



**Town of Hingham**

**2014 Town Forum**

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# **2014 Town Forum Topics**

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- **Selectmen's financial report**
- **Selectmen's tax-relief proposals**
- **Water Company Acquisition Study Update**



# Selectmen's Report

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- **Success at raising Fund Balance**
- **Success at addressing cost de-stabilizers**
- **Fiscally sound going forward**



# Fund Balance

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- **Measured as a percent of expenditures**
  - **Policy calls for Unassigned Fund Balance from 16-20% of Total Annual Expenditures**
  - **Now at 18.07% as of June 30, 2013**
  - **Fitch reaffirms Aaa bond rating, June 2012**
  - **Standard & Poor's reaffirms AAA bond rating, February, 2014**

# General Fund Balance as % of Annual Expenditures



Fiscal Year ended June 30 <sup>th</sup>	Unassigned Fund Balance	Annual Expenditures	Balance as % of Expenditures
2002	12,158,407	49,879,152	24.38%
2003	9,761,788	57,490,513	16.98%
2004	9,012,237	60,014,608	15.02%
2005	9,009,451	64,818,332	13.90%
2006	9,583,130	68,614,807	13.97%
2007	8,332,050	72,043,499	11.57%
2008	8,884,711	76,382,718	11.63%
2009	7,099,935	79,559,960	<b>8.92%</b>
2010	12,378,466	81,342,054	15.22%
2011	11,760,485	80,469,007	14.61%
2012	12,921,425	82,142,884	15.73%
2013	15,615,746	86,411,277	<b>18.07%</b>



# **Fiscally Sound**

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- **Structural deficits eliminated:**
  - Snow and ice
  - Road repairs
  - Slowed pace of healthcare cost increases
  - Operating capital expenditures are now part of the annual operating budget
  
- **Investment in Town Assets**
  - Roads
  - Municipal Buildings
  
- **Positive forecast going forward**



# **Tax Relief**

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**Board of Selectmen initiative:**

## **Tax Relief**

**To mitigate the impact of coming tax increases**



# Tax Relief

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## Two kinds of relief possible:

