The concern was driven primarily by health issues and the desire to clean up the Kennebec.

In 1971, the City of Gardiner and the Towns of Randolph and Farmingdale negotiated a Sewage Disposal Service Contract (the Contract). The purpose of the Contract was to establish the terms under which Gardiner, Farmingdale and Randolph would share in the costs of constructing and operating a water pollution control facility. The Contract provides that Gardiner, Randolph and Farmingdale will each construct independent wastewater collection systems and that the wastewater will be transmitted to treatment facility located in Gardiner. In 1972, the federal government enacted the Clean Water Act which established specific water quality standards and provided a capitalization program to finance the construction of waste systems like the one contemplated in Gardiner, Randolph and Farmingdale.

In 1981, the Contract was amended to add provisions about the adoption and implementation of a sewer use ordinance, a pre-treatment program, a system for sewer use charges and a system of industrial cost recovery. The Gardiner Wastewater Treatment Facility began operation in 1982. The facility processes wastewater by physical and biological means, uses chlorine disinfection and discharges into the Kennebec River.

C. Sources of Powers/Responsibilities of the GWTF

The GWTF derives its powers and responsibilities from five major sources.

1. Maine Statutes and Constitution

The GWTF is a department of the City of Gardiner and obtains many of its fundamental powers and responsibilities from the Maine's municipal laws. Title 30-A of the Maine Revised Statutes Annotated governs municipalities and counties. Part 2 of Title 30-A deals specifically with municipalities. Subpart 1 of Part 2 establishes general provisions relating to municipalities including section 2003 (non-statutory municipal functions) and section 2004 (general powers of cities).

Subpart 2 of Part 2 addresses municipal organization and inter-local cooperation. Chapter 111 of Subpart 2 deals with home rule powers granted to municipalities by the Constitution of Maine. Chapter 115 of Subpart 2 focuses on inter-local cooperation. Other significant provisions in Title 30-A include Chapter 141 (ordinances), Chapter 161 (sewers and drains) and Chapter 213 (revenue producing municipal facilities).

2. State and Federal Regulation

The primary state agency that regulates the GWTF is the Department of Environmental Protection. The GWTF must also comply with various requirements of the Maine Department of Transportation. The GWTF is not considered a public utility and is therefore not regulated by the Public Utilities Commission. Nor is the GWTF subject to the regulatory oversight of the Department of Human Services. The GWTF is subject to federal regulation by the Environmental Protection Agency. In addition, the GWTF must comply with a variety of federal regulations governing how a public entity must conduct business.

3. Gardiner City Ordinance

Many of the powers and responsibilities of the GWTF are established by local ordinance. Title 27 of the Gardiner ordinances is entitled "Water and Sewer" and is divided into five Chapters. The five Chapters are entitled "Gardiner Water District" (Chapter 1), "Pretreatment" (Chapter 2), "Gardiner Sewer Department"

(Chapter 3), “Sewer Use Charges” (Chapter 4) and “Sewer Use” (Chapter 5). Some of the key provisions within Title 27 are discussed below.

One additional aspect about Title 27 deserves note. Chapter 3, entitled “Gardiner Sewer Department,” was repealed in 1990. Chapter 3 included the following sections:

- §2850 Establishment of sewer department
- §2851 Accounting
- §2852 Financing
- §2853 Collection of Rates
- §2854 Rules and Regulations
- §2855 Extensions

Chapter 3 was never replaced. It appears that the provisions of former sections 2850-2855 were incorporated into the remaining chapters of Title 27 of the Gardiner City ordinances.

4. Sewage Disposal Service Contract

The Sewage Disposal Service Contract is between the City of Gardiner and the Towns of Randolph and Farmingdale and is dated June 22, 1971. The Contract states the terms by which Gardiner will provide sewer disposal service to Randolph and Farmingdale and provides specific details about such things as technical provisions, rates and charges and facilities. The Contract provides that Gardiner, Randolph and Farmingdale will work together to construct a pollution control facility. The Contract states that facilities for common service will be located in Gardiner and that Farmingdale and Randolph will design their own sewage collection systems that will interconnect with the common system in Gardiner. Some of the specific provisions of the Contract are discussed below.

5. City of Gardiner Charter

The City of Gardiner Charter (the Charter) is dated December 1996 and includes the following nine articles: Grant of Powers to the City; City Council; the Mayor; the School Board; Nominations and Elections; Administrative Officers; Business and Financial Provisions; Initiative and Referendum; and Miscellaneous Provisions. The Charter makes no specific reference to the GWTF or the services it provides. However, the Charter does include requirements that relate to the GWTF. For instance, Article VII, §1 of the Charter establishes accounting and record keeping requirements for all departments of the City. Article VII, §3 requires that all accounts of the City be audited annually and §4 requires monthly and annual reports by the auditor.

D. Key Features of the GWTF

Some of the key features of the GWTF are summarized below.

1. Service Territory

Unlike the GWD, which has a specific service territory identified in its charter, the GWTF does not have a statutorily defined service territory. As noted above, the Sewage Disposal Service Contract defines the relationship between Gardiner, Randolph and Farmingdale regarding the water pollution control system that they jointly built and operate. The Contract provides that the system will “collect and treat sewage generated in Gardiner, Farmingdale and Randolph including some portions of Pittston¹⁵ and South Gardiner.”¹⁶ This is the closest thing we found to a description of a “service territory” for the GWTF.

2. Governing Body is the City Council

The Gardiner City Council is made up of seven members and the Mayor. The members of the City Council are the municipal officers of the City of Gardiner. The Gardiner City Council governs the GWTF pursuant to (1) state law and (2) City ordinances. For instance, 30-A M.R.S.A. §3406 (service charges for sewage disposal) and §5405 (revenues from municipal facilities) provide the general statutory basis for the City’s ratemaking authority. Chapter 4, §2860 of the City ordinances specifically states that “the Gardiner City Council shall annually establish a schedule of sewer rates....”

3. Advisory Board

The Contract establishes an Advisory Board consisting of seven members (two each from Randolph and Farmingdale and three from Gardiner) that meets at least six times a year. The purpose of the Advisory Board is to hear reports on operations of the common facilities, make recommendations regarding the operation and maintenance of the common facilities and attempt to resolve disputes. The Contract also provides for the creation of an Arbitration Board and a non-binding arbitration process for disputes that the Advisory Board is unable to resolve.

4. Role of the Department of Public Works

The Gardiner Department of Public Works plays a key role in the operations of the GWTF. The GWTF operates the waste treatment plant and Gardiner’s

¹⁵ The Contract provides that, through a separate contract, portions of Pittston may connect to the Randolph municipal sewerage system that, in turn, will transmit the wastewater from Pittston customers to Gardiner for treatment.

¹⁶ We understand that there is no separate municipal entity known as “South Gardiner,” consequently the significance of the inclusion of that name in the Contract is unclear. Another part of the Contract states that “[i]ndustrial development and possibly related commercial and residential development can be expected to occur in West Gardiner as new highway construction affects the West Gardiner community. Private and/or public interests in West Gardiner may desire to connect to the Gardiner municipal sewerage system being treated in Gardiner....”

two largest pump stations. The GDPW operates seven smaller pump stations and maintains all of the pipe in the Gardiner system.

E. Major Powers/Responsibilities of the GWTF

Some of the major powers and responsibilities of the GWTF, and the sources of those powers/responsibilities are summarized below.

1. Eminent Domain

The City of Gardiner derives its general eminent domain authority from statute. Title 30-A, §3101 provides that “[a] municipality may acquire real estate or easements for any public use by using the condemnation procedure for town ways, as provided in Title 23, chapter 304 and subject to the [provisions specified in §3101].”

2. Authority to Issue Bonds

Article VII, §8 of the Gardiner City Charter deals with bond issues. Section 6 authorizes the Gardiner City Council to issue bonds and establishes the procedures that the City Council must follow to borrow money. Section 6 further provides that every issue of bonds must provide for a corresponding tax levy to pay for the bonds. The City’s authority to issue bonds is defined and limited by the constitution and statutes of the State.

3. Authority to Establish Rates

Title 27, Chapter 4 of the City ordinances is entitled “Water Use Charges.” Section 2860 provides that the Gardiner City Council shall establish sewer rates. Section 2862 is entitled “Rate Components” and sets forth the major components for the GWTF’s rate structure. Pursuant to §2862, the City Council passed a Resolution in May 2001 establishing a rate of \$72.73 per quarter for minimum or standby charges and a metered flow charge of \$1.84 per hundred cubic feet. Sections 2863-2867 identify the various components of the rates, surcharges and other charges assessed by the wastewater facility. Section 2868 identifies abatements. Section 2869 deals with billing and collection issues.

4. Enforcement

Chapter 2, §2825 of the Gardiner City ordinances is devoted to enforcement of the City ordinances. This section identifies the enforcement remedies available to the Superintendent including the issuance of notices of violation, consent orders, show cause orders, compliance orders, cease and desist orders, emergency suspensions and termination orders. This section also lists judicial enforcement remedies and supplemental enforcement actions. Section 2826 authorizes the assessment of fines and penalties. Section 2827 sets record retention requirements for permit holders.

5. Issue Permits

Chapter 2, §2824 of the City ordinances establishes the requirements and procedures relating to industrial discharge permits. The authority to require, issue and enforce permits appears to be one of the wastewater system's primary powers, with 14 pages of Chapter 2 being devoted to permits.

F. Conclusions

1. The primary characteristics of the GWTF are set forth in a variety of places including state and federal laws and rules, the Gardiner City Ordinance and the Sewage Disposal Service Contract..

2. The GWTF does not have a statutorily defined service territory. The Sewage Disposal Service Contract states that the system will “collect and treat sewage generated in Gardiner, Farmingdale and Randolph including some portions of Pittston and South Gardiner.” The GWD service territory includes the City of Gardiner and the Towns of Farmingdale, Randolph and Pittston. If the GWD were consolidated with the GWTF and/or GDPW, any differences in the respective service territories of the entities would need to be reconciled. We recommend that if the Gardiner City Council and the GWD Board of Trustees are inclined to move forward with consolidation, they should obtain legal advice on this issue.

3. The GWTF is governed by municipal officers of Gardiner. In addition, the Wastewater Disposal Service Contract provides for the creation of a seven-person Advisory Board with representatives from Gardiner, Randolph and Farmingdale. The purpose of the Advisory Board is to hear reports on operations of the common facilities and to make recommendations about the operation of the common facilities and to attempt to resolve disputes.

4. The powers and responsibilities of the GWTF are established in a variety of sources and each of these sources should be reviewed when considering reorganization options.

5. Most of the laws, rules and regulations that govern the GWTF apply to the GWTF by virtue of its status as a wastewater treatment facility. If the GWTF were consolidated with the GWD, these laws, rules and regulations would continue to apply to the wastewater side of the consolidated entity. Thus, the regulatory obligations are essentially the same, regardless of the organizational structure.

6. Many of the GWTF's powers and responsibilities are established in the Gardiner City ordinances and Gardiner City Charter and are linked to the GWTF's status as a department of the City of Gardiner. If the GWTF were consolidated with the GWD in a way that removed its department status, the resulting entity's charter would have to incorporate these powers and responsibilities that would otherwise be lost.

VII. STATUS OF PRIOR RECOMMENDATIONS, FINDINGS AND ACTION STEPS

A. Introduction

As discussed in section II above, the City of Gardiner and the GWD have been studying issues relating to the organization, function and relationship of the GWD, the GWTF and the GDPW for some time. Much good work has been done to date and we want to make sure that none of the previous work on these issues falls through the cracks. By tracking the actual and attempted implementation of past recommendations, we can identify what forms of collaborative activities have worked and what activities have not worked. In addition, we can identify unfinished activities that may present further opportunities to improve upon the status quo.

The purposes of this section are to (1) summarize relevant recommendations/findings/action steps that have been made since the beginning of 2001; (2) discuss the status of the implementation of those recommendations/action steps and (3) identify pending recommendations/action steps that we think require additional attention.

B. Gardiner Water Study Committee - 2001

The five-member Gardiner Water Study Committee was created by the City Council in 2001 to review the operations of the GWD, the GWTF and the GDPW and make recommendations regarding cost savings opportunities. In its final report (*Attachment 1*), the Water Study Committee made 10 recommendations. These 10 recommendations, and the implementation status of each recommendation, are summarized below.

Recommendation 1: We recommend City Council¹⁷ require common purchasing of fuels, materials and equipment for all departments to obtain economies of scale wherever possible. The Water District should be invited to participate.

Status: This recommendation has been implemented. All of the City's departments and the GWD are now jointly purchasing bleach at a savings of about \$1,000 per year. The City and the GWD explored the possibility of purchasing fuel on a common basis that would have saved the GWD about a half cent per gallon. Unfortunately, complications with the GWD's insurance company precluded the common purchase of fuel by the City and the GWD¹⁸. The City and the GWD have cooperated on the sharing of equipment such as vehicles and backhoes. Another example of cooperation between the GWD and the City involves meter reading information. The GWTF bases its bills on meter reading information provided by the GWD. At the time the GWTF began operation, the GWD

¹⁷ The recommendations of the Gardiner Water Study Committee were addressed specifically to the "City Council." However, most of the recommendations apply with equal force to the trustees of the GWD.

¹⁸ As we understand it, the City and the GWD discussed the possibility of the GWD purchasing fuel at the City's fuel depot. However an arrangement for doing so was never reached because the GWD would not indemnify the City for GWD employees getting hurt while using the City's fuel depot.

estimated that it cost the District \$1.35 to obtain each meter reading. Through negotiations, the GWTF agreed to pay the GWD \$0.44 per meter reading for the necessary information. Approximately two years ago, the GWD voluntarily agreed to waive the per-meter reading charge and currently provides such information to the GWTF free of charge.

Recommendation 2: We recommend City Council involve all city departments and include the Water District in any and all long range infrastructure planning.

Status: This recommendation has been implemented. In its final report, the Water Study Committee focused on major construction and/or reconstruction of city streets and roads and noted that “citizens feel it is unnecessary and costly to have multiple departments digging up the same street at different times.” In response to the Water Study Committee’s final report, the GWD, the GWTF and the GDPW have met at least quarterly to discuss and coordinate on infrastructure activities. An example of cooperative long-range infrastructure planning is the Northwest Quadrant project. For the Northwest Quadrant project, the GWD, the GWTF and the GDPW worked in a coordinated effort on all elements of the existing infrastructure including water mains, sewer mains and drainage installations. It is noteworthy that the GWD participated in the Northwest Quadrant project even though that project was not entirely in the District’s Master Plan.

Recommendation 3: We recommend City Council explore ways to prioritize projects of the Water District, Wastewater Treatment Plant and Public Works on a long-range basis to enhance cooperation and planning that may result in long-term savings.

Status: This recommendation has been implemented. In its final report, the Water Study Committee encouraged the City and the GWD to “think outside the box” when coordinating and funding large projects “well in advance to assure efficiency, funding and non-repeat construction to similar areas.” An example of cooperative prioritization and coordination on large projects is the Northwest Quadrant project that is discussed above. Another example is the infrastructure symposium organized by the MRWA on behalf of the City of Gardiner and the GWD to prioritize securing grant money. A third example is when the GWD and the City worked cooperatively on an income survey in Farmingdale as part of a joint CDBG application.

Recommendation 4: We recommend City Council and people in city leadership positions become familiar with the 1994 *Water System Master Plan* developed by Whitman and Howard for the Gardiner Water District with an eye to finding areas of commonality to allow major repairs to be coordinated among the involved entities.

Status: This recommendation has been indirectly implemented. We understand that City Council members decided to delegate this task to the Joint Management Team. Council members decided to (1) not study this level of detail themselves, (2) instruct staff to become familiar with the necessary details and (3) rely on staff to provide City Council members with a summary and interpretation of the details when needed. Paul Gray and Jim Connor are familiar with the District’s *Master Plan* and note that the 1994 *Master*

Plan was for a period of 20 years. The GWD is 10 years into the current *Plan* and the District is considering updating its *Master Plan*. In addition, Chuck Applebee and Pat Gilbert have familiarized themselves with the contents of the GWD's *Master Plan*.

Recommendation 5: We recommend City Council review the Capital Improvement Program for Wastewater Treatment Facility and CSO Abatement done in November 2001 by Wright-Pierce.

