

HUDSON BOARD OF SELECTMEN

Minutes of the November 18, 1997 Meeting

Public Hearing and Informational Meeting on Water Company Issue

Selectmen Present: E. Lorraine Madison, Rhona Charbonneau, Shawn N. Jasper, Ann Seabury & Terry Stewart

Staff/Others Present: Paul D. Sharon, Town Administrator; Priscilla Boisvert, Executive Assistant/Recorder; Steve Malizia, Finance Director; Attorney John Ratigan; Skip SanSoucy, Engineering Consultant; Phil Munck, Engineering consultant; Moe Aurel, President, and Steve Densberger of Pennichuck Water Works; Ken Cantara, Sound Technician; Cable Committee Chairman Coleman Kelly and Steve Boucher, Michael O'Keefe, John Beike and two Alvirne students; Kate Murphy, Leader; Signe, TEL; Tim, SUN; Fidele, HLN

Chairman Madison stated that the Public Hearing was being held to satisfy statutory requirements, pursuant to NH RSA 33:8-A, on the proposal to issue a municipal bond in excess of \$100,000. The acquisition was found to be in the public interest by the NH PUC. After the hearing, an informational meeting was held, including a presentation by the consultant and, followed by a question and answer period.

Chairman Madison opened the Public Hearing at 7:30 p.m. for comments on the purchase of the bond to buy the water company.

Ken Massey, 20 Fairway Drive, asked how they could understand what the bond was about if they didn't understand what it was going to be for. He thought it would be explained tonight what the Town was going to be purchasing with the bond. Chairman Madison said the Public Hearing was only for the bond; it did not pertain to the purchase of the water company. Mr. Massey said the Town was going to be holding a Special Town Meeting, at which time the voters would be asked to approve the bond, and he wants to know how to vote--to know what they are purchasing, why, and the financial advantages to the Town of doing so. Selectman Jasper said the issue was whether or not they wanted to bond this purchase, take it out of the tax rate, or pay for it by some other method. Holding a bond hearing is a technicality, about the financial mechanism, not about the details of the deal. Mr. Massey asked if the purpose of the hearing was only to fulfill a requirement. Selectman Jasper said probably; they must satisfy a statutory requirement to hold a bond hearing. Hopefully, the informational session, following the Public Hearing, will give sufficient explanation for voters to make an educated decision on whether or not to vote for the bond on January 13.

Chairman Madison recognized Attorney Ratigan, who gave a brief explanation about the bond. He said RSA 33 is the statutory chapter that addresses general obligation bonds and the Municipal Finance Act. RSA 33:8 requires that a Public Hearing be conducted in every instance in which a municipality seeks to issue a bond in excess of \$100,000. In this instance, the Board of Selectmen is proposing to purchase water company assets that are owned by Consumers Water Company for \$24.5 million. Simultaneous to the acquisition, there is a purchase and sales agreement to sell a good portion of those assets, most of which lie outside of Hudson's borders to Pennichuck Corporation for approximately \$7.5 million. There are also some costs the Town has incurred and will continue to incur in conjunction with this acquisition, such as legal and engineering consultant costs. The Town will likely retain a financial advisor to advise on how to get the best terms on a bond issuance and sale and there will be costs of retaining bond counsel, which is a special attorney that advises municipalities on the issuance of bonds and insures that the financial bond buying public will be receptive to this bond sale. Those costs will be added onto the bond purchase price. The bond price will probably be in the range of \$27.5 to \$28 million. The exact number won't be known until the bond sells.

There being no further comments, Chairman Madison closed the bond hearing at 7:40 p.m. and opened the informational meeting, asking that questions and comments go through the Chair, adding that everything will be responded to, regardless of how long it takes. She turned the meeting over to Engineering Consultant, George "Skip" SanSoucy who, along with Phil Munck who was operating an overhead projector, proceeded with the presentation. (See attached handout.)

