



# **Hingham Board of Selectmen**

**Water Company Acquisition**

**Public Information Meeting**

**April 6, 2019**

# **Summary: Why the Board of Selectmen recommends favorable action**

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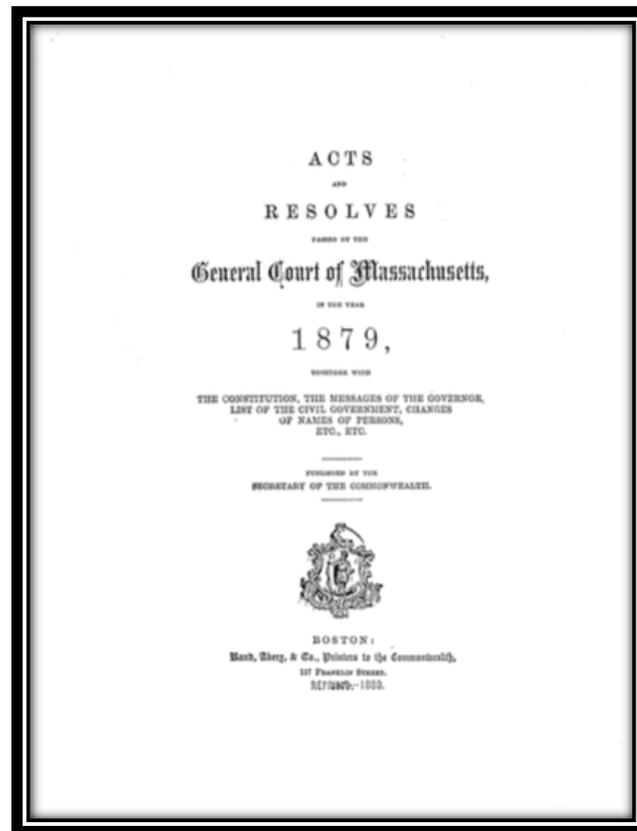


- **Enables us to manage the delivery system of a critical resource**
- **Eliminates the shareholder; ratepayers are first and only priority**
- **Provides greater ability to protect the watershed**
- **Makes fiscal sense now ... and even greater fiscal sense in the future**
- **Allows for greater financial and operational transparency**
- **Does not raise taxes or compete with capital for other projects**



# Background on our Water Company

- Incorporated in 1879 by a group of Hingham residents
- Founding statute gives Hingham citizens the right to purchase the water company at any time
  - Essential municipal service
- Privately-owned since incorporation



# Reasons Hingham initiated feasibility study in 2012



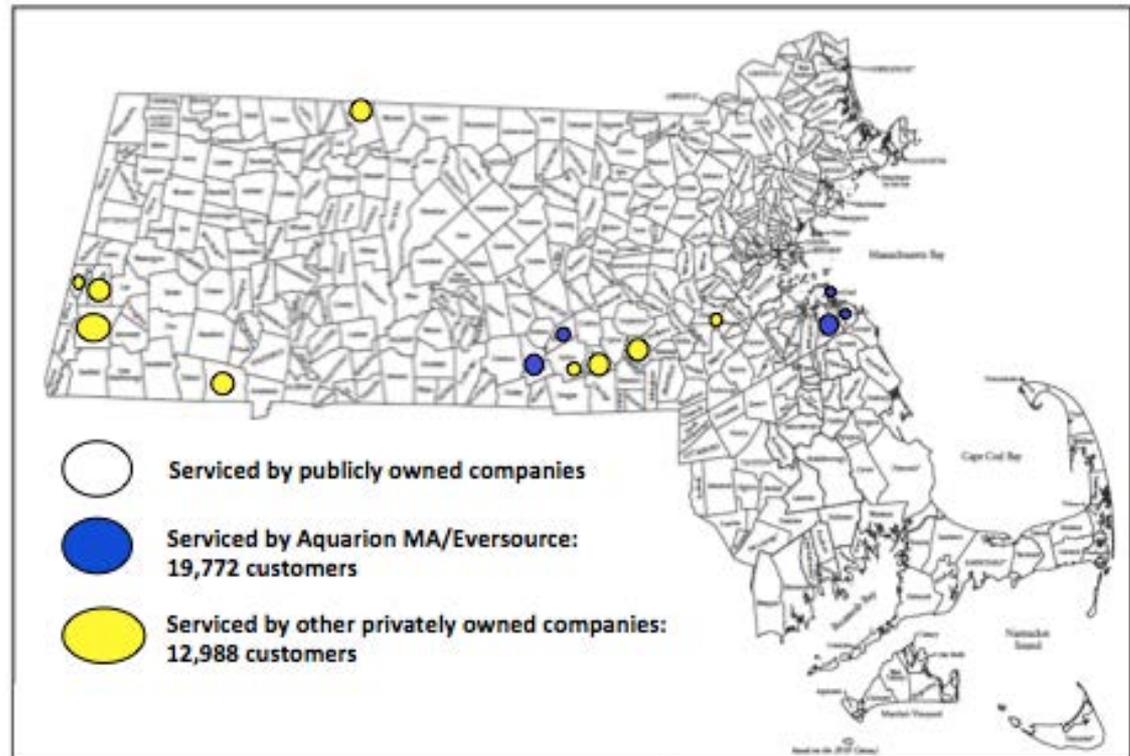
- **Dissatisfaction with the management and maintenance of our water system**
  - 5<sup>th</sup> highest water rates in the state
  - “Break/fix” water main strategy
  - Impact on stressed watershed
  - Lack of coordination with Town roadbuilding program
- **Recognition that a private owner’s first responsibility is to its shareholders and not to ratepayers**
- **Ownership changes after decades of stability**