Status: This recommendation has been indirectly implemented. We understand that as with Recommendation 4, the City Council decided to delegate this task to the Joint Management Team and rely on staff to provide City Council members with a summary and interpretation of the details when needed. Both of the documents referenced in Recommendation 5 have been updated and the wastewater CSO and plant upgrade is being implemented. Chuck Applebee is the staff point person on this recommendation.

Recommendation 6: We recommend the City of Gardiner and the Gardiner Water District investigate the possibility of cross training employees.

Status: This recommendation has been implemented. In its final report, the Water Study Committee noted that “[c]ross training could alleviate pressures for weekend supervision and overtime and provide ‘depth’ to all staffs which would allow sharing of employees at various times of crisis or need.” The GWD and GDPW have created a *de facto* “mutual aid pact” under which crews from each entity assist each other during emergencies. For instance, the GWD owns a hydraulic hammer attachment for its backhoe that is often used by the GWD and the City to break frost and make repairs during freezing weather. The City has also loaned the GWD equipment such as dump-trucks and compressors for emergency repairs. In addition, the Joint Management Team spent substantial time discussing cross-training possibilities. The focus of cross-training discussions centered on the possibility of combining weekend/holiday plant check/duty for the GWTF and the GWD. This specific issue was discussed during the 2003 retreat and workshop and is discussed in more detail under Finding 2 below. In addition, the issue is addressed at length in a November 6, 2003 report to the City Council/Board of Trustees which is included as [Attachment 5](#) to this Management Evaluation.

Recommendation 7: We recommend City Council become informed regarding Federal and State regulations that affect the Water District and Wastewater Treatment Facility.

Status: This recommendation has been indirectly implemented. The Water Study Committee specifically recommended that City Council members familiarize themselves with the 1986 Safe Drinking Water Act. We understand that the City Council chose to delegate this task to the Joint Management Team. Paul Gray and Jim Connor are familiar with state and federal requirements relating to the GWD. Chuck Applebee is familiar with the regulations affecting the GWTF.

Recommendation 8: We recommend City Council gain an appreciation for the sophistication of the Water District's filter treatment plant.

Status: This recommendation has been indirectly implemented. Again, we understand that the City Council chose to delegate this task to the Joint Management Team. Paul Gray, Jim Connor and Chuck Applebee are the staff point people on this recommendation.

Recommendation 9: If City Council considers establishing a single utility district, then we recommend:

City Council review the letter from the Legislative Office of Policy and Legal Analysis of 6/31/01 for the purpose of looking for resolution to issues regarding dissolving the Gardiner Water District.

City Council review with bond counsel the impact of a change of ownership of the Water District regarding bond indebtedness, water pipes and mains. Consider the legalities involving communities of Randolph and Farmingdale.

The City have a professional legal study done to ascertain whether or not it would be financially beneficial for the City to move toward dissolving the Water District and bringing services under the purview of the City.

Status: This recommendation has not been implemented. The Water Study Committee recommended that a law firm with expertise in the area of city management and reorganizations should be hired to “make a fair representation of the cost to benefit ratio” of the possible consolidation of the GWD and the GWTF. However, City Council members and the GWD trustees decided to take an intermediate step of hiring a consultant to advise them on various reorganization options before retaining a lawyer to provide specific legal advice on details associated with consolidation. The facilitator’s notes from the April 29, 2003 meeting of the City Council and the GWD trustees ([Attachment 3](#)) include the following: “The consultant should be aware of specific legal issues with regard to bonds, state law and so forth, but should not do detailed studies of them. The purpose of this consultant study is to identify the best arrangement. Once the arrangement is decided, if there are specific legal issues to resolve, then a lawyer should be hired at that point to examine them in detail.”

Consistent with the decision of the City Council and GWD trustees, no law firm has yet been retained to deal with specific legal issues relating to the possible consolidation of the GWD, the GWTF and/or the GDPW. Instead, the MRWA and the KVCOG have been tasked with preparing this Management Evaluation document to provide Council members and GWD trustees with the background information necessary to make a preliminary decision about whether to go forward with some sort of consolidation. We understand that if the Council members and GWD trustees decide on preliminary basis to go forward with a consolidation of the entities in question, they will review the matter with bond council and retain a lawyer to assess the financial implications of the proposed consolidation and advise on other legal aspects of the proposed consolidation.

Recommendation 10: We recommend that the City and the Water District begin a cooperative, educational, public relations effort that would provide citizens with straightforward information regarding the state of the City.

Status: This recommendation has not been implemented. In its final report, the Water Study Committee noted that “[i]t would be beneficial if citizens were more informed about what is happening with Public Works, Wastewater Treatment and the Water District. Something like a newsletter written for the common person and aimed at explaining the needs and costs of running various departments could be beneficial to citizen support of local efforts. We feel that if people are told where their taxes and water fees and sewer fees are going, there may be a more muted grumbling about paying them.”

While the GWD and the City have separately sent informational/educational mailings to their customers, they have not done so on a joint or coordinated basis. We believe that public education is very important and encourage the Joint Management Team to consider additional ways to implement Recommendation 10.

We further note that the idea of improving communications between the GWD and the towns it serves is not a new one. During a rate proceeding at the Public Utilities Commission in 1998, the GWD entered into a stipulation that provided for the creation of a five-person “Advisory Committee” to provide input to the GWD and help disseminate information regarding the GWD. The Advisory Committee was to have two representatives appointed by the City of Gardiner and one representative each from the Towns of Randolph, Farmingdale and Pittston. The stipulation specifically stated that the Advisory Committee may provide input to the GWD “on any topic related to operation of the District, including, but not limited to the District’s operations, its budget, potential cost savings, capital improvements, prioritization of improvements, and relations with its member communities.”

This Advisory Committee would have provided an ideal vehicle for communication between the GWD and its customers. Unfortunately, the Advisory Committee concept was never fully implemented. While Committee members were appointed, it appears that participation by Committee members was inconsistent. Initially, the Advisory Committee was to have separate meetings, but most Committee members failed to attend such meetings. The Advisory Committee then decided to provide input to the GWD by attending GWD Board meetings. But again, Advisory Committee participation at GWD Board meetings was inconsistent. Only one Advisory Committee member, Farmingdale representative Dan Alexander, has attended GWD Board meetings on a regular basis.

We recommend that the Joint Management Team consider whether the concept of an Advisory Committee should be revived and used (1) to help foster communication between the GDW and the city/towns it serves and (2) as a vehicle for exploring opportunities to coordinate public education efforts by the GWD and the City of Gardiner. We note that the GWTF has an active and productive Advisory Committee. We further recommend that the GWD Advisory Committee and the GWTF Advisory Committee explore ways to work together and collaborate on communication and public education issues.

C. Retreat and Workshop - 2003

On March 28, 2003, the Joint Management Team held a one-day retreat that was facilitated by Frank O'Hara. Mr. O'Hara's notes from the March 28th meeting ([Attachment 2](#)) summarize the results of the meeting and identify five findings. In addition, the Gardiner City Council and the GWD Board of Trustees held a workshop on April 29, 2003 to further consider issues that the Joint Management Team considered during the March 28th retreat. The April 29th workshop was also facilitated by Frank O'Hara. Mr. O'Hara's notes from the workshop are appended to this document as [Attachment 3](#). The findings, and associated action steps, from the March 28th retreat and April 29th workshop are summarized below.

Finding 1: Agreed that current relationships among parties, and current operations, were more collaborative than had been true in the past.

Action Step: This collaboration should be reinforced.

Status: This action step has been implemented. It is clear that the members of the Joint Management Team have continued to work cooperatively since the March 23, 2003 retreat. During the Team's March 22, 2004 workshop, Team members agreed that collaboration between the GWD, the GWTF and the GDPW is productive and should continue.

Finding 2: Agreed on a series of action steps to implement short-term savings, and explore potentially larger savings (specifically from the consolidation into one garage the field work functions of public works, the water district and the wastewater plant).

Action Step: Work out process for City to sell gravel to the Water District at cost.

Status: This action step has been implemented at a savings of approximately \$1,200 per year to the GWD with a corresponding amount of revenue to the City.

Action Step: Hire Brian Kent to evaluate the potential of a Wastewater Plant site and its buildings to serve as a consolidated garage and storage area. This action step was further developed during the April 29th workshop to include the consideration of the following:

- * Co-locating water, wastewater and public works operations at the wastewater plant;
- * In conjunction with the above, moving police and fire to public works site;
- * Co-locating water, wastewater and public works at public works site;

- * Creating a “supergarage” at a central location for the above plus police and fire;
- * Or any combination for city services that arises in the course of the investigation.

Status: This action step is being implemented. We anticipate that the Kent report will be completed and distributed to the Gardiner City Council and the GWD Board on or about September 15, 2004. Because of the relevance of the Kent report to this Management Evaluation, we recommend that the City Council and GWD Board review both documents at the same time.

In addition, the Joint Management Team has discussed possible savings from (1) consolidating truck fleets and equipment through the centralization of the garage and storage area and (2) more efficient use of mechanics and field staff. In these discussions, the Team has also noted potential limitations such as (1) possible flooding, (2) insufficient space, (3) the need to meet salt/sand storage standards and (4) the need for a central location.

Action Step: Investigate the possibility of joint coverage of both the water plant and sewer plant on weekends.

Status: This action step has been implemented. This action step grew out of Recommendation 6 from the Gardiner Water Study Committee regarding cross training employees of the GWD and the GWTF. Currently, the GWD and the GWTF both hire separate “on call” help to check on the plant and be on call for emergencies.

Following the 2003 retreat, a subgroup of the Team¹⁹ spent considerable time exploring the pros and cons of combining weekend/holiday plant check/duty. *Attachment 5* is the November 6, 2003 report to the City Council/Board of Trustees that summarizes the substance of those discussions. The November 6, 2003 report indicates that separate licenses and capabilities are required to perform the relevant GWD and GWTF functions. The document also notes that issues relating to labor, workers compensation and liability would need to be resolved. The document further indicates that the subgroup concluded that little money could be saved in this area if the GWD and the GWTF remain as separate entities. The November 6, 2003 report also indicates that the subgroup concluded if the GWD and the GWTF were consolidated, combining plant check/weekend duty would create cost savings as well as enhance “diversity and depth of staff, better customer service, efficiencies, career opportunities both in and outside of the organization.” The November 6,

¹⁹ This subgroup included Paul Gray, Pat Gilbert and Chuck Applebee along with Dave Cunningham, the current Director of the Gardiner Department of Public Works.

2003 report concluded “[i]t seems that the issue of Combining Plant Check/Weekend Duty rests with the larger issue of becoming one organization.”

Action Step: Arrange for City staff to participate in a demonstration of the Water District’s proposed new computer software for billing and finances.

Status: This action step has been implemented. The purpose of the demonstration was to allow City staff to provide input to the GWD about possible coordination on billing software before the GWD makes its final purchasing decision.

Finding 3: Agreed that there are other savings in billing, administration and staffing – but these cannot be realistically explored until there is a decision about the future management structure for these operations. In other words, there may be savings in billing operations, but they cannot be pursued without knowing where billing responsibilities will lie in the future.

Action Step: None identified.

Status: The facilitator’s notes from the April 29, 2003 meeting of the City Council members and the GWD trustees (*Attachment 3*) indicate that attendees had stated a preference for joint water/sewer billing through a third-party contractor and concluded that “the third party arrangement saves initial capital costs and saves in-house staff time at both the Water District and City Hall.” Another option considered by the Team was to move the GWD’s billing to the City and have the GWD contract with the City to provide that service. However, the Joint Management Team has not been able to reach agreement on this item. As noted above, City staff participated in a demonstration of the GWD’s billing software and the Team discussed options for consolidating their billing activities. After extensive discussions, the GWD and the City could not agree on how consolidated billing should be implemented and decided to maintain the status quo for the time being. We understand that the GWD’s contract with its billing software vendor expires in December 2004. Accordingly, the GWD will soon have to decide whether to extend/upgrade its contract with its current billing software vendor or explore other options.

The facilitator’s notes from the March 28, 2003 retreat also identify the following additional areas of potential savings: (1) trucks and equipment, (2) centralized collections, customer relations and front office operations and (3) common uniforms, boots and clothing. The notes indicate that a decision about the reorganization of the GWD, GWTF and the GDPW would have to be made before any savings in these areas could be realized.

Finding 4: Agreed that, of the three management alternatives possible – continue as is, fold the water operation into the City, fold the wastewater operation into the Water District – the latter alternative was off the table because it failed to provide sufficient savings, and failed to integrate public works operation into the water and sewer functions.

Action Step: None identified.

Status: The facilitator’s notes from the March 28, 2003 retreat (*Attachment 2*), indicate that the Team discussed the merits of consolidating the GWTF into the GWD and tentatively concluded that such an option had some merits (some cost savings and maintains an independent platform for potential additional regional efforts with Randolph and Farmingdale), but has some significant deficiencies (fails to integrate the GDPW reducing the opportunity for additional cost savings). According to the facilitator’s notes, because of its failure to integrate the GDPW, “the consensus at the meeting was that [the option to fold the wastewater operation into the GWD] should be off the table.”

However, the facilitator’s notes from the April 29, 2003 meeting of City Council members and GWD trustees (*Attachment 3*) indicate that this option deserves further consideration. Those notes indicate that one of the options under consideration is “moving the City Public Works and the wastewater staffs into the Water District (creating a potential multi-town public works department that Gardiner and other towns could contract with for services).”

During the March 22, 2004 workshop, representatives of the GWD also recommended that the option of folding the wastewater operation into the Water District should still be considered a viable option and discussed in the Management Evaluation. Based on the recommendations of the City Council and GWD Board and the discussion of the Team during the March 22, 2004 workshop, we have included the option of folding the GWTF into the GWD in our comparison of alternative organizational structures in section X of this Management Evaluation.

Finding 5: Did not come to a consensus on which of the remaining two management options – continue as is, or fold Water District into the City – should be pursued. But did agree to investigate the experience of other Maine towns and cities with consolidated operations.

Action Step: Investigate experiences of other similar Maine communities who have recently converted water district to municipal function – and also those who have had water as a municipal function for a longer time.

Status: This action step is being implemented. During the March 28, 2003 retreat,

the Joint Management Team agreed that it should investigate the experience of other communities – those that have recently converted from a district to consolidated functions (such as Brewer and Damariscotta) and those with a long history of municipal control (such as Sabattus) – to see how their costs and management experience compares to what we can expect in Gardiner. One of the purposes of this Management Evaluation is to provide a summary and analysis of water and wastewater system restructuring activities in Maine over the past five years. That summary and analysis can be found on sections IV and X of this document.

Additional Action Step from April 29th Workshop: The City and the GWD will each provide \$3,000 to \$5,000 to a pot to hire a consultant, mutually agreeable to both parties, to develop specific management alternatives and recommendations over the summer.

Status: This action step is being implemented. There were two parts to this action step. The first part was the Brian Kent study that addresses consolidated garage and storage options. The Kent report was initially going to be jointly funded by the City and GWD, but the GWD Board voted to table its portion of the funding pending a final decision regarding reorganization. The second part of this action step is the Management Evaluation prepared by the MRWA and KVCOG. The Management Evaluation focuses on alternative organizational structures regarding the GWD, the GWTF and the GDPW. The Management Evaluation was funded through a USDA grant administered by KVCOG.

D. Conclusions

1. Substantial progress has been made since the Water Study Committee issued its recommendations in 2001. Since 2001, the GWTF, the GDPW and the GWD have

- * Coordinated purchasing activities resulting in savings to the City and the GWD;
- * Created a *de facto* mutual aid pact under which crews assist each other during emergencies;
- * Cooperated on the sharing of equipment;
- * Approximately two years ago, the GWD voluntarily agreed to waive the \$0.44 per-meter reading charge and currently provides such information to the GWTF free of charge.
- * Met regularly to discuss and coordinate infrastructure activities and long-range planning;
- * Retained Brian Kent to evaluate options for consolidating

garage and storage areas for the GWD and various City departments; and

- * Retained the MRWA and the KVCOG to prepare this Management Evaluation.

These accomplishments are significant and have resulted in actual savings to the City and the GWD.

