

**Town of Milford Clerk's Office
Amy E. Hennessy Neves, Town Clerk
52 Main Street, Room 12
Milford, MA 01757
(508) 634-2307**

Dear Town Meeting Member:

September 12, 2017

**A Special Town Meeting is scheduled for
Tuesday, September 26, 2017
At 7:30 p.m. in the Upper Town Hall.**

When you arrive, please go to your Precinct to introduce yourself and sign in with your Precinct Captain to ensure we have the appropriate attendance for the quorum.

Thank you for your attention to this matter.

Sincerely,

Amy E. Hennessy Neves



Milford
Massachusetts



Town Meeting Members:

The Finance Committee voted unanimously Wednesday, Sept. 13 to recommend the Town of Milford acquire the Milford Water Company (MWC). The Finance Committee has been involved in the deep analysis of this issue for some time. After the long investigative process, a clear and unanimous conclusion was reached that the acquisition of the MWC was the right decision for the residents of Milford.

With MWC currently pursuing a 30 percent rate increase, we anticipate the proposed rate structure for the acquired water company would be very similar.

That rate package would provide for significant capital improvements over the next decade, with modest increases to the rate to follow. These improvements are essential to both improve the quantity and quality of the water being delivered to the residents of Milford.

If the town acquires the MWC, it ultimately would have no lasting impact on the operational budget of the town. The Milford Water Department would operate fiscally independent of the town. The water department would collect the revenue from the sale of water as well as pay all expenses involved in the water delivery process. Simply said, whatever occurs within the Milford Water Department would not affect any other part of the town. The only exception to this would be the temporary use of town funds to finish the legal and professional consulting process and provide opening operational cash for the newly created department. These funds would then be paid back to the town from the water department on a schedule that would be established by the Milford Water Commissioners.

Milford water users, and not Milford taxpayers, will fund the water company purchase. The complete financing and operational costs will be built into water users' bills and not residential tax bills. This ensures that residents that use wells as their source of water will not be responsible for any of the acquisition and future operational expenses.

The Finance Committee recognizes the significant financial benefit of town ownership of the MWC. The acquisition will be funded through a 30-year bond and that will be paid for directly from the water rates. At the conclusion of 30 years, notwithstanding possible re-financing, the town would then fully own the water company and all its assets. Similarly to paying off a home mortgage, when this debt is paid off it would have a significant positive impact on the rates of the water users.

The committee also acknowledges the fact that the private MWC is a for-profit business and required to pay state and federal taxes. For that reason, any improvements, activities conducted, or tax expenses incurred by the MWC are then passed onto the current ratepayers with a profit margin added on to it. It is then fair to conclude that any needed improvements or activities associated with the operation of the town-owned Milford Water Department would be achieved at a lower cost to the water ratepayers.

The financial benefits of the acquisition are clear, but it is the ability to monitor, price and work on the quality of our water supply that is **priceless**. The water users of Milford and the town officials currently have no ability to control any of these important factors and we have seen the resultant negative impact on our families. The acquisition of the MWC would finally give these important powers to the water users of Milford so that we can control our most precious resource.

Chris Morin

Chris Morin
Chairman Milford Finance Committee



MILFORD BOARD OF SELECTMEN

Room 11, Town Hall, 52 Main St. (Route 16), Milford, Massachusetts 01757-2679
Phone 508-634-2303 Fax 508-634-2324

William E. Kingkade, Jr., Chairman
William D. Buckley
Michael K. Walsh

Richard A. Villani
Town Administrator

September 13, 2017

Town Meeting Members

Re: Special Town Meeting September 26, 2017 – Water Company Acquisition

Dear Town Meeting Member:

Enclosed with this letter, to be included with your Special Town Meeting packet, is an Executive Summary for the Final Report prepared by the Town's Financial Consultant, the Lincoln Group LLC outlining their findings and conclusions after completing their Financial and Business Due Diligence of the Milford Water Company.

The Board of Selectmen also wish to advise you that there is a page on the Town Website, www.milfordma.gov, specifically dedicated to providing additional reports and information regarding the Water Company.

Should you be unable to access the Town website, please feel free to contact me and I will provide you copies of any report or document contained on the website.

Very truly yours,

Richard A. Villani

Lincoln Group LLC



September 8, 2017

Milford Board of Selectman
Town Hall Room 11
52 Main Street (Route 16)
Milford, MA 01757-2679

Dear Board of Selectmen,

Please find herein our Final Report: Financial and Business Due Diligence of the Milford Water Company. We have concluded with this review that there is a compelling reason for the Town's acquisition of the Milford Water Company. It is based on our belief that the Town of Milford can ensure proper governance and management of the water company as it relates to the delivery of consistent quality and quantity of water to the consumer at a comparatively acceptable cost. In our opinion, there is sufficient evidence that the Town has demonstrated its ability to manage a similar enterprise successfully -- in the Town's Sewer Department -- in the past. Further, it has been demonstrated that there exists with the Board of Selectmen and among Town officials, a sincere intention and desire to manage the operation in a manner consistent with the long-term needs of the residents and commercial water users of Milford.