# What We Learned

- 96% of MA water systems are run by public agencies
- We are the only privately-owned water system of our size in MA

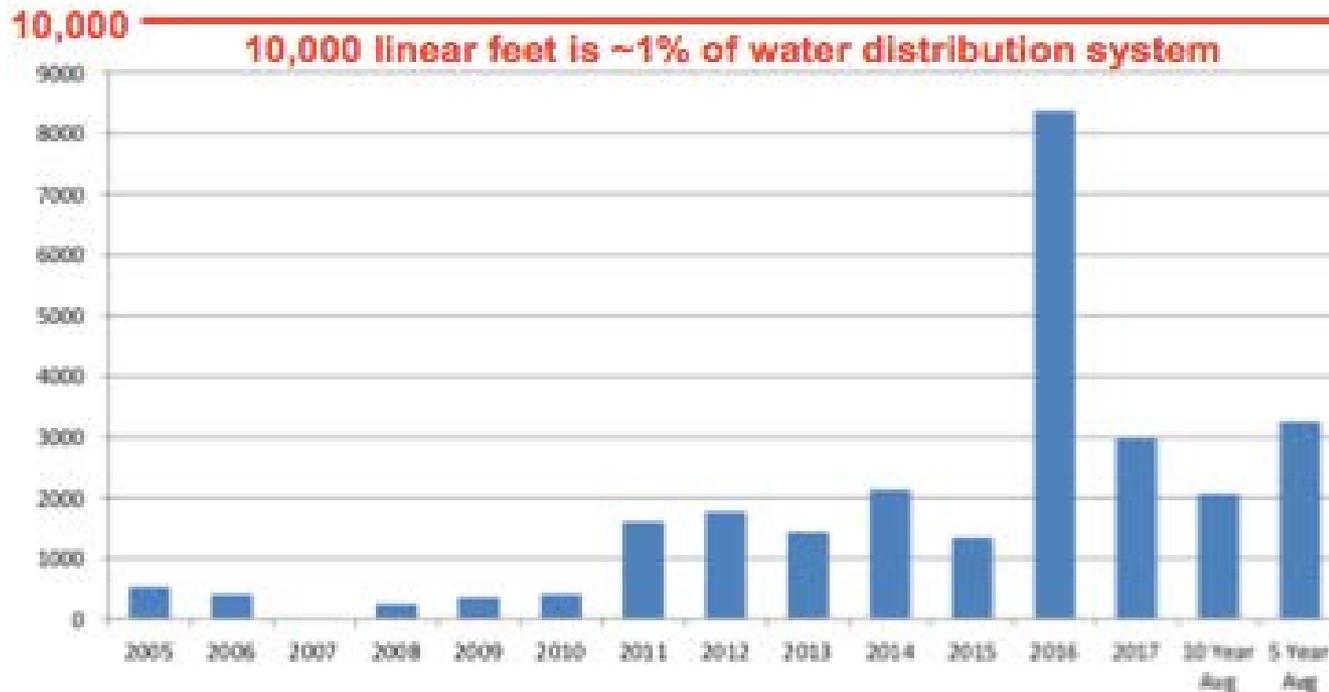




# What We Learned

- Our water system hasn't been sufficiently maintained
  - Aquarion has replaced less than 1/3 of what its own capital study recommends for aging water mains