2. Members of the Joint Management Team were unable to reach agreement on the following two initiatives:

- * After lengthy discussion of issues relating to cross-training and joint weekend plant coverage, members of the Joint Management Team concluded that no progress on this issue could be made until the City Council and GWD Board decide whether to reorganize the GWD, the GWTF and/or the GDPW.
- * After lengthy discussion, members of the Joint Management Team were unable to reach agreement on issues relating to billing, administration and staffing.

We believe that the Joint Management Team has gone as far as it can go with these issues under the current organizational structure. We recommend that the Joint Management Team revisit these two issues after the City Council and GWD Board has made a final decision about reorganization.

3. There are some areas where we believe additional work by the Joint Management Team would produce positive results including the following:

- * Recommendation 10 of the Water Study Committee was for the City and the GWD to develop joint public communication/education activities. This recommendation has not been implemented and we recommend that the Joint Management Team consider additional ways to implement Recommendation 10.
- * As part of a 1998 rate case, the GWD agreed to the creation of a five-person Advisory Committee to provide input to the District on a wide array of issues. The Advisory Committee was to have two representatives appointed by the City of Gardiner and one representative each from the Towns of Randolph, Farmingdale and Pittston. Because of lack of participation by a majority of the people who were appointed to the GWD Advisory Committee, it appears that the Advisory Committee concept was never tested. We

recommend that the Joint Management Team consider whether the concept of an Advisory Committee should be revived and used (1) to help foster communication between the GWD and the city/towns it serves and (2) as a vehicle for exploring opportunities to coordinate public education efforts by the GWD and the City of Gardiner. We further recommend that the GWD Advisory Committee and the GWTF Advisory Committee explore ways to work together and collaborate on communication and public education issues.

4. The Water Study Committee recommended that City Council members become familiar with such things as the GWD's Master Plan, federal and state regulations governing the GWD and the GWTF and the GWD's filter treatment plant. The City Council instead decided to (1) not study this level of detail; (2) instruct staff to become familiar with the necessary details and (3) rely on staff to provide City Council members with a summary and interpretation of the details when needed.

VIII. ASSESSMENT OF PERFORMANCE – ARE THE GWD AND THE GWTF PERFORMING THEIR PRIMARY FUNCTIONS ADEQUATELY?

A. Introduction

The examination of how a public entity performs its key functions is an important component of the strategic planning role of the governing authority. Additionally, the periodic evaluation of the relative costs of meeting objectives, assures customers, taxpayers, and ratepayers that services are being provided in a cost effective manner. This is a fundamental aspect of the governing authority's stewardship responsibilities we discussed in section III of this Management Evaluation. There are many other positive aspects to "self-examination" by a public entity. First, it is important for the governing authority to assess how well employees are meeting the system's key objectives. Second, it helps the governing authority evaluate the performance of employees. Third, it helps identify problem areas and potential inefficiencies or redundancies. Finally, it provides a guideline for the governing authority to consider improving service, reducing costs, and meeting new challenges.

The purposes of this section are to (1) define the primary functions of a wastewater treatment facility and a water system and (2) determine whether the GWTF and the GWD are adequately performing their primary functions.

B. Defining Primary Functions

1. Primary Functions of a Water System

While the specific tasks of water systems differ, most water systems have the same basic functions. The typical functions of a water system include the following:

- * Maintain adequate supply of water for consumption, industry, and fire protection;
- * Meet all state and federal standards for water quality;
- * Meet customers' needs for drinking water aesthetics (i.e. taste and odor) and water pressure;
- * Plan for and meet customers' future water supply needs;
- * Be responsive to customers' needs;
- * Provide a high degree of financial accountability and meet all PUC accounting and auditing requirements; and
- * Comply with all applicable state and federal laws and regulations.

2. Primary Functions of a Wastewater Treatment System

As with public water systems, wastewater treatment facilities have the same basic functions. The typical functions of a wastewater treatment facility include the following:

- * Maintain adequate treatment plant capacity to meet residential and industrial requirements;
- * Comply with all federal and state laws and regulations governing all treatment programs;
- * Comply with all licensing and permitting criteria;
- * Ensure that the treatment plant and related infrastructure meets the customers' current and future needs
- * Ensure that employees are responsive to customers' needs; and
- * Provide a high degree of financial accountability and meet all accounting and audit requirements.

C. Performance of the GWD

The GWD's source of supply seems adequate from both a quality and a quantity perspective. Based on our interviews with GWD employees, we understand that the District's water supply meets all water quality standards, and there were no water quality violations last year. In fact, the GWD's water quality has been judged to be excellent, having been a winner of a Maine's Best Tasting Water competition. In September 2003, the Department of Human Services, Division of Health Engineering, Drinking Water Program, conducted a Capacity Review for the GWD that found that the GWD system met all of the requirements and conditions necessary to qualify for a Drinking Water State Revolving Fund loan. The District adopted a *Master Plan* in 1994 and has met most of the guidelines in the Plan. The District anticipates updating its *Master Plan* in 2005. The GWD believes its water supply is sufficient to meet the needs of Gardiner for the foreseeable future.

The GWD appears to be meeting its customers' needs and providing a reasonable quality of service. There were no consumer complaints against the GWD registered at the PUC last year.

Our review indicates that the GWD is satisfactorily performing all of its primary functions.

D. Performance of the GWTF

The GWTF system appears to have adequate capacity for current and future customers. According to the GWTF, the facility is only at 55% capacity and has the ability to handle substantial growth.

The GWTF is generally complying with all laws and regulations. With the exception of one exceedence for mercury, there were no discharge permit violations last year. During the May 18, 2004 meeting during which a preliminary draft of this Management Evaluation was discussed, Chuck Applebee noted that (1) the GWTF can't treat for mercury and (2) retests indicated that mercury is not a persistent/systemic problem for the GWTF.

The GWTF appears to be meeting the needs of its customers. While the City does not keep statistics about consumer complaints, the GWTF employees indicate that customer concerns are consistently resolved in a timely fashion.

Our review indicates that the GWTF is satisfactorily performing all of its primary functions.

E. Conclusions

1. It is very important for a public entity such as a water district or a wastewater treatment facility to assess its ongoing performance.
2. The GWD and the GWTF each have primary functions that they must perform.

3. Our review indicates that the GWD and the GWTF are each satisfactorily performing their respective primary functions.

IX. ASSESSMENT OF PERFORMANCE – COST COMPARISON WITH OTHER SIMILAR-SIZE ENTITIES

A. Introduction

In section VIII, we assessed the performance of the GWTF and the GWD by looking at whether each entity is adequately discharging its primary functions. In this section, we review the performance of the GWD and the GWTF from a relative cost perspective. Comparing a system's cost structure with the cost structures of like-size systems is an important method for identifying possible inefficiencies, redundancies and opportunities for cost reductions. While individual systems have unique costs, treatment and staffing requirements, industry cost standards often provide important benchmarks. Some critical components of water and wastewater costs are size of plant, number of customers and type of treatment. These components drive operating costs such as labor, chemicals and fixed cost such as debt service.

The purposes of this section are to (1) identify the costs of the GWTF and the GWD; (2) relate those costs to the costs of comparable entities and (3) determine whether the costs of the GWD and the GWTF are reasonable.

B. Water System Comparison

Attached at the end of this Management Evaluation are five Tables. *Tables A, AI and C* relate to the GWD and comparable water systems. *Tables B and D* relate to the GWTF and comparable wastewater systems and are discussed in the following subsection. *Tables A, AI and C* compare the GWD's cost to the costs of four other utilities: the Yarmouth Water District, the Brewer Water Department, the Bath Water District and the Old Town Water District. These utilities were chosen based upon the number of the residential customers. While other criteria can be used, this comparison yields some very useful information, especially in regards to size of labor force.

Table A summarizes basic information including number of residential customers, last rate increase, cost for 2000 cubic feet of water per quarter, annual water production and type of treatment. *Table A* shows that there are some critical differences among these systems. Yarmouth does not provide treatment. Bath wholesales water to the entire town of Wiscasset and has some significant industrial customers. Old Town, although producing more water than Gardiner, is most like Gardiner in terms of treatment type and number of customers. Differences in debt service and depreciation are significant among these systems, reflecting the differences in size and location and the type of treatment. Notwithstanding these differences, the utilities included on *Tables A,*

A-1 and C are sufficiently similar and provide important benchmarks by which valid comparisons can be made and valid conclusions can be drawn.

Table A demonstrates that the GWD's costs are mid-range for most individual cost components as well as total operating expense. Interestingly, the GWD and Old Town, with similar treatment and similar customers base, line up closely for total labor and total expense. The only significant outlier for the GWD is the cost for insurance, which is currently being evaluated further. Not surprisingly, the GWD's rates are also mid-range and almost virtually the same as Old Town's. Also, the GWD's annual user rate of \$222 is significantly lower than the statewide average of about \$300 per year.

A water utility's fixed cost expenses are normally a significant component of total expenses plus debt and the GWD is no exception. The GWD's debt service plus depreciation is approximately 48% of the total expenses. The GWD's labor, pension and benefit expenses are approximately 30% of its total expenditures. A breakdown of the sales and contractual services for each of the five utilities is provided in *Table A-1*.

Table C provides a labor force comparison of the five water systems. *Table C* demonstrates that the GWD again is mid-range in terms of staff and is in line with Old Town. One can see that the type of treatment impacts the size of the labor force. Yarmouth, without treatment has a smaller staff and correspondingly lower rates. Neither the GWD nor Old Town retains the services of an assistant superintendent.

Together, *Tables A, A1 and C* show that the GWD is mid-range in terms of operating cost, fixed cost and staffing. These tables also indicate that the GWD has relatively low water rates. While these tables indicate that there may be opportunities for the GWD to reduce certain costs, such as insurance, the tables suggest that the GWD is generally in line with industry cost standards.

C. Wastewater System Comparison

Tables B and D, which are attached at the end this Management Evaluation, compare the GWTF to four other wastewater systems: Yarmouth, Brewer, Brunswick and Old Town. These wastewater systems were chosen based upon the number of residential customers. While other criteria can be used, this comparison provides some very useful information, especially in regards to the size of labor force.

Table B provides basic information about the five wastewater systems, including number of customers, treatment type, rates and design flow. As stated earlier, the PUC does not regulate the financial structure of wastewater facilities. Therefore, there is much variation in how wastewater systems maintain their accounts and charge for rates. An example of this variation is Yarmouth, which charges for wastewater within its tax structure, rather than in its sewer bill. While this lack of accounting uniformity makes comparisons for wastewater systems less precise than similar comparisons for water systems, *Table B* does provide useful comparisons of similar budget categories. Wastewater facilities also have much more latitude in how they charge for labor. Size of plant, treatment type and volume and type of the industrial waste stream are all major

factors in analyzing comparative costs. Notwithstanding these differences, the utilities included on *Tables B and D* are sufficiently similar and provide important benchmarks by which valid comparisons can be made and valid conclusions can be drawn.

Table B indicates that the GWTF compares favorably to wastewater facilities in this size class. The GWTF's rates are about average for the State and mid-range for its size class. The GWTF is clearly on the low end for salaries, benefits and pensions. This may be due to a difference in accounting systems. The GWTF is also mid-range to low on many other budget categories. One area where the GWTF's expenses deserve further review is the vehicle and equipment expense category. The GWTF expense for this item is \$67,122²⁰, which is higher than the corresponding amounts for the comparable systems, which are \$8,861, \$15,265, \$8,425 and \$30,305. However, this comparison may be misleading because the GWTF amount includes a substantial reserve component (\$41,924) and it is not clear if any of the corresponding expenses for comparable systems include reserves. We recommend the GWTF review its vehicle and equipment expense category to determine if there are opportunities for savings in this area.

Gardiner and Old Town have similar type and size plants. It is interesting how their total expenses are so much in line. They are also both on the lower end for total expenses. The GWTF also has the lowest debt service expenses in this group of comparable wastewater systems.

Table D provides a labor force comparison of the five systems. The GWTF has the fewest number of employees in this group, including two fewer than Old Town's workforce. The GWTF also differs in that it does not have a chief plant operator.

Tables B and D indicate that the GWTF has average sewer bills and is low to mid-range in several cost categories, including labor. An area that merits additional attention is the vehicles and equipment expense category. The GWTF has a smaller work force than any system in this group of comparable systems. From *Tables B and D* we conclude that the GWTF is generally in line with industry cost standards.

D. Conclusions

1. One way to assess the performance of a water system or a wastewater system is to compare the costs of the system in question with the costs of other comparable systems.
2. *Tables A, A1 and C* show that the GWD is mid-range in terms of operating cost, fixed cost and staffing. These also indicate that the GWD has relatively low water rates.
3. *Table A* indicates that there may be opportunities for the GWD to

²⁰ This total includes \$10,414 for two pick up trucks, \$11,834 for equipment (the GWTF's office equipment, lab computer and printer, atmosphere monitor and rodger), \$2,950 for gas, oil and lube and \$41,924 for reserves.

reduce its insurance costs. We recommend that the GWD further investigate its insurance options to see if it can find more favorably priced coverage.

4. From *Tables A, AI and C* we conclude that the GWD is generally in line with industry cost standards.

5. *Tables B and D* indicate that the GWTF has average sewer bills and is low to mid-range in several cost categories, including labor. The GWTF has a smaller work force than any system in this group of comparable systems.

6. *Table B* indicates that there may be opportunities for the GWTF to reduce its vehicle and equipment costs. We recommend that the GWTF review its vehicle and equipment costs to determine if it can achieve savings in this area.

7. From *Tables B and D* we conclude that the GWTF is generally in line with industry cost standards.

X. ANALYSIS OF ALTERNATIVE ORGANIZATIONAL STRUCTURES

A. Introduction

This Management Evaluation has discussed at length alternative methods of conducting water and wastewater business. Each of these structural options is theoretically available to the citizens of Gardiner. The next step in the evaluation process is to determine whether any of these options provide a “better” structure than the current organizational structure of the GWD and the GWTF.

The structure of an organization is the arrangement or interrelation of all of the parts of the whole. To restructure an organization is to rearrange the parts of the whole. Minimally, one would want to restructure in order to achieve certain goals, so that the new structure is somehow “better” than the old structure.

The purposes of this section are to (1) identify various organizational structures that could be used to run Gardiner’s water and wastewater systems; (2) identify salient goals that can be used to evaluate the various organizational structures and (3) identify the structural option, or combination of options, that best addresses the evaluative goals.

B. Structural Options

In section IV of this document, we discuss a number of organizational structures that provide public water service in Maine. In that section, we also identify alternative organizational structures that provide wastewater services throughout the State. From that discussion, we have identified the following potential structural options

for providing water and wastewater services to the people of Gardiner, Randolph and Farmingdale.

- Option 1 Maintain separate GWD and GWTF
- Option 2 Create multi-purpose district
- Option 3 GWD absorbs GWTF
- Option 4 City absorbs GWD
- Option 5 Establish contractual relationship between the City and GWD

Essentially, Option 1 reflects maintaining the status quo. Option 2 establishes a new multi-purpose district, encompassing both the GWD and the GWTF. Option 3 expands the GWD’s authority to include wastewater treatment, thus making it a multi-purpose district. Option 4 expands the City’s authority, thus creating a multi-purpose department. Option 5 maintains the status-quo and expands the contractual relationship between the City and the GWD.

C. Evaluative Goals

Each of the five structural options listed above has advantages and disadvantages. These five options, and their relative strengths and weaknesses, can be evaluated and discussed according to the specific objectives decision makers and voters wish to achieve. Some objectives, such as personnel reductions, lend themselves to quantification. Other objectives, such as better coordination, require a more subjective approach.

To evaluate and compare the merits of each of the five structural options, we recommend using the following four evaluative goals.

- Goal 1 Cost of Financing
- Goal 2 Delivery of Service
- Goal 3 Ease of Administration
- Goal 4 Increased Efficiency

We believe that each of these four evaluative goals provides a useful and distinct perspective for assessing the merits and deficiencies of the five structural options. As discussed in more detail below, two of the Goals focus on cost issues and two of the Goals focus on service quality and management issues. We believe that our assessment of the combination of these four goals provides a systematic methodology for analyzing and comparing the relative strengths and weaknesses of each of the five structural options under consideration in this Management Evaluations.