John Bednar, 106 Ferry Street, asked who will run the system. Mr. SanSoucy said the system would be owned by the Town, run by the Board of Selectmen. Mr. Bednar asked what controls the water users would have in the rate-setting process. Mr. SanSoucy said the Selectmen will be preparing a tariff, which outlines how the system will be operated and the various charges that will develop the rates that produce the 10% savings. It will also spell out what a developer has to build, etc. That tariff, or water users' ordinance, will be brought before the voters, as part of the overall vote regarding the water system. Nearly all communities who operate a water system have a set of tariffs that spell out everything, including the rates. The Selectmen develop, propose and administer the tariffs. Mr. Bednar said the voters are the water users and the non-water users. Mr. SanSoucy said the voters are taxpayers who pay fire protection charges, so they are water users, but they may not be water consumers who drink the water at their house. Chairman Madison said all of the schools and Town buildings are on Town water, so there would be a tremendous savings to the Town, and the taxpayer.

Mr. Bednar clarified that both the water users and non-water users determine what the tariff shall be. He asked if that was passed by the Selectmen or Town Meeting. Attorney Ratigan said Selectmen. Selectman Jasper said the water budget will go before the voters, just as the sewer budget does. Concerning the issue of non-water users voting, he reminded everyone that the current hydrant rental charges make up 20% of the budget, so that everyone is greatly impacted by this. In addition, the Town pays all of the water bills associated with the Fire Department, municipal buildings and the schools. Therefore, everyone needs to have a part in this. Through the ability to vote at the polls, the voter has a much greater control over the policies of the Board of Selectmen than they will ever have over Consumers NH Water Company.

Mr. Bednar questioned Selectman Jasper's 20% figure, if the fire protection charge is \$703,000. Selectman Jasper said 20% of the water utility budget is paid through water access charges by the Town of Hudson. Mr. Bednar asked what that was on the tax rate. Selectman Jasper said a little under 70¢. Mr. Bednar said there would be a slight shift. Selectman Jasper said the \$700,000 is an artificial number that was arrived at in order to keep down the water costs for the consumers; it is by no means the cost of providing hydrants. Mr. Bednar agreed, saying he appeared before the PUC on that and that was one way to relieve the burden on the water users.

Mr. Bednar asked how this purchase will affect people who have water lines passing their homes. Selectman Jasper said if a person has a sewer main running by their house, State law mandates that they be connected to the system. That is not the case with the water company. The water system is paid for by those who use it. It has nothing to do with the square footage of the lot. It is entirely based on the gallons used. Mr. Bednar said a person digging a well does not have to be a water user. Selectman Jasper said yes, residents are not currently required to hook up to the water system. The Board of Selectmen has gotten involved with the acquisition of the water company because they felt the rates that were being charged were intolerable and the only entity that could alleviate the problem was the Town of Hudson. That's why they are doing this. They felt the people were being over-burdened by a company that had made severe mistakes. The Selectmen are doing the best they can to rectify that. They are not out to create another government agency that goes out and orders people to connect. Mr. Bednar said people who are not on the water system escape all charges of the tariff.

Chairman Madison said that was true, but it is very costly to have a well dug, too. No one will avoid water charges just by having a well. Selectman Jasper said if someone was opposed to this because they think it is unfair that those who have water doing by their house won't have to pay for it, he reminded them that this is the only proposal. If this fails, it will still be the only game in Town. Rates will continue to go up. There will not be a rate reduction. The Selectmen were doing this to provide rate relief, not to try to create new rules and mandates. Non-water users currently pay 20% of the cost of the water company. He didn't see how anyone could feel that paying more than that is in any way equitable.

Mr. Bednar said there was an article in the Telegraph this morning that quoted an executive of Pennichuck as saying, "We got a good deal; the cost of that franchise is double." He asked who was kidding whom. Mr. SanSoucy said the book value of the system outside of Hudson is \$15.5 million and it's being sold for \$7.5 million. That is the reason why Consumers continues to need additional rate increases year after year. The value of those assets is only \$7.5 million and that is what Pennichuck is buying. That portion of the book value of the debt is being wiped out, and that's how they make the deal work. The majority of the risk made by Consumers over the years has been outside of Hudson. Pennichuck is assuming that risk, not the Town of Hudson.

Mr. Bednar asked that a copy of the Consumers Financial Report be brought to the next informational meeting, that it would be helpful. He said he is an accountant and is in the dark, not knowing what really has transpired. Chairman Madison told Mr. Bednar that she received his request for information and it was available for him to pick up at Town Hall, with the exception of the management agreement with Pennichuck because it hasn't been completed yet.