The focus of the work Lincoln Group completed for the Town consisted of an analysis of the proposed acquisition, including a review of the Russell Consulting Report and the affordability of the transaction from the Town's perspective. It was revealed that Milford Water Company was only marginally profitable. As a result, it has been limited by what it could afford to spend on capital improvements. A 2010 engineering study, commissioned by the company, presented a 15-year capital improvement plan; 95% of those suggested improvements have not been made, including important short-term upgrades for both water supply and quality. The Town of Milford, however, is in a strong position to double capital expenditures in the next three years to ensure remediation of these important short-term upgrades and deliver consistent long term investment in capital improvements based on its ability to increase rates on a yearly basis and improve customer service through direct public input.

Review of the Russell Consulting Report and an independent analysis of projected revenues and expenses reveals that the Town will require an additional \$12 million in capital improvements over the next 10 years. The Russell Report assumed that the Town would finance the \$63 million acquisition price through a bond and the incremental \$12 million in capital improvements through additional borrowing. Upon further review, the Lincoln Group determined that the ability of the Town to obtain the additional borrowing for \$12 million will likely be limited by certain financial criteria. As a result of evaluating multiple alternatives, the most appropriate answer is to fund the needed additional \$12 Million in capital improvements through a rate increase of up to 30% in 2018 (consistent with Milford Water Company's current requested increase) and subsequent average increases per year of 2-5%. These rate increases will enable the new enterprise to operate on a sound financial basis and provide the company with the ability to invest in sufficient capital improvements including the immediate need for both water supply and quality.

An analysis of publicly owned water companies in the Milford vicinity reveals the fact that Milford rates are average based on normal consumption patterns. Further, average yearly rate increases of publicly owned water companies in the Milford vicinity over the past 17 years have been 5%. As a result, these independent analyses reinforce the assertion that the anticipated rate increases under future Town ownership should keep rates within the boundaries of acceptable and normal limits going forward based on comparable rate analysis. The Town also has the ability to lower the existing cost structure by combining similar operations with the highway and sewer departments, which has the potential to reduce rates.

As a result of the due diligence work completed, there is a strong and valid argument for the acquisition of the Milford Water Company. There is a possibility that combining similar Town owned operations, which should reduce rates over time, can reduce costs. The Town will benefit from ownership in the long term when the debt is retired. In addition, there is a current risk that another private company could potentially acquire Milford Water Company, which would pass along the cost of debt to the consumer without any economic benefit. There are important and immediate needs to increase water supply and quality and longer term needs to consistently improve infrastructure that can be funded by the recommended rate increases proposed.

It has been our pleasure to work with you and your team on this project. We are further available to discuss this report at your convenience.

Sincerely,

Don Wallroth
Managing Partner

SPECIAL TOWN MEETING
September 26, 2017
Milford, Massachusetts

COMMONWEALTH OF MASSACHUSETTS

WORCESTER, SS:

To either Constable of the Town of Milford in said County,

GREETINGS:

In the name of the Commonwealth aforesaid, you are hereby required to notify and warn the Inhabitants of the Town of Milford, qualified by law to vote in Town Affairs, to meet in the Upper Hall of the Milford Town Hall, 52 Main Street, on the 26th day of September, 2017 A.D. at 7:30 P.M. and then and there to act upon the following articles:

