

Advisory Committee – Water Company Acquisition Subcommittee –

Meeting Minutes

Date: February 6, 2019

Place: Town Hall

In attendance: Subcommittee Members Dave Anderson, Victor Baltera, Bob Curley, Libby Claypoole, Eryn Kelley

Subcommittee Chair Baltera called the meeting to order at 7:31 pm.

Discussion of warrant articles MM, NN, OO, and PP relating to possible acquisition of water company

Also present:

Board of Selectmen: Mary Power, Karen Johnson; Water Company Acquisition Study Committee members Jon Asher, Ed Siegfried and Josh Krumholz

Tom Mayo, Town Administrator; Michelle Monsegur, Assistant Town Administrator; Kerry Ryan, Town Counsel

The subcommittee met with representatives of the Town to discuss governance and financial issues relating to the proposed acquisition of the water company.

Questions were posed regarding possible governance models and relevant statutory provisions. Other topics concerned the need for an intermunicipal agreement with Hull and Cohasset, and responsibility for hydrants and the cost of their replacement.

Sub-Committee members asked about whether there would be any conflicts of interest by having the same people who serve as Selectmen serve as Water Commissioners. Ms. Johnson stated that Selectmen have to act in many different capacities already, that state law allows for the Board of Selectmen to act as Water Commissioners, and that the enterprise fund structure helps protect against conflicts because that money will remain separate from other Town obligations and will stay in the water system.

Mr. Krumholz stated that Town meeting will recommend rates but the Water Commissioners will actually set them. Ms. Johnson explained that the triennial sanitary survey done by the MA Department of Environmental Protection (DEP) looks at water rate structures and the ability to maintain financial capacity. The water rate setting process under Town ownership will be much more accessible and transparent than the current Department of Public Utilities (DPU) rate setting process under Aquarion ownership..

Sub-Committee members asked about what happens if an emergency situation takes place or if there is negligence on the part of the operator. Mr. Johnson stated that the business plan for the DEP will put together the technical, financial, and managerial pieces in place to respond and that the DEP will be a resource to the Town. Mr. Krumholz noted that the responsibility would first lie with the operator and that the Town would make sure the operator was properly insured.

Sub-Committee members inquired about any assurances Hull ratepayers would have that their capital repairs won't be ignored. Mr. Krumholz stated that since the Town of Hingham would own all of the pipes, including in Hull, it wouldn't make sense to let any part of the system fall into disrepair. Ms. Johnson noted that there is no transparency in the deployment of capital currently under Aquarion ownership. Under Town ownership, there would be a fully vetted public capital plan.

On the budgeting process, Ms. Johnson noted that the Town would leave the same rates in place for the first cycle and then would go through the normal budgeting process. Ms. Power stated that the Town will prepare an enterprise fund budget for the water system that the Selectmen will vote on by March 1. Ms. Johnson noted that in the event of a shortfall where funds were needed immediately, the Town could lend the water enterprise fund money and then water rates would be raised to pay the general fund back.

In response to a question about a possible combined water sewer commission, Mr. Krumholz noted that the proposed governance structure – Board of Selectmen as Water Commissioners, a full-time water superintendent with

administrative support, an operations and maintenance contractor, and a capital vendor – is the “day 1” structure, which could change in the future.

Hingham Sewer Commission and Board of Health Chairman Mr. Shiltz mentioned that the Sewer Commission sets sewer rates and it’s not a complex process. They look at expenses and capital plans, which are provided by expert engineering firms, and bill twice a year. The Board of Health would have greater input and collaboration for public safety under Town ownership. He noted that the Sewer Commission has customers in Cohasset right now, so the Commission is servicing pipes in other towns, and that Linden Ponds buys water from Cohasset. He also stated that the Water Supply Committee could make water regulations, particularly by updating and adapting regulations from other towns.

Regarding the proposed Citizens’ Advisory Board under Town ownership, Ms. Johnson stated that it is important to establish and institutionalize that public voice and to provide a seat at the table for Hull and north Cohasset. Five members is a workable number, and they would work with the Water Superintendent on the rate-setting process and would be the first line in addressing citizen complaints.

Mr. Pedone, Counsel to Aquarion noted that water systems that serve multiple municipalities could use a water district governance model. Mr. Baltera stated that in water districts, each of the towns owns its assets, which is not the case here.

The discussion next focused on financial aspects of the proposed acquisition. Subcommittee members asked questions about the price Evesource paid to acquire Aquarion, the number of customers and connections.

Members of the Water Company Acquisition Study Committee described the criteria they used in evaluating financial feasibility of a Town acquisition.

The subcommittee asked about the various cost components involved in Town ownership of the water system and how the Town's financial model determined those costs. Selectman Power noted numerous discussions with the Town's Financial Advisor, Capital Market Advisors, regarding appropriate interest rate assumptions. Town representatives emphasized that they used conservative assumptions in analyzing financial impact of Town ownership and conducted two sensitivity analyses on the numbers to assess the impact of changes in assumptions.

Adjourn – 10:31 pm

Respectfully submitted,

Bob Curley, Secretary

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Agenda

AdCom Subcommittee approved on 4/9/2019