- Property tax exemptions and deferrals
- Funds devoted to lowering tax burden

## Two possible groups of beneficiaries:

- Our neediest neighbors
- Every residential taxpayer

Town Meeting adopts **both kinds** of relief,  
and relief for **both groups**



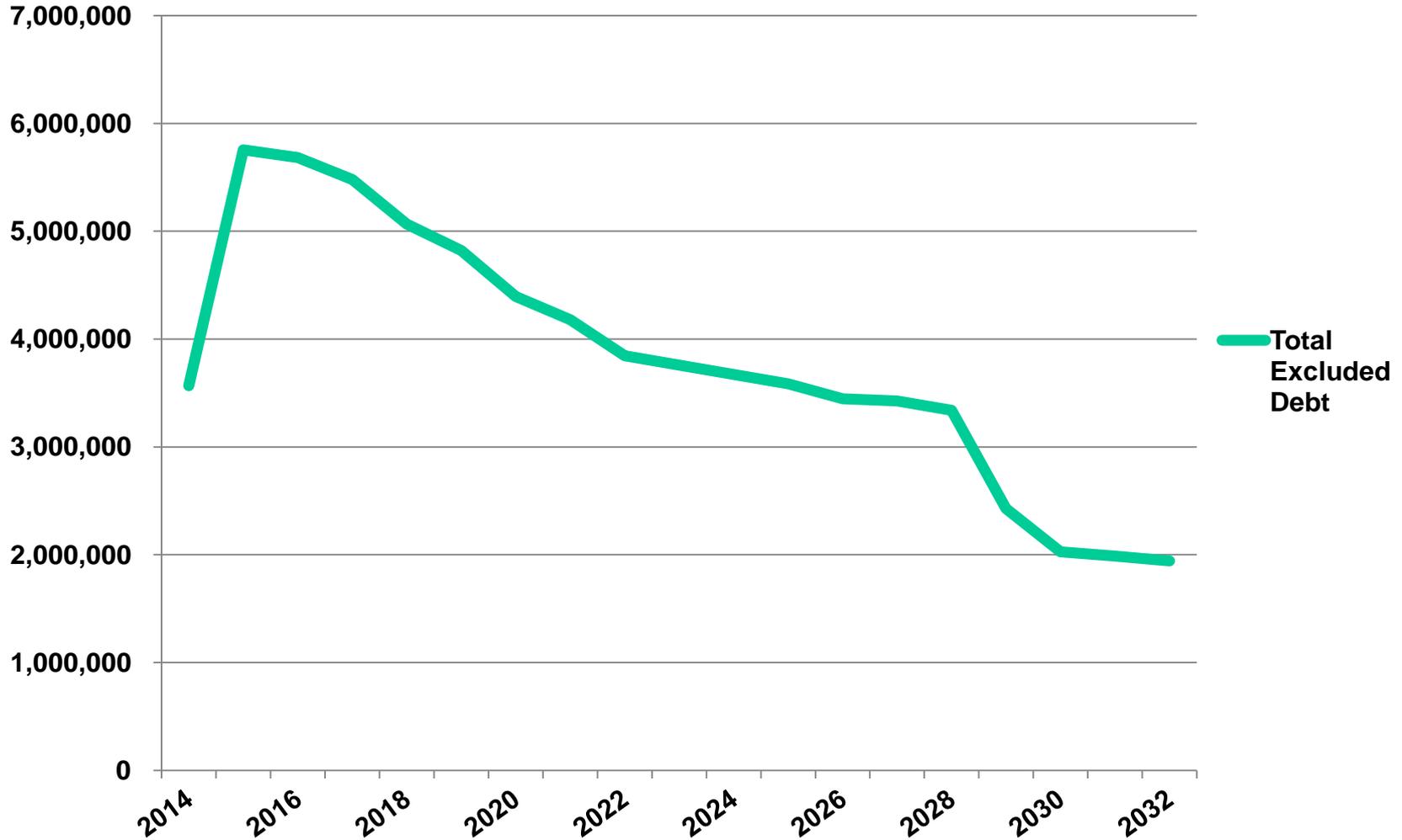
# Five-Year Forecast

	ACTUALS	ESTIMATE	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>
<b>SOURCES</b>							
Tax Levy	67,023,613	69,699,882	73,515,382	75,912,276	78,342,862	80,628,638	83,148,702
State Aid	9,654,874	9,791,812	10,170,133	10,170,133	10,170,133	10,170,133	10,170,133
Local Receipts( 2.5% FY2016-20	7,649,341	7,389,346	8,408,674	8,618,891	8,834,363	9,055,222	9,281,603
Other	4,803,568	5,299,304	4,991,790	5,175,333	5,375,805	5,594,856	5,834,299
<b>Total Sources</b>	<b>89,131,396</b>	<b>92,180,343</b>	<b>97,085,979</b>	<b>99,876,633</b>	<b>102,723,163</b>	<b>105,448,849</b>	<b>108,434,737</b>
<b>USES</b>							
Operating expenses	78,095,315	82,476,970	85,584,110	88,055,336	90,631,099	93,383,591	96,337,793
Capital Outlay	844,365	1,831,422	2,000,000	2,100,000	2,200,000	2,300,000	2,400,000
Debt Service	6,831,893	7,368,224	9,500,765	9,604,954	9,638,118	9,160,405	8,699,836
<b>Total Uses</b>	<b>85,771,573</b>	<b>91,676,616</b>	<b>97,084,875</b>	<b>99,760,290</b>	<b>102,469,218</b>	<b>104,843,996</b>	<b>107,437,629</b>
<b>EXCESS (Shortfall)</b>	<b>3,359,823</b>	<b>503,727</b>	<b>1,103</b>	<b>116,343</b>	<b>253,946</b>	<b>604,853</b>	<b>997,108</b>