Relative to the article in the Telegraph today, Selectman Jasper hoped that Mr. Aurel would have an opportunity to respond. The book value is \$15.5 million but Consumers was never able to earn anywhere that kind of return on that value. That's what they paid for and that's why Hudson has been subsidizing the rest of Consumers' customers to the tune of about \$1 million a year. It only has a value of \$15.5 million because they paid it and Consumers was able to take the money out of Hudson. The Town negotiated hard with Pennichuck and they feel confident the real earning potential on the rest of the assets is only based on a value of \$7.5 million. The Town would have liked to have gotten more, but there weren't any other takers out there and Pennichuck didn't feel that value was any higher than that. He said the comment in the paper was not attributed to anyone, and it was not accurate. The Town is not giving away \$8 million in assets; the Town is getting the best deal possible.

(Start Tape 2, side A)

Joe Wozniak, 7 Sycamore Street asked if a draft tariff/water utility ordinance, has been prepared and if it would be available at the Special Town Meeting. He hoped the ordinance would address the intent, authority, water rents, water capital assessments, hook-up fees, fund account, billing, collection, rate-setting policies and procedures, and all the other types of things needed to run a water utility that the citizens need to know about. Attorney Ratigan said they don't need to present a water utility ordinance at Town Meeting for it to be authorized by law, just as the Sewer Ordinance can be amended without going to Town Meeting. The Board of Selectmen, within their powers to run the Town, can adopt that type of ordinance. However, it will be prepared and presented prior to the Special Town Meeting.

Mr. Wozniak said one of the satellite facilities Pennichuck is buying is Pelham and asked how they would be serviced with water. Attorney Ratigan said Pelham is served by water that comes from Litchfield. The PUC has required that Hudson and Pennichuck enter into a water transmission agreement, where the Town not only sells water from the wells to Pennichuck, but they agree to allow the water to flow to Pelham. There will be an agreement with Hudson selling it to Pennichuck, transferring it through and on to Pelham. The agreement, the water transmission contract, goes into detail. Currently, Litchfield and Pelham use 200,000 gallons per day and that is out of 3.1 million available gallons from those wells. The contract with Pennichuck says that level can rise to 400,000. Once demand gets beyond 400,000 it is spelled out how that will be handled. The Town doesn't have an obligation to do anything above that. These issues have been addressed in the water transmission contract. The Town drafted a contract that the PUC looked at, and their concerns have been satisfactorily addressed.

Mr. Wozniak asked for an explanation of "in lieu of taxes." Attorney Ratigan said Consumers Water Company pays approximately \$400,000 per year in real estate taxes to the Town of Hudson--the pipes, the land, the pumping stations, the water towers, etc. The Town is tax-exempt, so when

they buy the water company, they won't be paying taxes to themselves--much like the schools and Town Hall. In order not to impact the tax rate, the Selectmen made a policy decision to build into the water tariff, the water rate they are going to charge users, a payment 'in lieu of taxes.' In the rate, there is going to be a sum of money collected in the tariff that will yield \$400,00 at the end of the year. There will not be an additional burden put on the taxpayers. The benefits of this transaction and rate decreases are going to flow to water users, whether they turn on their faucet at home, or whether it's the Town buying water.

Mr. Wozniak said the RSA's are explicit when it comes to 'in lieu of taxes,' in reference to municipal electric companies, but it does not specifically state that you can make an 'in lieu of' payment on water rates, adding that's what it's important to have the tariff/ordinance at the next meeting. He questioned how well this has been researched. Continuing, he said during the last five to eight years, there have been static pressure problems on the water main that goes down Lowell Road to Lockheed-Sanders, especially at peak volume times. The main line even broke this Spring. He wondered if the pressure at the south end has improved since the break and what methodology has been used to determine the condition of the utility infrastructure.

Mr. SanSoucy said there has been no change in the line that goes down to Lockheed, other than to repair the break. Over the past four years, they have inventoried every length of pipe in the Town of Hudson. They went into the offices of Consumers in Londonderry and went through the individual cards to get the ages when the pipes were built. The oldest pipe is in the center of Town and dates back to 1896. They can overlay that information onto a map. In addition, in the late 80's, Consumers prepared a hydrant flow analysis of the entire community, which provides for the flows in the different pipe line sections. From that flow analysis, they are able to determine what pipes have more degradation, less flow capacity than other pipes. With that, they depreciated those pipes more in the evaluation for the offer, as being pipes that will have to be replaced within 10-15 years. In the operating budget, there is money for the Town of Hudson to formally document and do the isolated hydrant testing and to begin to prepare long-term capital improvement plans over the next 2, 3 years. Relative to the line at the south end of Town, an important aspect of this transaction is that Hudson has certain rights under the Pennichuck contract. The initial conversations with Pennichuck has been to work on alleviating the pressure problems at the south end of Hudson. The average age of the pipes dates back to 1976-77 on an inch diameter size.