Taken together, the report of the of the Gardiner Water Study Committee (*Attachment 1*) and the facilitator’s notes from the 2003 retreat (*Attachment 2*) and the facilitator’s notes from the 2003 workshop (*Attachment 3*), indicate that the major goal of the City in these discussions is to reduce costs through the elimination of duplicative personnel, material, equipment, etc. In other words, the City’s primary motivation for examining alternative organizational structures is to reduce costs through the

reorganization of the GWD, GWTF and/or GDPW. Based on the City's articulated and tangible goal, we have analyzed the five structural options according to two cost indicators: Cost of Financing (Goal 1) and Increased Efficiency (Goal 4). The Cost of Financing Goal captures many of the fixed costs of running a water system and a wastewater system. The Increased Efficiency Goal focuses on the respective variable costs of such categories as personnel and equipment.

In this section, we have also examined the five organizational structures from two additional perspectives: Improved Service (Goal 2) and Ease of Administration (Goal 3). We have selected the goal of Improved Efficiency as an analytical tool because the GWD and the GWTF are both regulated public entities. This Goal also provides insight into several key functions of a water and/or wastewater system such as water aesthetics, responsiveness to customer needs and providing a high degree of financial accountability. We have selected Ease of Administration as an analytical tool because it captures the planning, decision making and management components of the organization in question. This Ease of Administration Goal is also germane because it has historically been one of the more significant factors for voters when choosing the organizational structure for a water or wastewater system. Ease of Administration also has cost implications that are relevant to the comparison of various organizational structures.

D. Discussion of Each Evaluative Goal

Goal 1: Cost of Financing

The Cost of Financing is an important criterion by which to evaluate structure because a very high percentage of system cost is debt service. In this section, we discuss issues relating to the GWD's and the GWTF's ability to secure debt, the relative interest rates and grant availability.

Quasi-municipal districts (single-purpose or multi-purpose) use revenue bonds to finance debt. These bonds are backed by the ability of water and sewer districts to set rates. Municipalities issue general obligation bonds, which are backed by the taxing authority of the town. Although general obligation bonds provide greater security, lenders in Maine are comfortable issuing both types of debt. This is especially true for water system debt, which has the approval of the PUC. There are no interest rate differences between the general obligation and revenue bonds. However, municipalities may only borrow for 30 years, while districts may borrow for 40. The difference in amortization period affects the annual cost of debt service as well as the total interest payment over the life of the loan. For example, assuming an interest rate of 5% and a loan of \$1,000,000, it will cost a municipality approximately \$64,000 per year for debt (a total of \$956,542 in interest over the 30-year period) and a district about \$59,000 per year (a total of \$1,335,000 over the 40-year period).

Grant availability also plays a significant role in keeping rates down. Systems depend upon grant monies to replace loan funds to make system improvements and upgrades. As stated earlier, grant availability has historically played a key role in restructuring systems. With the exception of the Community Development Block Grants

(CDBG), structural Options 1 through 5 all qualify for grant and lower interest assistance including Rural Development and State Revolving Loan Funds. Although, block grants are only available to municipalities, the City and the GWD have a successful track record working together to obtain CDBG grants.

During the review of earlier drafts of this Management Evaluation, the Joint Management Team discussed issues relating to the access of grant funds. Some Team members suggested that the City of Gardiner has more resources than the GWD to identify grant opportunities and that the City is therefore in a superior position to pursue grant money. We believe that grant availability is based more on factors such as median household income and rates than on the size or resources of a city. To illustrate this point, we note the recent merger of two nearby water systems. The primary triggering factor of the recent merger of the Boothbay Harbor Water Department (municipal) and the East Boothbay Water District into the Boothbay Regional Water District was grant availability. Due to the relative median household incomes of both systems it made economic sense for the systems to merge, because the doing so afforded access to grant monies that would not have otherwise been available.

Cities and districts, large and small, often use engineering firms, regional planning commissions and outside consultants to help secure grant monies. The MRWA had the opportunity to work with the City of Gardiner and the GWD in August 2002 on a joint infrastructure financing meeting. Much was accomplished during this meeting.

Our application of the Cost of Financing Goal to structural Options 1 through 5 is summarized in the following Table.

TABLE 8
Summary of Cost of Financing

Option		Type Available	Potential Cost Savings	Grant Availability
1	Maintain Existing Organizations	Status Quo	Status Quo	Status Quo
2	Create Joint Utility District	Revenue Bond 40 year amortization	Not Significant	USDA SRF CDBG – through City STAG
3	Water District takes on wastewater role	Revenue Bond 40 year amortization	Not Significant	USDA SRF CDBG – through City STAG
4	City takes on water role	General Obligation Bond 30 year	Not Significant	USDA SRF CDBG STAG
5	Establish Contractual Relationship Between	Status Quo	Status Quo	Status Quo

Due to the high capital needs of water and wastewater systems and the high percentage of fixed costs in overall utility operations, the Cost of Financing is an important goal. Based on the above analysis, we conclude the following:

- * There is nothing in Option 2, 3 or 4 that provides an interest rate advantage.
- * There is nothing in Option 2, 3 or 4 that provides greater access to grant monies.
- * The GWD and the City should continue working together to solicit grants.
- * We do not find cost savings in our analysis of the Cost of Financing Goal sufficient to justify changing the existing structure of the GWD and the GWTF.
- * We therefore conclude that Option 1 sufficiently meets Goal 1.

Goal 2: Delivery of Service

Improved service includes a wide spectrum of concerns including compliance with drinking water and wastewater rules, water quality and quantity, odors, responsiveness to customer needs, responsiveness to community needs and relations with neighboring communities.

The GWD and the GWTF provide a variety of services to the residents of Gardiner, Randolph and Farmingdale. Not only do they provide drinking water, wastewater treatment and fire protection, they also furnish billing, turn-ons and turn-offs, leak detection and install new services. They have relations with local contractors and local businesses. These issues are especially important for both GWD and GWTF, who provide services beyond their town borders.

Poor and inadequate service has stimulated a move to restructure in some Maine communities. Citizen complaints, water with taste or odors, treatment plants with odor problems have all led to significant organizational overhauls. However, as discussed in section VIII, the GWD and the GWTF have a solid record for delivering service to their respective customers. An important question to consider is what impact, if any, a consolidation of the GWD and the GWTF may have on the quality of service currently being provided by those entities.

It is certainly possible that altering the organizational structures of the GWD and the GWTF could have a negative impact on their current quality or reliability of services. Options 2, 3 and 4 are all merger options. There is always a transition or adjustment

period, after two distinct entities merge, when staff may need to learn new jobs. This training period may lead, at least in the short term, to deterioration of service. To test this proposition, we conducted a brief literature search.²¹

Our search yielded 22 articles and studies that were at least marginally related to the effects of reorganization and downsizing on service quality. The articles and studies were from the period 1985 to the present and were from such publications as *Time*, *Business Week*, *Forbes*, *Information Week*, *US News and World Reports*, *Economist*, *Fortune*, *American Bar Association Journal* and a variety of scholarly journals and other publications.

We found nothing directly on point. We did not find anything specifically about merging a water utility with a municipal department. However, we found a several articles that discuss the effects of reorganization/downsizing on productivity/morale in the context of private corporations. We believe that much of the discussion about reorganizations in the private sector is applicable to changes in the organizational structure of public entities.

Not surprisingly, there is no consensus in the literature about the merits and/or results of downsizing. However, there appears to be general agreement in the literature on two points. First, in a majority of cases, downsizing appears to have lead to short-term productivity gains and increased profits. There is disagreement about how substantial these productivity gains are and how long they will last. Second, as a general matter, downsizing degrades morale and the work environment for the remaining employees. There is disagreement about the extent and duration of negative effects on morale.

A third common theme, though certainly not universal in the literature, is the notion that the simple act of cutting positions will not, by itself, increase productivity. Several articles suggest that for a reorganization that includes downsizing to be successful in the long term, it must also include a fundamental change in the way work gets done. Thus, before an entity downsizes, it needs a strategy for how to handle future contingencies, such as growth in demand, and make the corresponding adjustments in the business process.

We cannot draw any specific conclusions from our literature search about the affect the consolidation of the GWD and the GWTF would have on the quality of the services provided by the consolidated entity. However, the literature identifies three issues relating to such a consolidation. First, there is a good chance that per worker productivity for a merged GWD/GWTF entity would increase somewhat as a result of downsizing. It is impossible to say how significant that increase would be or how long it would last. Second, it is likely that the morale of the remaining employees of the merged entity would drop as a result of downsizing. Again, it is impossible to predict how significant the decrease would be or if it would somehow offset productivity gains or result in service disruptions. Third, any decision to downsize should be preceded by the

²¹ Due to time constraints, our literature search was brief. The results of this search should therefore be considered preliminary in nature.

creation and implementation of a specific plan for how the remaining workforce will deal with current and future contingencies. The literature indicates that entities that have chopped jobs without a corresponding strategic plan have not achieved their desired productivity gains.

As discussed in section VIII, both the GWD and the GWTF are currently meeting their key objectives. Our investigation found no instances of existing service quality problems. Furthermore, our investigation indicates that both the GWD and the GWTF are responsive to community needs. It appears that both entities are doing their jobs in terms of their relationships with customers, contractors and local businesses. Federal and state regulations are being met, and customers are not complaining.

Our investigation further indicates that, in terms of industry standards, no specific type of organizational structure is superior for providing necessary services. Put another way, good service is not dependent upon organizational structure. Finally, for the reasons described above, we cannot predict or quantify how a change in organizational structure will affect the level of service currently being provided by the GWTF and the GWD.

Based on the above analysis, we conclude the following:

- * The GWD and the GWTF are currently meeting their key objectives.
- * The GWTF and the GWD currently have good service records.
- * We cannot predict how the consolidation of the GWD and the GWTF may affect the quality of service currently being provided by those entities. However, decision makers should consider the possible positive and negative effects such consolidation may have on service quality prior to making a decision about consolidation.
- * We find nothing in our analysis of Goal 2 that supports or justifies implementation of one of the consolidation options. We therefore conclude that Option 1 best satisfies the service quality concerns inherent in Goal 2.

Goal 3: Ease of Administration

Ease of Administration is a broad-based concept. It includes the planning, budgeting and decision making function of boards and key staff. It also involves overall management, staff coordination and staff utilization. The ease of administering an organization depends upon the complexity of the organization, the levels of management, the regulatory climate, and the skill sets of managers and superintendents.

Another issue concerning administration is the level of maturity of the organization itself. All organizations (especially those that are newly formed) going

through major upgrades or are having systemic compliance issues clearly require more competent and coordinated administration.

The MRWA's experience over the years indicates that, as new systems have been organized and built, or as major capitalization programs have been launched, the consensus has been that a quasi-municipal organization is preferable. In our opinion, this accounts for much of the significant growth of water districts over the past twenty years.

Our experience further indicates that, due to the high demands of time and attention, communities have shown a strong preference for the more focused board approach provided by a quasi-municipal district. This preference has been endorsed by the locally elected officials in their respective communities. In our opinion, locally elected officials have generally supported the creation of districts because of their broad mandate and time limitations.

District and elected boards rely heavily on the knowledge and expertise of superintendents and city managers. These valued employees have varied backgrounds with different levels of management experience in water and wastewater systems. Their abilities have an impact on what organizational structure will work in an individual town.

There is no clear indication about which type of management structure is better equipped to make decisions, plan, budget and coordinate. These functions are clearly within the purview of the respective managers. Their training and professionalism will be more important than the organizational structure itself.

In general, one would expect larger organizations, which have greater resources, to hire more professional staff. Additionally, as organizations grow in size, there are more opportunities for cross-training and more efficient utilization of staff.

As stated earlier, both GWD and the GWTF are meeting their key objectives. Both organizations are fortunate to have an experienced manager and dedicated boards. Based on the above discussion, we conclude the following:

- * Ease of administration includes planning, budgeting and decision making.
- * Different organizations with different needs require different levels of administration.
- * Historically systems with major programs have opted for single purpose or multi-purpose districts.
- * Our review indicates that systems that need a major time commitment from boards have typically opted for districts.
- * The ease of administration depends on the skill of the manager or superintendent. No one organizational structure has the edge.

- * Both GWD and the GWTF are meeting their key objectives.
- * It is not clear that either Option 2, 3 or 4 provides greater ease of administration.
- * We find nothing in our analysis of Goal 3 that supports or justifies implementation of one of the consolidation options. We therefore conclude that Option 1 satisfies the ease of administration concerns inherent in Goal 3.

Goal 4: Increased Efficiency

1. Introduction

Increased efficiency can be demonstrated in two basic ways: (1) the ability to do the same amount of work with fewer resources, in terms of manpower or expense or (2) the ability to do more work with the current level of resources. Indicators of increased efficiency include such things as cost savings measures through better equipment utilization or the elimination of unnecessary staff.

The goal of increased efficiency is a prime justification of restructuring. Most organizations are capable of finding greater efficiencies. Private businesses are being pressured by the realities of the market place. Public entities, such as the GWD and the GWTF, are pressured by regulatory agencies, taxpayers and ratepayers.

2. Efficiency Gains through the Elimination of Positions

Organizations normally look at personnel costs first as a way of improving efficiencies. They attempt to identify staff redundancies, nonproductive positions, and less critical functions of the organization itself. Normally, the larger the organization, the greater the ability to find redundancies. Usually staff reductions take place in middle management and support positions.

The GWD and the GWTF are not large organizations, in terms of staff size. As discussed in section IV, *Tables C and D*, both organizations compare very favorably to similar systems in terms of the number of positions. Unlike most other systems, neither the GWD nor the GWTF have assistant superintendents. Essentially neither organization has middle management.

The positions in the GWTF and the GWD are fairly specialized, requiring different sets of skills, training and licenses. This includes water and wastewater plant operation, distribution and collection work as well as the accounting functions. DEP, DHS and the PUC all have different sets of requirements and a combination of functions is not always an easy feat.

Table D indicates that the GWTF has the smallest staff in the group of

comparable systems. Based on that, we would assume there is little excess staff time available to absorb additional water responsibilities. *Table C* shows the GWD is also in line with comparable systems regarding staff size, suggesting there is not excess staff time to assume other functions.

The staffing question is complicated by issues relating to the seasonality of much of the work that the GWD and GWTF perform. For example, there are greater staff requirements during the winter freeze-up season and construction season, making it more difficult to eliminate or combine positions. There are other timing demands on staff, which make overall staff reductions more complex. These include meter reading, billing, turn-ons and turn-offs for water and testing requirements for both systems.

Clearly there are several multi-purpose districts and departments that perform admirably. However, it has not been proven that they are more efficient or cost effective than two separate organizations. Their success often depends on the level of technical complexity of each organization, the relative size of the support staff, and the size of the entity itself.

We have reviewed the job descriptions for employees of the GWTF and the GWD. We have reviewed current staffing levels at the GWD and the GWTF. We have compared the GWD's labor force with the labor force of other comparable water systems (*Table C*). We have compared the GWTF's labor force with the labor force of other comparable wastewater systems (*Table D*). We have reviewed the maintenance functions for the City's wastewater collection system including the wastewater pumping stations. After having reviewed all of these areas, we do not find any redundant or nonproductive positions within the GWD or the GWTF. Nor do we find any obvious combination of positions or functions that would allow for the elimination of one or more positions through the consolidation of the GWD and the GWTF. Based on our review, we do not believe that consolidation of the GWD and the GWTF will allow for the elimination of a position without a corresponding decline in the level of service being provided. We therefore conclude that the GWTF and the GWD will not likely increase their efficiency through consolidation.

We understand that some people may disagree with our above-stated analysis and conclusion. We further understand that some people may believe that one or more current positions within the GWD and/or the GWTF may reasonably be eliminated through consolidation of those two entities. If the City Council and GWD Trustees still question whether one or more positions can be eliminated through consolidation, we urge them to retain an outside entity to conduct an independent desk audit of the current positions within the GWTF and the GWD. Before eliminating a position, you need to be confident that you can do so without unreasonably compromising current service quality. The simple act of cutting positions will not, by itself, increase productivity. As confirmed in our literature search that is summarized above, the decision to downsize must be accompanied by a plan that (1) identifies how the work will get done by fewer employees and (2) includes a strategy for how to handle future contingencies, such as growth in demand, with the reduced work force.

