

Advisory Committee – Water Company Acquisition Subcommittee

Minutes of Meeting held on 3/13/19 at Town Hall

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

Subcommittee Chair Victor Baltera called the meeting to order at 8:02 P.M.

Members of the Board Of Selectmen and the Water Company Acquisition Subcommittee attended as well as representatives of Aquarion Water Company. The meeting was recorded by Harbor Media(HCAM).

Dave Anderson presented his analysis of certain comments provided by Aquarion's consultant blumshapiro to the effect that, even if corrections were made with respect to certain costs, purchase of the water company would still result in very substantial savings to ratepayers .

Eric Haskell made a presentation concerning procedures which might be employed to permit a ballot question at the Town General Election to approve any vote to acquire the water company. Kerry Ryan, Town Counsel, responded that those procedures related to non-binding questions and that the 1879 statute only provided for and contemplated a two-thirds vote of Town Meeting.

Libby Claypoole raised questions about potential liabilities which the water company acquisition might entail. Kerry Ryan responded that the contract operator would be required to provide insurance for the water system operation and for the benefit of the Town and would be required to indemnify the Town for any liability. In the event of a water company acquisition, the Town would set rates which could account for liabilities. In response to another question by Ms. Claypoole, it was observed that the August 2018 Capital Markets presentation indicated that an acquisition of the water company was not expected to have any adverse effect on the Town's bond rating.

With respect to Article MM, Mr. Curley stated that he was impressed by the financial analyses, believes there will be significant savings for multiple

generations of ratepayers, believes that the Town is fully capable of running the water system and that the system would be more reliable and transparent under Town ownership.

Ms. Kelley found the financial models brilliant but speculative and was voting in favor of the acquisition based more on environmental, philosophical, and logistical considerations. She wants to know who owns the land and the water supply and to make sure that it's protected. She does not believe a private company will protect her interest in the same way.

Mr. Anderson thanked everyone involved in this process and tried to look at the issue holistically. He noted that savings is one benefit of Town ownership but that others are apparent, such as increased capital investment, better coordination with the Town's road building program, and a governance structure that is more open and transparent.

Ms. Claypoole stated that she spent a lot of time on the financials and believes there is value in a ballot referendum given that the Town's full faith and credit is on line for the debt issuance and that many ratepayers will be out of Town during Town Meeting.

Mr. Baltera stated that it is in the best interest of the Town to go ahead with the purchase of the water system. He commented that there are many intangible benefits to the Town owning its own water supply, even if it is giving up some expertise in the short-term. He noted this has not been a quick decision and that much thought and work has gone into this issue since 2012. There have also been some changes in the proposal to reflect voices that have been heard and thinking that has evolved.

The Sub-Committee voted 4-1 to approve and recommend article MM to the full Advisory Committee, with Ms. Claypoole voting no.

Article NN – Board of Water Commissioners Mr. Curley stated that there is no time to elect Water Commissioners before acquisition of the water system, so the Board of Selectmen would be the Water Commissioners by default. The article allows them to hire a Water Superintendent and enter into other contracts as necessary to run the water system. The comment and likely the recommended motion will include the establishment of a Transition and Evaluation Committee

as well as a Citizens Advisory Board. Mr. Baltera suggested that the ultimate recommended motion include both of these committees. Ms. Claypoole noted that because there are so many ratepayers outside of Hingham, in the future it may make more sense to have separate Water Commissioners that aren't also involved in the governance of the Town. This will be studied down the road by the Transition and Evaluation Committee. The Sub-Committee voted 5-0 to approve and recommend article NN to the full Advisory Committee.

Article OO – Water System Enterprise Fund Mr. Curley noted that the comment will identify how budget amounts were derived for the water system enterprise fund. All funds have to remain in the enterprise fund. The Board of Selectmen as Water Commissioners have a rate setting objective to make sure that there isn't an operating budget deficit. That scenario is highly unlikely with the early reserve of almost \$5 million from year 1 operations. The Sub-Committee voted 5-0 to approve and recommend article OO to the full Advisory Committee.

Article PP – Water Company Acquisition Transition Costs Ms. Claypoole gave an explanation of the transition costs article. The Sub-Committee voted 5-0 to approve and recommend article PP to the full Advisory Committee

The Subcommittee adjourned at 10:09 P.M.

Respectfully submitted

Bob Curley

Documents Used – Agenda

Preliminary Drafts of Comments on Articles NN,OO

PowerPoint Slides Re: Ballot Question

Draft Sensitivity Analysis of Aquarion Models to Certain Disputed Assumptions

Approved by the Subcommittee on 4/9/19 by a vote of 4-0