# Tax Relief

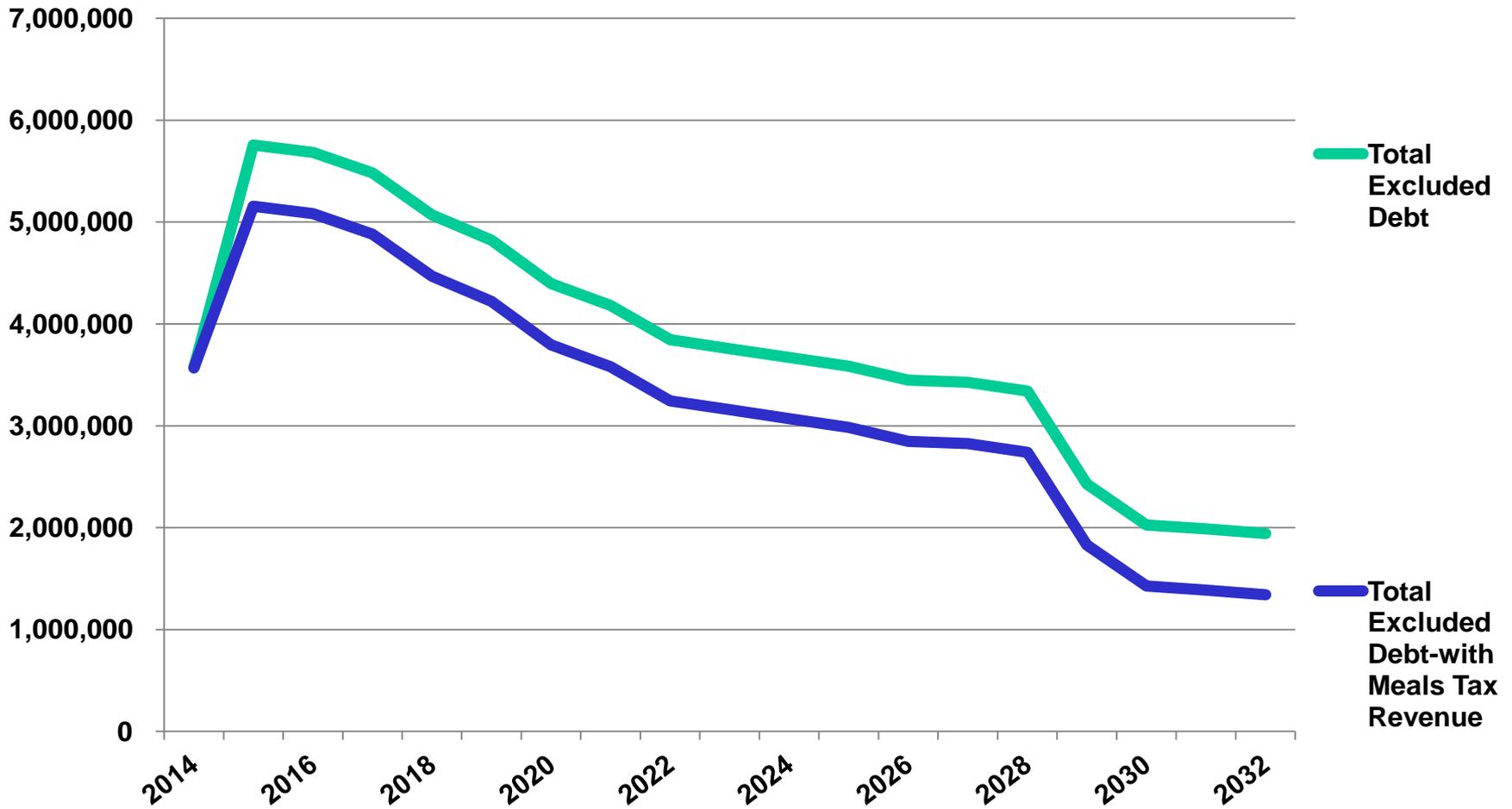
## Total Excluded Debt





# Tax Relief

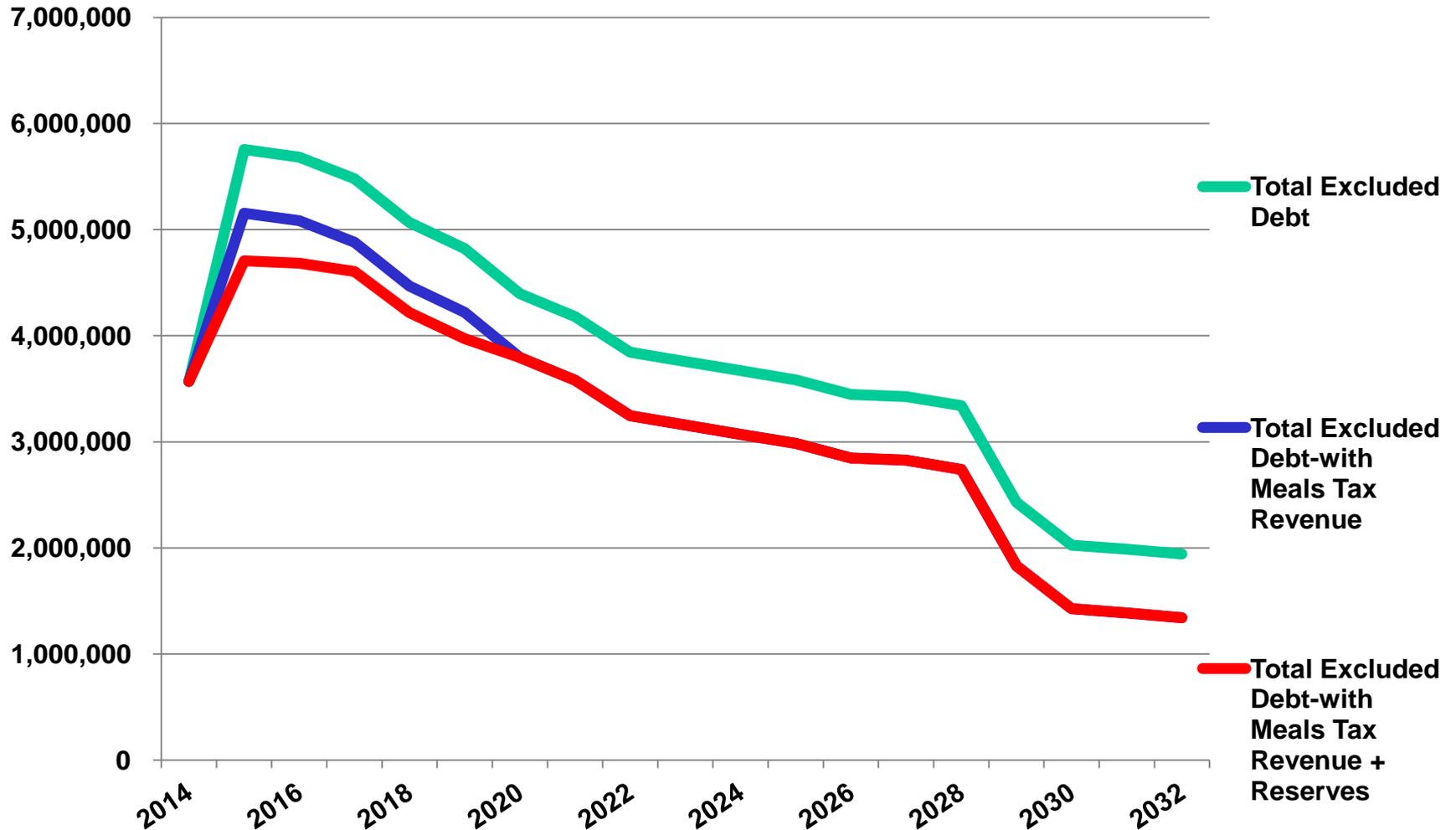
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