

As voted by the Board of Trustees and in accordance with the notice of the meeting, the monthly Workshop Meeting of the Board of Trustees of the Portland Water District was held in the Nixon Training Center at the general offices of the District, 225 Douglass Street, Portland, Maine on September 12, 2016. In attendance from staff were Messrs. Miller, Crovo, Kane, Wallace, Johnson, Firmin and Meses. Katsiaticas and Demers.

All Trustees were present except Trustee Swinton.

President Cote convened the meeting at 6:40 p.m.

Trustee Garrison announced to the Board that he is now affiliated with Raftelis Financial Consultants, Inc. and therefore would remain silent during the workshop.

1. Water Rates Design Update.

Mr. David Fox, Senior Consultant from Raftelis Financial Consultants, Inc. provided an update on the water rate study (see attached).

Do we want to move to cost of service, if the answer is yes, how quickly, what are the palatable increases? Is a 19% increase on an industrial user too much? If so, then the phase in approach should be used.

A discussion followed the presentation.

Trustee Levinsky asked for industrial customers if water cost was the least concern. It most definitely is a drop in the bucket for them according to Mr. Fox.

Trustee Libby asked if Portland's food services were more industrial than commercial? Mr. Fox surmised that they are commercial, although, breweries are not labeled as industrial.

Trustee Libby asked about fire protection. Increasing the cost of public fire protection essentially means an increase in real estate property tax. Property tax is tax deductible. If the District increases the amount of money received from public fire protection, effectively the increase to the customer is not as much as the percentage increase since the customer will have the ability to deduct some part of it on their federal income tax. Does this make sense? Mr. Fox agreed that it does.

Trustee Dreger, if the District goes with the status quo it appears it will take 11-12 years to get to the full cost of service. The gap would be slowly closed. Is this correct? Mr. Fox replied that was correct and it would take about a decade to close the gap and the District would be moving in the right direction. Mr. Fox commented that the first three options that are presented are moving the right direction; they are just all moving at different speeds. Trustee Dreger continued, the phase-in cost presented tonight is just for 2017, would there be increases for 2018, 2019 and 2020? Mr. Fox responded correct, there would be similar percentage increases for those years.

Trustee Levinsky doesn't feel that residential customers are looking for a decrease, and wouldn't be expecting one. However, should an unexpected expense arise and more money is needed than the District currently has, it seems justifiable to increase the charges to the industrial customers. He feels the District shouldn't lower the residential rate but would not hesitate to increase the industrial rate should the need arise.

Mr. Fox did mention that while an increase to the industrial rate may not affect a business' operational bottom line, from a perception stand point it may.

Mr. Miller commented that the District has been trying to close the industrial gap for 20 years now with a 50% increase greater than residential. Mr. Miller asked, in Mr. Fox's opinion, why has the District not had greater success in narrowing the gap? Some of the industrial customer base went away, the increase every year, while moving in the right direction, is not aggressive enough.

Trustee Lunt asked Mr. Fox if the cost of service figures used in the past are incorrect? Mr. Fox stated that it is a possibility. Arriving at a cost of service figure has some gray area and wiggle room, if you will. Trustee Lunt feels the Board needs to have a better understanding of how the District arrived at the cost of services figures at least for a political stand point. Mr. Fox will provide more detail to the Board in how he arrived at the cost of service figures.

Trustee Cote would like to see the total amount of water used by each group in terms of risk. If the rate for industrial use is increased and they decide to cut back 20-25%, because they can, how does that impact the District overall?

Trustee Libby is concerned about raising the industrial rate and the economic impact it would have on the city of Portland and those business that are here but have no reason to stay other than the companies that acquired them were already here. Mr. Fox will provide a risk analysis to the Board.

Trustee Dreger would like to see a phase-in for fire protection over the same time period instead of it all being implemented in 2017.

Mr. Wallace asked if Mr. Fox's assumptions included a growth in demand for water. Mr. Fox responded that the assumptions included a decrease in the consumption of water, as that is what appears to be happening in the industry.

2. Other Business.

Trustee Cote sent out an email with a survey regarding the General Manager's search from Spano Pratt Executive Search. Please let him know if you did not receive it. Spano Pratt Executive Search will be here next week to meet with the Board and go over the survey results. Trustee Cote would like the GM Search Committee to meet at 5:00 pm prior to the business meeting on September 19th.

3. Adjourn.

Meeting was adjourned at 7:30 p.m.

Submitted by,

Donna Katsiaficas
Clerk