



WES ADDINGTON
DIRECTOR
wes@aclc.org

MARY CROMER
DEPUTY DIRECTOR
mary@aclc.org
Also admitted in VA

MICHEAL K. AMBURGEY
STAFF ATTORNEY
mike@aclc.org
Admitted in VA

RAABIA WAZIR
STAFF ATTORNEY
rwazir@aclc.org

STEPHEN A. SANDERS
OF COUNSEL
steve@aclc.org

May 31, 2019

Martin County Utilities Board
c/o Jimmy Don Kerr
387 Main Street, Suite 140
Roy F. Collier Community Center Bldg.
Inez, KY 41224

Dear Water Board Members,

I write on behalf of the Martin County Concerned Citizens, Inc. (“MCCC”). First, we want to thank you all for approaching the RFP process cooperatively with MCCC. We believe that our participation in this process is critical to ensuring that the district gets the professional management it needs to turn the system around, while assuring that the rates remain reasonable.

I write to let you know our position regarding the current RFP process. We fear that any contract with an outside for-profit management company would leave the district further in debt and result in another rate increase that Martin County’s citizens simply can’t afford. For those reasons, we propose here an alternative solution that, we believe, would address the concerns expressed by the PSC, without requiring an additional rate increase.

Our alternative solution, set forth more fully at the end of this letter, is for the PSC to require that the district hire a full-time professional General Manager as soon as possible who meets certain minimum qualifications, and use the \$3.16 surcharge ordered by the PSC in case number 2018-00017 on November 5, 2018 to pay for that position.

Martin County Citizens Cannot Afford Another Rate Increase

It is simply impossible to imagine that the revenue from a \$3.16 surcharge will be enough to pay a for-profit management company. MCCC believes that should a for-profit management company be brought in to run the district, it will result in another substantial rate increase. Martin County residents simply cannot afford another rate increase.

I attach an Exhibit to this letter that is a table that MCCC created that compares Martin County’s current average bill, as well as the average bill after the \$3.16 surcharge is added, to average bills in



the surrounding counties.¹ The table shows that Martin County's residents already pay some of the highest average water bills in the area. It also shows that Martin County has the highest minimum water bill of any water district in the area.

What's more, Martin County is already experiencing rate shock. Prior to last year's increases, Martin County's average water bill was \$42.34 and its minimum bill was \$26.50. Martin County's residents are struggling to accommodate the massive rate increase from last year. It is far too soon to ask them to accept another rate increase.

As you all are well aware, a sizable percentage of Martin County's residents live below the federal poverty level. In addition, nearly 11% of the county's residents are on SSI.² MCCC Secretary Lisa Stayton's brother Timmy is one of those residents. Like most of the residents of Martin County who received frightening health warnings on their water bills for fifteen years, Timmy does not believe the water is safe to drink. He therefore has to pay \$50/month for bottled water. That is in addition to the amount he pays for his current water bill, which is around \$39 per month. He's currently paying \$89 of the \$771 he receives each month just to have water. He cannot afford another rate increase.

We must find a way forward that brings about the needed improvements in the system and restores the citizens' trust in the district and the water without another rate increase. If we don't, we are facing a real affordability crisis.

Need for a General Manager

The district needs a full-time general manager who has the expertise, education, and experience required to be able to focus on the big-picture. That person has to be able to coordinate and organize all aspects of the district's operations, including office operations, finances and budgeting, field operations, and customer relations.

We acknowledge that the district is in much better shape than when the current board took over operations in January 2018. We credit the dedicated work of the current board and the district's hard-working employees for preventing the system's total collapse in early 2018. Since then, the district has stabilized largely due to the daily oversight and involvement of this board, especially the many hours Jimmy Don Kerr has spent managing and overseeing the district.

¹ The amounts for surrounding water districts were derived from the water district's tariffs, or if the district is not regulated by the PSC, rates were found on the utility district's website.

² According to the Social Security Administration, 1,229 of Martin County's estimated 11,323 residents receive SSI benefits, which are currently \$771 per month for individuals. See https://www.ssa.gov/policy/docs/statcomps/ssi_sc/2017/ky.html. See also <https://www.census.gov/quickfacts/fact/table/US/PST045218>.



However, it is untenable to continue to rely on volunteer board members to oversee the district's daily operations.