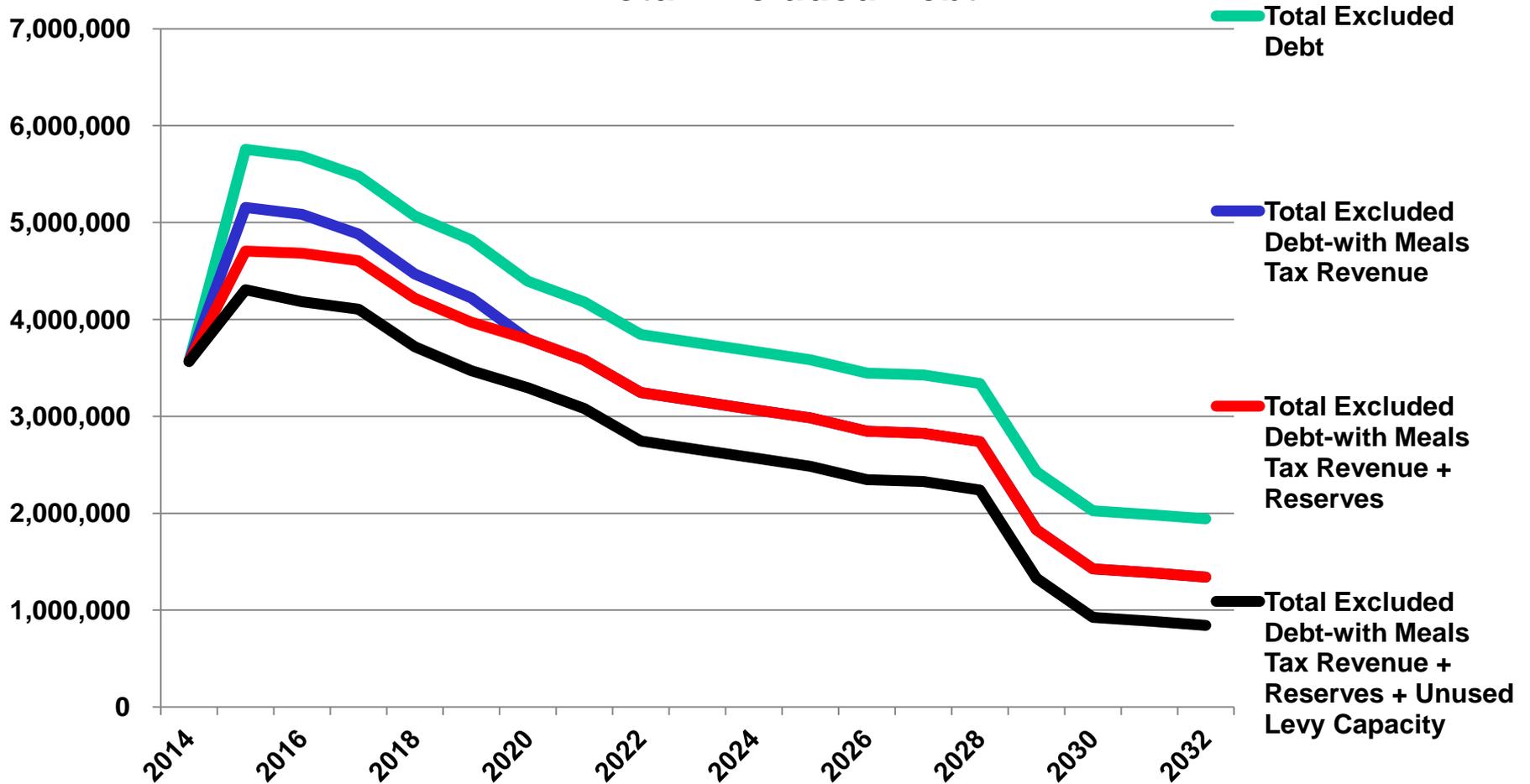
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# Tax Relief

## Total Excluded Debt





# Water Company Acquisition Study Update

Town Forum

*March 2, 2014*

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## What happened prior to the Town's Complaint?