Service Area A – Historical Water Main Feet Replaced





# What We Learned

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- **Our roadbuilding program has been compromised by emergency street openings for water main repairs**
  - 22% of rehabilitated streets have had to be opened for “emergency water repairs”
  - Some streets have been opened more than once





# What We Learned

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- The role of the Department of Environmental Protection (DEP) in controlling water supply and regulating water quality does not change
- The DEP assists communities who purchase their water system
- Aquarion has a legal “good husbandry” obligation to provide service until the acquisition is completed



Massachusetts  
Department of  
Environmental Protection

(MASSDEP)

MassDEP is responsible for ensuring clean air and water, safe management and recycling of solid and hazardous wastes, timely cleanup of hazardous waste sites and spills, and the preservation of wetlands and coastal resources.

- *Same plant*
- *Same operating standards*
- *Same quality requirements and monitoring*



# What We Learned

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- **Whether private or public, all costs of running a water company are paid by water customers (ratepayers)**
- **Municipal ownership eliminates some costs that don't affect water service (Federal and state taxes, Profit, Rate-filing costs)**
- **Municipal entities have lower borrowing costs**
  - **Hingham Aaa vs. Aquarion Baa2 ~ 2% or 200 basis points**



# What We Learned

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- **Water companies are profitable**
  - The DPU sets rates that allow privately-owned utilities to earn a profit
  - Aquarion's most recent DPU rate case authorizes a 10.5% annual return for Aquarion Water Company
  - Aquarion Water Capital also makes a profit (unregulated) by leasing the water treatment plant to Aquarion Water Company)



# What We Learned

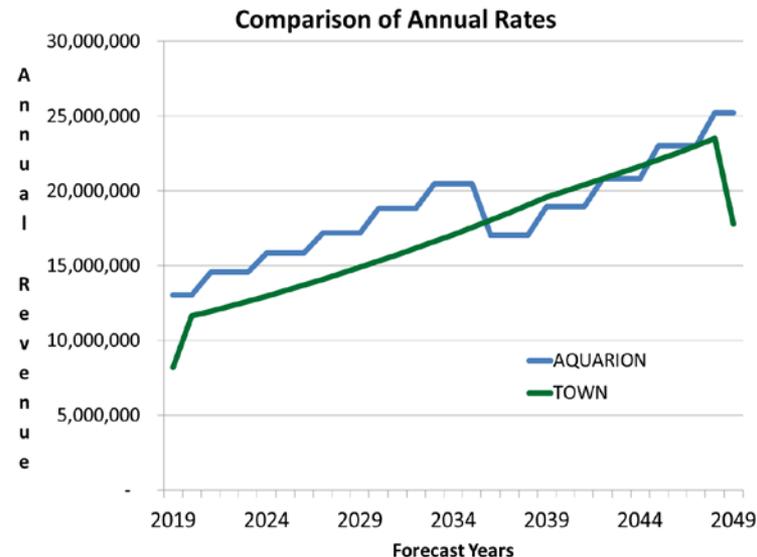
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- Municipally-owned water companies are generally funded through an Enterprise Fund – **no direct impact on taxes**
- Municipal ownership costs are highest in the first 30 years of ownership
  - Paying principal + interest on acquisition debt
- Municipal ownership costs are significantly reduced when the acquisition debt is retired (“mortgage paid off”)



# What We Learned

- Financial savings to ratepayers from Town ownership ~ \$1.5 million per year over 30 years
  - Including purchase cost
- After 30 years, annual ratepayer savings ~ \$7.4 million per year
  - “Mortgage is paid off”



**Savings mean lower and slower rate increases; more money available for capital investment**

# What We Learned



- **Taxes won't go up as a result of buying the water company**
  - Revenues collected will pay all the operating costs including the debt service on the acquisition debt
- **Purchasing the water company won't compete with projects such as Foster School**
  - Debt for water company does not "count" against debt limit