Despite the fact that things have improved, the district seems to still operate in triage mode. That has to end. The district must now focus on developing and executing a plan for resolving the district's crises by bringing the water loss down to an acceptable rate, assuring that all broken lines are fixed such that untreated polluted water no longer comes out of resident's taps, and maintaining the district's compliance with all Safe Drinking Water Act standards. That must be done to restore the citizens' trust in the water district and in the potability of the water it provides. We believe that the district can do this only with the help of a professional General Manager.

Further, it is clear that the PSC understands that the district must have a full-time professional General Manager. The following is excerpted from pages 9 and 10 of the PSC's November 5 Order. The Commission underscores the point we are making here:

Martin District Commissioner J. D. Kerr testified that the Commission should "trust" Martin District and grant a rate increase. The issue of trust is a recurring theme in testimony in this case. The erosion of trust between Martin District and its ratepayers will not be remedied quickly. Martin District will build trust only by implementing policies that make the utility's practices transparent and by instituting an organization that leaves no room for confusion or obfuscation. Martin District's hiring of a competent, qualified, and skilled management company will be a crucial step in the process of restoring trust with the public by demonstrating that Martin District has the wherewithal to make the necessary decisions that ensure safe, reliable drinking water for the ratepayers of Martin County. MCCC has acknowledged Martin District's efforts to build the trust with its ratepayers. Trust has an important role in public service and is a by-product of good management and transparency.

...

Therefore, all utilities require a general manager who is trained to fulfill these fundamental duties and capable of implementing policies to carry these duties out. Martin District needs a general manager with not only these basic abilities, but additionally the capacity to perform in the extreme circumstances that exist in Martin District and the skills to address the political and cultural norms that pressured the past management into the poor decisions that led Martin District to the current crisis.

Alternative Proposal

Rather than contract with a for-profit management company or face receivership, MCCC proposes that the district hire a professional General Manager as soon as possible, and no later than November 5, 2019. MCCC proposes that the district seek to use the \$3.16 per customer, per month management and infrastructure surcharge to fund the hiring of this professional position. MCCC



asks that one of its members be appointed to the General Manager hiring committee, and Nina McCoy is willing to serve in that role.

The minimum qualifications for that General Manager should be as follows:

1. Bachelor's in Business Administration, Civil or Mechanical Engineering, Hydrogeology, or closely related field from an accredited college or university.
2. 7-10 years in the administration of a public water system, of which 5 years has been in a supervisory role in a related functional area
3. Preference for candidates with water treatment/distribution certifications.

The position should be advertised in such a way as to reach the most qualified applicants. At a minimum, we ask that the position be advertised with the following:

1. American Water Works Association Career Center: <http://careercenter.awwa.org/>
2. Kentucky Rural Water jobs: <https://www.krwa.org/category/jobs/>
3. WaterPro Career Center: <https://careers.waterprocommunity.org/>

We firmly believe that if the surcharge money is made available for this hire, that it will be sufficient to attract a qualified candidate who is excited to participate in this unique opportunity to work with an engaged board and an engaged community to turn the system around.

CONCLUSION

We hope that you all will consider our proposal as an alternative way forward. We look forward to discussing this with you in further depth.

Sincerely,

Mary Varson Cromer

MCCC LETTER TO MCWD, MAY 31, 2019
EXHIBIT

Water District	Average Bill (4000 gallons)	Minimum Bill (based on 2,000 gallon usage) or Price for 2,000 Gallons
Louisa Water Department*	\$92.00	\$46
Breathit County Water District	\$58.19	\$29.09
Martin County (with 4.19 debt surcharge +3.16 surcharge)	\$57.53	\$40.67
Martin County (with 4.19 debt surcharge)	\$54.37	\$37.51
Kentucky-American Water Company	\$51.34	\$28.28
Morgan County Water District	\$44.24	\$25.42
Mountain Water District**	\$44.18	\$25.98
Prestonsburg City's Utilities Commission***	\$43.76	\$27.14
Letcher County Water and Sewer District	\$42.50	\$27.50
Paintsville Utilities	\$41.42	\$22.80
Magoffin County Water District	\$34.91	\$18.45
Big Sandy Water District	\$34.36	\$17.02
Hyden-Leslie County Water District	\$31.48	\$20.24
Knott County Water and Sewer District	\$29.51	\$18.25
City of Pikeville Utility Department	\$25.96	\$12.32

*Louisa Water Department's minimum bill is \$23.00 and includes 1000 gallons.

**Mountain Water District's minimum bill is \$17.02 and includes 1000 gallons.

***Prestonsburg City's Utilities Commission has a meter service fee of \$10.52 and charges .8311/100 Gal.