3. The Potential Costs of Consolidation

As the City Council and the GWD Board weigh the merits of consolidating the GWD, GWTF and/or the GDPW, they should consider both the potential benefits and costs associated with such consolidation. In this Management Evaluation we have considered the potential benefits for consolidation at length. These potential benefits include cheaper financing, increased efficiency, improved service quality and improved administration. As you consider these potential benefits from consolidation, you should also consider the potential costs associated with consolidation.

Because of the large number of variables, making precise estimates of cost savings from consolidation is difficult. Similarly, estimating the cost of consolidation can be challenging. Consolidation may be a time-consuming and expensive proposition. Typically, study commissions evaluate the options. They may hire outside consultants and attorneys to work with them. If they move forward, enabling legislation will be required. There are drafting and lobbying expenses as part of the legislative process. If the consolidation is politically controversial, these costs will be significant because the legislative process is extremely time consuming.

Assuming the legislation is passed, there will be a requirement for hearings and referenda. If the consolidation is supported by the voters in these referenda, there is a vast amount of paperwork conversion. Everything from stationary to insurance policies must be converted. There will also be bond counsel expenses if bonds are to be transferred. Other expenses include transfers of titles, easements and bequests.

The people making decisions about whether or not to consolidate the GWD and the GWTF and/or the GDPW should give careful consideration to the real costs and benefits of such consolidation. The aim should always be to provide a better structure that meets the needs of the ratepayers, citizens and community as a whole.

4. Efficiency Gains Through Cooperative Activity

There are areas of overlap between the GWD and the GWTF that merit additional attention. These areas of efficiency gains include weekend coverage, some distribution and digging work and in billing responsibility.

Weekend coverage is a growing expense for many utilities. The GWD and the GWTF currently address their weekend coverage needs separately. As summarized in section VII above, the GWD and the GWTF have discussed the possibility of joint weekend coverage, but decided to discontinue discussions until a final decision is made about consolidating the GWTF, the GWD and/or the GDPW. If consolidation does not take place, further discussions are warranted. Contractual relations between systems may provide a cost effective solution.

Billing is another area where there are potential opportunities for greater efficiencies. The billing function is the cash register for each organization and is clearly an important responsibility. There have been discussions regarding the cooperative or

joint purchase of billing hardware and software. There have also been discussions about the two entities issuing a combined bill, thus saving printing, handling and postage costs. These discussions were delayed pending discussions about potential consolidation.

We have conducted a preliminary review of the GWD's and the GWTF's respective billing expenses. This preliminary review is based on input provided by the GWD and GWTF. Our review provides a rough assessment of the relative billing costs of the GWTF and the GWD. More research would be needed to determine precise billing cost information.

Our preliminary review indicates that the City currently produces approximately 1,460 wastewater bills per quarter. We estimate the GWTF's current annual capital costs²² for billing to be approximately \$1,590 and current annual variable costs²³ for billing to be approximately \$7,526. We estimate that the GWTF's current total annual costs for billing are approximately \$9,116 resulting in a total cost per bill of approximately \$1.56.

Our review further indicates that the GWD produces approximately 3,300 bills per quarter. We estimate the GWD's current annual capital costs for billing to be approximately \$2,150 and current annual variable costs for billing to be approximately \$16,200. We estimate that the GWD's current total annual costs for billing are approximately \$18,350 resulting in a total cost per bill of approximately \$1.39.

We understand that the GWD is currently investigating options for future hardware and software upgrades for customer billing. We further understand that the City is currently investigating new billing software. Now is an ideal time for the two entities to resume their discussions about joint billing activities. In addition, there may be opportunities for savings on construction activities and joint purchases of equipment. We recommend that the GWD and the GWTF resume discussions to explore increasing efficiency through cooperative action in the areas of weekend coverage, purchase of computer hardware and software, billing, construction activities and purchases of equipment.

Based on the above discussion, we conclude the following:

- * Increased efficiency is the ability to do the same work with fewer resources or more work with the current level of resources.
- * Organizations frequently look to staff reductions to reduce costs.
- * Neither the GWD nor the GWTF is a large organization which limits the potential number of staff reductions.
- * Most positions in both systems are skilled or licensed.

²² Annual capital costs include costs for computer hardware (including printer) and billing software.

²³ Annual variable costs include costs for personnel, billing forms, postage, software licensing and support and miscellaneous materials.

- * Both the GWD and the GWTF have relatively small staffs compared to similar-size systems.
- * Decision makers should give careful consideration to the real costs of consolidation when evaluating the proposed savings associated with consolidation.
- * Our analysis does not support the conclusion that substantial efficiency gains can be realized through the consolidation of the GWD, GWTF and/or the GDPW.
- * Contractual relations, as described in Option 5, could provide potential cost savings and/or efficiency gains in the areas of weekend coverage, purchase of computer hardware and software, billing, construction activities and purchases of equipment..
- * Discussions between GWD and GWTF should resume regarding weekend coverage, purchase of computer hardware and software, billing, construction activities and purchases of equipment.

E. Recommendation Regarding Options

Based upon the foregoing analysis, we recommend a combination of Options 1 and 5. We recommend that the GWD and the GWTF not be consolidated, but instead remain intact and autonomous. We therefore recommend that Options 2, 3 and 4 be rejected at this time. We further recommend that the GWD and the GWTF continue working together through joint discussions and contractual arrangements as described above.

XI. SUMMARY OF FINDINGS AND RECOMMENDATIONS

A. Introduction

Throughout this Management Evaluation, we have made several findings and recommendations. The purpose of this section is to provide a summary of the findings and recommendations that are contained in this Management Evaluation.

B. Summary of Key Findings and Recommendations

FINDINGS AND RECOMMENDATIONS FROM SECTION II

1. Over the past three years, the City of Gardiner and the GWD have

earnestly discussed the potential benefits from reorganizing the City's water and wastewater activities as well as finding other opportunities for cooperative action, cost savings and efficiencies.

2. During that time, a Joint Management Team has been formed to (1) work and plan cooperatively, (2) implement interim cost-saving steps and (3) continue discussions regarding possible reorganization.

3. The discussions about reorganization and the desire to find cost savings and greater efficiencies have led to the drafting of this Management Evaluation.

4. The purpose of the Management Evaluation is to provide a comprehensive analysis of the many issues relating to the various optional organizational structures under consideration so that the Gardiner City Council and the GWD Board of Trustees can make an informed decision about whether the City's water and wastewater services and operations should be reorganized and about how the water and wastewater services can be provided more efficiently.

FINDINGS AND RECOMMENDATIONS FROM SECTION III

1. While the duties and responsibilities of the GWD trustees and the Gardiner City Council members differ considerably, their duties and responsibilities with respect to water and wastewater oversight are generally similar.

2. In addition, GWD trustees and Gardiner City Council members are public servants and as such have similar stewardship responsibilities to their respective constituencies.

3. As a general matter, the scope of the authority/responsibility of a board for a consumer-owned water utility is narrower and more focused than the scope of authority/responsibility of a city council.

4. From an organizational perspective, either a board of trustees or a city council is capable of overseeing a water and/or wastewater system.

5. When comparing the relative governing capabilities of a district structure versus a city council structure, it is often the aggregate capabilities of the individuals who are members of the particular organization in question, rather than the organizational structure itself, that will determine the organization's ability to govern.

6. There are also a number of additional factors that will determine which organizational structure will work best in a particular situation.

FINDINGS AND RECOMMENDATIONS FROM SECTION IV

1. Both water and wastewater services in Maine are provided by one

of the following: single-purpose quasi-municipal district; multi-purpose district; municipal department or contractual arrangement. Private industry owns several water utilities in Maine and also contract operations for water and wastewater systems.

2. The water industry in Maine has evolved from almost total private control in the early twentieth century to an industry predominately organized as consumer-owned utilities. The largest growth has been within the water district sector. The driving forces for change have been economic, in the form of SDWA-driven expenses, and a host of groundwater contamination incidents.

3. Generally, the transition from private water utility to publicly-owned water utility has been fairly smooth. The Maine Legislature, as well as local voters, have supported legislation creating districts.

4. The wastewater industry differs from the water industry in many respects. First, it is exempt from PUC economic regulation. This has given the industry more latitude in how it conducts its finances. Second, it is a relatively new industry, having blossomed during the last quarter of the century. Third, in general, it is more technical than the water industry, which is probably why wastewater facilities have made greater use of contract operators. Fourth, because the industry is still relatively new, it has not experienced the evolution that the water industry has witnessed.

FINDINGS AND RECOMMENDATIONS FROM SECTION V

1. The primary characteristics of the GWD are set out in the District's charter.

2. The territorial boundary of the District is the City of Gardiner. The District's service territory includes the City of Gardiner and the Towns of Farmingdale, Randolph and Pittston. If the City of Gardiner were to take over the GWD, it would need to make sure that it has the authority to provide water service outside its jurisdictional limits so that it could continue to serve all customers in the District's current service territory. We recommend that if the Gardiner City Council and the GWD Board of Trustees are inclined to move forward with consolidation, they should obtain legal advice on this issue.

3. If the GWD were to take over the GWTF and/or the GDPW, the GWD would need to amend its charter to provide the authority to provide the additional services.

4. The GWD's board consists of three trustees appointed by the Gardiner City Council. The Towns of Farmingdale, Randolph and Pittston are not directly represented on the GWD board. The GWD may consider whether it wants to revisit the issue of representation of Farmingdale and Randolph on its board and submit the corresponding legislation.

5. The powers and responsibilities of the GWD are established in a

variety of sources and each of these sources should be reviewed when considering reorganization options.

6. Most of the laws, rules and regulations that govern the GWD apply to the District by virtue of its public utility status. If the GWD were consolidated with the GWTF and/or the GDPW, these laws, rules and regulations would continue to apply to the water side of the consolidated entity. Thus, the regulatory obligations are essentially the same, regardless of the organizational structure.

7. State statutes and PUC accounting rules prohibit the cross-subsidization between a water utility and any subsidiary business. If the GWD were consolidated with the GWTF and/or the GDPW, the water side of the consolidated entity would have to keep separate books and take steps to ensure that rates paid by water utility customers are not used for any purpose other than those of the water side of the operation.

8. Chapter 69 of the PUC's rules establishes the formula for calculating public fire protection charges. The public fire protection rate currently charged by the GWD to the City of Gardiner is calculated according to Chapter 69. If the GWD were consolidated with the GWTF and/or the GDPW, the rate charged by the consolidated entity to the City of Gardiner would still be calculated according to Chapter 69. Accordingly, it appears that the City of Gardiner cannot reduce its public fire protection rate through the consolidation of the GWD with the GWTF and/or the GDPW.

9. Certain provisions of the GWD's current charter appear to be inconsistent with laws that were enacted after the most recent amendment to the District's charter. We recommend that the GWD consider submitting legislation to bring its charter up to date.

FINDINGS AND RECOMMENDATIONS FROM SECTION VI

1. The primary characteristics of the GWTF are set forth in a variety of places including state and federal laws and rules, the Gardiner City Ordinance and the Sewage Disposal Service Contract..

2. The GWTF does not have a statutorily defined service territory. The Sewage Disposal Service Contract states that the system will "collect and treat sewage generated in Gardiner, Farmingdale and Randolph including some portions of Pittston and South Gardiner." The GWD service territory includes the City of Gardiner and the Towns of Farmingdale, Randolph and Pittston. If the GWD were consolidated with the GWTF and/or GDPW, any differences in the respective service territories of the entities would need to be reconciled. We recommend that if the Gardiner City Council and the GWD Board of Trustees are inclined to move forward with consolidation, they should obtain legal advice on this issue.

3. The GWTF is governed by municipal officers of Gardiner. In addition, the Wastewater Disposal Service Contract provides for the creation of a seven-

person Advisory Board with representatives from Gardiner, Randolph and Farmingdale. The purpose of the Advisory Board is to hear reports on operations of the common facilities and to make recommendations about the operation of the common facilities and to attempt to resolve disputes.

4. The powers and responsibilities of the GWTF are established in a variety of sources and each of these sources should be reviewed when considering reorganization options.

5. Most of the laws, rules and regulations that govern the GWTF apply to the GWTF by virtue of its status as a wastewater treatment facility. If the GWTF were consolidated with the GWD, these laws, rules and regulations would continue to apply to the wastewater side of the consolidated entity. Thus, the regulatory obligations are essentially the same, regardless of the organizational structure.

6. Many of the GWTF's powers and responsibilities are established in the Gardiner City ordinances and Gardiner City Charter and are linked to the GWTF's status as a department of the City of Gardiner. If the GWTF were consolidated with the GWD in a way that removed its department status, the resulting entity's charter would have to incorporate these powers and responsibilities that would otherwise be lost.

FINDINGS AND RECOMMENDATIONS FROM SECTION VII

1. Substantial progress has been made since the Water Study Committee issued its recommendations in 2001. Since 2001, the GWTF, the GDPW and the GWD have

- * Coordinated purchasing activities resulting in savings to the City and the GWD;
- * Created a *de facto* mutual aid pact under which crews assist each other during emergencies;
- * Cooperated on the sharing of equipment;
- * Approximately two years ago, the GWD voluntarily agreed to waive the \$0.44 per-meter reading charge and currently provides such information to the GWTF free of charge.
- * Met regularly to discuss and coordinate infrastructure activities and long-range planning;
- * Retained Brian Kent to evaluate options for consolidating garage and storage areas for the GWD and various City departments; and
- * Retained the MRWA and the KVCOG to prepare this

Management Evaluation.

These accomplishments are significant and have resulted in actual savings to the City and the GWD.

2. Members of the Joint Management Team were unable to reach agreement on the following two initiatives:

- * After lengthy discussion of issues relating to cross-training and joint weekend plant coverage, members of the Joint Management Team concluded that no progress on this issue could be made until the City Council and GWD Board decide whether to reorganize the GWD, the GWTF and/or the GDPW.
- * After lengthy discussion, members of the Joint Management Team were unable to reach agreement on issues relating to billing, administration and staffing.

We believe that the Joint Management Team has gone as far as it can go with these issues under the current organizational structure. We recommend that the Joint Management Team revisit these two issues after the City Council and GWD Board has made a final decision about reorganization.

3. There are some areas where we believe additional work by the Joint Management Team would produce positive results including the following:

- * Recommendation 10 of the Water Study Committee was for the City and the GWD to develop joint public communication/education activities. This recommendation has not been implemented and we recommend that the Joint Management Team consider additional ways to implement Recommendation 10.
- * As part of a 1998 rate case, the GWD agreed to the creation of a five-person Advisory Committee to provide input to the District on a wide array of issues. The Advisory Committee was to have two representatives appointed by the City of Gardiner and one representative each from the Towns of Randolph, Farmingdale and Pittston. Because of lack of participation by a majority of the people who were appointed to the GWD Advisory Committee, it appears that the Advisory Committee concept was never tested. We recommend that the Joint Management Team consider whether the concept of an Advisory Committee should be revived and used (1) to help foster communication between the GWD and the city/towns it serves and (2) as a vehicle

for exploring opportunities to coordinate public education efforts by the GWD and the City of Gardiner. We further recommend that the GWD Advisory Committee and the GWTF Advisory Committee explore ways to work together and collaborate on communication and public education issues.

4. The Water Study Committee recommended that City Council members become familiar with such things as the GWD's Master Plan, federal and state regulations governing the GWD and the GWTF and the GWD's filter treatment plant. The City Council instead decided to (1) not study this level of detail; (2) instruct staff to become familiar with the necessary details and (3) rely on staff to provide City Council members with a summary and interpretation of the details when needed.

FINDINGS AND RECOMMENDATIONS FROM SECTION VIII

1. It is very important for a public entity such as a water district or a wastewater treatment facility to assess its ongoing performance.

2. The GWD and the GWTF each have primary functions that they must perform.

3. Our review indicates that the GWD and the GWTF are each satisfactorily performing their respective primary functions.

FINDINGS AND RECOMMENDATIONS FROM SECTION IX

1. One way to assess the performance of a water system or a wastewater system is to compare the costs of the system in question with the costs of other comparable systems.