# What We Learned

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- The purchase price as of 4/22/2019 is approximately \$108 million
  - Based on the statute and the court ruling, the purchase price increases by \$3 - \$4 million each year
- As “self-supporting” debt, the water acquisition bonds will not be counted against the Town’s debt limit
- Per the Town’s Financial Advisors: *“The total amount of additional debt required to fund capital projects planned by the Town is comfortably within the Town’s debt limit, and all other credit fundamental credit factors held constant, they should not have a negative impact on the Town’s credit ratings.”*



# What We've Learned

- Aquarion has spent over **\$2.7** million in public relations from 2013 - May 2018

DATE	ACTIVITY	QTY	RATE	AMOUNT
03/31/2017	<b>Public Affairs Consulting</b> Government Relations, Community Relations, Communications, and Political Management for Hingham Acquisition Campaign	1	13,124.75	13,124.75
03/31/2017	<b>Public Affairs Consulting</b> Government Relations, Community Relations, Communications, and Political Management for Hingham Operations	1	12,289.50	12,289.50
03/31/2017	<b>Public Affairs Consulting</b> Government Relations, Community Relations, Communications, and Political Management for Hingham Rate Case	1	1,344.00	1,344.00
Thank you for your business.			<b>BALANCE DUE</b>	<b>\$26,758.25</b>

DATE	ACTIVITY	QTY	RATE	AMOUNT
11/16/2017	<b>Public Affairs Consulting</b> Grassroots Advocacy: Calls to supporters requesting they send emails to selectmen in opposition to takeover; Communications: Social media scan (11/16/2017)	1.75	192.00	336.00
11/16/2017	<b>Public Affairs Consulting</b> Legislative + Regulatory: call w/ T. Mayo, Town of Hingham re: BOS appeal vote; draft email to J. Conner re: BOS appeal vote; Grassroots Advocacy: call with supporters re: BOS executive session; Communications: Call w/ writer re: infrastructure story. (11/16/2017)	2.50	175.00	437.50
11/17/2017	<b>Public Affairs Consulting</b> Project Management: Review emails and enter data into voter relationship database; Communications: calls to confirm letter to editor submission (11/17/2017)	0.75	192.00	144.00
11/17/2017	<b>Public Affairs Consulting</b> Legislative + Regulatory: Txt w/ J. Conner re: BOS Appellate Reconsideration; Grassroots Advocacy: draft email to J. Ginsberg re: advocacy tactics; Community Relations: draft emails to supporters. (11/17/2017)	1.50	192.00	288.00
11/18/2017	<b>Public Affairs Consulting</b> Grassroots Advocacy: Meet w/ supporters re: grassroots communications. (11/18/2017)	5	175.00	875.00
11/20/2017	<b>Public Affairs Consulting</b> Grassroots Advocacy: phone calls to targeted group; identify people to send letters to Selectmen urging them to stop takeover efforts; Project Management: Staff meeting with client to discuss next steps; conference call with BLM (11/20/2017)	3.50	0.00	0.00
11/20/2017	<b>Public Affairs Consulting</b> Team call re: upcoming phone bank. Review lists, database and script. (11/20/2017)	4.25	192.00	816.00
11/20/2017	<b>Public Affairs Consulting</b> Campaign Management: Team meeting re: grassroots advocacy tactics; draft outline for campaign plan presentation for Eversource; call w/ J. Walsh re: campaign plan; Communications: monitor local media outlets; draft grassroots communications; Research + Database: HMLP opposition research. (11/20/2017)	5	175.00	875.00
11/21/2017	<b>Public Affairs Consulting</b> Political Management: Attend and observe Selectmen meeting concerning appeal of valuation determination; Communications: Social media scan; Data and Research: Manipulate and enter supporter list and email contacts (11/21/2017)	3.50	0.00	0.00
11/21/2017	<b>Public Affairs Consulting</b> Prep and make phone calls to Hingham outreach targets. Follow up report to G. Lane, J. Ginsberg re: same. (11/21/2017)			