ARTICLE 1: To see if the Town will vote, pursuant to Section 9 of Chapter 77 of the Acts of 1881, and any other law enabling, to authorize the purchase of the Milford Water Company for the price of \$63,000,000; and further that the Town vote to appropriate said \$63,000,000 and to determine how such sum shall be raised, whether from the current tax levy, by transfer from available funds, or by borrowing said sum pursuant to the provisions of G.L. c. 44, § 8, clause 3, or any other Act enabling, and further that the Town vote to authorize the Board of Selectmen to take any and all action, and execute such documents as are necessary to effectuate the purchase and the transfer of operations to the Town, or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 2: To see if the Town will vote to transfer a sum of money from available funds to be utilized for legal, engineering, and other expert consulting services necessary to effectuate the final transfer of the Milford Water Company and its assets to the Town of Milford, or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 3: To see if the Town will vote, pursuant to G.L. c. 40, § 39A, to establish a water supply and water distribution system, and maintain and operate the same, or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 4: To see if the Town will vote, pursuant to the provisions of G.L. c. 44, § 53F ½, to establish an Enterprise Fund for its water supply and distribution operations in compliance with, and in accordance with, the provisions of said Section 53F ½, or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 5: To see if the Town will vote to raise and appropriate, or transfer from available funds, a sum of money to be utilized by the Board of Water Commissioners, or the Board of Selectmen acting as the Board of Water Commissioners, and as part of the Enterprise Fund authorized by the Town Meeting under this Warrant, in order to ensure the continued financial viability of the water supply system during the transition between the Milford Water Company and ownership and operations by the Town of Milford; said sum to be repaid through the Enterprise Fund authorized above upon terms as may be agreed upon, after establishment of a Board of Water Commissioners, between the Board of Selectmen and such Board of Water Commissioners, or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 6: To see if the Town will vote to authorize the Board of Selectmen to petition the legislature for Special Legislation to authorize the Town to borrow funds for a period of 40 years for purposes of establishing a water system and acquiring the Milford Water Company, and its assets, which legislation would provide substantially as follows:

Be it enacted, etc., as follows:

Section 1. Notwithstanding the provisions of any general or special law to the contrary, the Town of Milford, for the purpose of purchasing and establishing a system for supplying the Town and its inhabitants with water, may incur debt, in accordance with the provisions of G.L. c. 44, § 8, for a period not to exceed forty years.

Section 2 This Act shall take effect upon its passage.

or take any other action in relation thereto.

(Board of Selectmen)

ARTICLE 7: To see if the Town will vote to authorize the Board of Selectmen to petition the legislature for Special Legislation to provide that the Town of Milford may, upon acquisition of the Milford Water Company, dissolve the Milford Water Company and also provide for transfer of assets and related actions which legislation shall provide substantially as follows:

Be it enacted, etc., as follows:

Section 1. At such time as the Town of Milford, pursuant to Section 9 of Chapter 77 of the Acts of 1881, shall acquire all of the corporate property and all of the rights and privileges of the Milford Water Company, the Board of Selectmen of such town are hereby authorized to dissolve the company.

Section 2. Upon the transfer of all of the capital stock of the company to said town, the Board of Selectmen of said town are authorized to vote the shares of the stock of the company at all stock holder meetings and also upon the dissolution of the company to transfer any remaining assets, franchises, corporate property, rights and privileges to said town to be managed thereafter by a Board of Water Commissioners as authorized by applicable law.

Section 3. The land, water rights and other property acquired under Chapter 77 of the Acts of 1881, and all works, aqueducts, pipelines, buildings or other structures directly constructed thereunder shall, upon dissolution of the Company, be managed, improved and controlled by the Board of Water Commissioners of said town in accordance with applicable law, in such manner as they deem in the best interest of said town. Said town may furnish and sell water to other municipalities, which are hereby authorized to purchase water sold.

Section 4. The employees of the Milford Water Company, desiring to continue employment with the Town of Milford on the date of transfer of all of the property and assets of the Milford Water Company to the Town of Milford, may be transferred to the service of the Water Department of said Town and shall not be subject to provisions of G.L. c. 31.

Section 5. This act shall take effect upon its passage.

or take any other action in relation thereto.

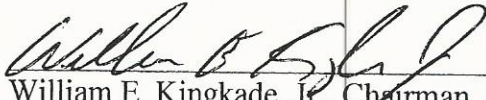
(Board of Selectmen)

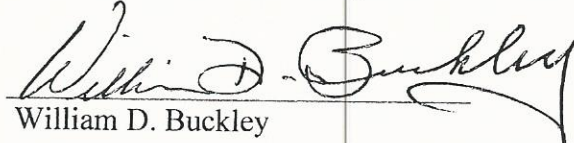
And you are hereby directed to serve this warrant by posting at least fourteen days before said meeting attested copies of this warrant in ten or more public places located in said Milford.

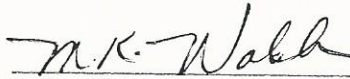
HEREOF, FAIL NOT, and make due return of this warrant with your doings thereon to the Clerk of said Town at the time of said meeting.

Given under our hands at Milford this 11th day of September, 2017


MILFORD BOARD OF SELECTMEN


William E. Kingkade, Jr., Chairman


William D. Buckley


Mike K. Walsh

A true copy attest:


Thomas J. O'Loughlin, Chief of Police

Commonwealth of Massachusetts
Worcester, SS.
Milford, MA
Date: September 12, 2017

Pursuant to the within warrant, I have notified the inhabitant of the Town of Milford to meet at the time and place for the purpose within mentioned, by posting attested copies of this warrant in ten or more public places in Milford.

Thomas O'Loughlin, Police Chief