2. *Tables A, AI and C* show that the GWD is mid-range in terms of operating cost, fixed cost and staffing. These also indicate that the GWD has relatively low water rates.

3. *Table A* indicates that there may be opportunities for the GWD to reduce its insurance costs. We recommend that the GWD further investigate its insurance options to see if it can find more favorably priced coverage.

4. From *Tables A, AI and C* we conclude that the GWD is generally in line with industry cost standards.

5. *Tables B and D* indicate that the GWTF has average sewer bills and is low to mid-range in several cost categories, including labor. The GWTF has a smaller work force than any system in this group of comparable systems.

6. *Table B* indicates that there may be opportunities for the GWTF to

reduce its vehicle and equipment costs. We recommend that the GWTF review its vehicle and equipment costs to determine if it can achieve savings in this area.

7. From *Tables B and D* we conclude that the GWTF is generally in line with industry cost standards.

FINDINGS AND RECOMMENDATIONS FROM SECTION X

Regarding Goal 1 (Cost of Financing) we conclude the following:

- * There is nothing in Option 2, 3 or 4 that provides an interest rate advantage.
- * There is nothing in Option 2, 3 or 4 that provides greater access to grant monies.
- * The GWD and the City should continue working together to solicit grants.
- * We do not find cost savings in our analysis of the Cost of Financing Goal sufficient to justify changing the existing structure of the GWD and the GWTF.
- * We therefore conclude that Option 1 sufficiently meets Goal 1.

Regarding Goal 2 (Delivery of Service), we conclude the following:

- * The GWD and the GWTF are currently meeting their key objectives.
- * The GWTF and the GWD currently have good service records.
- * We cannot predict how the consolidation of the GWD and the GWTF may affect the quality of service currently being provided by those entities. However, decision makers should consider the possible positive and negative effects such consolidation may have on service quality prior to making a decision about consolidation.
- * We find nothing in our analysis of Goal 2 that supports or justifies implementation of one of the consolidation options. We therefore conclude that Option 1 best satisfies the service quality concerns inherent in Goal 2.

Regarding Goal 3 (Ease of Administration), we conclude the following:

- * Ease of administration includes planning, budgeting and decision making.

- * Different organizations with different needs require different levels of administration.
- * Historically systems with major programs have opted for single purpose or multi-purpose districts.
- * Our review indicates that systems that need a major time commitment from boards have typically opted for districts.
- * The ease of administration depends on the skill of the manager or superintendent. No one organizational structure has the edge.
- * Both GWD and the GWTF are meeting their key objectives.
- * It is not clear that either Option 2, 3 or 4 provides greater ease of administration.
- * We find nothing in our analysis of Goal 3 that supports or justifies implementation of one of the consolidation options. We therefore conclude that Option 1 satisfies the ease of administration concerns inherent in Goal 3.

Regarding Goal 4 (Increased Efficiency), we conclude the following:

- * Increased efficiency is the ability to do the same work with fewer resources or more work with the current level of resources.
- * Organizations frequently look to staff reductions to reduce costs.
- * Neither the GWD nor the GWTF is a large organization which limits the potential number of staff reductions.
- * Most positions in both systems are skilled or licensed.
- * Both the GWD and the GWTF have relatively small staffs compared to similar-size systems.
- * Decision makers should give careful consideration to the real costs of consolidation when evaluating the proposed savings associated with consolidation.
- * Our analysis does not support the conclusion that substantial efficiency gains can be realized through the consolidation of the GWD, GWTF and/or the GDPW.
- * Contractual relations, as described in Option 5, could provide

potential cost savings and/or efficiency gains in the areas of weekend coverage, purchase of computer hardware and software, billing, construction activities and purchases of equipment..

- * Discussions between GWD and GWTF should resume regarding weekend coverage, purchase of computer hardware and software, billing, construction activities and purchases of equipment.

Final Recommendation

Based upon the foregoing analysis, we recommend a combination of Options 1 and 5. We recommend that the GWD and the GWTF not be consolidated, but instead remain intact and autonomous. We therefore recommend that Options 2, 3 and 4 be rejected at this time. We further recommend that the GWD and the GWTF continue working together through joint discussions and contractual arrangements as described above.

GARDINER WATER STUDY COMMITTEE

Approved 9/01

PRESENTATION TO CITY COUNCIL

PREFACE STATEMENT:

The Gardiner Water Study Committee was established by the Gardiner City Council, who appointed the following committee members: Charles Batchelder, Chair, Doug Burdin, Norm Gardner, Vincent McGuire, David Perry, and Beverly Robbins. The committee was charged with reviewing the operations of the Gardiner Water District and the Gardiner Wastewater Treatment Facility with an eye to cost saving recommendations. The committee accepted its task with the idea that the committee's responsibilities would end when it reported any recommendations to the City Council.

During the past several months the committee has been meeting regularly to review data, discuss positions, interview department leaders and work toward recommendations that could garner a consensus of the committee. The committee has reviewed budgets, manpower needs, equipment, State and Federal requirements, licensing and a myriad of other information.

The committee, early on, recognized a significant barrier to mutual cost savings for the City in the future. That barrier is the fact that the Gardiner Water District is a separate legal entity with bonded indebtedness and obligations to surrounding communities other than Gardiner.

The committee is aware of significant changes with existing City and Water District personnel in the near future. Vacancies, retirements and resignations offer City Council flexibility in making changes for the future.

The committee is aware of the legislative process for changing the Water District charter. Our local representative, Patrick Colwell, understands the PUC and legislative process and, therefore, is well suited to assist the City in any future legislative attempts.

The committee is aware that the City and the Water District are members of the Maine Rural Water Association. As this group has expertise in drinking water and wastewater, it could be beneficial to the City in working through future related issues.

RECOMMENDATIONS:

1. We recommend City Council require common purchasing of fuel, materials and equipment for all departments to obtain economies of scale wherever possible. The Water District should be invited to participate.

2. We recommend City Council involve all city departments and include the Water District in any and all long range infrastructure planning.

This recommendation is made in hopes that cooperative, mutual long range planning, when it comes to major construction/reconstruction of city streets and roads, will result in long term savings to the City. We recognize that citizens feel it is unnecessary and costly to have multiple departments digging up the same street at different times.

3. We recommend City Council explore ways to prioritize projects of the Water District, Wastewater Treatment Plant and Public Works on a long-range basis to enhance cooperation and planning that may result in long-term savings.

The City and Water District should explore ways to amply fund long-range projects on a timely and coordinated basis. City Councilors, District Trustees and employees should be encouraged to think outside the box when searching for appropriate funding mechanisms for long-range projects. Large projects should be coordinated well in advance to assure efficiency, funding and non-repeat construction to similar area.

4. We recommend City Council and people in city leadership positions become familiar with the 1994 Water System Master Plan developed by Whitman and Howard for the Gardiner Water District with an eye to finding areas of commonality to allow major repairs to be coordinated among the involved entities.

The Gardiner Water District has a long-range plan that indicates the needed capital improvements for the next twenty (20) years. It is necessary for the City to familiarize itself with that study to enhance coordination with other City capital projects.

5. We recommend City Council review the Capital Improvement Program for Wastewater Treatment Facility and CSO Abatement done in November 2001 by Wright-Pierce.

This study, in conjunction with the Water Districts', should form a substantial outline of the needed projects and costs of two of the major spending departments. Combined with long-term needs of the Public Works Department, this outline should aid in coordination of project work and funding sources.

6. **We recommend the City of Gardiner and the Gardiner Water District investigate the possibility of cross training employees.**

Cross training could alleviate pressures for weekend supervision and overtime and provide "depth" to all staffs which would allow sharing of employees at various times of crises or need.

7. **We recommend City Council become informed regarding Federal and State regulations that affect the Water District and Wastewater Treatment Facility.**

Examples: 1986 Safe Water Drinking Act and Objectives originally sought in Wastewater Treatment, e.g., Protection and maintenance of sources for use as domestic water supplies, Prevention of disease and spread of diseases, Prevention of nuisance conditions, Maintenance of clean waters for bathing and other recreational purposes, Protection and maintenance of the environment, Conservation and protection of water for industrial and agricultural uses and Prevention of silting in navigable channels.

8. **We recommend City Council gain an appreciation for the sophistication of the Water District's filter treatment plant.**

9. **If City Council considers establishing a single utility district, Then we recommend:**

City Council review the letter from the Legislative Office of Policy and Legal Analysis of 6/31/01 for purpose of looking for resolution to issues regarding dissolving the Gardiner Water District.

City Council review with bond counsel the impact of a change of ownership of the Water District regarding bond indebtedness, water pipes and mains. Consider the legalities involving communities of Randolph and Farmingdale.

The City have a professional legal study done to ascertain whether or not it would be financially beneficial for the City to move toward dissolving the Water District and bringing services under the purview of the City.

A firm(s) familiar with this type of situation and with the expertise to make a fair representation of the cost to benefit ratio of such a plan should do the study.

10. We recommend that the City and the Water District begin a cooperative, educational, public relations effort that would provide citizens with straightforward information regarding the State of the City.

It would be beneficial if citizens were more informed about what is happening with Public Works, Wastewater Treatment and the Water District. Something like a newsletter written for the common person and aimed at explaining the needs and costs of running various departments could be beneficial to citizen support of local efforts. We feel that if people are told where their taxes and water fees and sewer fees are going, there may be a more muted grumbling about paying them.

As a committee, we appreciate the opportunity to serve the City of Gardiner. We came to realize the complexities of the issues. We tried to be unbiased and to look at recommendations that could, in the long run, be cost saving and efficient. As a committee we urge cooperation between all parties involved for the benefit of residents of the City of Gardiner.

**Notes from Joint Management Team Meeting
City of Gardiner and Gardiner Water District
March 28, 2003**

Notes compiled by Frank O'Hara, Planning Decisions

Attendance

City: Jeff Kobrock, Pat Gilbert, Chuck Applebee, Chris Paszyc
Water District: Paul Gray, Jim Connor
Facilitator: Frank O'Hara, Planning Decisions

Overview of results

The group:

1. **Agreed that current relationships among the parties, and current operations, were more collaborative than had been true in the past;**
2. **Agreed on a series of action steps to implement short-term savings, and explore potentially larger savings (specifically from the consolidation into one garage the field work functions of public works, the water district, and wastewater plant);**
3. **Agreed that there are potentially other savings in billing, administration, and staffing – but these cannot be realistically explored until there is a decision about the future management structure for these operations. In other words, there may be savings in billing operations, but they cannot be pursued without knowing where billing responsibilities will lie in the future.**
4. **Agreed that of the three management alternatives possible – continue as is, fold the water operation into the City, fold the wastewater operation into the Water District – the latter alternative was off the table because it failed to provide sufficient savings, and failed to integrate public works operations into the water and sewer functions.**
5. **Did not come to a consensus on which of the remaining two management options – continue as is, or fold the Water District into the City – was better. But did agree to investigate the experience of other Maine towns and cities with consolidated operations.**

Following a description of the meeting goals and format, each of these points is discussed in more detail below. Proposed action items are underlined.

Meeting goals and format

The goals for the meeting were agreed to by the participants to be as follows:

- To generate ideas for financial savings from collaboration among the Water District, Gardiner Public Works, and the Gardiner Wastewater Treatment operation; and
- To discuss management alternatives

The group met from 9 a.m. to 3 p.m. in the Gardiner Savings Bank boardroom. The meeting was facilitated by a consultant. For three hours in the morning the group went through the individual functions of the different operations, one by one, comparing how they were operated, and discussing possible savings. Those operations included: supplies, equipment, garages, plant maintenance, field work, billing, capital bids/contract, customer service, and administration. The findings from each area were listed on an easel pad and the sheets were taped up to the walls.

In the afternoon the group discussed the pros and cons of different management structures; identified savings that could be accomplished within the current management structure, and savings that might be possible within a different management structure; and agreed on next steps for action.

The following are the five findings described in greater detail.

- 1) **Agreed that current relationships among the parties, and current operations, were more collaborative than had been true in the past.**

Accomplishments that were cited included joint purchasing of bleach (saving about \$1,000 a year), coordination on major contracts, and the existence of a de facto "mutual aid pact" in which Public Works and Water District crews helped each other out in emergencies. In addition the parties at the table cited their mutual respect for each other's professional work and attitudes. The failure to be able to work out an arrangement for the Water District to take advantage of City fuel costs (a half penny a gallon lower) was a frustration for people around the table (problem was one of liability). This collaboration should be reinforced.

- 2) **Agreed on a series of action steps to implement short-term savings, and explore potentially larger savings (specifically from the consolidation into one garage the field work functions of public works, the water district, and wastewater plant).**

These steps included:

- a) Work out process for City to sell gravel to the Water District at cost – which would save the District a few thousand dollars a year, and provide the same amount of new revenue to the City (responsibility: Pat Gilbert and Paul Gray);
- b) Hire Brian Kent to evaluate the potential of the Wastewater Plant site and its buildings to serve as a consolidated garage and storage area for the trucks and

equipment and materials of the Public Works Department, the Water District, and the Wastewater Plant. There is a considerable potential savings from the consolidation of truck fleets and equipment through this centralization – there would probably be no need to replace some compressors, dump trucks, bobcats, loaders, and one-ton trucks as they ended their useful service in the years ahead if all of the fleets were consolidated. Consolidation would also create a more efficient utilization of mechanics and field staff. On the other hand, City and Water District officials identified several potential concerns: the site is not central enough, it might be subject to flooding, there might not be enough space for storage, it may not meet proper standards for salt/sand storage. The action here is to hire Brian Kent to do a preliminary site location analysis and see how the site might be laid out to serve these various functions, and whether the site would serve the needs of the three entities satisfactorily. If his study found that this might work conceptually, more detailed engineering and cost studies would follow (responsibility: Jeff Kobrock).

- c) Investigate the possibility of joint coverage of both the water plant and sewer plant on weekends. Currently both hire separate “on call” help to check on the plant and to be on call for emergencies. If one person could do both functions, there is a potential money savings. However, each plant requires separate licenses and capabilities for the on-call person. The staff will explore whether cross-training and licensure and labor contracts would make such a cooperative arrangement possible, and at what cost (responsibility: Paul Gray and Chuck Applebee).
 - d) Arrange for City staff to participate in a demonstration of the Water District’s proposed new computer software for billing and finances. This will allow City staff to provide input to the Water District about possible billing cooperation with the software before the final purchase decision is made (responsibility: Paul Gray, Jim Connor, Pat Gilbert, Chuck Applebee).
- 3) **Agreed that there are potentially other savings in billing, administration, and staffing – but these cannot be realistically explored until there is a decision about the future management structure for these operations. In other words, there may be savings in billing operations, but they cannot be pursued without knowing where billing responsibilities will lie in the future.**

Here are a few areas of potential savings in the future that require a decision on future management direction before being pursued:

- Trucks and equipment. The consolidated garage could be the impetus for doing more in this area. As it now stands, all agree that the combined truck fleets and equipment inventories for the Water District and Public Works Department and Wastewater Plant are more than a combined operation would require.
- Centralized computer, billing, collections, customer relations, front office operations (note: the Water District does not have space at this time to consolidate billing at their offices).

- Common uniforms, boots, clothing
- 4) **Agreed that of the three management alternatives possible – continue as is, fold the water operation into the City, fold the wastewater operation into the Water District – the latter alternative was off the table because it failed to provide sufficient savings, and failed to integrate public works operations into the water and sewer functions.**

The advantage of folding the wastewater operation into the Water District is that it achieves some of the savings of consolidation, and also maintains a independent platform for potential additional regional efforts with Randolph and Farmingdale (note: with regard to regional cooperation, the City Wastewater Department does have an Advisory Board with representatives of Farmingdale and Randolph that meets and makes recommendations to the Wastewater Superintendent, the City Manager, and the City Council about budget and operations). In any case this alternative fails to integrate the Gardiner Public Works Department into the mix, and for this reason does not have the potential for savings and synergy as the alternatives, and for this reason the consensus at the meeting was that this should be off the table.