\* Source: DPU File Room. Excludes expenses identified for Oxford, Millbury

# Expense Comparison:

## Initiation of Feasibility Study through June 1, 2018



Category	Town	Aquarion
Initial Study	\$ 118,139	UNKN
Litigation: Legal	\$ 910,486	UNKN
Litigation: Expert	\$ 408,601	UNKN
Litigation: Administrative	\$ 34,619	UNKN
Public Relations	\$ 0	\$ 2,762,447*
Total	----- \$ 1,471,845	----- UNKN

\* Source: DPU File Room. Excludes expenses identified for Oxford, Millbury



# Preparing for Transition

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- **Met with DEP and other communities which recently purchased their water system**
- **Engaged former DEP Commissioner to assist Town with transition**
- **Created Water Superintendent job description**
- **Requested roll forward of purchase price from Aquarion to 4/22/19**
- **Coordinated financial transaction with Town Financial Advisors, Town Bond Counsel, and Town Finance team**

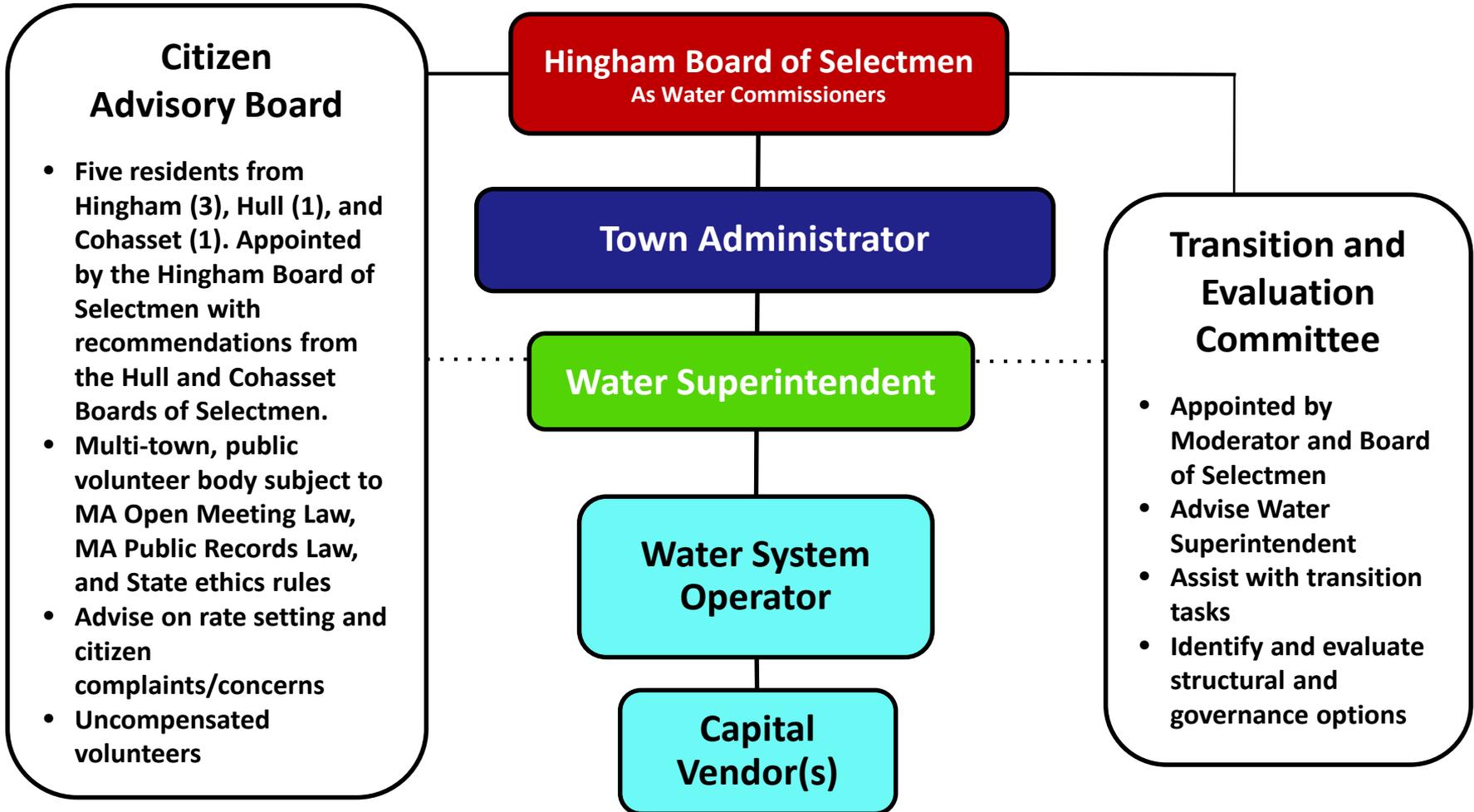


# Transition

- **If Town Meeting votes “yes” on 4/22:**
  - Issue Request for Proposal for water system operator
  - Hire Water Superintendent
  - Prepare documents for bond issuance
  - Establish Transition & Evaluation Committee and Citizen Advisory Board
- **Aquarion will continue to operate the water system under its legal “good husbandry” obligation**
- **Town will work with the DEP to complete regulatory transition**



# Day 1 Structure



Relationship with Hull and Cohasset will be memorialized in a memorandum of understanding.  
Employee and vendor contracts have been incorporated into the Town's financial model and are supported by water rates.



# A Few Words About Water Commissioners

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- Hingham is one of 41 cities and towns in MA with a medium-sized water system (~ 13,000 connections)
- Every municipality in this cohort except Hingham runs its water system as a department of the municipality (or in 2 cases by a water district and the employees of that district)
- 38 cities/towns in this group except Hingham govern the water system through the Executive Branch of government – Mayor or Board of Selectmen (2 water districts elect or appoint commissioners)
- Who are these municipalities? Places like Agawam, Attleboro, Chicopee, Falmouth, Gloucester, Lexington, Needham, Plymouth, Tewsbury, and Weymouth
- Hingham will have two levels of technical expertise in water operations – a licensed Superintendent and a licensed operating company



# Warrant Articles

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- **10:**
  - Approve the purchase of the water company (requires 2/3 majority)
- **11:**