Mike Krebs, 26 Hazelwood Drive, asked about monies associated with hydrants. Selectman Jasper said the subsidy would be greater if the Town didn't buy the system. They have to work on the balance of what is fair and what they can accomplish in one year. The initial decrease is \$25,000. As they get into it and see how the numbers play out, it is their intent to lower the subsidy and, at the same time, lower rates for everyone. The schools are large users of water and through the 10% reduction they will see in costs, there will be a savings in the tax rate, as well.

Mr. Krebs asked what percentage of water usage is municipal. Mr. SanSoucy said they didn't have that information available, but they could get it. Chairman Madison said that the Board was going to be holding another informational meeting on December 2. Mr. Krebs thought it would be a good idea for people to know how much the Town is being charged for water. He asked the percentage of households in Hudson on Town water. Mr. SanSoucy said about 4,500 households, or 58% and nearly all commercial/industrial users. Relative to hydrants, he said Consumers currently bills the Town \$700,000 for hydrants. That will continue, but the Town will start to reduce that. Mr. Krebs asked what the profit margin was for Consumers in the most current fiscal year. Mr. SanSoucy said 2.7%.

Mr. Krebs asked how the Town can guarantee a 10% cut in the rate when Consumers is only making 2.7% profit. Mr. SanSoucy said the Town is going to change the operation through Pennichuck, for a lot less money. Consumers operates the water company but sends all of the billings to New Jersey and they pay \$400,000 in consulting fees to water companies in Ohio, New Jersey and Portland. And there is the issue of tax exempt money. Consumers has an average debt cost of about 10%. The Town would cut the interest rate on the debt in half. Consumers is allowed to take a tax depreciation on their expenses that the Town pays as a return. They were allowed to depreciate, based on the income tax rate, not the true physical rate, so the Town would be cutting out the depreciation on the tax basis, which is a significant expense that is being reduced by this sale. And Consumers pays a federal and state income tax on the earnings, which the Town wouldn't. If all of those things are added together, it translates to a significant reduction in total cash spent. Consumers is a private, for-profit corporation. Mr. Krebs asked if the Town is able to still guarantee a 10% reduction, even performing operations that need to continue, such as processing bills, and maintain a flat rate for 15 years. Mr. SanSoucy said the Town is assuring rate payers that the proposed tariff will guarantee a 10% rate reduction. The tariff will require that main line extensions in new developments be paid for by the developers so the Town doesn't acquire additional core debt on the water system above the reserves for replacements. There is no reason for the rates to go up because the surplus builds up faster than inflation and the reduction in the bond payments are faster than inflation and expenses.

Mr. Krebs didn't know of any corporation that can guarantee flat or reducing rates for 15 years, but he will take Mr. SanSoucy's word for it. Mr. SanSoucy said it has been accomplished in municipal water infrastructure projects to go long periods of time without rate increases. Pennichuck, a profit company, went about eight years without a rate increase. Other smaller water companies have gone 12-14 years without a rate increase. If you put good pipe in the ground, maintain and run it well, it will treat you well and you don't have to increase the rates. This is the same mechanism that is used in sewer bonds and sewer rates have gone from \$32 down to \$20 in the last 10 years. Chairman Madison said, relative to the 10% reduction and keeping the rate flat for 15 years, the Town will incur a surplus in that time, which they hope to use for pipe replacement and further rate reduction. As the surplus builds, the Town hopes to reduce the rates even more. Selectman Jasper said there is \$135,000 built in each year for unplanned maintenance. He said they are starting out with bond costs of \$2.4 million out of a total operating budget of \$3.5 million, so the percentage going to debt service is extraordinarily high. The actual operation and maintenance of the system is only about 20% of the total cost, so even with large volatility in inflation or other unknown costs, it has a very insignificant impact on the overall cost of operating the system. Even in a worse case scenario, it would not be difficult for the Town to hold the line in those 15 years and keep the 10% reduction in place.