- 5) **Did not come to a consensus on which of the remaining two management options – continue as is, or fold the Water District into the City – should be pursued. But did agree to investigate the experience of other Maine towns and cities with consolidated operations.**

The representatives of the Water District acknowledged that there were potential savings from a consolidation (see point 3 above), but they questioned how significant such savings would be. They felt that the field and office staff of the District were already working very hard, and that there wasn't a lot of "slack" to create savings from consolidation. They also identified risks:

- The Water District has a good operation going, with below-average costs for Maine, with good response times to emergencies – why change what isn't broken?
- The water operation is regulated by the Public Utilities Commission, which requires certain fee arrangements (such as that 30% of water revenues must come from public safety operations), and has other requirements that make integration with other city functions difficult.
- Billing procedures and policies would make combining the function confusing and inefficient.

On the other hand, City representatives felt that the savings in point 3 could be significant – not by making people work harder, but by structuring peak work more efficiently. They felt that the risks raised by Water District staff could be managed by changes in City and Water District policies to billing procedures together in a way that would meet PUC tests. Finally, City staff also saw significant non-financial benefits from consolidation, including:

- Better customer service – easier for people to know who to call, where to file complaints, where to go to pay bills;

- More specialization among staff, leading to:
 - More efficient utilization of people (not having as much of high-paid people cutting the grass or doing jobs that could be done by someone lower-paid)
 - A career ladder – more ability to gain additional licenses, skills, and thus earn more money and get more promotions – and also be more marketable if looking for another job
- More flexibility in responding to emergencies – easier to shift crews around.

The group agreed to investigate the experience of other communities – those which have recently converted from district to consolidated functions (i.e., Brewer, Damariscotta), and those with longer municipal control (i.e., Sabattus), to see how their costs and management experience compares to the hopes and fears described above (responsibility: Chris Paszyc and Chuck Applebee).

This research would be provided to the City Council and the Water District Board to help them make an ultimate determination about which of the two management options to adopt.

PROPOSED ACTION ITEMS
(underlined in report)

FOR GARDINER CITY COUNCIL AND GARDINER WATER DISTRICT BOARD

Action	Description <i>(and responsibility for carrying out)</i>	Notes	Decision Box	
			Yes	No
1	Reinforce collaborative relationship			
2A	Work out gravel arrangement by June 30 <i>(Pat and Paul)</i>			
2B	Hire Brian Kent to perform preliminary site analysis by June 30 <i>(Jeff)</i>			
2C	Investigate possibility of joint coverage of water and sewer plants on weekend by June 30 <i>(Paul and Chuck)</i>			
2D	Hold demonstration of Water District proposed new software for City staff by June 30 <i>(Paul, Jim, Pat, Chuck)</i>			
2E	Investigate experiences of other similar Maine communities who have recently converted water district to municipal function – and also those who have had water as a municipal function for a longer time <i>(Chris and Chuck)</i>			

1) Jeff Kobrock will hire Brian Kent to provide a conceptual look (and recommendation) with regard to the following:

- * co-locating water, wastewater, and public works operations at the wastewater plant
- * in conjunction with the above, moving police and fire to the public works site
- * co-locating water, wastewater, and public works at public works site
- * creating a "supergarage" at a central location for the above plus fire and police
- * or any other combination for city services that arises in the course of investigation

In conducting this study, Brian will take into consideration:

- * the long run (20-year) space needs of each operation in light of changing technologies
- * vehicle-mile implications for each operation at each site
- * topography of sites with regard to ease and safety of egress
- * access to Randolph and Farmingdale
- * potential for flooding
- * storage space for trucks and equipment and sand/salt
- * flexibility and potential for future expansion

No end date is assigned to this task, but Brian should begin work this summer.

2) Paul Gray and Chuck Applebee will explore the possibility of joint weekend coverage for the sewage treatment and water plants and provide a recommendation by June 30.

3) Paul Gray and Jeff Kobrock and Chuck Applebee will work out arrangements for joint water/sewer billing -- preferably through a third party contractor. The third party arrangement saves initial capital costs and saves in-house staff time at both the Water District and City Hall. Their recommendation should be made by September 30.

4) Jeff Kobrock and Paul Gray will each provide \$3,000 to \$5,000 to a pot to hire a consultant, mutually agreeable to both parties, to develop specific management alternatives and recommendations over the summer.

The consultant shall consider continuing as is (with closer cooperation), folding the water district operation into the City, and moving the City Public Works and wastewater staffs into the Water District (creating a potential multi-town public works department that Gardiner and other towns could contract with for services).

The consultant shall consider how to get the best possible grant-writing capabilities into the new arrangement.

The consultant shall also consider alternative governance arrangements that would provide more input to neighboring towns and encourage regional cooperation.

The consultant should be aware of specific legal issues with regards to bonds, state law, and so forth, but should not do detailed studies of them. The purpose of this consultant study is to identify the best possible arrangement. Once that arrangement is decided, if there are specific legal issues to resolve, then a lawyer should be hired at that point to examine them in detail.

The report should be begun in the summer, with a reporting date (if possible) of September.

Chapter 69: DETERMINATION OF FIRE PROTECTION REVENUES FOR WATER UTILITIES

SUMMARY: This rule establishes a formula for determining for ratemaking purposes the percentage of gross revenues that water utilities should derive from fire protection charges.

1. Definitions.

- A. "Fire Protection Allocation Curve" means the curve established from studies done by the Maine Water Utilities Association, as described in its Journal of March 1961, and attached to this Rule.
- B. "Peak Flow" means the peak hourly flow in gallons per minute for the utility's system. In cases where the peak hourly flow cannot be readily determined, it shall be estimated on the basis of 2 1/2 times the average daily flow in gallons per minute.
- C. "Required Fire Flow" shall be determined by the National Board of Fire Underwriters (N.B.F.U.) formula $1020 \sqrt{x} (1-.01 \sqrt{x})$ in gallons per minute, where X is the population in thousands served by the utility.
- D. "Standard Allocation Method" is the method of determining the percentage of a utility's gross revenue to be derived from public fire protection charges as determined by Section 2 of this Rule.

2. Determination of Percentage of Gross Revenue for Fire Protection Charge.

To determine the percentage of gross revenue that a water utility shall allocate to public fire protection charges, it shall first determine the fraction in which Peak Flow is the numerator and Required Fire Flow is the denominator. This fraction shall then be plotted on the Fire Protection Allocation Curve, attached as Appendix A. The applicable percentage is read at the point where the fraction determined above, as plotted on the horizontal axis of the Fire Protection Allocation Curve, intersects the vertical axis of the curve.

The allocation shall be as determined by the curve, except as follows:

- A. In no event shall the percentage at gross revenue allocated to fire protection charges be more than 30%, or less than 6%, of gross revenue, unless either (1) the utility proves to the Commission, by such studies as the Commission may require, that such extraordinary percentages are reasonable and necessary; or (2) that an allocation factor of more than 30% has been accepted by the municipality and approved by the Commission and conditions have not materially changed.
 - B. The Commission finds, on the basis of evidence presented to it, which may include the allocation factor approved by the Commission in the utility's last rate case, that a different allocation factor should be used because of an inadequate fire flow or other good cause.
3. Full Allocation Studies.
- A. As an alternative to using the Standard Allocation Method, a utility may prepare and present to the Commission for its consideration a full allocation study of its own system. Utilities are encouraged to prepare and present such studies when there are conditions on their system, such as extensive treatment facilities, that would make the application of the Standard Allocation Method unreasonable or inappropriate.
 - B. The Commission may order a utility to prepare and present to it for its consideration a full allocation study of the utility's system when it determines that application of the Standard Allocation Method would be unreasonable or inappropriate.
4. Charges for Public Fire Protection for New Extension.

Until the date of completion of its next general rate case proceeding, a utility, other than a utility that has chosen to make no new investments in new extensions pursuant to 35-A M.R.S.A. § 6106, following the effective date of its decision not to invest pursuant to that section, may bill to the municipality, or the public authority, the charge for public fire protection on a new main extension constructed in a municipally accepted public way after the effective date of the rule to which extension the first customer was connected after February 1, 1987, pursuant to the following formula:

TACR x FP

Where

TACR = Total average annual customer revenue for all customers connected directly to the extension, including public fire protection, as defined in Chapter 65, §1(F).

FP = Percentage of utility's revenue requirement for fire protection determined pursuant to Section 2, above, or as otherwise ordered by the Commission.

Hydrants on a public way shall be installed at the spacing or locations agreed upon by the utility and the municipality when the extension is constructed, but the charges shall apply whether or not any hydrants are located on the main extension.

Until such time as the way on which a hydrant is located is accepted by a municipality or the municipality accepts responsibility for a hydrant as a public hydrant, the hydrant shall be considered private fire protection and shall be billed accordingly.

Any tariff provision that conflicts with this rule shall be null and void.

5. Charges for new public hydrants on mains to which the first customer was connected on or before February 1, 1987.

Until the date of completion of its next general rate proceeding, a utility may bill to the municipality, or other public authority, the charge for public fire protection for new hydrants installed on mains to which the first customer was connected on or before February 1, 1987, pursuant to the following formula:

The formula for determining the annual charge (AC) for a non-investor owned utility is:

$$AC = CH \times [C + P + .02]$$

The formula for determining the annual charge (AC) for an investor-owned utility is:

$$AC = CH \times \left[CD + \frac{CE}{1 - (FIT - (FIT \times SIT)) + SIT} + .02 \right]$$

Where:

AC = Annual charge for a new hydrant on a main to which the first customer was connected on or before February 1, 1987.

- C = Overall cost of capital for non-investor owner utilities, expressed as a decimal. Unless otherwise approved or set by the Director of Finance or the Commission, the cost of capital shall be the average interest rate for the first 15 years of the most recent issues of the Maine Bond Bank for a serial bond, assuming equal annual principal payments.
- CH = cost of the hydrant.
- CD = Cost of debt for an investor-owned utility, weighted by the debt ratio, expressed as a decimal. Unless otherwise approved or set by the Director of Finance or the Commission, the cost of debt and the debt ratio shall be those approved in the utility's most recent rate case.
- CE = Cost of equity, weighted by the equity ratio, expressed as a decimal. Unless otherwise approved or set by the Director of Finance of the commission, the cost of equity and the equity ratio shall be those approved in the utility's most recent rate case.
- FIT = The utility's marginal federal income tax rate allowed in its most recent rate case, expressed as decimal, unless a different tax rate is approved or set by the Director of Finance or the Commission.
- P = Principal payment percentage annually, expressed as a decimal. Unless a different amount is approved or set by the Director of Finance or the Commission, the amount shall be .067 (15 years).
- SIT = The utility's marginal state income tax rate allowed in its most recent rate case, expressed as a decimal, unless a different tax rate is approved or set by the Director of Finance or the Commission.

Until such time as the way on which a hydrant is located is accepted by a municipality or the municipality accepts responsibility for the hydrant as a public hydrant, the hydrant shall be considered private fire protection and shall be billed accordingly.

Any tariff provision that conflicts with this rule shall be null and void.

6. Application.

- A. This rule will govern the rate design of all rate filings made by water utilities after the effective date of the rule, whether filed pursuant to 35-A M.R.S.A. §§307 and 309 or §§307 and 6104. Utilities will not be required by reason of this rule to file for a change of rates existing on the effective date of this rule, unless required by Commission order under 35-A M.R.S.A. §1306 after a §1303 investigation.

- B. Rates filed pursuant to 35-A M.R.S.A. §§307 and 6104 after the effective date of the rule that do not conform with the provisions of the rule shall be considered unreasonable and not take effect, unless substantiated by an acceptable allocation study for the utility's system. The Technical Analysis Division of the Commission will review all §6104 rate filings to determine compliance with this rule and shall notify the utility if there is non-compliance with the rule. After receipt of this notice, the utility shall not charge its new rates until new rates have been filed pursuant to §§307 and 6104 that are in compliance with this rule, or the Commission, after a hearing requested by the utility, finds that they are in compliance with this rule.
 - C. In cases where a utility serves more than one municipality, it may allocate to each municipality served a percentage of the total public fire protection revenues that it is entitled to collect on the basis of that municipality's percentage of the total number of hydrants served by the utility.
7. The Commission, for good cause shown may waive the application of any provisions of this rule.

STATUTORY AUTHORITY: 35-A M.R.S.A. §§111, 301, 502, 104 and 1301.

EFFECTIVE DATE:

August 10, 1987

AMENDED:

This rule was approved by the Secretary of State on December 14, 1987 and will be effective on December 19, 1987.

EFFECTIVE DATE (ELECTRONIC CONVERSION):

May 4, 1996

NON-SUBSTANTIVE CHANGES:

March 26, 1999 - converted to MS Word.

November 9, 1999 - removal of duplicate words in Summary.

COMBINING WEEKEND/HOLIDAY PLANT CHECK/DUTY FOR GARDINER WASTEWATER AND GARDINER WATER DISTRICT

As directed on 4/29/03 at the Joint Workshop of the Gardiner City Council and Gardiner Water District the Joint Management Team has taken a look at the feasibility of joining forces to provide plant checks and weekend/holiday emergency duty. Involved in this process were Paul Gray, Pat Gilbert, Dave Cunningham and Chuck Applebee. The two goals that the entities strived to achieve were:

1. Cost saving to both organizations.
2. Continue to provide the water/wastewater services in a way that maintains or increases the level of customer.

Summary

After studying the issues surrounding Combining Plant Check/Weekend Duty there are some very obvious conclusions that may be drawn.

First it would appear that if the two entities were to remain independent the savings would be minimal at best; in fact approximately less than one half of 1% of the combined Wastewater and Water District Budget. Add to that the one time cost of the involved legal work, negotiating with the involved unions, the on going management hours to make such a commitment work and the fact that the services areas of the two entities would remain very different.

On the other hand if this was a first step to becoming one organization and would complement other saving such as building and the ability to maintain or increase customer service with less resources. The one time cost would become very worthwhile. The one time cost would enhance all of the positives acknowledged at the Mar. 28, 2003 Joint Management Team Meeting, such as diversity and depth of staff, better customer service, efficiencies, career opportunities both in and outside of the organization.

It seems that the issue of Combining Plant Check/Weekend Duty rests with the larger issue of becoming one organization.

Relevant Issues

The following issues were identified as needing to be addressed in order for combining the functions to be successful.

Duty Costs

The City and the Water District Plant Check/Duty pay are comparable.

6 hours of overtime pay per day for Plant Check/Duty.

8 hours of overtime pay per day for Plant Check/Duty on Holidays.

Emergencies covered when an employee is called in from home are paid at the OT rate of 1.5.

The wastewater plant employs part timers who perform plant checks/duty. Part Timers are paid the same above hours but at straight time pay.

The city wastewater staff is paid mileage for emergency calls there are approximately 12 calls per year.

The Water District offers a truck to be used for plant checks and emergency calls. There are approximately 25 Station & 50 distribution calls per year.

Public Works responds to approximately 15 emergency calls per year.

Coverage Areas

The City Wastewater Staff as well as Public Works Staff provides service to the City of Gardiner.

The Water District Staff provides service to the communities of Gardiner, Farmingdale and Randolph.

Crew Acceptance

As with any change there are those employees who will adjust and adapt to a change in plant checks/duty quickly as well as those employees who take a longer period to adjust. There may be employees who may simply not adjust. Regardless it will an extra-ordinary effort on the supervisors part to work on these issues over time. Over time the new way duty/emergency calls are handled will become the norm and what seemed to be issues will go away.

Workers Compensation Insurance and Liability Insurance

The only problem identified lies when either entity is working at the other location and is paid by the entity having the work performed but is not actually an employee of the entity having the work performed.

The city currently has its Workers Compensation Insurance through Maine Municipal Trust.

The Water District's current Workers Compensation Insurance provider is through Gosline Murchie.

Both entities have Liability Insurance through Gosline Murchie.

The problem issue surrounding the sharing of personnel is centered on how employees receive compensation while working at a facility in which they are not full time employees.

Re-imburement from the City to the Water District or Water District to the City is of particular concern seeing that neither is covered while working at the others facility.

Options for resolving Workers Compensation and Liability are listed below:

1. Make all City Employees involved Temporary Water District Employees and all Water District Employees Temporary City employees. This would require handling payroll as such. Being temporary employees also provides coverage for city employees when working on the water system in the towns of Farmingdale and Randolph.
2. Contract Services – Create a contractual agreement between the City and Water District handling cost for services as such. Adjust insurance riders to provide coverage for such work.
3. Mutual Aid situations could work for emergencies but would cause problems for routine work such as Plant Checks. Mutual Aid should only be used for emergency situations on an occasional basis similar to what is done with Fire Departments.
4. Become one entity.