- **April 23<sup>rd</sup>, 2012**
  - **Town Meeting authorized \$320,000 to investigate the feasibility and advisability of Town acquisition of the Town's water company**
    - Amended from \$500,000, based on the Board of Selectmen's hope that litigation would not be likely



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- **June 25<sup>th</sup>, 2013**
  - Water Company Acquisition Study Committee recommended that *"although there is still more work to do...the Board of Selectmen take the steps necessary to begin a potential acquisition"*
    - No financial, engineering, or governance 'showstoppers' yet identified



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- **Late June, 2013**
  - The Town queried Aquarion's President regarding willingness to negotiate a purchase price
    - No response has yet been received from the Aquarion President



## **The Town's Complaint**

**On July 3<sup>rd</sup>, 2013, the Town filed a Complaint naming Aquarion as defendant**

- The Complaint—requesting the court to declare the water company purchase price—is being heard in the Suffolk County Superior Court Business Litigation Session**



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- The Complaint—requesting the court to declare the water company purchase price—is being heard in the Suffolk County Superior Court Business Litigation Session

The issues in dispute include:

- The appropriate calculation and purchase price under the 1879 statute forming the Hingham Water Company
  - Aquarion's July 2012 report to the Town prices the water company and intangible assets at \$184.5M
  - The Town's preliminary analysis of the purchase price pursuant to the 1879 statute: ~\$56M - \$60M



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- Whether the water treatment plant—now in a separate holding company—must be sold as part of Hingham's exercise of its rights under the 1879 statute

➔The first Court hearing occurred on October 22, 2013



# Substantiation of the Town's Position

- **Financial Analysis**
  - **Operating Costs**
    - Three face-to-face meetings with Aquarion, with exchange of financial documents



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- Based on analysis by Town volunteers, a water-utility expert, and a nationally-recognized financial valuation firm (Duff & Phelps, LLC), the Town currently believes the ultimate purchase price should be in the range of **\$40M - \$70M**
    - Duff & Phelps is currently completing its analysis, and its Expert Report is scheduled to be produced by April 15<sup>th</sup>, 2014



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- **Engineering**

- Letter estimate for outsourced operation by a nationally-recognized water-utility outsourcing firm
  - Discussions with two other engineering firms regarding outsourced capital-infrastructure improvement