  - Authorize the Board of Selectmen to act as water commissioners (requires majority)
- **12:**
  - Establish water system Enterprise Fund and budget (requires majority)
- **13:**
  - Authorize transition costs (requires majority)



# Information Resources

- **Hingham-ma.gov: Quick Link to Water Acquisition Documents**
  - Presentations
  - Q&A documents
  - Feasibility study documents
- **Town Government meetings on Harbor Media**

Home > Government > Committees M - Z > Water Company Acquisition Study Committee > Documents

### Documents

**2019 Town Updates and Q&A Documents**

- February 8, 2019 - Andersen Tax Presentation
- February 8, 2019 - Andersen Tax - Town Model (Excel file)
- February 8, 2019 - Andersen Tax - Aquarion Model (Excel file)
- January 31, 2019 Water Company Acquisition Transition Presentation
- January 31, 2019 WCASC Recommendation Vote Summary Presentation
- January 10, 2019 - Berry Dunn Report to the Town
- January 10, 2019 - Andersen Tax Presentation to the Town

**2018 Town Updates and Q&A Documents**

- September 25, 2018 - Statement from Town Administrator regarding RFP
- September 11, 2018 - Financial Model Reconciliation Presentation
- September 11, 2018 - Governance and Operations Presentation
- August 13, 2018 - Water Company Acquisition Financing Presentation
- August 7, 2018 - Water Company Acquisition Engineering
- August 7, 2018 - Water Company Acquisition Engineering Q&A
- July 10, 2018 - Water Company Acquisition Background
- July 10, 2018 - Water Company Acquisition Background Q&A
- July 10, 2018 - Water Company Acquisition Financial Update
- July 10, 2018 - Water Company Acquisition Financial Update Q&A
- July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model (without WRIM) (Excel File)
- July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model (without WRIM) (PDF)
- July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model (with WRIM through 2021) (Excel File)
- July 10, 2018, Aquarion vs. Town Ownership Cost-Comparison Model (with WRIM through 2021) (PDF)



2019-02-27 Advisory Water Company Sub Committee



2019-01-23 Water Company Acquisition Study Committee



# We Can Do Better

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- **Manage the business with greater transparency**
- **Fix the mains faster than Aquarion**
- **Reduce the amount and frequency of rate increases**
- **Improve coordination with Town Departments**
- **Ratepayers are first, and only, priority**

“...the town has introduced electric lighting for the benefit of its citizens, and neither to make money at their expense nor to furnish light at less than cost ...”



-Hingham Municipal Light Board,  
1895.

**We are happy to answer your questions**