Changes in Workers Compensation Insurance would be minimal and there may actually be a saving. Changes in Liability Insurance would be minimal.

Communication with Gardiner Dispatch

It appears that since all alarms are currently handled by Gardiner Dispatch for both entities it is merely re-writing the Standing Orders to accommodate the new situation.

Union Issues

Weekend Duty and Plant Checks are negotiable items for those employees belonging to unions.

Currently the City has two separate unions that potentially would have to be negotiated with.

Wastewater Staff belong to ASFME.

Public Works belong to the Teamsters.

The Gardiner Water District is non-union.

While it is felt that the union issues at hand maybe tough as two separate entities they are resolvable in the negotiating process.

Cross Certification/Training/Qualifications

The entities should encourage cross certification.

Maintaining both wastewater and water certificates would increase training requirements from 9-12 credit hours to 18-24 per year.

The State of Maine rates wastewater plants from Grade I - V

Gardiner Wastewater Plant is a Grade IV. Only the person in direct charge of the plant need be certified to the plant grade requirement.

The Drinking Water Program rates water treatment plants from Grade I-IV
Water distribution systems are also rated from Grade I-V

Gardiner Water District is rated at a Grade III Plant. Certified personnel need to be within one-hour response time to answer emergency calls.

Gardiner Water Distribution System is rated at Grade II. Certified personnel need to be within one-hour response time to answer emergency calls.

It is felt that plant emergencies would require approximately six months of training on a part time basis for the handling of routine emergencies at either the wastewater, water treatment plant or water distribution system.

Plant Checks- It is felt that with a minimum amount of training (part-time training for two months of plant check responsibilities) that both City Wastewater Personnel and Water District Personnel would be able and qualified to handle routine (non emergency) Plant Checks.

Individual employees should be reviewed and documented that training has been completed and that the employee is qualified to work on the respective system.

Plant Checks/Emergency Response

Plant Checks- It is felt that with a minimum amount of training (part-time training for two months of plant check responsibilities) that both City Wastewater Personnel and Water District Personnel would be able and qualified to handle routine (non emergency) Plant Checks.

Emergency Response- the training requirements increase significantly for emergencies. Especially for Water District Distribution Emergency Response.

It is felt that plant emergencies would require approximately six months of training on a part time basis for the handling emergencies at either the wastewater, water treatment plant, wastewater collection and distribution system.

It is felt that another way of handling plant checks and emergencies at the plants would be to combine Plant/Emergency's into one of qualified group made up of Wastewater Staff and Water District Staff.

The second group would handle wastewater collection system emergencies and water distribution emergencies. This group would comprise of Public Works Staff and Water District Staff.

OPTIONS/CONCLUSIONS

All options come with the recommendation that if chosen for implementation the selected scenario should receive legal review to insure that all the issues are properly addressed:

Scenario I Status Quo

This option does not offer reduced costs to either organization maintains the level of customer service but does not increase the level of customer service.

Estimated Saving \$0.00

Scenario II City Wastewater Staff and Gardiner Water District Staff join forces to provide Plant Checks and Emergency Coverage to both plants as well as the water distribution system.

This option may offer saving through combining the two plant checks and emergency duties into one function. Saving would depend on the results of bargaining with the involved unions.

While this option combines both plant checks it only involves the water distribution system and leaves the wastewater collection system a separate function being handled by Public Works.

Estimated Combined Saving between W.D. & the City is \$30-\$100 per duty day or \$9280-\$11,600 per year depending on Union Negotiations. Overall saving will be impacted by additional training requirements (est. \$1,200 per year) plus an additional 12 training days per year. Leaving the final estimated saving between \$10,400 and \$8,080.

Scenario III

City Wastewater Staff and Water District Plant Staff join forces to provide Plant Checks and emergency coverage at the plants.

Public Works and Water District Pipe Staff join forces to provide emergency coverage for both the Wastewater Collection System and the Water Distribution System.

This option provides the most diversity but may limit saving based on the desire of providing stand by coverage for the Wastewater Collection System and Water Distribution System. This option becomes more attractive if the two entities work to become one entity. The entire saving could be achievable if it was decided that standby pay wasn't necessary based on the size of the pipe staff .

Estimated Saving \$10,400-\$0 per year depending on Union Negotiations.

Recommended Option:

It is recommended to start with Scenario II. Once Scenario II is mastered by staff (1.5 years?) The two entities would work towards implementing Scenario III. The effectiveness of Scenario II & III would depend on the organizational structure in the future.

Recommended Steps and Timelines:

- Negotiate with the union and start legal work **4-6 months.**
- Set up both Workers Compensation and Liability Insurance concurrent with negotiating and legal work.
- Begin Training after negotiations and legal work
- Implement combining Plant Checks and Duty Scenario II **1.5 years (may have some employees trained sooner)**
- Work on implementing Scenario III depending on final organizational structure **1.5 years.**

TABLE A
COMPARISON OF SIMILAR SIZE WATER SYSTEMS

GENERAL INFORMATION													
	Gardiner	Yarmouth	Bath			Old Town			Brewer				
Number of Customers	3,281	3,078	3,544			2,903			3,463				
Last Rate Increase	1999	2000	1998			1993			1998				
Annual Water Production (1,000 Gallons)	322,453	307,900	611,780			414,039			314,900				
Rates as of 2003 based upon 2000 c.f./quarter	55.54	39.68	67.28			55.44			91.68				
Type of Treatment	green sand filters	none	full filtration			green sand filters			ozonation				
OPERATING EXPENSES AND DEBT													
	Gardiner	Yarmouth	\$ +/-*	%	Bath	\$ +/-*	%	OldTown	\$ +/-*	%	Brewer**	\$ +/-*	%
Administrative Labor (includes officers/dir)	66,267	128,514	62,247	94%	190,551	124,284	188%	91,310	25,043	38%	129,726	63,459	96%
General Labor (pumping,treatment, transmission & dist)	196,186	123,952	(72,234)	-37%	202,226	6,040	3%	198,972	2,786	1%	274,342	78,156	40%
Employee Pensions & Benefits	164,057	122,624	(41,433)	-25%	229,925	65,868	40%	143,297	(20,760)	-13%	136,593	(27,464)	-17%
Purchased Water***, Purchased Power, Utilities	103,402	167,576	64,174	62%	97,561	(5,841)	-6%	103,662	260	0%	67,418	(35,984)	-35%
Chemicals/Water Testing****	25,405	83	(25,322)	-100%	65,618	40,213	158%	63,757	38,352	151%	30,313	4,908	19%
Materials & Supplies/Maintenance & Repairs	59,138	36,104	(23,034)	-39%	76,600	17,462	30%	40,099	(19,039)	-32%	48,120	(11,018)	-19%
Contractual Services	26,194	93,930	67,736	259%	72,027	45,833	175%	97,578	71,384	273%	110,942	84,748	324%
Transportation Expense/Equipment Rental	13,696	5,487	(8,209)	-60%	7,557	(6,139)	-45%	16,023	2,327	17%	14,040	344	3%
Insurance*****	63,956	14,761	(49,195)	-77%	22,539	(41,417)	-65%	26,349	(37,607)	-59%	22,736	(41,220)	-64%
Miscellaneous Expenses	38,053	15,598	(22,455)	-59%	33,700	(4,353)	-11%	12,413	(25,640)	-67%	41,162	3,109	8%
TOTAL EXPENSES	756,354	708,629	(47,725)	-6.31%	998,304	241,950	32%	793,460	37,106	5%	875,392	119,038	16%
Debt Service Expense*****	410,247	307,527			864,953			346,107			1,253,433		
Depreciation*****	278,874	207,050			368,602			173,979			459,501		
TOTAL EXPENSES PLUS DEBT	1,445,475	1,223,207			2,231,859			1,313,546			2,588,326		

*Dollar difference +/- from Gardiner Water District

**Reflects PUC annual reports of 2001, 2002

***Only Yarmouth purchases water

****Yarmouth has no treatment and therefore requires no chemicals

*****Gardiner Insurance: Average reflecting current costs paid

*****Reflect current figures only (not averaged)

All other data reflects either PUC Reports from 2001 and 2002, and current budget data

TABLE A-1

BREAKDOWN OF TABLE A SALARIES AND CONTRACTUAL SERVICES

Account	Account Name	Gardiner	Yarmouth			Bath			OldTown			Brewer		
				\$ +/-	%		\$ +/-	%		\$ +/-	%		\$ +/-	%
601	Salaries and Wages - Employees													
601.1	Labor, Pumping Operations		16,753						10,861	(14,495)	-40%			
601.2	Labor Pumping Maintenance	35,891	13,165	(5,973)	-16.64%				10,535					
601.3	Labor, Treatment	35,892	2,777			78,201	6,418	9%	49,073	13,181	37%	125,977	54,194	75%
601.5	Labor, Transmission & Dist Operations		32,792	(324)	-0.9%	112,066			58,972			142,946		
601.6	Labor, General	124,403	24,769			11,959	(378)	-0.3%	69,531	4,100	3%	5,419	23,962	19%
601.61-66	Labor, Trans, Standpipes Dist., Svs, Meters		33,697	(65,937)	-53%									
		196,186	123,952	(72,234)	-37%	202,226	6,040	3%	198,972	2,786	1%	274,342	78,156	40%
601.71-81	Labor, Administrative, Acct, meter reading	63,267	70,326	7,059	11%	184,551	121,284	192%	89,849	26,582	42%	125,376	62,109	98%
603	Salaries and Wages - Officers, Directors	3,000	58,188	55,188	1840%	6,000	3,000	100%	1,461	(1,539)	-51%	4,350	1,350	45%
		66,267	128,514	62,247	94%	190,551	124,284	188%	91,310	25,043	38%	129,726	63,459	96%
604	Employee Benefits & Pensions	164057	122624	(41,433)	-25%	229925	65868	40%	143297	(20,760)	-13%	136593	(27,464)	-17%
	Total Salaries/Benefits - Employees	426,510	375,090	(51,420)	-12%	622,702	196,192	46%	433,579	7,069	2%	540,661	114,151	27%

Contractual Services														
631	Contractual Services - Eng	-	13,429	13,429	100%	1,167	1,167	100%	4,786	4,786	100%	-	-	0%
632	Contractual Services - Acct	2,592	5,796	3,204	124%	5,500	2,908	112%	3,850	1,258	49%	22,209	19,617	757%
633	Contractual Services - Legal	6,442	7,142	700	11%	2,009	(4,433)	-69%	1,100	(5,342)	-83%	25,293	18,851	293%
635	Contractual Services - Other	17,160	67,563	50,403	294%	63,351	46,191	269%	94,066	76,906	448%	63,440	46,280	270%
	Total Contractual Services	26,194	93,930	67,736	259%	72,027	45,833	175%	103,802	77,608	296%	110,942	84,748	324%

TABLE B
COMPARISON OF SIMILAR SIZE WASTEWATER SYSTEMS

General Information	Gardiner	Yarmouth	Brunswick	Old Town	Brewer
Number of employees (excl. officers)	6.3 f/t, 1 p/t	6 f/t, 2 p/t	18	7 f/t, 1 p/t	7
Number of Customers	2948	2000	3600	1952	8900
Treatment Type	RBC	Activated Sludge/Secondary	Trickling Filter	RBC	Activated Sludge
Rates as of 2003 based on 2000 c.f./quarter	394.04	Taxation	277.20	396.00	439.00
Flow (mgd)	4.5	1.31	3.85	1.7	5.19

Operating Expenses and Debt	Gardiner	Yarmouth	\$ +/-*	%	Brunswick	\$ +/-*	%	Old Town**	\$ +/-*	%	Brewer	\$ +/-*	%
Account Name													
Salaries***	236,658	265,085	28,427	12%	693,863	457,205	193%	302,838	66,180	28%	506,315	269,657	114%
Pension & Insurance****	48,584	-	(48,584)	-100%	284,883	236,299	486%	131,992	83,408	172%	138,054	89,470	184%
Utilities	161,307	129,197	(32,110)	-20%	148,982	(12,325)	-8%	99,868	(61,439)	-38%	276,644	115,337	72%
Chemicals/Lab Supplies	39,700	54,565	14,865	37%	33,395	(6,305)	-16%	12,600	(27,100)	-68%	58,104	18,404	46%
Materials & Supplies	15,279	6,239	(9,040)	-59%	16,345	1,066	7%	44,075	28,796	188%	61,190	45,911	300%
Sludge Disposal	97,833	-	(97,833)	-100%	81,295	(16,538)	-17%	64,425	(33,408)	-34%	159,341	61,508	63%
Contractual Services	31,279	12,155	(19,124)	-61%	44,860	13,581	43%	51,675	20,396	65%	70,046	38,767	124%
Composting	-	18,595	18,595	100%	-	-	-	-	-	-	-	-	-
Maintenance & Repair	65,055	57,835	(7,220)	-11%	135,068	70,013	108%	14,000	(51,055)	-78%	88,211	23,156	36%
Vehicle & Equipment Expense*****	67,122	8,861	(58,261)	-87%	15,265	(51,857)	-77%	8,425	(58,697)	-87%	30,305	(36,817)	-55%
Dues/Miscellaneous	14,935	25,537	10,602	71%	41,780	26,845	180%	24,013	9,078	61%	16,269	1,334	9%
Billing/Liens/Abatements	6,698	-	(6,698)	-100%	38,550	31,852	476%	-	(6,698)	-100%	47,567	40,869	610%
TOTAL EXPENSES	784,450	578,069	(206,381)	-26%	1,534,286	749,836	96%	753,911	(30,539)	-4%	1,452,046	667,596	85%
Debt Service Expense*****	334,643	671,345			934,000			423,015			853,523		
Depreciation*****	126,162	185,000			653,000			130,000			753,830		
TOTAL EXPENSES PLUS DEBT	1,245,255	1,434,414			3,121,286			1,306,926			3,059,399		

*Dollar difference +/- from Gardiner WWTP

**Old Town is based upon 1 year actual and current budget

***The Gardiner Treatment plant pays for 1.3 salaried positions for public works

****Yarmouth does not include benefits as part of the WW budget

*****GWTF expense includes \$10,414 for pick up trucks; \$2,950 for gas, oil and lube; \$11,834 for equipment and \$41,122 for reserves

*****Current Information (not averaged)

All of the remaining data is based upon 2 years actual and current year budget average

TABLE C
LABOR FORCE COMPARISON WATER SYSTEMS

Job Title	Gardiner	Yarmouth	Brewer	Bath	OldTown	Total	Total
						Full Time	Part Time
Superintendent	1	1	1	1	1	5	
Assistant Superintendent		1	1	1		3	
Office Manager	1	1			1	3	
Administrative/Billing	1*	1*		2	1*	2	3
Technical Services				1		1	
General Foreman	1	1	1	1	1	5	
Chief Plant Operator	1		1	1	1	4	
Operator	1		2	1	1	5	
Water Technician	1		2	2	1	6	
Service Technician	1	2	2	1	2	8	
Summer Interns*				3	1		4
Total Positions - full time	7	6	10	11	8	42	
part time	1	1		3	2		7

*part time position

TABLE D
LABOR FORCE COMPARISON WASTEWATER SYSTEMS

	Gardiner	Yarmouth	Brewer	Brunswick	OldTown	Total Full Time	Total Part Time
Job Title							
Superintendent	1	1	1**	1***	1	5	
Assistant Superintendent				1***		1	
Office Manager/Finance				1		1	
Administrative/Billing	1			2	1*	3	1
Supervisor				2		2	
Chief Plant Operator		1	1	1	1	4	
Operator II/Lead Operator		1	4			5	
Operator	1	2		4	1	8	
Assistant Operator					2	2	
Part Time Operator	1						1
Senior Operation & Maint.				1		1	
Collection System	1.3			4		5	0.3
Lab Tech/Manager	1		1	1	1	4	
Mechanic	1	1			1	3	
Driver							
Seasonal		2					2
Total Positions - full time	6	6	7	18	7	44	
part time	1.3	2			1		4.3

*Part time position

**Actual Title - Water Pollution Control Director

***Actual Titles- General Manager, Assistant General Manager