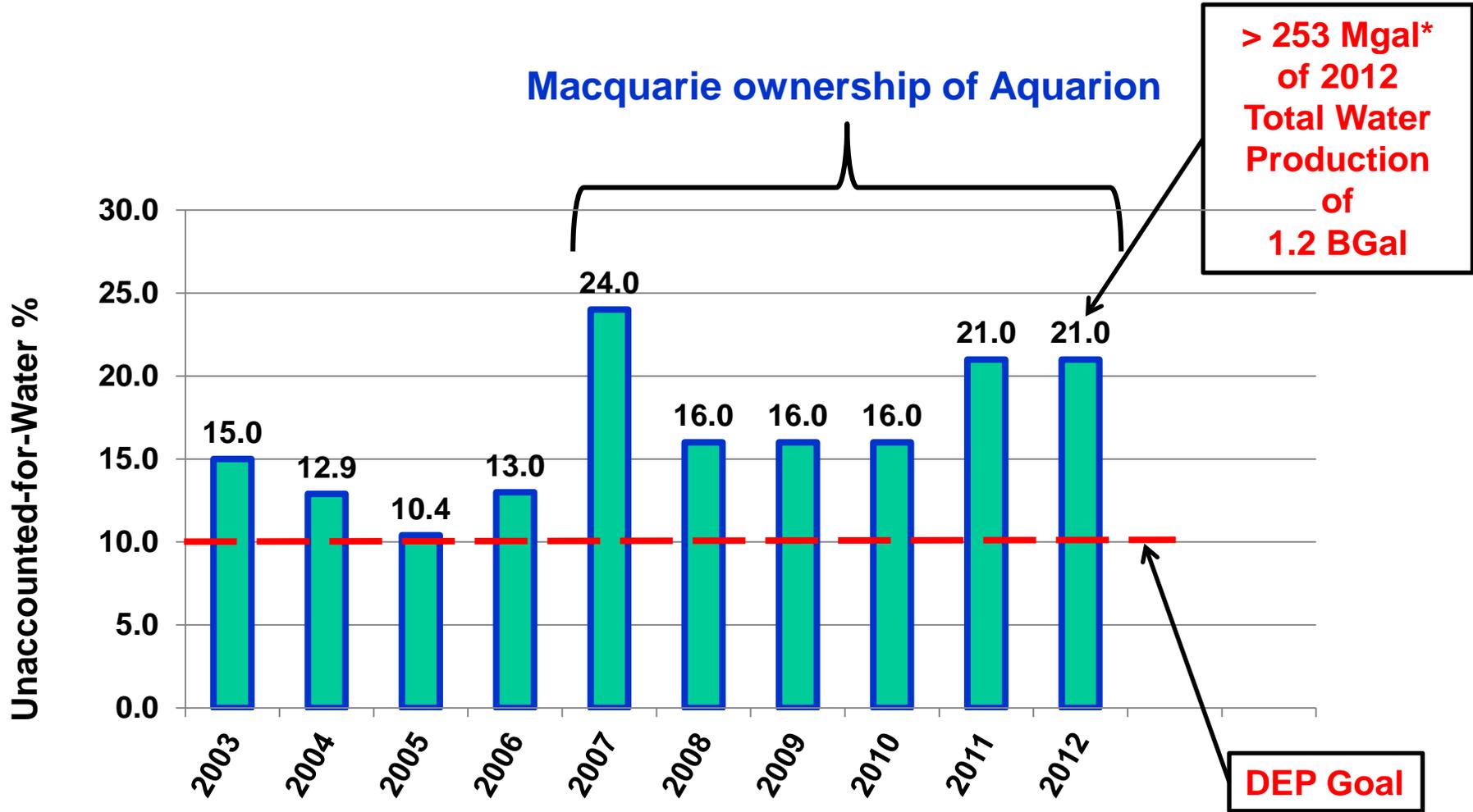


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- **Governance**
  - Amicus brief filed by Town of Hull supporting Complaint
  - Meetings with Hull & Cohasset regarding a mutually-agreeable governance model