Mr. Krebs said it sounds like the proposal basically says the Town will be undertaking in the first year and interest paying debt service, not principal and interest, but the interest alone on the bonds of \$1.4 million against a revenue of about \$3.5 million to buy the company so the residents and Town can take benefit of the ownership. Mr. SanSoucy said in the first year, there is a full bond payment also, and interest. Of the \$596,000 there is \$135,000 built in for unexpected capital maintenance (freeze ups, breaks, etc.) to the system and it's replenished each year, as necessary. In 10 years, if it wasn't spent, it would escalate to \$1.3 million. In addition to that, there is \$60,000 engineering items and the balance is the operating contract to Pennichuck to operate the system. Under debt expense, in the first four months of the balance of fiscal 98 is an interest expense on the bond anticipation note. (As he was speaking, he referred to the screen. See attached handout.)

(Start Tape 2, Second Side)

Ken Massey, 20 Fairway Drive commended the Board of Selectmen and their consultants. If you look at all of the brown lawns in Town during the summer, you realize people aren't watering their lawns. He asked if there was a well-understood plan in place so there is a smooth transition from Consumers to Pennichuck. Mr. SanSoucy said the P & S that has been approved by the PUC requires Consumers to maintain the system till the closing and transfer all the accounts, files, rolling stock, meter records, etc. with Pennichuck being the monitor to ensure that there is a very smooth transition without any interruption in service. Mr. Massey said too much preparation is not going to be enough. The western half of the United States is having a terrible problem with the recent acquisition of Southern Pacific by Union Pacific because they weren't prepared for taking over that line. As a result, there is chaos on the railroads out West. Transferring records from one company to another and expecting billing to take place smoothly is not going to be a simple task. He hoped there is a step by step game plan, with each step being checked along the way. They don't want to experience no money coming in because the billing system is messed up. Mr. SanSoucy agreed with him, saying they are sensitive to this situation. Attorney Ratigan said if the January 13 vote is in favor of the acquisition, there probably wouldn't be a transfer of ownership through a real estate closing until March or April, so there is a time period to allow for the transition. There has already been conversations with the appropriate personnel and talk about getting their billing records on disk and just do dry runs; maybe do a joint sewer bill for sewer and water users and plug in all types of variables. There is a 60-90 day period after the vote to plan to work out all of the details. Under State law, Consumers has an obligation to serve until the date of transfer occurs and then the operator, a very experienced company, will immediately pick up that obligation to serve.

Mr. Massey thought there should be a Water Utility Commission to actually run the system. He thought the Board of Selectmen had enough to do without have to try to run something as complex as a water utility business. Selectman Jasper said they have been unbelievably busy in the past month. This whole thing all came together in early October and they and their consultants have been straight out, so they haven't had a chance to put all those details together. It is their expectation that that will happen, as they learn how it works. It will take some time for them to figure out all the intricacies and just as the Board of Selectmen were sewer commissioners years ago, that's probably what will happen here.

Mr. Massey said, in reading the Telegraph and listening to the presentation tonight, his understanding was that the \$15 million investment by Consumers is actually worth only \$7.5 million. Attorney Ratigan said there is acknowledgment among public utilities staff members that there was not the scrutiny given to the purchase price of most of the satellite systems that Consumers picked up in the late 80's, or to a lot of the pipe extensions that they made, based upon optimistic scenarios of growth, in areas that are not heavily populated in their service area outside of Hudson. On the utility accounting books, the number is \$15.5 million, but in real life, it's not that.

Mr. Massey asked who was going to take the \$7.5 million write off, the difference between the \$15 million and \$7.5 million. Mr. SanSoucy said there is no write off. Consumers is getting the \$15.5 million out of the total purchase and Hudson is paying it, in order to get out of this mess once and for all. If there were to be a write off, they would not meet the PUC standard for no net harm. Attorney Ratigan said of the total \$34 million, Consumers is going to have a small capital gain. Mr. Massey asked how they know where the underground pipes are. Mr. SanSoucy said that over the years, they have gone into Consumers' records and into the street and drew them on a map. Mr. Massey asked if they had to dig the streets up, would they know exactly where all the pipes are. Mr. SanSoucy said 95% are well documented; 5% of the pipes would have to be found with a magnetic finder. Selectman Jasper said one of the Town's obligations is to try to see that employees from Consumers are hired by whomever took over the system. With underground pipes, etc., it's important to have people who know the system. Mr. Massey asked if the Town is considering a GIS system, especially in view of the underground water and sewer lines, as well as being able to map every lot in Town. Chairman Madison said they are getting it piecemeal.

