

# Appendix C

## Cox Transcription

Metropolitan Commission Task Force Meeting  
Friday, April 23, 2010  
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Mr. Richard Lawrence and I have been continuing to research this area, and the area of our research has been broader than the County. We've been approaching the research from the point of view of understanding how public water and sewer services are typically provided - not only nationally but we've also discussed public infrastructure trends with a consultant who is working internationally as well. From the provision of water and sewer services specifically, there have been several trends turning the direction away from moving such services under a governmental structure. The current thinking is that these kinds of services should be self-supporting enterprises that are free of political influence. So if I had to make one statement about what the data suggests, it's that the provision of public water and sewer services should be self-supporting and not subject to politics. The reasoning behind that is because in the provision of these services you can implement user charges versus taxes, and the difference is that user charges are paid by the people who benefit from the service versus a tax which is applied to everybody regardless of whether or not they are benefiting from the service. So this is one area in terms of service delivery in the government sector where you can apply that kind of logic in terms of creating the revenue stream to finance the public service with user charges instead of taxes.

The other thing has to do with the fact that no one form or structure really fits all situations. So when we looked at local government, where there is always the push for local control- over personnel, over management, over operating decisions, elected officials (and this is where the free from political influence comes in) are often unwilling to charge the appropriate prices for these kinds of public services. And in the rate setting arena, elected officials will make decisions that are not necessarily in the best interest of a self-supporting enterprise. So if you believe that public water and sewer services should be self-supporting because they can be financed by user fees, you must be willing to support the enterprise concept. Second, labor costs tend to be a major component of utility costs and elected officials typically want to maintain traditional patterns of employment. So if you are looking at how to flex your work structure because of changes in the economy or things that are impacting your finances, if you brought these issues typically to an elected body you may not get the kind of decisions that will help you continue to operate efficiently. Thirdly, elected officials typically in response to tight budgets, in a situation where you have infrastructure maintenance needs, elected officials will find opportunities to defer maintenance and there are lots of examples of that in the public sector in terms of deteriorating public infrastructure across the board. And finally internationally, one of our consultants, who is a former EPA administrator working in eastern European countries, told us these governments are also taking the approach of creating separate enterprises. When our consultant, Mr. Edward J. Donahue III, President of Municipal & Financial Services Group, was

here on December 18th, he reviewed the chart we put together and did not unequivocally say to you do not bring water and sewer services under the County. But when we followed up with him based on on-going discussion and the data we had, he indicated that a decision to move this kind of activity into a government structure would be counter to current trends he is seeing nationally; and he is working up and down the Atlantic seaboard.

We will follow up on what Ms. Guazzo heard. I don't know whether it was the radio or TV, but we had mentioned previously that Caroline County is creating a separate water and sewer authority that will provide all water and sewer services for the County and its municipalities. We understand that Harford County's CEO is looking at doing a similar thing with the municipalities there.

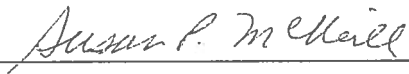
To summarize, the provision of public water and sewer services should be self-supporting enterprises free of political influence. And so, personally, I've come to the conclusion that St. Mary's County has the best of both worlds because the other models have to do with privatizing this kind of activity versus having it under the government. But in St. Mary's County you are not really outsourcing the activity because there is a separate, quasi-governmental body that is accountable. And what the Task Force has talked about is how to make that accountability more transparent, which can be done through formal processes and communication. Additionally, when we looked at the benefits of privatization of water and sewer services that still were in the domain of county or city governments, we were pleased to find that typically what results is the city or county gets better at delivering those services through the competitive process of outsourcing. What happens is that they engage in a lot of self-improvement activities, and I just wanted to point out that MetCom as an entity is already doing many of these things, such as performance audits, such as staff education and certification to increase the level of expertise of its employees, and accelerating investments in new technology (granted those are driven by the regulatory environment). These are activities that county and city governments are doing to improve the efficiency and effectiveness of public water and sewer services when they are under the government purview.

We did not look at any cost savings resulting from bringing these services in-house, although the primary benefit of outsourcing is cost savings - so the assumption would be that it would cost more to bring this activity in house. In speaking with Mr. Donahue about moving forward with this kind of recommendation, he indicated that it was really important that there be a high degree of due diligence to thoroughly examine impacts. You would need to look at engineering, finance, and every aspect of the county organization to understand whether benefits would be derived from moving the activity from an existing structure into the county structure. A complete analysis would be required- emphasizing that it would not be something to do without due diligence.

In looking at these other entities [authorities], they are typically similar in structure to MetCom. There is an appointed board through the major oversight body [government] if it is an

entity like MetCom, which would be appointed by the governmental powers that be- the Board of County Commissioners. If it is privatized, the outsourcing relationship would be between the vendor and the contracting agency, which would be the county or municipality. Referencing the chart handed out earlier comparing Somerset, Dorchester and Caroline Counties because they were all sanitary districts like MetCom, we learned that Caroline County is currently moving away from a sanitary district structure to creating an authority structure that would provide water and sewer services for the County and its municipalities. The new water and sewer authority would be governed by a five-member board comprising an elected representative from each of the member municipalities and the county. There are different state regulations that apply to authorities (Title 9, Subtitle 9) versus districts (Title 9, Subtitle 6), which we will provide you.

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Susan P. McNeill



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