# The System's Unaccounted-for-Water



\*Note: Accord Pond storage capacity is ~523 Mgal



## Financial Impact of the Town's Position

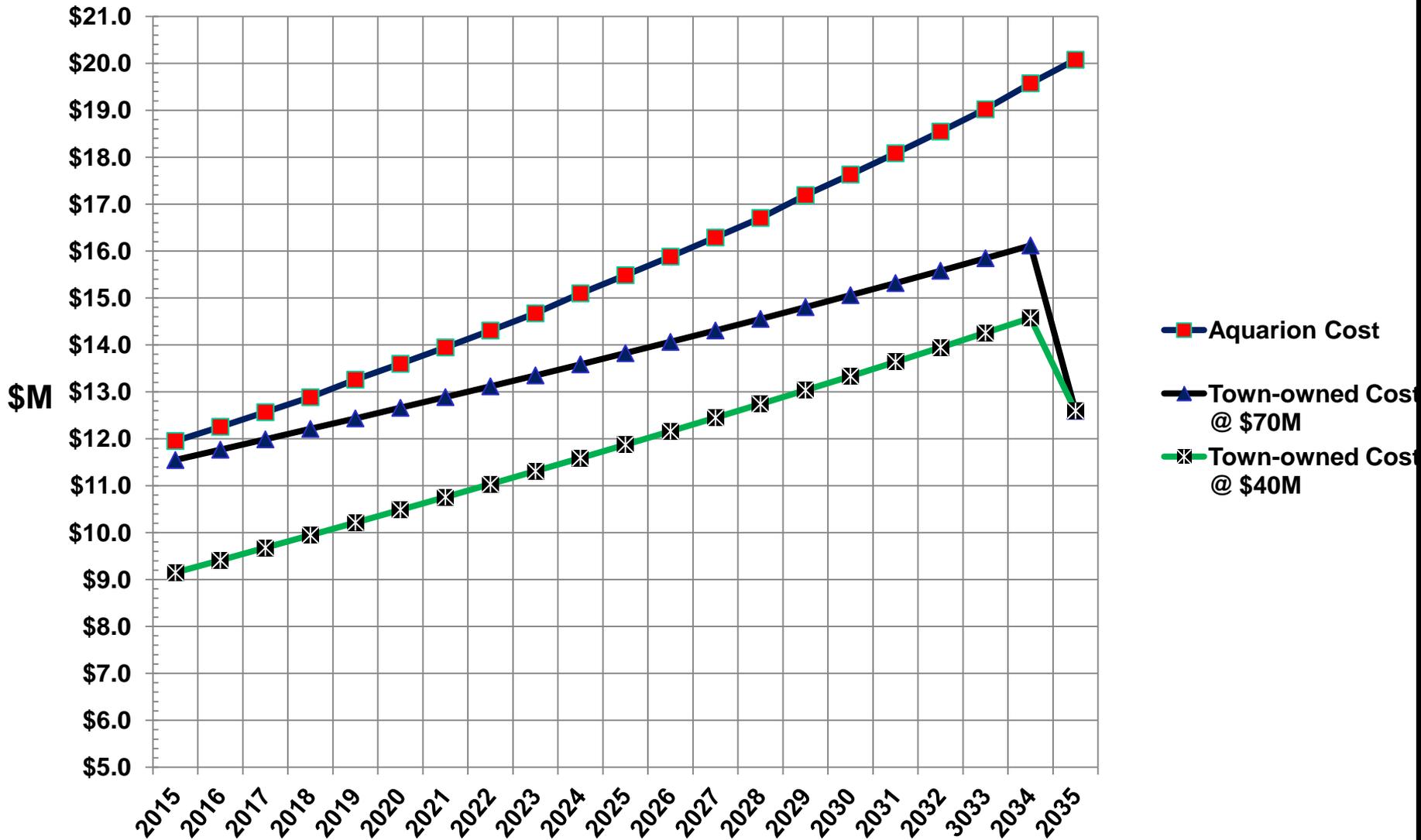
Acquisition Price:	\$40M	\$70M
Cost elimination over 21 years	\$80.8M*	\$41.4M*
Average annual cost difference available for additional system improvements and/or rate adjustments	\$3.8M	\$2.0M

**\* Includes:**

- Establishment of a **\$3M** capital reserve
- At least **\$2M** annual capital for system improvements
- Repayment to Fund Balance of all expenses incurred during Article 19 study and Town Complaint



# Cost Differential: Aquarion vs. Town ownership





## What are the near-term next steps?

- **March 25<sup>th</sup>, 2014**
  - Conference with the Judge, Suffolk County Superior Court Business Litigation Session
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- **June 30<sup>th</sup>**
  - Aquarion's production of expert witness reports
- **Post-September, 2014**
  - Trial date to be set by the Court, absent an earlier negotiated settlement
- **Date TBD**
  - If a reasonable price is adjudicated or negotiated, the Board of Selectmen to decide whether or not to put the matter before Town Meeting