Maurice Aurel, President, Pennichuck said they got in the act late, well after negotiations between the Town and Consumers. Mr. SanSoucy told them that, in order to put the deal together, that there be no harm to the customers outside of the Town of Hudson, they'd like Pennichuck to get involved. Overall, a proposal was put together that will be good for the Town of Hudson, as well as for the customers outside of Hudson. Hudson will own all of the assets that are within Hudson, plus the water contract that Consumers negotiated with Pennichuck a number of years ago, as well as owning the wells in Litchfield. Pennichuck will pick up about 27 community water systems, which is the real problem Consumers had--they made too much of an investment and, as a result, those rates were being subsidized by the residents of Hudson. Those systems are a real risk and they know some of the headaches that go along with running them, but it's an opportunity for Pennichuck to pick up 3,500 customers in addition to their present 21,000 and it gives them the opportunity to operate the system in Hudson. He thinks it's an excellent bid. An advantage they have is they don't have to create a new management structure, and theirs is a lean operation with only two layers of management. Those people will also manage the significant number of people brought on line from Consumers. They can operate the system in Hudson very efficiently for about half the price that Consumers is doing it, plus the fact that there is \$135,000 for unplanned maintenance. One of the first things they will do is put the system on CAD so they will know where everything is and if there is a pressure problem, they can make a change to improve that. If they make any change on the system in Nashua, the computer will tell them what the impact will be on the rest of the system. If they address

pressure issues, they can determine what the consequences will be. He thinks the transition will go well, which they will start planning the day after the Town vote, assuming that it is positive. They can't do much in terms of talking to the employees of Consumers because they have an agreement that they won't try to lure away any employees until this is over with. The Telegraph article talked a 20¢ per share dividend; they're hoping to earn 20¢ per share out of this because they have to return some of this to the shareholders. They have 750,000 shares, so it comes to \$150,000. It's not going to be a windfall, but their company has been around since 1852, and they think that this will be good for the owners of Pennichuck, the people of Nashua, Hudson and the surrounding towns. They will work hard to make this a win-win situation.

Selectman Jasper said the Telegraph article stated that Pennichuck would get franchise rights, which company executive said were worth \$15.5 million. He asked Mr. Aurel if the assets that the Town is proposing to sell to Pennichuck are worth \$15.5 million. Mr. Aurel said no, that they had a hard time getting up to \$7.5 million in their negotiations. If Hudson reduces their rates by 10%, they want to do the same thing, and also parallel the rate reduction, but it will depend on customer growth.

Fidele Bernasconi, 122 Bush Hill Road said a fine job has been done in putting this together and if the people don't approve this, they will have to live with what they have for a long time because there will never be another Board, foolish enough to go through the aggravation and expense just to get another no vote. If that happens, the other company will really squeeze--and all the money is going out of state.

Ed Stephenson, 11 McKinney Drive asked what the current tax assessment is for Consumers in Hudson. Mr. SanSoucy said it was in the order of \$18 million. Mr. Stephenson asked what the current draw on the water on the wells. Mr. SanSoucy said the wells are currently drawing an average of 1.2 million per day, or about 40%, with a capability of 3.1. Mr. Stephenson asked if Hudson has a bond rating. He was told yes, A-1. Mr. Stephenson asked where they would pay their water bills. He was told Town Hall.

John Bednar, 106 Ferry Street asked what the proportionate charge to the water users for liquidating the bond issue. For instance, if he pays \$25 a month, what is his bond charge. Mr. SanSoucy said it's going to be 2.3 million of 3.6 million, so it will be about 65% of the \$25 or about \$16. The first year is the worst year, and then it's going down. Mr. Bednar asked how the \$2 million is going to be distributed for the water users. He was told in the rate. Mr. SanSoucy said the rate has three components: the mortgage payment, the operating costs and (not discernable). Mr. Bednar asked what the rates for the water users are going to be, saying that information should be available at the next meeting. (Talking over each other.) Selectman Jasper said this wasn't going to be any different than the tax rate. All of the components of the Town budget are lumped together and divided on a per thousand assessment. With the water rate, they are taking all of the components of the expense of the water company and dividing it on a per gallon basis.

