

# Mayor and City Council of Cumberland

## WORK SESSION

City Hall Council Chambers  
57 N. Liberty Street  
Cumberland, MD 21502

Tuesday, August 20, 2019  
4:30 p.m.

**PRESENT:** Raymond M. Morriss, President; Council Members: Richard Cioni, Eugene Frazier, and Laurie Marchini. Council Member Seth Bernard was absent

**ALSO PRESENT:** Jeffrey D. Rhodes, City Administrator; Michael S. Cohen, City Solicitor; Marjorie Woodring, City Clerk; Bob Rider, Water Superintendent; Rodney Marvin, Utilities Manager; Robert Smith, City Engineer; Bill Patch, President AFSCME Local 553; Alvin Boggs, VP AFSCME Local 553; Eddie Martin, AFSCME Local 553 Board Member; MD American Water VP of Business Development Jordan Mersky; MD American Water President Barry Suits; Alexandra Shull, Compass Government Relations Partners

Media: Brian Gowans, WCBC

### I. MD AMERICAN WATER COMPANY

Introductions were made, and Mr. Mersky, Vice President of American Water, provided public presentation materials on his company. He then handed it off to Mr. Suits, President of Maryland American Water, who advised that this was just an introductory meeting to make the City aware of who they are. He added that in VA American water does both water and wastewater, but only water service in MD right now, and went over the areas they serve in MD, including the largest, Fort Meade.

Mr. Suits stated that one of the reasons he wanted to sit down and talk was because last year Governor Hogan and the State Legislature passed a bill that enhances the opportunities for communities in terms of how the value of a water/wastewater system is sold by a municipality, and allows for a value of the system by experts, much like the appraisal on a house.

In answer to a question, Mr. Suits advised that the AWWA (American Waterworks Association) is a different entity than his company, although they are a member, and stated that most municipal water systems are, adding that there are 55K separate small to large operations in that organization. He said that American Water does a lot of sharing of resources the same way AWWA does.

Mr. Mersky advised that they were founded about 135 years ago in PA, they are a public company, and they operate in 16 states on a regulated basis. He added they also do contract services, providing warranty contracts, for areas like waterline to curb to home, and provided

multiple statistics on how much and who they serve. He said that with the Fair Market Value Act in MD, they were assisting MD American Water Co. in approaching towns to consider privatizing their systems.

Mr. Mersky went into the different ways to privatize, and the many different reasons why towns privatize. He added that they've seen them all, and they do about 10-15 privatizations a year. Mr. Cohen inquired if handing off water to professionals and the acquisition of a water system were the two general ways of privatizing. Mr. Suits explained that they are basically one and the same; they "own and operate" – they don't operate. He added that they can get quick access to very high-level assistance, with a level above typical city staff, such as water quality testing labs, design & consulting firms, engineering groups, etc.

Mr. Mersky added that at the staff level, when they acquire a system, they hire all employees that are already in the system, and that it's not about reducing the workforce. He stated that over half their workforce is unionized, and is represented by 12 different unions.

Mr. Cohen inquired about their acquisitions in Scranton and McKeesport, and how they compare in size to Cumberland. Mr. Mersky replied that Scranton and Bel Air are each about 65K people, and both are wastewater in addition to water. He added that they are regulated in 14 of their 16 states by a public utility commission, who sets the rates, with no regulation in Michigan and Georgia.

In response to how the cost of acquisition would be passed to the consumer, Mr. Mersky advised that it's a conversation of valuation when a town decides to privatize, with the biggest drivers being the net asset value of the system, and the cash flow. He added that when they do an acquisition, they don't try to have a premium pushed down to the customers merely because they've acquired; they don't want to raise rates just to pay for the acquisition, and will work with the town. He added that in some situations if a town has large expenditures in the future they will sell their water in order to place the burden on them.

Mr. Mersky also advised that if future repairs are needed, it will get passed down to the consumer, as any capital they invest in the system needs to be paid for, saying that the only profit they make is an authorized rate of return. He added that if you can operate the perfect system where revenues match up with investments, you never need raise rates, but no system is ever perfect, as there's always new standards, infrastructure ages, etc.

Mr. Cohen asked if the City hypothetically set an amount of repairs in-house, and the same set of improvements were done through a company such as American Water, why the repairs would be better through the company than in-house. Mr. Suits replied that as stated earlier, they have access to experts that can do things more efficiently; they buy materials in bulk, so they're less expensive, and they are focused only on water and wastewater. Both Mr. Suits and Mr. Mersky advised in detail the benefits of their company over in-house, and added that they are also regulated at a higher degree. Mr. Suits added that they have an office in every town

where they work, and said with that you gain a partner in the community, and they work very hard to give back. He also mentioned that they have a lot of union employees, with quarterly management meetings, and they value their labor force, while having zero tolerance – focusing on safety. Mr. Mersky added that they negotiate benefits nationally.

Bill Patch, President of AFSCME Local 553, inquired about absorption of current employees. Mr. Suits stated that they hire all employees that are currently working, with seldom getting rid of people, at least since he's seen in 10-15 years, and trimming staff is not the approach they take. He added that generally speaking, by law they have to negotiate to change your benefits, but they can be pretty creative. Mr. Mersky added that certain things have to change legally if you privatize; you can no longer be part of a state pension fund, you have to transfer to an enhanced 401k. He stated that their benefit package is fairly strong and compares favorably to others, and added that one of the terms in the privatization agreement is to negotiate the same or similar package with union and non-union employees.

Rodney Marvin, Utilities Manager, questioned if the water treatment plant would operate under PA or MD, since it is currently regulated from both states. Mr. Mersky said it would depend on the structure, but they are always open to solutions and are willing to be flexible – whatever makes more sense for the structure of the privatization. Mr. Suits added that they have a good relationship with PA regulators.

Councilman Cioni asked about the binding terms for taking care of employees. Mr. Mersky replied that the town can put conditions in the agreement that the town would have to enforce if the agreement wasn't met, and added that each Collective Bargaining Agreement has different clauses to be negotiated.

Mr. Mersky also stated that different conditions on agreements all affect the value of the contract one way or another and some promises will drive down the value of the agreement. Mr. Cohen added that the contract can have anything you want, but it comes with a cost – or you can have less restriction with a higher return on the investment.

Robert Smith, City Engineer, asked about working with his department in terms of not coming back through and tearing up roads that have recently been paved, if the City goes with the privatization. Mr. Suits said that in Alexandria, VA where his office is, they would meet with the Engineering Department on a regular basis and coordinate replacement projects tightly with paving so they can get ahead of them. Mr. Mersky added that they will provide more case studies to Council.

Mayor Morriss thanked American Water for the meeting and said it was important after the law changed in Maryland to have this conversation. He stated that as City representatives they need to know all they can.

**II. ADJOURNMENT**

With nothing further, the meeting adjourned at 6:00 p.m.

Respectfully submitted,

Marjorie A. Woodring  
City Clerk

Minutes approved November 5, 2019