(Start Tape 3, Side A)

Mike Krebs, 26 Hazelwood Drive asked if the principal and interest on the bond will be paid by the water users. Chairman Madison confirmed that. Selectman Jasper said everyone pays indirectly through the hydrant charges and schools and municipal buildings that use water.

Joseph Wozniak, 7 Sycamore Street asked what would happen to the funds if a future Board decides not to be in the water utility business and sells to Pennichuck, and the Town realizes a \$5 million gain. Chairman Madison said it would go to the taxpayers of Hudson. The taxpayers of Hudson are buying the water company, not the water rate payers. Mr. Wozniak said that's an equity issue. The Board of Selectmen have chosen to put the entire purchase, including what would have been the taxes received on the present water company, on the backs of one half of the community, but they are allowing all of the community to vote on the issue. He said a water utility is of benefit to the entire community, not just to the water users. Therefore, he takes umbrage that a policy has been made to put the entire purchase on the backs of one half of the community and, at the same time, allow all of the community to enjoy the benefits of it. If the utility is sold in the future, it doesn't go back to the water users who paid for it, it goes back to the entire community. It's in the best interest of the community to buy it and, therefore, the buying of it should be paid for by the entire community.

Selectman Jasper said the Board respectfully disagrees with him. They have already seen his proposal that would raise the tax rate by about \$1 and would provide current water users with about a 40% reduction in the rates. He didn't think that was equitable. The only reason the Board of Selectmen has entered into this is to try to give rate relief to the 50% of people in Town who are currently on water. Regarding the hypothetical situation put forward by Mr. Wozniak, he didn't think the taxpayers would approve the sale. The Board elected not to go with a water district at this time because of the urgency of getting the deal done, time constraints and the uncertainty of things. Plus, if they were to create a water utility, it would require them to do revenue bonds, which are much more expensive because they are not general obligation bonds and the cost to the water users would be higher and the rate reductions they would be able to apply would be less. He didn't know what type of scheme Mr. Wozniak thought the Board was entering into. If Mr. Wozniak is satisfied with the rates provided by Consumers, he should vote against this, but the Board is trying to create some relief. However, there are obviously some people in Town who don't appreciate that.

Ken Massey, 20 Fairway Drive said everyone in Town benefits from this because all the fire hydrants are general protection for the entire Town, plus the schools and municipal buildings use water. They can't lost sight of the fact that the PUC has said the value of Consumers if \$34.5 million, which includes the entire system, not just Hudson. The cost of Hudson not running the other towns is \$7.5 million, which means the Town is only paying \$27 million. It's immaterial that, because of some accounting problems and because of the mismanagement of Consumers, they have a value on their books that the Town can't recover. If the Town purchases the water company, there will be a 10% reduction in water rates. If the Town stays with Consumers, they will certainly face significant increases in the rates. This deal, in it's totality, can achieve something that they never would get with Consumers.

Lenny Smith, 3 Leslie Street said he was worried about the 30% increase they would get in 2001 and perhaps another 30% increase after that. He said the Town should buy this and not quibble about the 10% reduction.

Gary Charbonneau, 17 Crestwood said he just bought a home in Hudson, but is not served by Town water. He asked if there were plans to run lines anywhere. Selectman Jasper said there aren't any plans for the Town to expand the system. If someone has a good well and a good system, it wouldn't benefit anyone to change.

Chairman Madison thanked everyone for coming and for their questions and comments, adding that there was going to be another informational meeting on December 2 at 7:30 at Lions Hall, the deliberative session of the Special Town Meeting is December 12 at Memorial School, starting at 7:30 p.m. and voting will be January 13, 1998 from 7:00 a.m. - 8:00 p.m. She also said there will be another meeting between the 12th of December and 13th of January.

The meeting was over at 9:35 p.m.

Recorded and Transcribed by Priscilla Boisvert

Executive Assistant to the Board of Selectmen

HUDSON BOARD OF SELECTMEN

E. Lorraine Madison, Chairman

Rhona Charbonneau

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